	FRANCHISE DISCLOSURE DOCUMENT **VI BrandCo, LLC** **a Delaware limited liability company** **12701 Whitewater Drive, Suite 100** **Minnetonka, Minnesota 55343-4164** **(615) 256-8500** **www.villageinn.com** **www.facebook.com/villageinnrestaurants**

The franchise being offered is for a Village Inn restaurant. Village Inn is a sit-down family dining concept. It features a variety of menu items for all meal periods, but specializes in pancakes, omelets, skillets, eggs, and other popular breakfast items.

The total investment necessary to begin operation of a single Village Inn restaurant franchise is $1,099,000 to $2,745,000. This includes $40,000 that must be paid to the franchisor or affiliate.

The total investment necessary to begin operation of a two to five-unit Village Inn restaurant Development Agreement is $1,120,000 to $2,828,000. This includes between $21,000 and $83,000 that must be paid to the franchisor or an affiliate. If you obtain development rights to develop, open and operate more than one Village Inn Restaurant, pursuant to a development agreement, you must pay a development fee equal to the total of the initial franchise fee for the first location ($40,000) plus $20,000 for each additional Restaurant to be developed, but we will apply a credit to the entire initial franchise fee for the first Restaurant and $20,000 towards the initial franchise fee for the second and each additional Restaurant to be developed under the development agreement if you are then in compliance when you sign your franchise agreements.

This Disclosure Document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the Franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the Legal Department at 12701 Whitewater Drive, Suite 100, Minnetonka, Minnesota 55343-4164. The terms of your contract will govern your franchise relationship. Do not rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, D.C. 20580. You can also visit the FTC's home page at *www.ftc.gov* for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Date of Issuance: March 28, 2024

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit C.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit D includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Village Inn business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Village Inn franchisee?	Item 20 or Exhibit C list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit F.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **<u>Out-of-State Dispute Resolution</u>.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Minnesota. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Minnesota than in your own state.

2. **<u>Spousal Liability</u>**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

DISCLOSURES REQUIRED BY MICHIGAN LAW

To the extent the Michigan Franchise Investment Law, Mich. Comp. Laws §§445.1501 – 445.1546 applies, the terms of this Addendum apply.

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

If the franchisee has any questions regarding this notice, those questions should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Attn.: Franchise, 670 Law Building, Lansing, Michigan 48913, telephone: (517) 373-7117.

TABLE OF CONTENTS

ITEM 1
The Franchisor, and any Parents, Predecessors and Affiliates

To simplify the language in this Disclosure Document, "Village Inn", "Franchisor", "we", or "us" means VI BrandCo, LLC, the franchisor. "Franchisee" or "you" means the person or entity who obtains the franchise; it does not include the Franchisee's owners.

Village Inn, its Parent, Predecessors and its Affiliates

Village Inn

VI BrandCo, LLC is a Delaware limited liability company formed on August 17, 2020. Village Inn began franchising the Village Inn restaurant brand in September 2021. Its principal place of business is 12701 Whitewater Drive, Suite 100, Minnetonka, Minnesota 55343-4164.

Parents

Franchisor's direct parent is VI OpCo, LLC, a Delaware limited liability company formed on August 17, 2020 ("VI OpCo") which operates all company-affiliated Village Inn restaurants, and whose parent is Village Inn Holdings, LLC, a Delaware limited liability company formed on August 14, 2020 ("VI Holdings"), with both such entities having an address of 12701 Whitewater Drive, Suite 100, Minnetonka, Minnesota 55343-4164. In July 2021, BBQ Holdings, Inc. ("BBQ"), a Minnesota corporation, acquired Franchisor and its affiliated entities by purchasing all membership interests in VI Holdings. BBQ was formed in 2019 to serve as the parent company of Famous Dave of America, Inc., a franchisor of Famous Dave's® barbecue restaurants and other concepts, and it has never operated franchises in any line of business.

On or about September 27, 2022, BBQ merged with a wholly-owned U.S. subsidiary of MTY Food Group, Inc. ("MTY") having an address at 8210 Transcanada Road, Saint-Laurent, Québec H4S 1M5. BBQ's parent company became MTY Franchising USA, Inc. ("MTY USA"), originally known as The Extreme Pita Franchising USA, Inc., and having an address of 9311 E Via De Ventura, Scottsdale, AZ 85258. MTY USA's parent corporation is MTY Franchising Inc. ("MTY Canada"), a Canadian corporation and a wholly owned subsidiary of MTY, formerly known as MTY Tiki Ming Enterprises Inc., and having an address at 8210 Transcanada Road, Saint-Laurent, Québec H4S 1M5, Canada.

Predecessors

Until July 2021, Village Inn was a wholly owned subsidiary of its ultimate parent Cannae Holdings, Inc., a Delaware corporation ("Cannae"). The principal place of business of Cannae was 1701 Village Center Circle, Las Vegas, Nevada 89134. Cannae's controlling ownership interest in Village Inn was held through a series of upstream Delaware limited liability companies, particularly VI OpCo, VI Holdings, and VIBSQ Holdco, LLC and RG Group Holdco, LLC. None of these parties had material operations other than their ownership interests in Village Inn and its company-operated restaurants, Legendary Baking (see below), Bakers Square and other related subsidiaries.

Village Inn's prior predecessor is American Blue Ribbon Holdings, LLC, a Delaware limited liability company organized on December 23, 2008 ("ABRH"). ABRH purchased substantially all of the Village Inn restaurant chain assets of VICORP Restaurants, Inc. ("VICORP") on March 27, 2009. VICORP's address prior to its sale of assets to ABRH was 400 West 48th Avenue, Denver, Colorado 80216. VICORP used the trade names "Village Inn," "Bakers Square," "VICOM", and "J. Horner's," prior to the sale of its assets, and then ABRH and now we use these trade names in conducting business. On April 5, 2010, ABRH implemented the trade name "Legendary Baking" to replace the "VICOM" brand that formerly was used to identify the bakery division of ABRH. (Legendary Baking I, LLC, a Delaware limited liability company formed on August 17, 2020 ("Legendary"), is an affiliate of our predecessors and still offers and sells pies that franchisees are required to purchase, offer and sell in their Village Inn Restaurants.) VICORP first owned and operated Village Inn restaurants in 1959. VICORP granted its first Village Inn franchise on April 1, 1961 and offered and expanded the franchise since that time up to the sale of its assets to ABRH.

On January 27, 2020, ABRH filed for bankruptcy protection as part of a planned restructuring of company-owned or affiliated franchised Village Inn restaurants. See Items 3 and 4 for more information. Effective as of October 2, 2020, ABRH sold all of the Village Inn-related trademarks and existing development agreements and franchise agreements to us through bankruptcy confirmation proceedings described in Item 4 below and sold all of the company-operated Village Inn restaurants and related assets to our affiliate VI OpCo. ABRH franchised the Village Inn restaurant brand from March 2009 to August September 2020. The last known principal place of business of ABRH is 3038 Sidco Drive, Nashville, TN 37204.

Affiliates Under BBQ

Additional Affiliates Under MTY

MTY or one or more of its Canadian-based subsidiaries franchises over (55) different restaurant concepts and has over 2,500 units under the following trademarks in Canada primarily, and other international countries: Allo Mon Coco, Baton Rouge Steakhouse & Bar, Ben & Florentine, Big Smoke Burger, Bunsmaster, Café Depot, Casa Grecque, Country Style, Cultures, Dagwoods, Frat's Cucina, Extreme Pita, Giorgio, Jugo Juice, Kim Chi, Koryo, Koya, Kuto Comptoir A Tartares, La Boite Verte, La Crémière, La Diperie (and Cakes & Shakes by La Dip), Madisons, Manchu Wok, Toujours Mikes, mmmuffins, Mr. Souvlaki, Mr. Sub, Mucho Burrito, Muffin Plus, O'Burger, Pizza Delight, Scores, Senseasian, South St. Burger, Sukiyaki, Sushi Go, Sushiman, Sushi Shop, Thai Express, Thaïzone, The Works, Tiki Ming, Timothy's World Coffee, The COOP Wicked Chicken, Tosto, Turtle Jack's, Tutti Frutti, Valentine, Van Houtte, Vanellis, Vie & Nam, Villa Madina, Spice Brothers, Steak Frites, Wasabi Grill & Noodle and YUZU trademarks. MTY also sub-franchises two (2) other different restaurant concepts: TCBY and TacoTime. MTY is a publicly-traded company headquartered in Montreal, Québec, Canada.

Through common ownership by MTY, we have the following affiliates that also offer franchises: (1) MTY USA, a Tennessee corporation having an address of 9311 E. Via De Ventura, Scottsdale, Arizona 85258; (2) MTY Canada, a Canada corporation having an address at 8210, route Transcanadienne, Suite 200, Saint-Laurent, Québec, H4S 1M5, Canada; (3) Kahala

Franchising, LLC ("Kahala Franchising"), an Arizona limited liability company with its principal address at 9311 E. Via De Ventura, Scottsdale, Arizona 85258; (4) Imvescor Restaurant Group Inc. ("IRG") a Canada corporation having an address at 8210, route Transcanadienne, Suite 200, Saint-Laurent, Québec, H4S 1M5, Canada; (5) BF Acquisition Holdings, LLC ("BFAH"), a Delaware limited liability company with its principal address at 9311 E. Via De Ventura, Scottsdale, Arizona 85258, (6) La Salsa Franchise, LLC ("LAS"), a Delaware limited liability company with its principal address at 9311 E. Via De Ventura, Scottsdale, Arizona 85258, (7) Papa Murphy's International, LLC ("Papa Murphy's"), a Delaware limited liability company having an address at 8000 NE Parkway Drive, Suite 350, Vancouver, Washington 98662, (8) Famous Dave's of America, Inc., a Minnesota limited liability company having a principal address at 12701 Whitewater Drive, Suite 100, Minnetonka, Minnesota 55343-4164, (9) BQ Concepts, LLC, an Arizona limited liability company having a principal address at 12701 Whitewater Drive, Suite 100, Minnetonka, Minnesota 55343-4164; and (10) Wetzel's Pretzels, LLC ("WP, LLC"), a California limited liability company with its principal address at 35 Hugus Alley, Suite 300, Pasadena, California 91103. These affiliates franchise over 50 different concepts as further detailed herein.

The following chart summarizes the franchise brands offered by our U.S. affiliates as of November 30, 2023 (or the date following November 30, 2023 when MTY USA or its affiliate acquired the rights to such franchised brand), including the type of business, number of franchised units in operation as of November 30, 2023, and the date our affiliate (or its current or former affiliates) offered franchises in those brands:

Brand Name	Type of Restaurant Business	Number of Units as of November 30, 2023	Dates unit franchises began being offered by us or our affiliate
Blimpie	Restaurants serving submarine sandwiches and salads	106 franchised units (104 in the United States and 2 internationally) (plus 4 company-owned units in the United States)	From 2006 until 2010 by Kahala Franchise Corp. and since August 2010 under Kahala Franchising
Chicken Strips and Dips	Ghost kitchen concept serving primarily chicken tenders.	6 franchised unit	March 2022, Kahala Franchising.

Brand Name	Type of Restaurant Business	Number of Units as of November 30, 2023	Dates unit franchises began being offered by us or our affiliate
Cold Stone Creamery	Restaurants serving super-premium freshly made ice cream, frozen yogurt, cakes, pies, smoothies, shakes, and other frozen dessert products	1,348 franchised units (952 in the United States and 396 internationally)(plus 1 company-owned units). 100 Cold Stone Creamery franchises also sell Rocky Mountain Chocolate Factory® products and 1 Cold Stone Creamery franchise also sells Tim Hortons® products. Additionally, 15 licensed units.	From May 2007 until March 2008 by Cold Stone Creamery, Inc., from March 2008 until March 2010 by Kahala Franchise Corp., and since August 2010 under Kahala Franchising
Frullati Cafe & Bakery	Restaurants serving sandwiches, salads, smoothies and baked goods	10 franchised units	From 1999 until 2004 by Frullati Franchise Systems, Inc., from 2004 until March 2010 by Kahala Franchise Corp., and since August 2010 under Kahala Franchising
Great Steak	Restaurants serving Philadelphia cheesesteak sandwiches, chicken sandwiches and French fries	34 franchised units (25 in the United States and 9 internationally) .	From 2004 until March 2010 by Kahala Franchise Corp. and since August 2010 under Kahala Franchising
Johnnie's New York Pizzeria	Restaurants serving New York style pizza, calzones, salads, and related Italian cuisine menu items	2 franchised units	From 2006 until March 2010 by Kahala Franchise Corp. and since August 2010 under Kahala Franchising

Brand Name	Type of Restaurant Business	Number of Units as of November 30, 2023	Dates unit franchises began being offered by us or our affiliate
Kahala Coffee Traders	Restaurants serving coffee and espresso, tea, baked goods, parfaits, sandwiches and merchandise	5 franchised units. And 1 licensed unit.	November 2011 under Kahala Franchising
Maui Wowi	Store fronts or portable units serving fruit smoothies, Hawaiian coffee and espresso	97 franchised units (89 in the United States and 8 internationally)	Since November 2015 under Kahala Franchising
NrGize Lifestyle Cafe	Cafes serving smoothies, fruit drinks and nutritional supplements	57 franchised units	From 2006 until March 2010 by Kahala Franchise Corp. and since August 2010 under Kahala Franchising
Pinkberry	Restaurants serving frozen yogurt, yogurt drinks, smoothies and frozen desserts	63 franchised units. And 30 licensed units.	From July 2008 until April 2016 under Pinkberry Ventures, Inc. and since June 2016 under Kahala Franchising
Planet Smoothie	Restaurants serving smoothies, smoothie bowls, juices and nutritional supplements	163 franchised units (158 in the United States and 5 internationally) Additionally, as of fiscal year end there were 2 Tasti D-Lite outlets.	Since June 2016 under Kahala Franchising
Ranch One	Restaurants specializing in grilled and crispy breaded chicken sandwiches	2 franchised units	From 2001 until 2004 by Ranch *1 Group, Inc., from 2004 until March 2010 by Kahala Franchise Corp., and since August 2010 under Kahala Franchising

Brand Name	Type of Restaurant Business	Number of Units as of November 30, 2023	Dates unit franchises began being offered by us or our affiliate
Samurai Sam's Teriyaki Grill	Restaurants serving Japanese rice bowls and noodle bowls	12 franchised units	From 2003 until 2004 by SP Franchising, Inc., from 2004 until March 2010 by Kahala Franchise Corp., and since August 2010 under Kahala Franchising
Surf City Squeeze	Juice bars serving smoothies, fruit drinks and nutritional supplements	64 franchised units (plus 1 company-owned unit)	From 1994 until 2004 by Malibu Smoothie Franchise Corp. and Surf City Squeeze Franchise Corp., from 2004 until March 2010 by Kahala Franchise Corp., and since August 2010 under Kahala Franchising
TacoTime	Restaurants serving freshly-prepared Mexican food including burritos, taco, quesadillas and nachos	220 franchised units (99 franchised in the United States and 121 internationally) Additionally, there are 78 licensed units.	From 2003 until 2004 by Taco Time International, Inc., from 2004 until March 2010 by Kahala Franchise Corp., and since August 2010 under Kahala Franchising

Brand Name	Type of Restaurant Business	Number of Units as of November 30, 2023	Dates unit franchises began being offered by us or our affiliate
Extreme Pita	Restaurants serving wrap-style hot and cold pita and wrap sandwiches	1 franchised units	From March 2001 to July 2014: The Extreme Pita Franchising USA, Inc.; since July 2014: MTY USA
Grabbagreen	Restaurants serving healthy food, juice, smoothies and related products	4 franchised units	Since February 2018 under MTY USA
Ginger Sushi Boutique + Poke Shop	Restaurant serving a variety of sushi menu items and drinks	0 franchised units	From September 2015 under MTY USA
Mucho Burrito	Restaurants offering burritos, quesadillas, tacos, nachos, and other assorted food and drinks	1 franchised units	From January 2010 under Mucho Burrito Franchising USA, Inc.; from March 2019 under MTY USA
Thai Express	Restaurant serving "Thai-style" foods and drinks	9 franchised units (7 in the United States and 2 internationally) (plus 1 company-owned)	From February 2015 under MTY USA
La Diperie	Restaurant serving retail sale of an ice cream product and various dips and toppings	1 franchised unit	From April 2019 under MTY USA
Baja Fresh	Restaurant offering a limited menu featuring fresh high quality Mexican-style food products	69 franchised units (67 in the United States and 2 internationally) (plus 11 company-owned units)	October 2016 until July 2017 under Triune, LLC and since then under BFAH

Brand Name	Type of Restaurant Business	Number of Units as of November 30, 2023	Dates unit franchises began being offered by us or our affiliate
La Salsa	Restaurant offering a limited menu featuring fresh high quality Mexican-style food products	6 franchised units	October 2016 under La Salsa Franchise, LLC
The Counter	Full service restaurant featuring build-your-own burgers, signature burgers, side dishes, sandwiches, and salads	15 franchised units (14 in the United States and 1 internationally) (plus 2 company-owned units)	December 2017 under CB Franchise Systems, LLC. Then from March 2019 under MTY USA
Built Custom Burgers	Fast casual restaurant featuring build-your-own burgers, signature burgers, side dishes, sandwiches, and salads	6 franchised units (3 in the United States and 3 internationally)	December 2017 under Built Franchise Systems, LLC. Then from March 2019 under MTY USA
sweetFrog	Restaurant offering frozen yogurt using a self-serve delivery format	226 franchised units (216 in the United States which include 9 licensed franchisees plus 10 internationally)	September 2018 under MTY USA
Manchu WOK	Quick service restaurant serving fast and fresh Chinese cuisine	18 franchised units	March 2015: MTY USA
Ben & Florentine	Restaurant serving a superior breakfast & lunch experience	0 franchised units	From December 2018 under MTY USA

Brand Name	Type of Restaurant Business	Number of Units as of November 30, 2023	Dates unit franchises began being offered by us or our affiliate
Papa Murphy’s	Retail food outlet serving primarily take and bake pizza	1,154 franchised units (1,119 in the United States and 35 internationally) plus 8 company-owned units	From May 2019 Papa Murphy’s International LLC
Famous Dave’s	Authentic barbecue	88 franchised units (81 in the United States and 7 internationally) plus 35 company-owned units	From March 1994 under Famous Dave’s of America, Inc.
Village Inn	Restaurant specializing in pancakes, omelets, skillets, eggs, and other popular breakfast items.	91 franchised units plus 23 company-owned units	From August 2020 under VI BrandCo, LLC
Barrio Queen	Authentic Southern Mexican	7 company-owned units	From March 2023 under BQ Concepts, LLC
Champps Kitchen + Bar	sports theme restaurants that provide the public with high-quality food and beverage	2 franchised units plus 1 company-owned unit	From September 1999 to October 2008 under Champps Entertainment, Inc. and From August 2023 under BQ Concepts, LLC
Sauce Pizza / Wine	Restaurants serving wood-fired pizzas, a variety of pasta dishes, and salads	13 company-owned units	March 2024

Brand Name	Type of Restaurant Business	Number of Units as of November 30, 2023	Dates unit franchises began being offered by us or our affiliate
Wetzel's Pretzels	Restaurant specializing in hand-rolled fresh-baked soft pretzels	356 franchised units (346 in the United States and 10 internationally) plus 408 company-owned units	From April 1996 under Wetzel's Pretzels, LLC

Except as described above, neither we nor any of our affiliates have offered franchises in other lines of business, and Village Inn conducts no business other than as described in this Item 1.

The Franchise

The franchise being offered is the grant of a license to use Village Inn's system in conjunction with the operation of a Village Inn restaurant ("Restaurant" or "Village Inn Restaurant"). Village Inn is a sit-down family dining concept. It features a variety of menu items for all meal periods, but specializes in pancakes, omelets, skillets, eggs, and other popular breakfast items.

We offer franchise agreements ("Franchise Agreements") which grant the right to construct, own and operate one Restaurant. Our form of Franchise Agreement is attached to this Disclosure Document as Exhibit A. You must operate your Restaurant according to our business methods, designs, arrangements and standards for developing and operating Restaurants (the "System").

We also offer a development agreement (the "Development Agreement") which grants the right to enter into multiple Franchise Agreements to construct, own, and operate multiple Restaurants within a particular area (the "Growth Area"). Our form of Development Agreement is attached to this Disclosure Document as Exhibit B. You must enter into a separate Franchise Agreement for each Restaurant you establish under the terms of a development schedule attached to the Development Agreement (the "Development Schedule"). The number of Restaurants to be developed under each Development Agreement varies depending on factors such as the size, average income and population density of the Growth Area, which will be determined before you sign your Development Agreement. You must sign the form of Franchise Agreement attached as Exhibit A for the first Restaurant described in the Development Schedule when you sign the Development Agreement. You must sign the then-current form of Franchise Agreement for each additional Restaurant described in the Development Schedule. The then-current form of Franchise Agreement may be materially different than the original Franchise Agreement attached as Exhibit A.

Affiliates of Franchisor's may provide administrative, legal, IT and accounting services to Franchisor.

As a franchisee, you will compete directly or indirectly with all types of restaurants. The restaurant business is highly competitive and is affected by the competition in your area. You will compete with other dining establishments, some of which will be national chains, fast food establishments, and locally based restaurants offering similar menu items and may be owned by us or an affiliate of ours. You should make every effort to investigate the competition in your area.

The restaurant industry is heavily regulated in the United States. The Affordable Care Act of 2010 and regulations issued by the U.S. Food and Drug Administration require certain restaurants and other retail establishments to disclose to consumers, on the menu, certain nutritional information regarding menu items. Other laws have particular applicability to restaurants, including food safety, health and sanitation laws, liquor license laws, and liquor liability and dram shop laws. Some states and municipalities also might require specific licensure or training in sanitation and safety laws before permitting a restaurant to serve the public.

If you and we determine that your Restaurant will sell alcoholic beverages, you will be required to obtain a liquor license. The difficulty and cost of obtaining a liquor license, and the steps for securing the license, vary greatly from area to area. There is also wide variation in state and local laws and regulations that govern the sale of alcoholic beverages. In addition, state dram shop laws give rise to potential liability for injuries that are directly or indirectly related to the sale and consumption of alcohol.

To operate the Restaurant, you may also need to obtain a beer and wine license. State and local laws, regulations and ordinances vary significantly in the procedures, difficulty and cost associated with obtaining a license to sell beer and wine, the restrictions placed on the manner in which beer and wine may be sold, and the potential liability imposed by dram shop laws involving injuries, directly and indirectly, related to the sale of beer and wine, and its consumption. You will need to understand and comply with those laws in operating the Restaurant.

Many of the laws that apply to business generally, like the Americans with Disabilities Act, federal wage and hour laws, and the Occupation, Health and Safety Act, also apply to restaurants. Your development and operation of the Restaurant will also be subject to compliance with applicable zoning, land use and environmental regulations as well as federal and state minimum wage laws governing such matters as working conditions, overtime and tip credits and other employee matters. It is likely that a significant number of your Restaurant's food service and preparation personnel will be paid at rates related to the federal minimum wage and, accordingly, further increases in the federal, state or local minimum wage will affect your labor costs.

The federal Clean Air Act and various implementing state laws require certain state and local areas to meet national air quality standards that limit emissions of ozone, carbon monoxide and particulate matters, including emissions from commercial food preparation. Some areas have also adopted or are considering proposals that would regulate indoor air quality.

We recommend that you check with your state and local agencies to determine which laws apply to the operation of a Restaurant in your area. You should consider these laws and regulations when evaluating your purchase of a franchise.

ITEM 2
Business Experience

References to titles and positions for the persons listed in this Item 2 may be assigned to MTY, MTY Canada, MTY USA, or any one or more Franchisor affiliated companies.

Chairman of the Board and Chief Executive Officer: Eric Lefebvre

Mr. Lefebvre was promoted and became the Chief Executive Officer of MTY effective November 2018. Prior to that, Mr. Lefebvre was the Chief Financial Officer of MTY since June 2012, and was Vice President of Finance of MTY from November 2009 until June 2012.

Director, Chief Financial Officer: Renee St-Onge

Ms. St-Onge was promoted to Chief Financial Officer of MTY effective November 2018. Prior to that, Ms. St-Onge was with MTY as Controller since 2012.

Director, Chief Operating Officer of Kahala Brands: Jeff Smit

Mr. Smit has been the Chief Operating Officer of Kahala Brands since June 2009 and has been a Director of MTY USA since November 2018. Prior to that, Mr. Smit was the Blimpie Brand President from November 2007 until December 2010 and the Sr. Vice President of Operations for Cold Stone Creamery from February 2005 to December 2007.

Co-Chief Operating Officer: Al Hank

Al Hank began his career with Famous Dave's as an hourly team member in 2005. During 2020 and up to his election as COO, he served as FDA's Senior Vice President of Operations. During 2018 to 2019, he served FDA in various management roles including Senior Director Strategy and Development, Senior Director of Operations and Franchise Business Consultant. From 2015 to 2017, Mr. Hank served FDA as an Area Director. Prior to that starting in 2012, he served as a General Manager of FDA's Westbury, New York location.

Co-Chief Operating Officer: Adam Lehr

Mr. Lehr has been Famous Dave's Co-Chief Operating Officer since October 2022 and prior to that was the Senior Vice President of Operations over both corporate and franchise restaurants since January 2020. Since joining Famous Dave's in 2018 he was also involved with the franchise operations as both the Director of Operations and as an FBC.

Chief Legal Officer: Jenny Moody

Ms. Moody has been with the Kahala Brands' Legal department since June 2010. In August 2012 she was named Corporate Counsel, in September 2013 International Counsel, in September 2016 Deputy General Counsel, and in November 2019 General Counsel. In August 2023, Ms. Moody assumed her current role.

Franchise Sales

Vice President of Business Development – USA: Ramin (Ray) Zandi

Mr. Zandi is the Vice President of Business Development – USA, a position he has held since February 2009.

Senior Vice President of Development: John Wuycheck

Mr. Wuycheck has served as Kahala Brands' Senior Vice President of Development since September 2014.

Vice President of Franchise Development: Jay Goldstein

Mr. Goldstein has held his current role since May of 2009. Prior to this, he served as Senior Director of Operations, then Senior Director of Development for Kahala Franchising and has worked with the Cold Stone Creamery brand since October 2005.

Director of Franchise Development: Doug Merenda

Mr. Merenda joined Kahala Brands' sales team in October 2015 as a Director of Franchise Development and was a franchise broker for Kahala Brands from April 2015 through October 2015.

Franchise Development Manager: Traci Zandi

Ms. Zandi has assisted our Development team in awarding franchise units since October 2016. She also served as Office Manager and Executive Assistant for Extreme Pita from April 2011 until October 2016.

Vice President of Franchise Development: Peter Tsafoulias

Mr. Tsafoulias is the Vice President of Franchise Development, a position he has held since March of 2018. Prior to that, he served as the Director of Franchising of IRG from January 2008 until March 2018.

Senior Director of Franchise Sales: Shemar Pucel

Shemar Pucel joined the company in November 2020 as Director of Franchise Sales and was promoted to Senior Director of Franchise Sales in February 2022. From October 2018 to August 2020, Ms. Pucel was a Director of Development for sweetFrog Premium Frozen Yogurt & Samurai Sam's. From October 2015 to October 2018, Ms. Pucel was with SFF, LLC (formerly SweetFrog Enterprises, LLC) where she first served as Manager of Franchise Marketing and Development and was promoted to Director of Franchise Marketing and Development in August 2016.

Jon Fischer: Head of Development – Wetzel's Pretzels

Jon Fischer serves as Head of Development - Wetzel's Pretzels as of March 2023. Previously, Mr. Fischer served as our Chief Development Officer from October 2019. Previous to that, Mr. Fischer held a variety of Vice-President positions, including in real estate and development, at Papa Murphy's International from August 2014 to October 2019.

Adam Lueras: Sr. Director of Franchise Sales

Adam Lueras became the Director of Franchise Sales for Wetzel's Pretzels effective March 2020 and was promoted to Sr. Director of Franchise Sales in February 2023. Mr. Lueras previously served as a Franchise Development Director with Jackson Hewitt Tax Service in Jersey City, New Jersey from March 2019 through November 2019. Prior to that Mr. Lueras served as a Franchise Development Director with Wyndham Hotel Group in Parsippany, New Jersey from March 2016 through July 2018. Prior to that, Mr. Lueras served as a National Sales Manager with Avalara Software in Seattle, Washington from February 2014 through March 2016.

Ross Duggal: Director of Franchise Sales – Non-Traditional

Ross Duggal became the Director of Franchise Sales – Non-Traditional for Wetzel's Pretzels effective July 2022. Mr. Duggal previously served as the Senior Director of Business Development for OLM Foods located in Sioux Falls, SD from June 2020 through July 2022. Prior to that, Mr. Duggal served as the Director of Business Development for Chester's International in Birmingham, AL from March 2015 through May 2020.

Diana Krankl: Franchise Sales Manager

Diana Krankl became the Franchise Sales Manager for Wetzel's Pretzels effective September 2021. Ms. Krankl previously owned and operated D's Superblends, a food truck business in Los Angeles, California from July 2016 through March 2020, where Ms. Krankl's responsibilities included training, customer service, human resources, quality control, event booking, maintaining and strengthening partner relationships, marketing, bookkeeping, inventory management, design development as well as menu and recipe development.

ITEM 3
Litigation

LITIGATION INVOLVING FRANCHISOR, PREDECESSORS, AND AFFILIATES

Concluded Arbitration and Litigation Involving The Extreme Pita Franchising USA, Inc. predecessor in interest to MTY Franchising USA, Inc.

Purav Enterprises, LLC, Balwant Bahia, and Paramjit Samra v. The Extreme Pita Franchising USA, Inc., EP Development, Inc., and Feisal Ramjee (Superior Court of the State of Washington for King County, Case No. 15-2-15120-7)

On June 22, 2015, Purav Enterprises, LLC, Balwant Bahia, and Paramjit Samra (collectively "Plaintiffs"), filed a complaint against The Extreme Pita Franchising USA, Inc., EP Development, Inc. and Feisal Ramjee (collectively "Defendants"). Plaintiffs alleged (i) violations under the Franchise Investment Protection Act in the State of Washington ("FIPA"); (ii) misrepresentation by the Area Developer of the financial performance of the franchise, omissions of mandatory and material information and inherently misleading information that were material factors in the Plaintiff's purchase of the franchise; and (iii) the Area Developer was not a registered broker in the State of Washington. Plaintiffs sought: (i) rescission of the franchise agreement, the corresponding personal guarantee and related agreements; (ii) treble damages under FIPA; and (iii) costs and attorney's fees. The parties entered into a settlement agreement on March 11, 2016, in which Defendants paid Plaintiffs the sum of $20,000. The matter was dismissed on March 16, 2016.

Concluded Arbitration and Litigation Involving Kahala Franchising, L.L.C.

KOHO, Inc. v. Kahala Franchising, L.L.C.; Superior Court of the State of California for the County of Los Angeles; Case No.: BC572565.

On or about February 17, 2015, Koho, Inc. ("Koho") filed a Complaint against Kahala Franchising, L.L.C. ("Kahala") alleging: (i) breach of contract; (ii) unjust enrichment; and (iii) declaratory relief. Koho sought: (i) no less than $540,000 in special and general damages; (ii) litigation costs; (iii) prejudgment interest; (iv) reasonable attorney's fees; and (v) declaratory relief. On or about May 5, 2015, Kahala filed a Cross-Complaint against Koho; Heeyong Kyle Chung; and Hannah Kim; alleging: (i) breach of contract; (ii) unjust enrichment; (iii) disgorgement and restitution; (iv) fraud-deceit and concealment; (v) negligent misrepresentation; (vi) conversion; (vii) negligence; and (viii) declaratory relief. Kahala sought: (i) breach of contract damages in amount according to proof; (ii) disgorgement and restitution on Unjust Enrichment cause of action; (iii) judicial determination that Kahala is permitted and entitled to set off amounts owed to it by Koho with funds in its possession which would otherwise have been due Koho; (iv) costs; (v) attorneys' fees; (vi) punitive damages; and (vii) prejudgment interest; (viii) any other relief the Court deems just and proper. On or about June 15, 2015, Koho filed a Notice of Hearing on Demurrer and Demurrer to Kahala's Cross-Complaint; Memorandum of Points and Authorities; Declaration of Daniel D. Hoffman and Exhibits in Support Thereof. Koho filed its Notice of Motion and Motion to Strike Certain Portions of Kahala's Cross Complaint; Memorandum of Points and Authorities on June 17, 2015. On October 16, 2015, the Court overruled Koho's Demurrer to Kahala's Cross Complaint in its entirety and denied their motion to strike Kahala's punitive damages claims; the Court sustained the Demurrer as to Hannah Kim. Mediation was held on May 3, 2016, which failed to yield a settlement between the two parties. On May 5, 2016, Kahala dismissed the claims against Koho and Kyle Chung because they satisfied the debts owed to Kahala, and, therefore, the claims were moot. Hannah Kim was subsequently awarded attorney's fees on June 15, 2016, in the amount of $10,233. A bench trial commenced on June 15, 2016, and ended on June 16, 2016. Upon the conclusion of Koho's case, Kahala presented its case–in-chief and moved for judgment pursuant to Code of Civil Procedure section 631.8. The Court granted Kahala's Judgment as Koho failed to establish the requisite elements of "breach" and "damages" on the three causes of action asserted in the Complaint. On July 18, 2016, the Court awarded Kahala attorneys' fees in the amount of $205,000. On September 22, 2016, Koho filed a Notice of Filing of Notice of Appeal and requested that Kahala participate in a mediation to resolve the outstanding award to Kahala.

Koho failed to post an appeal bond. On February 13, 2017, Kahala commenced its self-help pursuant to Section 8(i) and (j) of the ARA and began withholding 100% of the Area Representative fees to which Koho would have otherwise been entitled. On June 19, 2017, the parties entered into a settlement agreement whereby Kahala repurchased Koho's Area Developer territory for the sum of $75,000 and forgave the remaining damages owed in the amount of $130,000.

<u>*Texas Nrgize #1, Inc. v. Kahala Franchising, L.L.C.. and Kahala Holdings, L.L.C.*; 67th Judicial District Court, Tarrant County, Texas; Civil Action No.: 067-272652-14 subsequently removed to United States District Court for the Northern District of Texas; Case No.: 4:14-cv-544-Y.</u>

On or about June 18, 2014, Texas Nrgize #1, Inc., an Nrgize franchisee ("Plaintiff"), filed a Petition and Request for Disclosure against Kahala Franchise Corp and Kahala Holdings, L.L.C. (collectively "Defendants") alleging (i) violations of the Texas Business Opportunities Act, Tex. Bus. & Comm. Code §§ 51.001 and the Texas Deceptive Trade Practices Consumer Protection Act, Tex. Bus. & Comm. Code §17.46, and (ii) Breach of Contract and Warranties. Plaintiff sought: (i) economic damages in excess of $200,000, plus treble damages and pre- and post-judgment interest at the maximum rates allowed by law; (ii) attorneys' fees and costs; and (iii) such other relief to which the Plaintiff may be justly entitled. On July 16, 2014, Defendants filed a Notice of Removal to the United States District Court for the Northern District of Texas. On July 24, 2014, the judge executed the Order Granting the Unopposed Motion to Substitute Parties and Changing Case Style. Kahala Franchising, L.L.C. ("Defendant") was substituted in as a defendant instead of Kahala Franchise Corp. On July 28, 2014, Defendant filed a Motion to Transfer Pursuant to 28 U.S.C. §1404(A) and Brief in Support. This motion sought an order to transfer the litigation to the United States District Court for the District of Arizona pursuant to the parties' forum selection clause contained in the franchise agreement. On August 1, 2014, Defendant filed its Answer, Counterclaim and Third Party Claim. The Counterclaim was against Plaintiff and the Third Party Claim was filed against Duane W. Martin, Argentina Saldivar, and Margena Wood ("Third Party Defendants"). Defendant alleged: (i) Breach of Franchise Agreement against Plaintiff, and (ii) Breach of Guaranty against Third Party Defendants. Defendant sought: (i) judgment against Plaintiff and the Third Party Defendants in an amount to be proven at trial; (ii) attorneys' fees; (iii) costs pursuant to A.R.S. §§12-341 and 12-341.01 and the parties' contractual agreements; and (iv) any other relief the Court deemed fit. Plaintiff filed its Response to Defendant's Motion to Transfer Pursuant to 28 U.S. C. §1404 (A) and Brief in Support on August 18, 2014, then filed its Answer to Defendant's Counterclaim on August 22, 2014. On August 28, 2014, Defendant filed its Reply in Support of Motion to Transfer Pursuant to 28 U.S. C. § 1404(A) and Brief in Support. On September 24, 2014, the United States District Court for the Northern District of Texas Court requested that each party submit a supplemental brief to benefit the Court in resolving the Defendant's Motion to Transfer. Mediation was held on September 29, 2014, but the parties failed to come to an agreement. On October 17, 2014, Third Party Defendants filed their Answer and Counterclaim. Third Party Defendants alleged: (i) violations of the Texas Business Opportunities Act, Tex. Bus. & Comm. Code §§ 51.001 and the Texas Deceptive Trade Practices Consumer Protection Act, Tex. Bus. & Comm. Code §17.46, and (ii) breach of contract and warranties. Third Party Defendants sought: (i) economic damages in excess of $200,000, plus treble damages under the Code and pre- and-post judgment interest at the maximum rates allowed by law; (ii) attorney's fees; (iii) costs; and (iv) any other general or special relief that the Court deemed fit. On October 24, 2014, Defendant filed its Supplemental Briefing In Support of Its Motion to Transfer Pursuant to 28 U.S.C. §1404(A). On November 10, 2014, Defendant filed its Answer to the Third Party Counterclaims. On November 13, 2014, Defendant filed its Notice of Dismissal Without Prejudice as to Third Party Defendant Argentina Saldivar only. On November 14, 2014, Plaintiff filed its Response to Defendant's Supplemental Briefing In Support of Their Motion to Transfer Pursuant to 28 U.S.C. §1404(A). On November 26, 2014, Defendant filed its Reply to Plaintiff's Response to Defendant's Supplemental Briefing in Support of Its Motion to Transfer Pursuant to 28 U.S.C. §1404(A). On February 24, 2015, the Court granted Defendant's Motion to Transfer the case to the United States District Court of the District of Arizona; Phoenix Division; Case No.: CV15-0337 PHX DGC. In April 2015, Plaintiff moved to compel arbitration which was ultimately denied by the Court. The parties participated in a mediation in August 2015, which was unsuccessful. In December 2015, the parties executed a settlement agreement in which Defendant paid Plaintiff the sum of $35,000. The parties filed a Stipulation to Dismiss With Prejudice on December 18, 2015.**Concluded Arbitration and Litigation Involving Cold Stone Creamery, Inc.**

Kenneth J. Kirwin v. Cold Stone Creamery/Kahala Corp; Commonwealth of Massachusetts Plymouth Superior Court, Civil Action No. 13-01126A subsequently removed to the United States District Court of Massachusetts; Case No.: 1:14-cv-11691.

On or about October 21, 2013, Kenneth J. Kirwin ("Plaintiff") filed a Complaint In Equity and Demand For Jury Trial against Kahala Corp, inadvertently named as Cold Stone Creamery/Kahala Corp ("Defendant"). The Complaint alleged: (i) promissory estoppel; breach of contract; breach of implied covenant of good faith and fair dealing; (ii) misrepresentation; fraud and deceit violation of M.G.L. Chap. 93A, §11; (iii) unjust enrichment; (iv) misrepresentation and deceit in violation of M.G.L. Chap. 93A, §11; and (v) intentional infliction of emotional distress. Plaintiff sought: (i) judgment against Defendant in an amount the Court deemed appropriate; (ii) interest; (iii) costs of the action; (iv) compensatory damages; (v) punitive damages; (vi) attorneys' fees; and (vii) court costs. On April 7, 2014, Defendant filed its Notice of Removal seeking removal to the United States District Court for the District of Massachusetts. On April 16, 2014, Defendant filed its Motion to Dismiss or Transfer; which Plaintiff opposed in its filing of the April 16, 2014 Opposition to Kahala Corporation's Motion to Dismiss. On May 5, 2014, Defendant filed its Reply to Plaintiff's Opposition to Motion to Dismiss. On May 16, 2014, Defendants filed a Petition to Compel Arbitration against Plaintiff in the United States District Court for the District of Arizona; Case No.: 2:14-cv-01059-NVW. Defendants sought a court order to compel Plaintiff to arbitrate before the American Arbitration Association in Phoenix, Arizona per the language of the franchise agreements. On June 2, 2014, Plaintiff executed a Declaration With Consent to Relief Requested agreeing to arbitrate before the American Arbitration Association in Phoenix, Arizona. On June 3, 2014, Defendants filed a Notice of Voluntary Dismissal against Plaintiff as he had agreed to arbitrate all claims. Mediation occurred on July 15, 2014, and the parties arrived at a settlement in which Defendants would pay Plaintiff $37,500 to settle all disputes. The Settlement

Order of Dismissal was filed on July 17, 2014, in the United States District Court District of Massachusetts.

Gregory Fowler, and Doubri Enterprises, L.L.C. v. Cold Stone Creamery, Inc.; State of Rhode Island Kent Superior Court; Case No.: KC-13-0986; subsequently removed to United States District Court for the District of Rhode Island; Case No.: CA 1:13-cv-00662-S-PAS; subsequently removed to United States District Court for the District of Arizona; Case No.: 2:13-02414 PHX PGR.

On or about September 13, 2013, Gregory Fowler and Doubri Enterprises, LLC (collectively "Plaintiffs") filed a Complaint against Cold Stone Creamery, Inc. ("Defendant"). Plaintiffs alleged: (i) breach of sublease; (ii) breach of franchise agreement; (iii) breach of good faith and fair dealing; (iv) tortious interference with contractual relationships; (v) fraud; (vi) defamation of business character; and (vii) negligent infliction of emotional distress. Plaintiffs sought: (i) punitive damages; (ii) attorneys' fees; (iii) interest; and (iv) costs. On September 17, 2013, Defendant filed a Notice of Removal, removing the lawsuit to the United States District Court for the District of Rhode Island. On October 9, 2013, Defendant filed a Motion to Dismiss the Complaint, or alternatively, to transfer the lawsuit to the United States District Court for the District of Arizona. The Motion to transfer was granted on November 25, 2013, and the matter was transferred to the Arizona court. On December 9, 2013, Defendant filed its Answer to the Complaint. On March 5, 2014, the Court entered a scheduling order establishing dates for completion of discovery and pre-trial motions and setting the matter down for trial on October 28, 2014. The parties participated in mediation and ultimately entered into a settlement agreement whereby Defendant paid Plaintiffs $250,000.

Concluded Arbitration, and Litigation Involving SFF, LLC, successor in interest to SweetFrog Enterprises, LLC

Sun Yop Cho v. Imagination Enterprises, Inc., American Arbitration Association, Case No. 16 114 Y 00250 13.

On May 15, 2013, Sun Yop Cho ("Claimant"), a sweetFrog licensee, filed an arbitration action against Imagination Enterprises, Inc., predecessor to SweetFrog Enterprises, LLC ("Respondent"). Claimant asserted that: (i) Respondent breached the license agreement by violating the territorial exclusivity provision in the license agreement; (ii) Respondent violated the Virginia Retail Franchising Act; and (iii) Respondent breached an alleged oral promise to partner with Claimant in developing a sweetFrog shop in Leesburg, Virginia. Claimant sought: (i) damages in the amount of $900,000; (ii) attorneys' fees; (iii) reformation of the license agreement; and (iv) injunctive relief. Respondent vehemently disputed Claimant's claims. On December 13, 2013, Claimant and Respondent entered into an agreement pursuant to which: (i) the parties settled their disputes and jointly dismissed the arbitration proceeding with prejudice; and (ii) Respondent repurchased Claimant's License Agreement and acquired the assets of his sweetFrog shop for a total price of $504,162.63.

Sweet Frog Stony Brook, Inc. and Sweet Frog Babylon, Inc. v. SweetFrog Enterprises, LLC; SFF, LLC and Ki Young Cha a/k/a Derek Cha; United States District Court, Eastern District of New York; Case No. 2:14-cv-02356-JS-WDW.

On April 11, 2014, Sweet Frog Stony Brook, Inc. and Sweet Frog Babylon, Inc., (collectively "Plaintiffs"), two sweetFrog franchisees, filed a lawsuit against SweetFrog Enterprises, LLC, SFF, LLC (collectively "Franchisor"), and Ki Young Cha a/k/a Derek Cha (collectively with Franchisor, "Defendants"). Plaintiffs alleged that Defendants: (i) violated the New York Franchise Sales Act; (ii) violated the New York General Business Law § 680, *et seq.* ("NYFSA") by making unauthorized and fraudulent pre-sale financial performance representations; and (iii) failed to register the franchise offering with the New York Attorney General prior to entering into franchise agreements with Plaintiffs. Plaintiffs demanded: (i) damages in excess of $685,000; (ii) rescission of their franchise agreements; and (iii) recovery of their attorneys' fees. Defendants disputed Plaintiffs' claims, but agreed to mediate the dispute. Prior to the deadline to respond to the complaint, on July 29, 2014, the parties entered into an agreement pursuant to which: (i) Plaintiffs would attempt to sell their franchised shops and transfer their franchise agreements to any third party(ies) approved by Franchisor before November 1, 2014; and (ii) if Plaintiffs were unable to identify a suitable buyer for their franchised shops by November 1, 2014, the parties agreed to mutual termination of the franchise agreements and that Franchisor would purchase the equipment from each franchised shop at a price of $50,000. The case was dismissed with prejudice on August 6, 2014.

Tri Star Consulting Group, Inc. and Sweet Frog Hauppauge, Inc. v. SweetFrog Enterprises, LLC, SFF, LLC, Ki Young Cha a/k/a Derek Cha; United States District Court, Eastern District of New York; Case No. 2:14-cv-02228-ADS-AKT.

On April 9, 2014, Tri Star Consulting Group, Inc., a licensee and area developer of SweetFrog Enterprises, LLC ("Plaintiff Tri Star"), and Sweet Frog Hauppauge, Inc., a licensee of SweetFrog Enterprises, LLC ("Plaintiff Hauppauge"); (collectively "Plaintiffs"); filed a lawsuit against SweetFrog Enterprises, LLC, ("Defendant SweetFrog"), SFF, LLC ("Defendant SFF"), and Ki Young Cha a/k/a Derek Cha (collectively "Defendants"). Plaintiff Tri Star alleged Defendant SweetFrog breached its license/area development agreement with Plaintiff Tri Star by: (i) terminating the license/area development agreement for nonpayment of royalty fees; (ii) licensing to Defendant SFF the right to sell franchises in New York City, Plaintiff Tri Star's development territory; and (iii) failing to pay fees allegedly owed to Plaintiff Tri Star related to the operation of franchised sweetFrog locations within Plaintiff Tri Star's development territory. Plaintiff Tri Star sought: (i) damages in excess of $75,000; (ii) a declaration that it was not in default of the license/area development agreement; (iii) a declaration that Defendant SweetFrog was obligated to pay fees to Plaintiff Tri Star based on revenues of all franchised sweetFrog locations in New York City; (iv) an order enjoining Defendant SFF from selling franchises in New York City; and (v) recovery of its attorneys' fees. Prior to the deadline to respond to the complaint, on September 9, 2014, Plaintiff Tri Star and Defendants entered into an agreement pursuant to which (1) the parties agreed to mutual termination of Plaintiff Tri Star's license/area development agreement; (2) Defendant SweetFrog agreed to pay Plaintiff Tri Star $19,830.58; (3) Defendant SFF agreed to pay Plaintiff Tri Star an ongoing commission equal to 2% of the net sales of all franchised sweetFrog locations in New York City through November 2031; and (4) Plaintiff Tri Star agreed not to operate any competitive business in New York City for so long as Defendant SFF was obligated to make commission payments to Plaintiff Tri Star.

Plaintiff Hauppauge asserted that Defendants: (i) violated the New York Franchise Sales Act, (ii) violated the New York General Business Law § 680, *et seq.* ("NYFSA"); (iii) committed fraudulent and negligent representations by making unauthorized and fraudulent pre-sale financial performance representations; and (iv) failed to register the franchise offering with the New York Attorney General prior to entering into franchise agreements with Plaintiffs. Plaintiff Hauppauge sought: (i) damages in excess of $330,000; (ii) rescission of its license agreement, and (iii) recovery of its attorneys' fees. Defendants disputed Plaintiffs' claims but agreed to mediate the dispute. Prior to the deadline to respond to the complaint, on September 9, 2014, Plaintiff Hauppauge, on the one hand, and Defendants on the other hand, entered into an agreement pursuant to which: (i) the parties agreed to mutual termination of Plaintiff Hauppauge's license agreement; and (ii) Defendant SweetFrog agreed to pay Plaintiff Hauppauge $75,000. The case was dismissed with prejudice on September 20, 2014.

Urquieta Sweet Frog, LLC and Ana Urquieta v. SweetFrog Enterprises, LLC d/b/a SFF, LLC, American Arbitration Association; Case No. 01 14 0001 8086.

On December 23, 2014, Urquieta Sweet Frog, LLC and Ana Urquieta, a former sweetFrog franchisee and its owner (collectively "Plaintiffs"), filed a Demand for Arbitration against SweetFrog Enterprises, LLC ("Defendant"). Plaintiffs alleged: (i) Defendant engaged in fraud; (ii) unfair practices; and (iii) deceptive actions. On February 2, 2015, Defendant timely filed an Answer and Counterclaim and denied all allegations, and further asserted a counterclaim against Plaintiffs for unpaid royalties. This matter was settled in December of 2015. Under the settlement, Defendant agreed to pay Plaintiffs $300,000 and the parties executed mutual releases.

SFF, LLC v. Carmel Village Yogurt Company LLC; City of Richmond, Virginia Circuit Court; Case No. CL16-3927.

On August 29, 2016, SFF, LLC ("Plaintiff") filed a lawsuit against three sweetFrog franchisee entities, Carmel Village Yogurt Company LLC ("Defendant Carmel YC"), Huntersville Yogurt Company, LLC ("Defendant Huntersville YC"), and Mooresville Yogurt Co, LLC ("Defendant Mooresville YC"), and their main member, Steve Anto ("Defendant Anto"); (all named Defendants collectively referred to as, "Anto Defendants"). Plaintiff alleged: (i) Defendant Carmel YC breached its franchise agreement through its unauthorized closure of its franchised shop; and (ii) as a result of the breach, Plaintiff had the contractual right to terminate Defendant Carmel YC's franchise agreement and cross terminate the franchise agreements of Defendant Huntersville YC and Defendant Mooresville YC. Plaintiff sought: (i) declaratory judgment that the three franchise agreements had terminated; (ii) specific performance of the Anto Defendants' post-termination obligations; (iii) damages for past due fees; (iv) lost future royalties in excess of $116,000; and (v) recovery of its attorneys' fees. In response to Plaintiff's complaint, Anto Defendants denied Plaintiff's claims and asserted counterclaims against Plaintiff and alleged: (i) Defendant Carmel YC's franchise agreement was unenforceable and, alternatively, that Plaintiff was in breach of Defendant Carmel YC's franchise agreement due to Plaintiff's allowance of another franchisee to open a shop within three miles of Defendant Carmel YC's shop. Anto Defendants sought: (i) a declaratory judgment that they were not in default of their franchise agreements; (ii) damages of not less than $425,000; and (iii) recovery of their attorneys' fees. Plaintiff denied Anto Defendants' claims and filed a demurrer and pleas in bar seeking to have those claims dismissed. Prior to the court hearing and ruling on Plaintiff's motion, the parties entered into an agreement pursuant to which: (i) the parties acknowledged the valid termination of Defendant Carmel YC's franchise agreement; (ii) Defendant Carmel YC transferred the assets of its business to Plaintiff and Plaintiff paid Defendant Carmel YC $25,000; (iii) Plaintiff reinstated Defendant Huntersville YC's and Defendant Mooresville YC's terminated franchise agreements; and (iv) Plaintiff granted Defendant Anto the right to develop a new sweetFrog shop at a mutually acceptable location on or before November 8, 2018. The case was dismissed with prejudice on December 15, 2016.

Concluded Arbitration and Litigation Involving Fresh Enterprises, LLC successor in interest to BF Acquisition, LLC

Fresh Enterprises v. Ledang Investment Group, LLC, Vincent Tienn Le, Ho Tien Le and Hue This Dang Superior Court of the State of California, County of Santa Clara, Case No. 1-13-CV-257219.

On July 2, 2013, Fresh Enterprises, as successor-in-interest to Baja Fresh Westlake Village, Inc. ("Plaintiff"), filed a complaint against Ledang Investment Group, LLC; Vincent Tien Le, Ho Tien Le and Hue Thi Dang (collectively "Defendants Ledang" or "Cross Claimants Ledang") for: (i) implied indemnity; (ii) equitable indemnity; (iii) express indemnity; (iv) breach of contract; (v) declaratory relief seeking unspecified damages; (vi) indemnification; (viii) a judgment of unlawful detainer; and (ix) declaration that Defendants Ladang were obligated to reimburse Plaintiff for various expenses. On January 6, 2014, Cross Claimants Ledang filed a Cross-Complaint against Plaintiff, Baja Fresh Westlake Village, LLC, Triune Corporation and National Franchise Sales, Inc. (collectively "Counter Defendants") for: (i) breach of contract; (ii) breach of covenant of good faith and fair dealing; (iii) negligent misrepresentation; and (iv) intentional misrepresentation. On February 19, 2014, Counter Defendants filed a Motion to Compel Arbitration, which was granted. The disputes between the parties were then arbitrated before the American Arbitration Association (Case Number 72-20-1400-0126). On February 2, 2015, the Arbitrator issued an award in favor of Cross Claimants Ledang in the amount of $660,620.84. The parties entered into a Settlement and Release Agreement on July 20, 2015, under which Counter Defendants paid the Cross Claimants Ledang the sum of $585,000 and the matter was dismissed with prejudice.

Concluded Arbitration and Litigation Involving Famous Dave's of America, Inc.

Desert Ribs, LLC, Famous Gracie, LLC, Famous Freddie, LLC, Famous George, LLC and Famous Charlie, LLC v. Famous Dave's of America, Inc., American Arbitration Association, Minneapolis, Minnesota, Case No. 01 16 0000 8549.

On March 14, 2016, the franchisees for the Famous Dave's® Restaurants in Chandler, Peoria, Mesa and Gilbert, Arizona ("Claimants") filed a Demand for Arbitration against Famous Dave's alleging that Famous Dave's (1) violated the Minnesota Franchise Act ("MFA"), (2) breached the implied covenant of good faith and fair dealing under the Famous Dave's® Franchise Agreements with Claimants (the "Franchise Agreements"), and (3) breached certain express provisions of the Franchise Agreements. Claimants sought damages of $2,984,098, and a permanent injunction prohibiting Famous Dave's from engaging in discriminatory conduct in violation of the MFA. On July 20, 2016, the arbitrators ruled in partial favor of the pre-hearing motion filed by Famous Dave's by dismissing Claimants' MFA claims against Famous Dave's. Upon the dismissal of the MFA claims, Claimants voluntarily dismissed their remaining claims against Famous Dave's and entered into a confidential settlement agreement and mutual release (the "Settlement Agreement"), dated August 22, 2016, with Famous Dave's. The Settlement Agreement included the following material terms: (i) the territorial rights granted to Claimants in the Franchise Agreements were modified; (ii) the managing member of Claimants (the "Consultant") entered into a consulting agreement with Famous Dave's that provided for the design, development and build-out of a counter-service/line-service prototype barbecue restaurant concept (the "Prototype") and the payment of a consulting fee of $410,000 to the Consultant in installments over a three-year period; and (iii) Claimants entered into a right of first offer agreement with Famous Dave's granting to a Claimant the first right to enter into an area development agreement with Famous Dave's for the development of seven Prototype restaurants in a reserved territory in Arizona.

Tacoma BBQ, Inc. et. al. v. Famous Dave's of America, Inc., FORUM, Case No. FA1705001729911.

On or about April 10, 2017, former franchisees of the Famous Dave's® Restaurants in Midvale, Utah; Layton, Utah; Jordan, Utah; Tukwila, Washington; Puyallup, Washington; Tacoma, Washington; Silverdale, Washington; and Everett, Washington ("Claimants") filed a Demand for Arbitration against Famous Dave's disputing Famous Dave's assertion that the Claimants were in default under their Franchise Agreements and disputing Famous Dave's performance under the Franchise Agreements. On or about June 7, 2017, Famous Dave's filed its Answer and Counterclaim denying the Claimants' claims. The parties elected to enter into a confidential settlement agreement and mutual release of all claims (the "Settlement Agreement") dated December 6, 2017, which included the following material terms: (i) Famous Dave's consented to the sale of the Claimants' restaurants to CD Holding Company, LLC and, accordingly, terminated all of the applicable Franchise Agreements; (ii) the Claimants paid to Famous Dave's a settlement amount of $350,000; and (iii) the Claimants and Famous Dave's executed a mutual release of all claims.

Famous Dave's of America, Inc. v. SR El Centro, Inc., et al., Superior Court of the State of California, County of Los Angeles, Central Division, Case No. BC589329, filed July 24, 2015.

Famous Dave's commenced this lawsuit against the former franchisees for the Famous Dave's® Restaurants in El Centro, Long Beach, Palmdale, Simi Valley, and Tracy, California, and others ("Defendants") based in part on the continued operation of the Restaurants as Famous Dave's® Restaurants using Famous Dave's Marks and Restaurant System after the termination of their Franchise Agreements by Famous Dave's for failure to cure breaches of the Franchise Agreement, including the failure to pay the Royalty and Marketing Fund Fees due under the Franchise Agreements, within the prescribed cure period after receipt of written notice, in violation of the post-termination obligations of the Franchise Agreements. Famous Dave's alleged Lanham Act violations, including federal trademark infringement, federal trademark dilution, federal unfair competition and false advertising, and federal trade dress dilution; trademark infringement, trademark dilution, unfair competition and false advertising under California law; common law trademark infringement; breach of the Franchise Agreements; breach of the implied covenant of good faith and fair dealing; and intentional interference with contract. Famous Dave's sought injunctive relief to enjoin Defendants from continuing to use the Marks and Restaurant System and enforcing compliance with the post-termination obligations of the Franchise Agreements, and also sought damages in an amount that was to be determined at trial, reasonable attorneys' fees, interest and costs of suit. On September 29, 2018, the parties agreed to enter into a confidential settlement agreement and a mutual release of claims (the "El Centro Settlement Agreement"), which contained the following material terms: (i) Famous Dave's paid $75,000 to SR Restaurant Holdings Group, Inc. as reimbursement for a portion of the attorneys' and other professional fees it allegedly incurred; (ii) Allan Gantes paid to SR Restaurant Holdings Group, Inc. $7,500; (iii) Defendants agreed to de-identify the Restaurants in Long Beach, California and Tracy, California; (iv) notices were provided to certain customers of the Long Beach, California and Tracy, California Restaurants; and (v) Famous Dave's consented to the sale of certain Restaurant assets by SR El Centro FD, Inc. to Shoreline FD Investors, LLC, John Gantes, and Allan Gantes (or an affiliate), so long as certain designated criteria were met. All of the Famous Dave's Franchise Agreements between the parties were terminated. As a result, the matter was dismissed by the Superior Court of the State of California, County of Los Angeles, Central Division on November 26, 2018.

On January 26, 2018, Famous Dave's commenced an arbitration action pursuant to FORUM Arbitration Rules against FDWNY, Inc. and Timothy Cloe, seeking past due fees, attorneys' fees, and costs. The parties agreed to settle the matter in exchange for the defendants' payment of a settlement amount in excess of $165,000 to Famous Dave's.

SR El Centro, Inc., et al. v. Famous Dave's of America, Inc., Superior Court of the State of California, County of Los Angeles, Case No. NC060189, filed July 28, 2015.

The franchisees for the Famous Dave's® Restaurants in El Centro, Long Beach, Palmdale, Simi Valley, and Tracy, California ("Plaintiffs") filed a complaint against Famous Dave's in the South Judicial District of the Superior Court of the County of Los Angeles. On March 10, 2016, Plaintiffs re-filed this Complaint as a First Amended Cross-Complaint in matter described above [Famous Dave's of America, Inc. v. SR El Centro, Inc., et al., Superior Court of the State of California, County of Los Angeles, Central Division, Case No. BC589329] alleging that Famous Dave's breached the Franchise Agreements for these Restaurants by failing to provide certain marketing support and access to customer contact data, vendors, internet reporting and support to Plaintiffs, and failing to provide operations and preferred practices training to Plaintiffs' designated representative. Plaintiffs further alleged that such conduct by Famous Dave's was a breach of the covenant of good faith and fair dealing. Plaintiffs also alleged that Famous Dave's aided and abetted John and Allan Gantes in breach of their fiduciary duty to Plaintiffs. Plaintiffs sought compensatory damages in an amount not less than $20 million, punitive damages, costs and attorneys' fees. On September 29, 2018, the parties agreed to settle the matter in the El Centro Settlement Agreement described above. As a result, the matter was dismissed by the Superior Court of the State of California, County of Los Angeles, Central Division on November 26, 2018.

Concluded Arbitration and Litigation Involving VI BrandCo, LLC

In re: Restaurants Acquisition I, LLC (Giuliano vs. W. Craig Barber et. al. United States Bankruptcy Court for the District of Delaware on December 2, 2015 (Case No. 15-12406 (KG)). On December 1, 2017, the Chapter 7 trustee in the Restaurants Acquisition I, LLC ("RAI") bankruptcy proceeding filed suit in the United States Bankruptcy Court against our Chief Executive Officer W. Craig Barber, our Chief Concept Officer – Family Restaurant Division Robert Langford and companies owned jointly by them alleging avoidance, fraudulent transfer, breach of contract and breach of fiduciary duty in connection with their executive roles with RAI and as members of Dynamic Management Company, LLC related to the RAI's ownership and operation of Black-Eyed Pea and Dixie House restaurants. On March 6, 2019, Barber and Langford each settled with the Chapter 7 trustee by each agreeing to pay to the trustee and estate separate payments totaling $150,000 each over a three-year period.

Concluded Arbitration and Litigation Involving Wetzel's Pretzels, LLC

Pretzelsdallas1, Inc. v. Wetzel's Pretzels, LLC (Los Angeles, California, AAA Case No.01-19-0002-9326). On or about July 19, 2017, we entered into a franchise agreement with Pretzelsdallas1, Inc. (then known as Triple Scoops, Inc.). On or about September 11, 2019, Pretzelsdallas1, Inc., ("Claimant/Counter Respondent") a franchisee, filed a demand for arbitration against Wetzel's Pretzels, LLC ("Respondent/Counter Claimant") with the American Arbitration Association in which it alleged claims for (i) recission and restitution for intentional misrepresentation, (ii) recission and restitution for negligent misrepresentation and (iii) violation of the California Corporations Code §31201. Claimant/Counter Respondent sought $368,837 in damages. On or about February 26, 2020, Respondent/Counter Claimant filed an answer and counterclaim against Claimant/Counter Respondent. Respondent/Counter Claimant alleged: (i) breach of contract-franchise agreement; (ii) breach of contract – sublease agreement; (iii) breach of guaranty. Respondent/Counter Claimant sought: judgment on its claims for payments on the franchise agreement in the amount of $133,600; (ii) judgment on its claims for payments on the sublease agreement in the amount of $14,8520; judgment in its favor on its claims for payments on the guaranty in the amount of $148,450; (iv) interest on the sums; (v) attorney's fees; and (vi) any other relief the court deems fit. On September 24, 2021, the parties entered into a settlement agreement, in which a mutual release of all claims was agreed to, and Respondent/Counter Claimant paid Claimant/Counter Respondent the sum of $125,000. The matter was subsequently dismissed with prejudice.

Concluded Arbitration and Litigation Involving Papa Murphy's International, L.L.C.

DTD Pizza LLC, Brian Watson, Alton Spears, LMP Enterprises LLC, Pizza Enterprises LLC, Alan and Denise Barnett, DOB Enterprises, Inc., Douglas and Lesia Billing, Rob & Bud's Pizza, Robert J. Dickerson Trust UA, Rob Dickerson, 4LM Enterprises, Inc., Jana and Randell Liles, Ben and Kim Mayfield, SEAMS Holdings LLC, Scott and Erica Shelby, Robert Hoersting, PM Savannah LLC, James and Mona King, Hans King, Pizza For 4 Kings Corp, Alamo Quality Pizza I, LLC., Quality Pizza III, LLC., Gerardo Torres, George Knost, Arkel Food Services, LLC., Reece Alexander Overcash, III, Angelo S. Chantilis, Jr., Double AA Partners, LLC., Jeffrey L Comish, John Stalker, and Papa's of Tennessee, LLC. v. Papa Murphy's International LLC, Papa Murphy's Company Stores, Inc., PMI Holdings Inc., Papa Murphy's Intermediate Inc., Papa Murphy's Holdings, Inc., Lee Equity Partners LLC, John D. Barr, Ken Calwell, Thomas H. Lee, Yoo Jin

Kim, Benjamin Hochberg, John D. Schafer, Achi Yaffe, Janet Pirus, Victoria Blackwell, Gail Lawson, Dan Harmon, Scott Mullen, Jayson Tipp, Kevin King, Stephen Maeker, Steve Millard, Steve Figiola; Washington Superior Court, Clark County, Case No. 14-2-00904-0.

and

Mitch and Kristen Brink, Brink Holdings Inc., Angela Buchannan, Tim Forester, Z-Axis, Inc., Heather and Gary Nychyk, Bar N Pizza, LLC, John DeMattia, DeMattia LLC, a Texas Limited Liability Company, Harry and Terry Olson, Hot Pizza Inc., Steven Pyatt, Craig Braun, David Mraz, JIM LLC, Philip and Maria Ahn Wilson, Papa South, LLC, Steven and Holly Mead, Thomas Lance, PMG Tampa, LLC, Ilya and Chantal Rubin, Pie in the Sky LLC, Joanna and Glenn Patcha, Alchemy Foods LLC, Ian Hasinoff and Susan Lorimer, Eddrachillis LLC, Cole Kilen, Eye on the Pie LLC, Ann and Harvey Callegan, Just for Fun, LLC, Eugene and Joy Hill, Conn, Edward Turnbull, Turnbull Restaurant Group LP, Turnbull Restaurant Group GP, Conn, LLC, Loralie and Trey Bennett, Pizza Revolution of Fort Walton Beach LLC, Pizza Revolution of Panama City LLC, Pizza Revolution at Tyndall LLC, Steven Terry, Matthew and Cindy Terry, Alice and Douglas Worthington, Thomas Stephenson, Make Dough Enterprises Inc., Jared Richardson, Russell Crader, and Red Rust, LLC, v. Papa Murphy's International LLC, Papa Murphy's Company Stores, Inc., PMI Holdings Inc., Papa Murphy's Intermediate Inc., Murphy's Holdings, Inc., Lee Equity Partners LLC, John D. Barr, Ken Calwell, Thomas H. Lee, , Yoo Jin Kim, Benjamin Hochberg, John D. Schafer, Achi Yaffe, Janet Pirus, Victoria Blackwell, Gail Lawson, Dan Harmon, Scott Mullen, Jayson Tipp, Kevin King, Stephen Maeker, Steve Millard, Steve Figiola; Washington Superior Court, Clark County, Case No. 14-2-01743-3.

These two related actions were commenced in April 2014 and June 2014, respectively, by separate groups of current and former franchisees against us, certain members of our board of managers and executive team, and others in Washington Superior Court (Clark County), alleging misrepresentations involving financial performance representations in ITEM 19 of our franchise disclosure document the franchisees' local marketing obligations, among other things, and brought claims for violation of the Washington Franchise Investment Protection Act ("WFIPA"), fraud, negligent misrepresentation and breach of contract. These two actions were consolidated in September 2014 under Case Number 14-2-00904-0.

Each of the plaintiff groups have entered into settlements with Papa Murphy's in which they dismissed all of their claims against defendants with prejudice and the action was dismissed in June 2020. The settlements are as follows: (1) one plaintiff group dismissed its claims against Papa Murphy's for no consideration; (2) two plaintiff groups agreed to pay amounts ranging from $5,000 to $8,000 to Papa Murphy's and remained in the system; (3) Papa Murphy's agreed to pay one plaintiff group's advertising costs for one year, agreed to allow the franchisee to develop an additional franchise, and agreed to return the franchisee's initial development fee of $10,000; (4) another plaintiff group agreed to remain in the system in exchange for Papa Murphy's paying 3.8% of the franchisees' sales towards local advertising for a period of two years and extending the franchise agreement's term for an additional ten years; (5) Papa Murphy's settled with fifteen different plaintiff groups and paid amounts ranging from $10,000 per group to $4 million per group; (6) Papa Murphy's agreed to purchase one plaintiff group's nine Papa Murphy's stores at an agreed upon value of the stores' assets plus $500,000; and (7) Papa Murphy's agreed to purchase seven plaintiff groups' Papa Murphy's stores at an agreed upon value of the stores' assets.

Rob & Bud's Pizza, LLC v. Papa Murphy's International, Inc. and Papa Murphy's International, LLC; United States District Court for the Western District of Washington, Case No. 5:15-cv-05090-TLB.

In spring 2015, Papa Murphy's sent a notice of default to plaintiff for alleged defaults under the plaintiff's franchise agreements. In response, on April 17, 2015, the plaintiff brought an action seeking a declaratory judgment and injunction preventing Papa Murphy's from terminating the franchises. The plaintiff subsequently added claims in the case alleging that Papa Murphy's tortiously interfered with the plaintiff's employees and negligence in how Papa Murphy's handled the plaintiff's customer database, and sought compensatory damages, punitive damages and costs in an unspecified amount. The plaintiff was also a plaintiff in the LMP case described above. The case has been dismissed with prejudice as part of a settlement with plaintiff in this case and the LMP case under which Papa Murphy's purchased plaintiff's nine Papa Murphy's stores at an agreed upon value of the stores' assets plus $500,000.

PUBLIC AGENCY ACTIONS AGAINST MTY USA, AFFILIATES AND/OR THEIR PREDECESSORS

Concluded State Administrative Actions Involving SFF, LLC, successor in interest to SweetFrog Enterprises, LLC

In the Matter of SweetFrog Enterprises, LLC f.k.a. Imagination Enterprises, Inc., d/b/a Sweet Frog, Administrative Proceeding Before the Securities Commissioner of Maryland, Case No. 2012-0055.

As a result of an inquiry into the franchise related activities of SweetFrog Enterprises, LLC, ("SFE") the Maryland Securities Commissioner ("Commissioner") concluded that grounds existed to allege that SFE violated the registration and disclosure provisions of the Maryland Franchise Law in relation to the offer and sale of certain license agreements. SFE acknowledged that those license agreements constituted franchises as defined under the Maryland Franchise Law. SFE represented that it entered into license agreements with eight Maryland licensees during the time it was not registered to offer and sell franchises in Maryland. On August 29, 2012, the Commissioner and SFE agreed to enter into a consent order whereby SFE, without admitting or denying any violations of the law, agreed to: (i) immediately and permanently cease from the offer and sale of franchises in violation of the Maryland Franchise Law; (ii) file and diligently pursue an application for an initial franchise registration in Maryland relating to the license agreements it offered and sold to Maryland licensees; and (iii) to offer to rescind the license agreements of all Maryland licensees to whom it sold unregistered franchises. We are not aware of any licensees that accepted the rescission and have made a good faith effort to obtain that information.

Concluded State Administrative Actions Involving Predecessor Blimpie Associates, Ltd.

In May 1992, Blimpie Associates, Ltd. ("Blimpie") and Joseph Dornbush (formerly the President of Blimpie) (collectively "Respondents") responded to a claim by the New York Department of

Law that it had sold franchises during a period of time when Blimpie's prospectus had not been updated by amendment. Without the admission of any wrongdoing, Respondents consented to the entry of an order in which Respondents agreed: (i) to entry of a judgment enjoining them from further violations of the New York Franchise Sales Act; and (ii) to pay the sum of $18,000 to the State of New York as an additional allowance. Respondents paid the $18,000 in May 1992 and executed the consent judgment on August 25, 1992.

Concluded State Administrative Actions Involving Maui Wowi Franchising, Inc., predecessor in interest to Kahala Franchising, L.L.C.

In the Matter of Maui Wowi Franchising, Inc., Before the Securities Commissioner of Maryland, Case No. 2005-0651.

On November 11, 2005, Maui Wowi Franchising, Inc., the predecessor franchisor of the Maui Wowi brand ("MWF"), entered into a Consent Order with the Securities Commissioner of Maryland ("Commissioner") resulting from MWF inadvertently entering into four franchise agreements with Maryland residents after its registration in Maryland expired on June 9, 2004 ("Maryland Franchisees"). The Consent Order required MWF to cease and desist from the offer and sale of unregistered franchises in Maryland; to diligently pursue the completion of its then pending application; to register its Offering Circular in Maryland; to develop and implement new franchise law compliance procedures to ensure future compliance with the registration and disclosure provisions of Maryland Franchise Law; and to enroll an officer and a franchise compliance person in a franchise law compliance training program. Upon notification by the Commissioner, MWF sent to the Maryland Franchisees the registered Offering Circular, a copy of the Consent Order, and a letter notifying the Maryland Franchisees that they could rescind their franchise agreements. At this time, MWF is in full compliance with the Consent Order.

In the Matter of Maui Wowi Franchising, Inc., Before the Securities Commissioner of Maryland, Case No. 2007-0194.

On September 12, 2007, "MWF" entered into a Consent Order with the Maryland Commissioner resulting from MWF inadvertently entering into two franchise agreements with two Maryland residents ("Second Maryland Franchisees") without delivering to them the appropriate Offering Circular. MWF was registered in the State of Maryland at the time of the offer and sale with an Offering Circular containing certain specific information required only by Maryland law. At the same time, MWF used a second form of Offering Circular in other states that did not contain all of the information required by Maryland law. Prior to the execution of the franchise agreements with the Second Maryland Franchisees, MWF accidentally delivered to them the Offering Circular that did not contain the Maryland-specific information. We subsequently reported these mistakes to the Commissioner. The Consent Order required MWF to cease and desist from the offer and sale of franchises in Maryland in violation of the Maryland Franchise Law; to diligently pursue the completion of its then pending application to register its Offering Circular in Maryland; to implement additional compliance measures to ensure future compliance with the Maryland Franchise Law; to employ an approved franchise law compliance training program or trainer to monitor MWF's franchise activities in Maryland for two years; and to reimburse the Maryland Attorney General for its investigation and resolution costs in the total amount of $2,500.

Additionally, MWF was required to provide to the Second Maryland Franchisees the registered Offering Circular, a copy of the Consent Order, and a letter notifying the Second Maryland Franchisees that they have a right to rescind their franchise agreements. The Commissioner and MWF subsequently entered into an Amended Consent Order in which MWF elected to withdraw from the State of Maryland instead of employing a compliance monitor, with the agreement to employ a monitor if MWF was to re-register in the State of Maryland. MWF fully complied with the Amended Consent Order, and subsequently employed a compliance monitor and was granted registration in the State of Maryland.

Concluded State Administrative Actions, Arbitration, and Litigation Involving BF Acquisition Holdings, LLC and/or its predecessors

State of Maryland Determination; Case Number 2012-0073.

In February 2012, the State of Maryland alleged that during the period January 1, 2009 to November 26, 2009, Triune, LLC ("Triune"): (i) did not retain signed acknowledgements of receipt reflecting the dates that its Franchise Disclosure Document was delivered to certain Maryland residents and non-residents; (ii) sold franchises to certain Maryland residents and non-residents without providing them with a copy of a 2009 Franchise Disclosure Document; (iii) sold franchises to certain Maryland residents and non-residents without providing them with a copy of a 2009 Franchise Disclosure Document that contained its 2008 financial statements with a going concern note from its auditors resulting from the unfavorable financial condition of its parent company; and (iv) sold franchises to certain Maryland residents and non-residents without including, or abiding with, a deferral condition in their Franchise Agreements that was imposed upon it by the State of Maryland, all as required by the Maryland Franchise Registration and Disclosure Law (the "Maryland Law") and in violation of the Maryland Law. Without admitting or denying the allegations, in September 2012, Triune voluntarily entered into a Consent Order with the Office of the Attorney General of Maryland and agreed to: (i) not violate the Maryland Law in the future; (ii) pay the Office of the Attorney General the sum of $50,000 as a civil penalty; (iii) retain copies of all acknowledgments of receipt confirming dates that prospective Maryland franchisees received any Maryland Franchise Disclosure Documents; (iv) comply with the disclosure and antifraud provisions of the Maryland Franchise Law and the record keeping and escrow requirements of the Code of Maryland Regulations; and (v) send a copy of the Consent Order to certain Maryland franchisees.

State of Virginia Determination; Case Number SEC-2012-00027.

In February 2012, the Division of Securities and Retail Franchising of the State Corporation Commission (the "Commission") alleged that during 2009 Triune, LLC ("Triune"): (i) offered or sold franchises in Virginia in 2009 that were not registered under the Virginia Retail Franchising Act (the "Virginia Act"); (ii) offered or sold franchises in Virginia without disclosing that it was not registered to do so; (iii) failed to provide material information regarding the parent company's unfavorable financial condition and the potential impact that it could have on Triune as stated in a going concern note in its 2008 financial statements from its auditors; and (iv) failed to provide a prospective franchisee with a copy of its Franchise Disclosure Document as required by rule or order of the Commission at least 14 calendar days before the prospective franchisee signed a binding agreement or made any payment to it in connection with the sale or offer to sell a franchise in Virginia. Without admitting or denying the allegations, on November 26, 2012, Triune voluntarily entered into a Settlement Order with the Commission and agreed: (i) to not violate the Virginia Act in the future; (ii) to pay Virginia the sum of $25,000 as a penalty and the sum of $5,000 to defray the Commission's costs of investigation; (iii) to offer certain Virginia franchisees a refund of their initial franchise fees; and (iv) to send a copy of the Settlement Order to certain Virginia franchisees.

Lawsuits Filed by Franchisor Kahala Franchising, L.L.C. Against Franchisees During Fiscal Year December 1, 2022 through November 30, 2023

Suit for Breach of Contract

Kahala Franchising, L.L.C. v. Hunter Hammond Enterprises, L.L.C. and Keith Hammond; In The Superior Court Of Harris County State Of Georgia; Civil Action File No.: 23-CV-379.

Except as described above, no litigation is required to be disclosed in this Item.

ITEM 4
Bankruptcy

American Blue Ribbon Holdings, LLC

On January 27, 2020, our predecessor American Blue Ribbon Holdings, LLC filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code in the District of Delaware, as part of a planned restructuring of company-owned or affiliated franchised restaurants. In re American Blue Ribbon Holdings, LLC, a Delaware limited liability company, *et al.*, 1:20-BK-10161. On September 16, 2020, the bankruptcy court confirmed American Blue Ribbon Holdings, LLC's plan of reorganization. On September 30, 2021, the bankruptcy court entered a final decree, and the case was terminated on October 19, 2021. The last known principal place of business of ABRH is 3038 Sidco Drive, Nashville, TN 37204.

Lehr Restaurant Group, Lehr Real Estate (dba Dvincis Restaurant), Adam Lehr

Our Co-COO Adam Lehr in connection with his ownership of Lehr Restaurant Group and Lehr Real Estate filed a bankruptcy proceeding as debtor under Chapter 13 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Minnesota on January 30, 2018, under Case No. 18-40253-KHS. The bankruptcy was discharged on June 29, 2021.

ITEM 5
Initial Fees

The initial franchise fee for a Village Inn Restaurant is $40,000 and is uniform for all franchises relating to this offering.

You pay the initial franchise fee in full at the signing of the Franchise Agreement. The fee is nonrefundable. We may periodically reduce the initial franchise fee, such as in connection with limited time promotions, new concepts and/or operational programs.

If you sign the Development Agreement, you must pay a separate non-refundable development fee equal to the total of the initial franchise fee ($40,000) for your first Restaurant and $20,000 for each additional Restaurant to be developed, but we will credit the entire initial franchise fee for the first Restaurant and $20,000 towards the initial franchise fee for the second and each additional Restaurant to be developed under the development agreement if you are then in compliance when you sign your franchise agreements. For example, if you sign a Development Agreement to develop three Restaurants, your development fee will be $80,000 ($40,000 plus $20,000 plus $20,000).

You must sign the Franchise Agreement for your first Restaurant at the same time you sign the Development Agreement, and you must pay the development fee and initial franchise fee for your first Restaurant at that time.

Assuming you are eligible for a credit, you will pay the remaining $20,000 of the initial franchise fee for each of your second and subsequent Restaurants at the time you receive approval of your site and sign the then-current form of Franchise Agreement for the specific Restaurant.

ITEM 6
Other Fees

Name of Fee	Amount	Due Date	Remarks
Royalty[1,2, 5]	4.0% of Gross Sales as described in the footnotes below.	Each Tuesday with an option to annually prepay after operating the Restaurant for at least one full year[6]	"Gross Sales" include all sales conducted by or through the Restaurant, or from the franchised location at the actual price charged by the Franchisee. However, "Gross Sales" do not include tips for employees and sales tax and loyalty redemptions, 'Free Pie Wednesdays discounts, senior discounts, delivery fees, and other customary promotions or discounts
Marketing Fee[1,3, 5]	Not more than 0.5% of Gross Sales; may be increased by Village Inn by a maximum of 0.25% once per year, but Village Inn may not increase the Marketing Fee more than 2 times during the term of the Franchise Agreement unless 75% of Village Inn franchised restaurants agree to the increase with a	Each Tuesday	Paid at the same time and in the same manner as Royalty

Name of Fee	Amount	Due Date	Remarks
	combined maximum with local marketing of 2%		
Local Marketing[3]	Not more than 1% of Gross Sales; may be increased by Village Inn at any time to a combined maximum with local marketing of 2%	Upon invoicing	Local marketing payable to third-party vendors as required
Extension Fee[1]	$5,000	30 days prior to expiration of the term or the first extension term	Paid to Village Inn upon execution of a new Franchise Agreement for the first or second extension term
Extra Manuals[1]	From $12 to $110 per manual	Upon invoicing	Cost of manuals, training materials, etc.; the first set of manuals/materials is loaned to you without charge
Training Costs and Opening Assistance Costs	$65,000 to $160,000	Upon invoicing	Payable to us or third parties in connection with your initial training and our opening assistance.
Additional Training Fees and Costs	A reasonable fee we determine based on the additional training to be provided.	Upon invoicing	Payable to us or third parties in connection with any additional training you undertake. You are responsible for the expenses you or your trainees incur in connection with such additional training.
Extraordinary Operating Assistance[1]	Actual costs incurred by Village Inn	Upon invoicing	Costs include transportation, meals, lodging, and gross wages of Village Inn employees rendering assistance
Transfer Fee[1]	$5,000	Upon completion of transfer	Payable in connection with the transfer of your franchise to a third party
Audit Fee[1]	Cost of audit	Upon invoicing	Due only if audit shows an understatement of more than 3% of the Gross Sales previously reported
Interest[1]	3% greater than publicly announced prime rate of Village Inn's prime lender	Upon invoicing	Amount adjusted, if necessary, on January 1 each year
Late Charge[1]	5% of amount past due	Upon invoicing	Assessed 5 days after payment is due
Operational Management Fee[1]	7% of Gross Sales plus Village Inn Expenses	Each Tuesday while Village Inn	See discussion of "Gross Sales" under the heading "Royalty," above

Name of Fee	Amount	Due Date	Remarks
		is acting as operations manager	
Lease[1,4]	Varies	Monthly	Payable to Village Inn only if you lease land, building, or equipment from Village Inn
Location Assistance[1]	Varies	Upon invoicing	Due for each site model report; costs range from $115 to $300 per report
Electronic Cash Register and Computer System Change Fee	Our then-current fee (currently $50)	As incurred	We may charge you a fee and our costs for making pricing and other changes or alterations to the electronic cash register or computer system.
Alternative Supplier Fee	We do not expect to charge for the evaluation, although we reserve the right to charge you or the supplier a reasonable evaluation fee. (Not to exceed $5,000)	As incurred	
Meraki Security Appliance	$1,500 per 3-year term per restaurant	Upon invoicing	
Document Administration Fee	$500	As incurred	Applicable if an amendment must be prepared, including for an affiliate transfer.

[1]Franchisees pay the costs or fees to Village Inn. All such costs or fees are non-refundable. Different versions of the Franchise Agreement and Area Development Agreement from prior registration periods contain different fees, due dates and fee amounts. Franchisor may in its discretion waive or reduce certain fees described in this Item from time to time.

[2] Village Inn collects all royalties by automatic bank transfer through an automated clearinghouse. The royalty is calculated at 4.0% of Gross Sales. "Gross Sales" is defined as the total amount of sales made by you from all business activities taking place by or through the Restaurant, or at the franchised location, in the form of cash, check, credit, or otherwise (without reserve or deduction for inability or failure to collect the same), and includes, without limitation, the sale of food, beverages, goods and services, whether sold for consumption on or off the premises, receipts from food catering, and sales from vending, amusement, or entertainment machines. Additionally, Gross Sales are based on the actual price you would charge. Gross Sales do not include tips and gratuities for employees or sales taxes actually collected and paid to a governmental agency. Furthermore, for the avoidance of doubt, loyalty redemptions, "Free Pie Wednesdays" discounts, senior discounts, delivery fees, and other customary promotions or discounts shall not be included in Gross Sales.

[3]Although the maximum amount Village Inn may require you to spend on marketing and advertising described above is 2% of Gross Sales, Village Inn does not represent that such maximum percentage or current rates will be adequate for the success of your operations. All strategies and productions for local marketing shall require Village Inn's prior approval (which shall not be unreasonably withheld) except for promotions or materials already initiated, implemented, or approved by Village Inn.

[4] The lease payments for land and building vary depending upon factors such as location, size of parcel, and local market conditions. The lease payments for equipment also vary depending upon the equipment leased. For additional information, see Item 7 of this Franchise Disclosure Document.

[5] Village Inn uses fiscal year ending starting December 1st and ending November 30th for financial reporting purposes.

[6] After operating the Restaurant for at least one full fiscal year, Franchisee is granted the option to annually prepay the Royalty for that year and thereby receive a ten percent (10%) discount on the Royalty due by paying to Franchisor on or before February 1 an amount equal to ninety percent (90%) of that year's projected royalty ("Prepaid Royalty"). The projected royalty is equal to four percent (4%) of the Gross Sales from the Franchisee's preceding fiscal year ("Projected Royalty"). In making the calculation of the Projected Royalty, the beginning date for the preceding fiscal year shall be based on the Franchisor's fiscal period with fiscal year being a 52-week fiscal year consisting of twelve (12) fiscal periods ending on the last business day of the fiscal year of the Franchisor. Franchisor and Franchisee agree to, on or before February 1, reconcile the difference between the Prepaid Royalty and the Royalty due based upon Franchisee's actual Gross Sales (while still subject to the 10% discount) during the preceding fiscal year. For example, if Franchisee's Projected Royalty was $50,000 (based on Gross Sales of $1,666,666.67), and thus the Prepaid Royalty was $45,000, but Franchisee's actual Gross Sales during the fiscal year were equal to $2,000,000, Franchisee would owe Franchisor an additional $9,000. ($2,000,000 x 4% = $60,000 Royalties owed x 10% discount = $54,000 less $45,000 prepaid = a remaining owed balance of $9,000).

If Village Inn sells an existing Village Inn Restaurant to the Franchisee, the Franchisee will not be required to pay Village Inn for location assistance.

ITEM 7
Estimated Initial Investment

Description	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee (1) (for a Single Restaurant)	$40,000	$40,000	Lump Sum	At signing of Franchise Agreement	Village Inn
Real Estate Occupancy (2)	$120,000	$160,000	As negotiated	At time of Purchase, or monthly if lease	Seller/Lessor
Furniture, Fixtures, Equipment, and Signage	$200,000	$585,000	As incurred	Upon delivery	Suppliers
POS, Back Office Computers	$25,000	$35,000	As incurred	Upon delivery	Suppliers
Construction Costs (3)	$450,000	$1,485,000	As negotiated	During construction	General Contractor
Pre-Opening Costs (4)(5)	$80,000	$120,000	As incurred	As incurred	Suppliers and Employees
Inventory	$10,000	$20,000	As incurred	As incurred	Suppliers
Smallwares	$19,000	$35,000	As incurred	As incurred	Suppliers
Insurance (Annual Premiums) (A) Liability Insurance $1,000,000 in Coverage	$15,000 annually per restaurant Note 6	$25,000 annually per restaurant Note 6	Note 6	Upon binding of coverage and payment terms provided by the insurance carrier	Insurance Company
(B) All Risk Property Insurance; a Minimum of $850,000 Combined Limit for Building and Contents Plus Business Income Coverage	Note 7	Note 7	Note 7	Upon binding of coverage and payment terms provided by insurance carrier	Insurance Company
(C) Workers Compensation and Employer's Liability Insurance	Note 8	Note 8	Note 8	Note 8	Insurance Provider
Training Costs and Opening Assistance Costs (9)	$65,000	$110,000	As incurred	As incurred	Suppliers and Employees

Description	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Cash or Cash Equivalent Reserve	$25,000	$30,000		Upon signing the Franchise Agreement	Franchisee's Bank Account
Average Per Month of Additional Funds for the First Three Months (10)	$50,000	$100,000	As incurred	As incurred	Employees, Suppliers, Utilities
TOTAL FOR A SINGLE FRANCHISE	**$1,099,000** **See Notes 11, 12, and 13**	**$2,745,000** **See Notes 11, 12, and 13**			
Development Fee (14)	$20,000	$80,000			
Additional Funds – 3 months (15)	$1,000	$3,000			
TOTAL FOR AN DEVELOPMENT AGREEMENT	**$1,120,000**	**$2,828,000**			

Notes:

(1) The initial franchise fee is $40,000.

(2) The occupancy cost varies depending upon if you purchase or lease the property, the return on investment the owner/lessor requires, the location of the real property, local market conditions, and other factors. Local conditions determine the size of the parcel of land on which a Village Inn restaurant can be constructed. A shopping center location requires approximately 10,000 square feet (plus easements for adequate parking). A non-shopping center location requires between 45,000 and 60,000 square feet. Landlords typically require a security deposit equal to one or two month's rent depending on your credit.

(3) Construction Costs vary depending upon whether your building is new or if it is a conversion of an existing building, property location, local market conditions, and other factors. Construction Costs include site development, all contractor build-out items like heating, ventilation, and air conditioning systems, wall and floor coverings and installation of furniture, fixtures, and equipment. If you lease the real property and the lessor constructs the restaurant, some or all of the construction costs will be included in your rent payments.

The Prototypical plans and specifications are the architectural, structural, plumping, mechanical, and electrical drawings; kitchen equipment and dining room layouts; and all required design characteristics. These plans are for franchisee's use to have a local architect and related engineers "site adapt" to the specific location to meet the locally adopted codes, ordinances, and standards for the jurisdiction of authority to obtain the necessary building permit. The selection of an architect and all consultants is the franchisee's choice. Civil, landscape, and utility plans for the specific location will also be required and selected by the franchisee. All final plans shall be submitted to Village Inn for review and written approval of compliance with purely brand standards prior to submitting to the city for permits. All signage exhibits, types, styles, and colors shall also be submitted to Village Inn for review and written approval of compliance with purely brand standards prior to fabrication.

(4) Pre-Opening Costs include management wages and expenses, hourly employee training wages, deposits, business licenses, accounting, and legal fees. Pre-opening costs do not include (i) wages for the franchisee if an individual or, if an entity, the individual responsible for restaurant operations or (ii) costs of financing. If we and you determine that your Restaurant requires a liquor license, we estimate an additional $2,000 - $10,000 in costs to obtain a liquor license, but note that in some instances you may have to pay an amount that is substantially higher due to local laws and regulations. If your Restaurant requires a liquor license, you should check with the local licensing authority to determine costs.

(5) This estimates your initial start-up expenses. These figures are estimates and Village Inn cannot guarantee that you will not have additional expenses. Your costs depend on factors such as how well you follow Village Inn's pre-opening and operating methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for a restaurant such as Village Inn; the prevailing wage rate; competition; and the sales level you achieve.

(6) Liability coverage varies depending on the amount of insurance coverage and deductible, the experience and history of the insured, implementation of risk management procedures, the insurance company, and other factors. You must obtain all insurance we require and obtain it from an insurer having an A.M. Best's financial strength rating of "A-VIII" or better. Your insurance must: (i) insure the particular Franchisee listed on your Franchise Agreement; (ii) name us and our parents, subsidiaries, affiliates, directors, officers, and employees as additional insured; (iii) contain a waiver by the insurance carrier of all subrogation rights against us and our affiliates for casualty losses; (iv) provide that we will receive by an endorsement 30 days' prior written notice of cancellation; and (v) provide that failure by franchisee to comply with any term, condition or provision of the contract, or other conduct by franchisee, will NOT void or otherwise affect the coverage afforded us. Our minimum insurance coverage requirements are subject to change, including to increase. You need to evaluate if your particular business will require greater coverage or other types of insurance. For example, we strongly recommend that you consult with an insurance broker to discuss whether your particular lease/situation requires and/or should obtain additional common types of insurance (including without limitation, business interruption, umbrella insurance and cyber liability/data breach insurance coverage). Such insurance may significantly increase your premiums but may also save you money in the long run. We make no representation that the minimum coverage that we specify will be sufficient for your business.

You must always keep the required insurance coverage in force, and you must comply with any changes we make periodically to our insurance requirements. Upon 30 days' notice to you, we may require you to increase and/or otherwise change the minimum coverage of the insurance referred to above including to reflect identification of special risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. In the event you fail to obtain or maintain the required insurance coverage, we reserve the right, but are not obligated to, obtain the required insurance on your behalf and charge the insurance premium to you.

(7) Property insurance premiums vary depending on the amount of insurance coverage and deductible, current cost of materials and labor, the age and value of the building and contents, location, safety and preventive features (e.g., burglar/fire alarms), the insurance company, and other factors.

(8) You must provide workers' compensation and unemployment insurance with coverage sufficient to meet the requirements of the law where your restaurant is located. State statutes determine the coverages and set the manual rates.

(9) This estimate includes (a) your training costs for a Director of Operations and two managerial persons at a certified training restaurant for a period of 10 to 12 weeks (including attire that conforms with the brand standards, salary, travel, rental car, hotel, meals, and per diem for other living expenses for your personnel) and (b) your reimbursement to us for our costs for our opening assistance team members who travel to your Restaurant before, during and after your Restaurant opening (including travel, rental car, hotel, meals, and per diem for other living expenses for our opening assistance team members during the period they are providing opening assistance to you). This estimate is for your first Restaurant. Your initial training and/or our opening assistance may decrease for additional Restaurants you develop.

(10) This is an estimated average of your initial expenses per month for the first three (3) months of operation. These expenses include payroll, food supplies, utilities, ordinary maintenance, grand opening expenses, advertising, royalties, and other expenses associated with normal restaurant operations.

(11) Village Inn relies on its and its affiliates' experience operating Village Inn Restaurants and on the industry experience of the persons listed in Item 2, above, to compile the estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

(12) Village Inn does not offer, either directly or indirectly, financing to new franchisees.

(13) None of the initial investments, except for some deposits, is refundable.

(14) If you enter into a Development Agreement, you will be charged a development fee equal to the total of the initial franchise fee for your first Restaurant ($40,000) plus $20,000 for each additional Restaurant to be developed, but we will credit the entire initial franchise fee for the first Restaurant and $20,000 towards the initial franchise fee for the second and each additional Restaurant to be developed under the development agreement if you are then in compliance when you sign your franchise agreements. For example, if you sign a Development Agreement to develop three Restaurants, your development fee will be $80,000 ($40,000 plus $20,000 plus $20,000). The estimated low amount in the chart shows the combined development fee and initial franchise fee you would pay when signing a Development Agreement with a Development Schedule that requires you to develop 2 Restaurants (minus any amount for the first Restaurant). This amount is $20,000. The estimated high amount in the chart shows the combined development

fee and initial franchise fee you would pay when signing a Development Agreement with a Development Schedule that requires you to develop 5 Restaurants (minus any amount for the first Restaurant). This amount is $80,000 ($20,000+ $20,000+ $20,000+20,000).

(15) Because your primary obligations under the Development Agreement are to develop Restaurants under Franchise Agreements and you will likely sign the first Franchise Agreement when you sign the Development Agreement and incur costs under the Franchise Agreement as you develop your first Restaurant, your initial investment in connection with the Development Agreement consists of your development fee plus any additional professional and administrative fees and expenses related to reviewing and signing the Development Agreement.

ITEM 8
Restrictions on Sources of Products and Services

Village Inn requires that your restaurant be constructed, equipped, and operated in accordance with its established requirements. Village Inn will provide you (in hard copy or in Print Document Format (PDF) file) one set of its prototypical architectural plans and specifications. Any cost incurred by Village Inn with respect to a change to the standard plans and specifications, shall be borne by you. Additionally, all signs, graphics, menus, and other similar materials that use any of the Village Inn trademarks or other commercial symbols or slogans must conform exactly to Village Inn's terms and conditions. Furthermore, Village Inn food servers and other personnel are required to comply with our dress code. Logoed or other brand-specific designated attire may be purchased from any supplier, provided that the specifications are followed. Village Inn does not derive any revenue from signs, graphics, or brand-specific designated attire. Most important, you must purchase and sell directly only pies made by a Village Inn approved vendor. In the event the pies provided by the approved vendor do not adhere to the quality and brand standards as Village Inn expects, you shall notify the Franchise Advisory Board and Village Inn in writing of deficiency of quality and brand standards. In the event the Franchise Advisory Board agrees with the complaint, and we cannot return the pies to the same quality and brand standards within sixty (60) days, either the Franchise Advisory Board or you may request an alternate vendor to source pies. We agree to approve any reasonable alternate vendor. Such approval shall not be unreasonably withheld. Village Inn derives revenue from these purchases and sales. "Franchise Advisory Board" means the Associate of Village Inn Franchisees ("AVIF"), so long as such organization represents franchisees owning at least 50% of all franchise Village Inn restaurants and in the event the AVIF fails to represent a sufficient number of restaurants, any successor independent franchisee association meeting such requirement. In the event no such entity exists, the Franchise Advisory Board shall be made up of 5 franchisees appointed by the Franchisor.

We estimate that your purchases or leases from us, from designated and/or approved suppliers, and/or otherwise in accordance with our specifications, will represent, collectively, approximately 25% to 50% of your total purchases in establishing the Restaurant, and approximately 25% to 50% of your total purchases in the continuing operation of the Restaurant.

You must purchase a POS System (as defined in Item 7) that conforms to our standards and specifications. We currently only have one approved POS System and vendor, NCR Corporation.

We are also currently an approved vendor of certain Point of Sale Computer System maintenance and support services. See Item 11 for the types of services we may provide and their related costs.

Except for Legendary Baking and other Village Inn divisional or affiliated pie facilities, Village Inn's construction plans and specifications and NCR Corporation for the POS System, Village Inn does not maintain a list of approved suppliers or require that you purchase from any specific supplier. Any vendor able to provide goods or services meeting Village Inn's qualifications is automatically deemed an approved supplier. We reserve the right to establish and institute a restrictive sourcing program for other goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating a Village Inn Restaurant. Our Operating Manual, and changes thereto, will identify our standards and specifications for you and (where appropriate) suppliers. If we institute additional restrictive sourcing programs and you want to use any item or service we have not yet evaluated or to buy or lease from a supplier we have not yet approved or designated as meeting our minimum standards and specifications, you may be required to send us sufficient information, specifications and/or samples so we can determine whether the item or service complies with our standards or the supplier meets approved supplier criteria. We will decide within a reasonable time (no more than 30 days) whether the item, service or supplier meets our criteria and we will notify you of our approval (as well as of any subsequent disapproval of the item, service, or supplier) in writing. We do not expect to charge for the evaluation, although we reserve the right to charge you or the supplier a reasonable evaluation fee. We may establish alternative procedures for your requests and may limit the number of approved items, services and/or suppliers as we think best.

Village Inn negotiates purchasing arrangements with certain suppliers that provide volume discounts or vendor allowances based on purchases made by you and other franchisees, usually ranging between 1% and 5%. You can participate in these arrangements, if at all, only to the extent that your restaurant's location is in the geographic area that the supplier services. Participation in any eligible programs is conditioned upon your compliance with Village Inn's requirements. In some cases, franchisees benefit in proportion to the amount of their purchases; in other instances, Village Inn receives the entire amount of the vendor allowances. In some cases, franchisees benefit by receiving a discount on supplies. Such vendor allowances are generally based on a percentage of franchisee purchases and are calculated based on an amount per unit, per case, per gallon, or per pound of product purchased. We may use vendor allowance funds or other non-cash items received from suppliers to us and our franchisees in our sole and absolute discretion. Village Inn has not established purchasing or distribution cooperatives.

Pursuant to the mergers as fully described in Item 1, the total revenues and expenses of Franchisor and its subsidiaries and affiliates have been consolidated with MTY USA's, as reflected in the audited consolidated financial statements presented in this disclosure document. For the year ending November 30, 2023, MTY USA and its subsidiaries, as of such date, derived revenues from the sales of products, services, and vendor allowances in the amount of $43,895,158, which was approximately 7.5% of MTY USA's total consolidated recognized revenue in the amount of $580,280,000.

Various suppliers and vendors of MTY USA and its subsidiaries contribute marketing and other revenues to MTY USA and/or its subsidiaries based upon system-wide purchases from those suppliers and vendors. During our last fiscal year, MTY USA and its subsidiaries on a consolidated basis earned a total of $32,499,276 of the $43,895,158 from such vendors. Additional other revenues (for example, revenue from miscellaneous fees and expenses from franchisees) in the amount of $5,749,317 were also received by MTY USA and its subsidiaries during the last fiscal year.

No officers of Village Inn own an interest in any supplier.

Village Inn may use vendor allowance funds or other non-cash items received from Franchisor's suppliers related to the Village Inn system to benefit the Village Inn system in our sole and absolute discretion.

ITEM 9
Franchisee's Obligations

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

Obligation	Section in Franchise Agreement and Development Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Articles 2 and 23 of Franchise Agreement	Items 5, 7, 11, and 12
b. Pre-opening purchases/leases	Article 9 and Section 10.2 of Franchise Agreement	Items 5, 7, and 8
c. Site development and other pre-opening requirements	Article 9 and Sections 6.4, 10.2 and 12.1 of Franchise Agreement Section 3 of Development Agreement	Items 5, 7, and 11
d. Initial and ongoing training	Articles 11 and 12 of Franchise Agreement	Items 7 and 11
e. Opening	Sections 2.2 and 6.3 of Franchise Agreement Sections 5.a. to 5.d. of the Development Agreement	Items 7 and 11

Obligation	Section in Franchise Agreement and Development Agreement	Disclosure Document Item
f. Fees	Articles 4, 5 and Sections 3.2(c), 6.1, 6.4, 7.3, 7.4, 18.2(d), 22.1(b), and 29.19 of Franchise Agreement Section 2 of Development Agreement	Items 5, 6, 7, and 10
g. Compliance with standards and policies/Operating Manual	Article 10 of Franchise Agreement Section 1.c. of Development Agreement	Item 8
h. Trademarks and proprietary information	Articles 1, 15, 16, and 24 of Franchise Agreement	Items 13 and 14
i. Restrictions on products/services offered	Section 10.2 of Franchise Agreement	Item 16
j. Warranty and customer service requirements	Article 10 of Franchise Agreement	Item 11
k. Territorial development and sales quotas	Sections 3 and 5 of Development Agreement	Item 12
l. Ongoing product/service purchases	Section 10.2(g) of Franchise Agreement	Item 8
m. Maintenance, appearance, and remodeling requirements	Articles 9, 10, 13, and 15 and Section 18.2(g) of Franchise Agreement	Items 8 and 11
n. Insurance	Article 20 of Franchise Agreement	Item 7
o. Advertising	Article 6 of Franchise Agreement	Items 6, 7 and 11
p. Indemnification	Article 20 and Sections 9.9, 18.2(h), 26.1 and 26.2 of Franchise Agreement	N/A
q. Owner's participation/ management/staffing	Articles 10, 11, and 12 of Franchise Agreement	Items 11 and 15
r. Records and reports	Article 14 and Sections 5.2 and 13.1 of Franchise Agreement	N/A
s. Inspections and audits	Articles 13 and 14 of Franchise Agreement	Items 6 and 11

Obligation	Section in Franchise Agreement and Development Agreement	Disclosure Document Item
t. Transfer	Articles 18 and 19 of Franchise Agreement Section 6 of Development Agreement	Item 17
u. Renewal	Section 3.2 of Franchise Agreement Section 4.b. of Development Agreement	Item 17
v. Post-termination obligations	Article 24 of Franchise Agreement Section 4.c. of Development Agreement	Item 17
w. Non-competition covenants	Article 17 of Franchise Agreement	Item 17
x. Dispute resolution	Articles 22 and 25 and Sections 18.4, 29.4, 29.5, 29.6, 29.7, 29.8, and 29.16 of Franchise Agreement Section 7 of Development Agreement	Item 17

ITEM 10
Financing

We do not typically offer direct or indirect financing. We do not know whether you will be able to obtain financing for all or part of your investment and, if so, the terms of the financing. We do not typically guarantee your note, lease or other obligation.

ITEM 11
Franchisor's Assistance, Advertising, Computer Systems, and Training

Except as listed below, Village Inn need not provide any assistance to you.

<u>BEFORE OPENING</u>**:**

Before you open your Village Inn Restaurant, we (or our designee) are required by the Franchise Agreement to provide the following assistance and services to you. (In the case of a Franchisee purchasing from Village Inn an existing operating Restaurant, the obligations described under this heading, Before Opening, will not apply.)

You select your business site and we evaluate it prior to execution of the Franchise Agreement. In conducting our evaluation, we may consider a variety of factors including demographics, traffic counts, ingress-egress, visibility, residential density, and parking. We do not generally own the site.

We are required to approve or disapprove of any lease you enter into, which determination will be made in our sole discretion. Our approval is not a warranty, representation or guaranty by us that a Village Inn opened at that site will be a financial success or that the site complies with any or all applicable laws, codes, ordinances or regulations (including without limitation, the Americans with Disabilities Act). Regardless of our approval, you are solely responsible for the terms of the lease. (Franchise Agreement, Section 3.1).

We will provide you with one set of Village Inn's prototypical plans and specifications (that you must adapt to local codes) for the construction and/or equipping of a Village Inn Restaurant. We will not be responsible for conforming any premises purchased, leased, or rented by you to local ordinances and building codes, other applicable laws/rules/regulations, or obtain for you required health, sanitation, building, driveway, utility, sign, or any other required permit. You bear sole responsibility to construct, remodel, and/or decorate any premises purchased or leased by you. (Franchise Agreement, Section 9.2).

You will be solely responsible for inspections during construction or renovation to confirm that the Restaurant is being constructed or renovated in a workmanlike manner and according to the specifications established by us. You will be solely responsible for complying with all federal, state, and local laws, ordinances, statutes, and building codes, and for acquiring all licenses and building and other permits required by law in connection with the construction or renovation of your Restaurant at the franchised location. We will have no responsibility to you or any other party. You will not open the Restaurant for business without our prior written approval.

We will not purchase, lease, rent, lend, deliver, or install equipment, signs, fixtures, opening inventory, or supplies for or to you or your premises, although we will provide you general advice regarding the provision of such items.

We will not hire or assist you in hiring or training employees, except for your Director of Operations and two additional managers designated by you as described in this Item 11 below. (Franchise Agreement, Section 10.2(j)).

Promptly upon the full signing of your Franchise Agreement, we will deliver to you one copy of the Operating Manual containing mandatory and suggested specifications, standards, and operating procedures prescribed from time to time by us, as well as information relative to your other obligations under the Franchise Agreement and in connection with the operation of your Village Inn Restaurant. We have the right to add to and modify the Operating Manual from time to time, in our sole discretion, to reflect changes in the specifications, standards, and operating procedures, but no such addition or modification will alter your fundamental status and rights under the Franchise Agreement. To protect our confidential material and methods, we may require that your employees, shareholders, officers, directors, general partners, members, and managers sign a confidentiality agreement.

The System and our Operating Manual do not include any personnel policies or procedures or security-related policies or procedures that we (at our option) may make available to you in the Operating Manual or otherwise for your optional use. You will determine to what extent, if any, these policies and procedures might apply to your operations at the Village Inn Restaurants. We neither dictate nor control labor or employment matters for franchisees and their employees and we are not responsible for the safety and security of the Village Inn Restaurant's employees or customers. We may modify these manuals, but the modification will not alter your status and rights under the Franchise Agreement. (Franchise Agreement, Sections 1.1 and 10.2(j)).

We will provide you with general assistance prior to the opening of your Village Inn Restaurant, including approving or disapproving your marketing/advertising and grand opening plans and materials. We will reimburse you for up to 50% of your out-of-pocket costs to execute your grand opening plan, up to a maximum of $2,000, if you satisfy the following criteria: (i) expenditures associated with the grand opening plan are made within 60 days after your Village Inn Restaurant opens for business; (ii) you submit to us, within 90 days of the opening, documentation acceptable to us of the expenditures; and (iii) the expenditures are made pursuant to the approved plan. (Franchise Agreements, Section 6).

We will provide an on-site opening assistance team at your Restaurant before, during and after the opening of your Restaurant. See Item 11. (Franchise Agreement, Section 12.5).

<u>SCHEDULE FOR OPENING</u>:

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of your Village Inn Restaurant is approximately nine to fifteen months. Some factors which may affect this timing are your ability to locate an acceptable site, the time to acquire the site through lease negotiations, your ability to secure any necessary financing, your ability to comply with local zoning and other ordinances, the timing of the delivery and installation of equipment and signs, and the time to convert, renovate, or build the premises. The conversion of an existing facility to a Franchised Restaurant usually takes 60 to 150 days, depending on the extent of the conversion of the premises, equipment, and operational systems that may be necessary. In any event, your Village Inn Restaurant is required to be opened and operational within 18 months after you execute the Franchise Agreement.

<u>AFTER OPENING</u>:

There is no obligation on Village Inn to provide services to you during the term of the franchise. We may, however, offer the following to you from time to time:

Although we will not hire or assist you in hiring or training employees, we will provide training of your Director of Operations and two additional managers as you may request from time to time so that at all times you employ a Director of Operations and two additional managers who have successfully completed our training program. There are no tuition fees for the training; however, you will be responsible for all costs incurred by your employees to attend the training. (Franchise Agreement, Section 12.4).

We may from time to time provide continuing assistance through operations manuals, supplements, bulletins, and periodicals. Training programs are also offered periodically on various aspects of restaurant operations, which Franchisee may be required to attend, but not more frequently than once a year. We also may make available to you information regarding any new product, service or supplier or any updated method of doing business. There are no separate charges for these services, but you are responsible for the wages and living expenses of those attending such training. (Franchise Agreement, Section 12.3)

Prices to be charged to your customers in connection with your Village Inn Restaurant are solely your responsibility. If we consult with you on costs and prices, or if we or our agents and/or representatives suggest prices to you from time to time, you are under no obligation to adhere to them. If we conduct advertising in which prices for items are indicated or suggested, these prices are not binding on you in any manner. (Franchise Agreement, Sections 10.2(f)). Modifications to the menu are allowed only as a reflection of food and beverage items characteristic of your local area and subject to our testing and prior written approval.

You are solely responsible for the operation of your Village Inn Restaurant in accordance with the requirements of the Franchise Agreement, the Operating Manual, and all other applicable manuals and directives provided to you in writing by us from time to time. We may conduct periodic inspections of your restaurant as we deem necessary to furnish supervision and assistance in the operation of your restaurant and to assure the quality of goods and services being offered by you. At your request, Village Inn, if it deems appropriate after consultation with you, will provide, at your expense, extraordinary operating assistance above that normally furnished, and such assistance may include on-site visits by Village Inn personnel. (Franchise Agreement, Section 10.1).

ADVERTISING:

Village Inn develops, maintains, and administers advertising, public relations, and sales promotion programs intended to help the success of our restaurant brand. We do not, however, use marketing/advertising fees paid by franchisees to advertise the sale of Village Inn franchises. We have no obligation to ensure that the Marketing Fee is expended so as to be proportionate or equivalent to the fees paid by you or that any particular amount is spent in the Franchised Area.

Each Village Inn franchise granted under this offering must pay to Village Inn a weekly marketing/advertising Marketing Fee of not more than 0.5% of the Gross Sales for that restaurant. Company-owned Restaurants contribute the same rate as other Village Inn franchisees.

Additionally, franchisees must spend a minimum of 1% of their Gross Sales annually in each franchise location for local marketing and advertising promotions. All strategies and productions for local marketing shall require Village Inn’s prior approval (which will not be unreasonably withheld) except for promotions or materials already initiated, implemented, or approved by Village Inn.

If a regional marketing/advertising cooperative is established by Village Inn that covers the market in which your Restaurant is located, then you will be required to participate in and contribute up to 1% of your annual Gross Sales to such regional marketing/advertising cooperative.

Also, if Village Inn establishes 300 Village Inn owned and franchised restaurants combined in at least 25 states, each franchisee may in our sole discretion be required to participate in and contribute up to 1% of its annual Gross Sales in each franchise location, to a national cooperative established by Village Inn for which such contributing franchisee will have one vote, for each restaurant owned, in determining how much money should be spent on national advertising or promotions of the Village Inn brand. Village Inn owned restaurants do not contribute to these cooperatives.

Village Inn will use the fees paid by franchisees for marketing studies, creation of promotional materials, and other services (material production, administrative support, etc.) and to purchase advertising time and space in national, regional, or other advertising media (television, radio, and print) to promote Village Inn Restaurants. The fees will also be used to pay the costs and overhead of Village Inn's in-house Village Inn marketing department and advertising agencies. You may develop advertising materials for your own use, at your own cost, but prior to use, we must approve the materials in writing.

The marketing/advertising fees are placed into a bank account, and they are accounted for on Village Inn's books as a separate line item. Village Inn will provide to contributing franchisees within 120 days after the end of Village Inn's fiscal year an accounting of the use of those fees paid by franchisees to Village Inn. If there is a credit balance in that account at the end of any fiscal year, that credit balance shall be retained for future expenditures. During the year ended January 1, 2024, $696,554.04 in marketing/advertising fees were paid by franchisees. Village Inn, out of their general funds, spent a total of $1,324,600 on marketing and advertising programs related to Village Inn Restaurants, which is approximately $6,056.99 per company-operated Village Inn Restaurant (based on number operating at the end of the fiscal year). Of that amount, approximately, $111,867 or 8%, was spent on production; approximately $100,771 or 8%, was spent on media placement, approximately $687,544 or 52% was spent on innovation, and approximately $424,419, or 32% was spent on administration of the fund, which costs were absorbed by Village Inn as overhead. None of the advertising described in this paragraph is principally a solicitation for the sale of franchises.

In addition to the above, you will be required to submit to Village Inn for approval a marketing/advertising grand opening plan for your location not less than 60 days before you open for business. The plan will need to be approved by Village Inn. If approved, Village Inn will reimburse 50% of your expenses to execute the plan up to a maximum of $2,000, provided that the expenses are incurred no later than 60 days after you open for business; you submit those expenses to Village Inn within 90 days after your opening; and the expenses are incurred pursuant to the approved plan. We have the right to modify your grand opening plan, in our sole discretion.

TRAINING:

Village Inn requires that the Director of Operations and a minimum of two managers successfully complete and become certified in Village Inn's management-training program for each franchised restaurant. Village Inn has the right to pre-approve management candidates before the beginning of training, and retains sole discretion over successful training progress and certification. At least two of these individuals must be involved in the daily operation of the restaurant.

We conduct the required franchise training programs throughout the year, as needed. On-the-job training is conducted at a certified training restaurant in Colorado or other training restaurant specified by us. Completion of the training program must occur no less than four weeks before the restaurant's scheduled opening date. The duration of a training program lasts approximately 10 to 12 weeks. The manager candidate's background, profile, and performance while in training determine the program's duration for that candidate. The instructional materials for the training may include binders, printed materials, and online training courses. The Franchise Management Training Program is as follows:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of on the Job Training	Location
Orientation; Restaurant Tour; Materials Issue	0	1	A Restaurant
Hourly Skills Set Training: Host Training program	0	15	A Restaurant
Testing, E-Course Projects and Weekly Evaluation	0	2	A Restaurant
Manager Skills Set Training Resources Operational/Shift Checklists Security/Safety Safe Food Handling Cashier Drawer Change Shift Responsibilities: Open/Close POS Communications: email/vm GSI PARIS Invoices	0	37	A Restaurant
Hourly Skills Set Training: Server Training program Busser Training program	0	21	A Restaurant
Testing, E-Course Projects and Weekly Evaluation	0	2	A Restaurant
Manager Skills Set Training: Guest Service Handling Guest Complaints Floor Management Open/Close Management responsibilities Shift Change procedures Pie (VI)	0	32	A Restaurant
Hourly Skills Set Training: Expediter Training program Crew Trainer Training program Continue hourly position training as needed	0	20	A Restaurant

Subject	Hours of Classroom Training	Hours of on the Job Training	Location
Management Skills Set Training: Team member Orientation Payroll Reports Safety & Security continued: Incident Reports, Security equipment, Crisis Management Pie (VI)	0	33	A Restaurant
Testing, E-Course Projects and Weekly Evaluation	0	2	A Restaurant
Hourly Skills Set Training: Continue hourly position training as needed	0	15	A Restaurant
Manager Skills Set Training: Harassment Prevention Coaching to Resolve Conflict Scheduling Team member practices: making good employment decisions Pie (VI)	0	38	A Restaurant
Testing, E-Course Projects and Weekly Evaluation	0	2	A Restaurant
Hourly/Management – FOH Skills Practice all new FOH skills Pie (VI)		53	
Testing, E-Course Projects and Weekly Evaluation	0	2	A Restaurant
Hourly Skills Set Training: Cook Training program	0	30	A Restaurant
Testing, E-Course Projects and Weekly Evaluation	0	2	A Restaurant
Manager Skills Set Training: Ordering Receiving Pie (VI)	0	23	A Restaurant
Hourly Skills Set Training: Continue Cook Training program	0	30	A Restaurant
Testing, E-Course Projects and Weekly Evaluation	0	2	A Restaurant
Manager Skills Set Training: Food Inventory Pie (VI)	0	23	A Restaurant
Hourly Skills Set Training: Dish Machine Operator Training program Prep Cook Training program Continue Cook Skills building as needed	0	30	A Restaurant
Testing, E-Course Projects and Weekly Evaluation	0	2	A Restaurant

Subject	Hours of Classroom Training	Hours of on the Job Training	Location
Manager Skills Set Training: Food Cost Management: pars, calculations Food Production Specialist: understanding the role Pie (VI)	0	23	A Restaurant
Management Training & Application of all FOH/HOH skills – discretionary based on individual's demonstrated abilities	0	55	A Restaurant
Total Training Hours Available			**495 to 550**

Village Inn staffs its Training and Development Department with instructors that are well versed in restaurant and personnel training, management, and supervision. All training will be conducted under the supervision of Adam Lehr. Mr. Lehr has been BBQ's Co-Chief Operating Officer since October 2022 and prior to that was the Senior Vice President of Operations over both corporate and franchise restaurants since January 2020. Since joining BBQ in 2018, he was also involved with various franchise operations as both the Director of Operations and as an FBC. Prior to joining BBQ, Mr. Lehr was the Director of Franchise Operations for the University of Minnesota where we oversaw 18 different franchise operations, including Chick-Fil-A, Papa John's, Subway, Starbucks and more. Mr. Lehr has also owned his own restaurant and has been involved in developing, opening and running profitable restaurant concepts since 2005.

Village Inn does not charge tuition for training of your initial Director of Operations and two managers. However, you are responsible for all costs incurred by you and your employees during training. These costs include wages, benefits, workers compensation insurance, transportation, lodging, meals, and other living expenses.

From time to time, but not more than once a year, Village Inn may require your Director of Operations and your managers, at your cost and expense, to attend and successfully complete refresher or additional courses. Additionally, Village Inn may also provide specific training programs on a space-available basis, at your expense. We encourage your attendance at these supplemental training programs.

For a minimum of 18 business days during the pre- and post-opening period of the Restaurant, we will provide you, at your Restaurant's premises and at your expense, a new restaurant opening assistance team consisting of at least 10 persons for the purpose of facilitating the opening of the Restaurant. During this period, our team members will also assist you in establishing and standardizing procedures and techniques essential to the operation of the Restaurant and will assist in training personnel. You will reimburse us for our opening assistance team members' travel, lodging, meals and other expenses incurred, but we will not charge you for our team members' salaries during such opening assistance period. We may reduce or eliminate our new restaurant opening assistance to you if you or your affiliates have previously opened and are operating Restaurants.

All training and pre- and post-opening programs are subject to change due to COVID-19 restrictions on us and/or your ability to travel for training and pre- and post-opening assistance.

COMPUTER SYSTEMS:

We require that you operate a fully functional POS and back office system (the "Point of Sale Computer System"), including credit card processing, related systems that track sales and other point-of-purchase information, and telecommunications infrastructure that is compatible with our infrastructure and meets all necessary security and compliance requirements.

We recommend you purchase an Aloha Point of Sale Computer System and a Verifone VX-820 card reader to be EMV compliant and to encrypt credit card data from NCR Corporation, or such other Point of Sale System as we may designate from time to time. The Point of Sale Computer System must process all restaurant and beverage orders, track employee hours for payroll, and print customer checks. In addition, the Point of Sale Computer System must be able to perform credit card and gift card processing. All computers at your restaurant must be compliant with the current Payment Card Industry Data Security Standards, as issued by the credit card processing companies, to ensure the security and privacy of your customers' credit card data. Village Inn will have independent access to the information and data contained on your Point of Sale Computer System.

The recommended Point of Sale Computer System costs approximately $27,000 based on our standard configuration for a restaurant and the Verifone VX-820 card reader cost is approximately $420 per terminal with an activation fee of $150 per restaurant and a $55 per month processing fee per restaurant. Installation costs will vary. Kitchen Display System (software and) hardware is optional, but recommended for enhanced speed of service. You will be solely responsible for the acquisition, operation, maintenance, and upgrading of the Point of Sale Computer System.

Although we are not obligated to provide ongoing maintenance, repairs, upgrades, or updates to the Point of Sale Computer System, we do require that you purchase a software support service contract and a hardware support service contract for the Point of Sale Computer System, and we may be a vendor for these services. We currently have four (4) tiers of Point of Sale Computer System services that you may select. Tier 0 is the minimum requirement, includes network security and encryption and will cost approximately $1,300 per year. Tier 1 is the next option, adds incremental Point of Sale Computer System maintenance, support, menu changes and back-office software maintenance, and will cost approximately $7,500 per year. Tier 2 is the next option, adds incremental help desk and depot services, and will cost approximately $10,000 per year. Tier 3 is the most comprehensive option and adds incremental labor scheduling, food cost management, mobility, dashboard reporting and certain analytics, and will cost approximately $12,000 per year.

We recommend a separate computer (aside from the Point of Sale Computer System) with a Windows 7 Professional Operating System (or supported version of MS Windows) for your general office needs. We recommend certain computer software that is of assistance in operating your business. The computer you select must have the capacity to operate the recommended software and the Windows 7 Professional Operating System (or supported version of Microsoft

Windows). In addition, because of the rapid advances in computer and communications technology, we may require you to add computer hardware and software not only for Point of Sale transactions but for training, communications, or other systems (at our direction by revising the Village Inn's Operating Manual) to accommodate any advances Village Inn determines are in the best interest of the Village Inn's franchise system which includes, without limitation, that we may require a particular firewall (hardware and/or software. You will incur the cost of the required hardware and software and there are no contractual limitations on the frequency and cost of this obligation, but it is Village Inn's policy not to require significant upgrades more than once every 5 years. In addition, you are required to acquire and maintain a high-speed broadband Internet/DSL/Cable connection to accommodate communication and training systems. You will be solely responsible for the acquisition, operation, maintenance, and upgrading of the computer. Neither we nor any third party is obligated to provide ongoing maintenance, repairs, or updates for the computer. We do not require you to purchase a service contract for this computer.

You are required to report the following data by restaurant on a weekly basis: sales, and guest counts. If you are Tier 1 or higher, Village Inn may perform this function for you.

You are required to install and maintain a Meraki security appliance as specified by Village Inn and connect to the Village Inn Meraki concentrator. The cost of a Meraki security appliance is $1,500 per license for a 3-year term per restaurant. Your Point of Sale Computer System and other computers must follow the Payment Card Industry (PCI) DSS merchant requirements as stated on the http://www.pcisecuritystandards.org. The Point of Sale Computer System must be segmented off of other internal business networks. You must use internal or third party IT network resources, which include security shield, threat defender, and breach protection programs. We may suggest third party PCI compliance vendors to you, but you are responsible for your own PCI compliance and general data security at your Restaurant whether or not we provide network security and encryption services as set forth above. Village Inn does not currently have independent access to the information and data collected and generated by your computer system, however, we reserve the right to do so in the future.

Village Inn recommends you purchase the latest version of Microsoft Office. Microsoft Office includes Microsoft Excel and Microsoft Word, which will allow effective communication between the home office and franchise locations. If you elect to purchase a software and hardware support service contract from Village Inn, you must also install the appropriate tool(s) to allow us remote access to the Point of Sale Computer System. Additionally, at your expense, appropriate security precautions must be in place, including a Village Inn-approved antivirus agent, proper encryption for secure data and information, anti-spyware software, and basic security policies that assure data integrity and confidentiality meeting Village Inn minimum specifications. Village Inn reserves the right to scan and monitor your system and audit your system at our sole discretion.

All of the preceding computer system requirements are set forth in the Operating Manual, as may be updated from time to time in our sole discretion. Additional charges for computer, software or licensing fees may be charged in the future if there are changes or updates to the computer system requirements set forth in the Operating Manual.

OPERATING MANUAL:

Before you sign the Franchise Agreement, we will give you the opportunity to review the current Operating Manual for Village Inn Restaurants. The Operating Manual contains approximately 100 pages. The Operating Manual may be subject to revisions or additional requirements at any time.

FRANCHISE ADVISORY BOARD:

Village Inn has a Franchise Advisory Board. Its purpose is to provide a forum for the exchange of information regarding operations, marketing, research and development, and other issues relating to the Village Inn System as a whole. The board members are nominated by the franchisees in their respective regions. The Franchise Advisory Board serves in an advisory capacity only and does not have decision-making power. Village Inn has the power to change or dissolve the Franchise Advisory Board.

ITEM 12
Territory

Franchise Agreement

The Village Inn Restaurant must be established at a specific location of which we approve. If Village Inn approves a franchise for a specific location under a Franchise Agreement, it will not operate another restaurant using the trade name "Village Inn," or permit another franchisee to establish another Village Inn Restaurant within a three-mile radius of that location ("Franchise Area"). Village Inn also will not alter, modify, or amend the Franchise Area for an existing location without the Franchisee's consent. However, a Franchisee will not receive the right to acquire additional franchises within the geographic area of his/her/its restaurant. Additionally, Village Inn may own or operate a directly competitive restaurant within the Franchise Area, and may own or operate a Village Inn Restaurant within the Franchise Area if it is acquired as part of a purchase of restaurants which includes at least one restaurant outside the Franchise Area and the Franchisee declines to purchase that restaurant at Village Inn's cost. However, Village Inn shall not offer whole pies branded as "Village Inn" at any restaurant owned, franchised, or acquired by Village Inn or its affiliates or subsidiaries (except at Village Inn branded restaurants operated in conformance with the Franchise Agreement) within the Franchised Area.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control, including the Internet, and we have no obligation to pay you any compensation for soliciting or accepting orders inside your Franchise Area.

Except as stated above, Village Inn may engage in any business activity or own, operate, develop, franchise, or license other franchises or company-operated outlets selling similar products or services (full-service restaurants) under different trade names or service marks even if such restaurants offer products similar to those which are or may be offered at Village Inn Restaurants. Village Inn has created, and may continue to create, food and merchandise bearing the trademarks and service marks licensed to Franchisee under the Franchise Agreement. Franchisee may sell such food and merchandise only from the Restaurant, only at retail, and only in the manner specified by, and with the prior written consent of, Village Inn. Village Inn reserves to itself the right to sell such food and merchandise through other channels of distribution, such as at retail, on the Internet, and at wholesale to retail outlets (such as grocery stores, discount retailers, convenience stores, and the like), whether such outlets are within the Franchised Area or elsewhere. Village Inn also may license others to prepare and sell such products at retail or wholesale. Franchisor also reserves the right to distribute its products to other restaurants within or outside of the Franchised Area for sale at retail by such restaurants.

Under the terms of the Franchise Agreement, the continuation of a Franchisee's Franchise Area is not dependent upon the achievement of a certain sales volume, market penetration, or other contingency. However, if a Franchisee wishes to relocate the restaurant, Village Inn's prior approval is required. In conducting our evaluation of a proposed site for relocation, we may consider a variety of factors including demographics, traffic counts, ingress-egress, visibility, residential density, parking, and governmental regulations concerning setbacks, sign codes, and the terms of the purchase agreement or lease.

Development Agreement

If you sign a Development Agreement, Village Inn will grant you the right to establish and maintain an agreed number of Village Inn Restaurants in an agreed geographic area (the "Growth Area").

We determine the Growth Area before you sign the Development Agreement based on various market and economic factors like demographics, the penetration of similar businesses, the availability of appropriate sites and growth trends in the market. The Growth Area may be all or a portion of a city, a single or multi-county area, or some other area, and will be described in the Development Agreement. The Growth Area will exclude any areas as to which we may have existing contractual commitments. These will be identified in your Development Agreement.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution that we control. Your only territorial rights relate to the Franchise Area in your Franchise Agreements. Village Inn may engage in any business activity, under any name, at any location within or outside the Growth Area. Village Inn expressly reserves the right to own, operate, develop, or franchise Village Inn Restaurants within or outside the Growth Area. Village Inn or its direct or indirect parent, subsidiary, or affiliated entities can own, operate, develop, or franchise, within or outside the Growth Area, other restaurants under different trademarks and trade names or service marks, even if such other restaurants offer products similar to those which are or may be offered at Village Inn Restaurants.

Your rights with respect to the Growth Area are not dependent upon your achieving a certain sales volume, market penetration or other contingency, but you must open and maintain open the number of Restaurants in your Development Schedule or else you will be in default. If you are in default, we may terminate your Development Agreement.

You will not have any right under the Development Agreement to develop Village Inn Restaurants outside of the Growth Area or to possess or acquire any option, right of first refusal, or similar right to any additional Village Inn Restaurant franchises or other restaurants within your Growth Area or contiguous territories.

***

As described in Item 1, we and our parent BBQ own and operate and franchise, and our affiliates own and operate and franchise, various restaurant concepts in the United States, including Baker's Square and Famous Dave's. These restaurants do not sell goods or services that are identical or confusingly similar to the goods and services you will sell at your Restaurant, but as noted in Item 1 some of them share our corporate address and certain personnel, and several of these restaurant concepts promote and offer pies as part of their primary dessert menu through similar means. We, our parent BBQ and our affiliates may in the future acquire and then operate and/or franchise other restaurant concepts. You have no options, rights of first refusal, or similar rights to acquire additional franchises in these existing restaurant concepts or any other concepts we, our parent BBQ or our affiliates may operate or franchise under your Development Agreement or Franchise Agreement, and we, BBQ, our affiliates and any franchisees of these other concepts may solicit and accept orders for their products and services in your Franchise Area and/or Growth Area. We do not maintain any formal process to resolve potential conflicts between you and franchisees of our systems that we or our affiliates operate, and expect that we will address any conflicts that may arise on a case-by-case business as we determine appropriate under the circumstances.

ITEM 13
Trademarks

You receive the right to operate a Village Inn Restaurant under the name "Village Inn" and under any other trade names, trademarks, service marks and logos currently used or that may in the future be used in the operation of Village Inn Restaurants. We may change or modify the Marks and you must adopt, use and display the new or modified trade names, service marks, trademarks and copyrighted materials at your expense. We hold registrations for the following principal trademarks on the U.S. Patent and Trademark Office Principal ("USPTO") Register following assignment from ABRH:

Mark	Registration Number (Application Number)	Registration Date (Application Date)
Village Inn	5,932,058	December 10, 2019

Mark	Registration Number (Application Number)	Registration Date (Application Date)
Village Inn	5,932,057	December 10, 2019
VILLAGE INN	1,070,440	July 26, 1977
VILLAGE INN PANCAKE HOUSE	1,118,489	May 15, 1979
Village Inn	1,118,490	May 15, 1979
Village Inn	1,197,458	June 8, 1982
THE BREAKFAST EXPERTS	1,682,297	April 7, 1992
vi	4,287,957	February 12, 2013
vi:)	4,202,421	September 4, 2012
INN-CREDIBLE V.I.B.	3,963,070	May 17, 2011
ALL-WORLD DOUBLE CHEESEBURGER	1,883,771	March 14, 1995
BREAKFAST YOUR WAY. ALL DAY.	4,941,335	April 19, 2016

In addition to the above-referenced Marks, Village Inn makes use of other trademarks, service marks, tag lines, and slogans, from time to time, in which it claims intellectual property ownership. We or our predecessor ABRH have filed all required affidavits with regard to the Marks. There are currently no effective material determinations of the Patent and Trademark Office, trademark trial and appeal board, the trademark administrator of any state, or any court involving the principal trade or service marks. There are no pending infringement actions, oppositions, or cancellations or pending material litigation involving the principal trade or service marks. Additionally, Village Inn is not aware of any infringing uses of the service marks which could materially affect your use of them.

There are no agreements currently in effect that significantly limit the rights of Village Inn to use or license the use of its trademarks, service marks, trade names, logotypes, or other commercial symbols in any manner material to you. Accordingly, Village Inn grants you a non-exclusive right to use the above marks in connection with and at the franchised restaurant location during the term of the Franchise Agreement. However, even during such term, marks other than the Village Inn trade or service marks identified above must require prior written approval of Village Inn before they can be used. The determination as to whether such marks are necessary or required for your franchise restaurant will be at Village Inn's sole discretion.

You acknowledge in the Franchise Agreement that the registered service marks and trade names, the words, "Village Inn", and any artwork, stylized lettering, logo, or design associated with any of the marks are the property of Village Inn and have valuable goodwill attached to them. In using the service marks and trade names, you must identify that you are using them under license from Village Inn and that you are completely separate from Village Inn. You may not use any of the marks or the words, "Village Inn", in the name of your business entity or allow their use by another. You may not sell or provide any products or services under any of the trade or service marks and trade names except in accordance with the system for Village Inn Restaurants offered by Village Inn.

You must notify us immediately if you suspect any unauthorized use or claim relating to the use of any registered marks owned by Village Inn. Village Inn is not obligated to protect your rights to use the marks or to protect you against claims of infringement or unfair competition. However, Village Inn has, in the past, taken all legal action it has considered necessary to protect its marks. Further, pursuant to the Franchise Agreement, you agree to cooperate with Village Inn, as reasonably requested and at Village Inn's expense, in the litigation or defense of any infringement, suit, or claim, and you shall not enter into any negotiation or settlement of any such claim or suit without the prior written consent of Village Inn regarding the trademarks.

You must modify or discontinue, at your cost and expense, the use of a mark if Village Inn modifies or discontinues it, provided, however that if it would cost more than $10,000, you must make any such change only if you agree to do so in writing. Additionally, as a condition to the licensing of such marks, you agree not to directly or indirectly contest Village Inn's right to its service marks, trademarks, trade secrets, or business techniques that are a part of Village Inn's business.

ITEM 14
Patents, Copyrights, and Proprietary Information

Village Inn possesses certain copyrights and has registered some of them with the United States Copyright Office. Village Inn's copyrights include the Village Inn operations manual, marketing manual, training materials, and other materials of similar nature, none of which has been federally registered. You acknowledge in the Franchise Agreement that these, as well as all other aspects of the Village Inn System, are proprietary. You also agree not to divulge such information and to use your best efforts to prevent them from being disclosed by your employees and agents.

Any unauthorized use of the proprietary information should promptly be reported to Village Inn. However, Village Inn is not required to take action or participate in any litigation with respect to unauthorized use of its copyrighted materials but will respond to unauthorized uses as it deems appropriate. The Franchise Agreement does not grant you the right to control any copyright-related litigation or grant you rights if Village Inn modifies or discontinues using any copyrighted material. Village Inn has no knowledge of any copyright infringement.

Village Inn claims proprietary rights in many aspects of its franchise system including: (i) method and procedures relating to the development and operation of Village Inn Restaurants, (ii) management and personnel training, (iii) product development and testing, (iv) food, menu specifications, and recipes, (v) site selection, (vi) restaurant construction and equipment, (vii) marketing and promotion, (viii) back office accounting systems, (ix) purchasing arrangements and vendor lists, and (x) administrative support. You are permitted to use such proprietary information in the operation of your Village Inn franchise strictly in accordance with the Franchise Agreement and the Village Inn system.

No patents are material to the franchise. We do not have any pending patent applications.

ITEM 15
Obligation to Participate in the Actual Operation of the Franchise Business

Additionally, during the entire term of the franchise, you must designate a Director of Operations who (i) is approved by Village Inn; (ii) successfully completes the required training program; and (iii) is primarily responsible for the operations of your Village Inn Restaurant. You may be the Director of Operations if you satisfy the requirements.

In addition, during the entire term of the Franchise Agreement, you must employ, in addition to the Director of Operations, on a full-time basis, not less than two managers. Village Inn must approve them, and they must pass Village Inn's manager training program.

One of the three above individuals must be designated as the General Manager and be responsible for the direct on-premises day-to-day supervision of your restaurant. One of the other two individuals shall be responsible for the direct on-premises supervision of the restaurant in the General Manager's absence. The Director of Operations may be the General Manager. However, he or she cannot serve as a General Manager for more than one franchise restaurant. Neither the General Manager nor the Director of Operations is required to hold any equity interest in the Franchisee.

If any of the above individuals terminates his or her employment with you or the person's responsibilities change from restaurant operations, you agree to (i) immediately notify Village Inn of the change; (ii) reassign personnel or responsibilities so that there will always be direct on-premises supervision of the restaurant by at least two Village Inn-approved and trained managers; and (iii) within 60 days, either replace such individual(s) with another person(s) Village Inn has approved and who has successfully completed the required training or reinstate the previous individual(s) to their previous operational responsibility.

If the Franchisee is a legal entity, each individual or entity owner must sign a personal guarantee of all of the obligations of the Franchisee. If you are an individual and married, your spouse must also execute and deliver to us a personal guarantee at the same time that you sign the Franchise Agreement unless your spouse is also signing the agreement as an individual. Additionally, Village Inn may require you to have designated employees execute confidentiality agreements with respect to Village Inn's confidential information. You and all directors, officers, managers, partners, shareholders, members, or other ownership interest in 25% or greater in the franchise are bound by the non-competition provisions of the Franchise Agreement as described in Item 17 below.

ITEM 16
Restrictions on What the Franchisee May Sell

You must offer for sale only approved products and menus, which, except as to prices, will generally be uniform with those of other Village Inn Restaurants. You must prepare and serve in accordance with our specifications all of the items on the approved menu. However, we may modify any of our menu specifications, standards, and requirements at any time. If we do, you must promptly modify your operations to comply with the changes, but we normally will provide you a reasonable period of time to exhaust current supplies of products.

Additionally, Village Inn has the right to restrict the sale of any item and to require you to add new items as it develops and adds them to the Village Inn menu. Our right to modify or add to what you must offer is not limited. Also, Village Inn retains the right to prohibit you from offering or selling any product or service not authorized by Village Inn. There are no restrictions or conditions imposed by Village Inn regarding the customers to whom you may sell approved products or services.

ITEM 17
Renewal, Termination, Transfer, and Dispute Resolution

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise agreement. You should read these provisions in the franchise agreement attached to this disclosure document.

Provision	Section in Franchise Agreement	Summary
a. Length of the Franchise Term	Section 3.1	Term will begin on the effective date of the Franchise Agreement and shall expire on the earlier of: (a) 10 years from the date of opening of your Village Inn Restaurant; or (b) the expiration of the term of your lease or sublease, as applicable (excluding any option/extension periods thereto of such lease or sublease), subject to Village Inn approval.
b. Renewal or extension of the term	Section 3.2	If you comply with our requirements, you shall have the option to extend the term of the franchise for 5 years, 10 years, or a term mutually agreed upon based on your existing lease
c. Requirements for you to renew or extend	Section 3.2	Provide at least six (but not more than 12) months prior notice; evidence of right to possess the location; not be in default of the franchise agreement and have not received a notice of default from Village Inn within the three-year period prior to giving the notice to renew; sign a new franchise agreement then being offered to prospective franchisees, which may contain materially different terms and conditions than your original franchise agreement; pay a renewal fee pro-rated at \$500 per year or renewal term; satisfy the eligibility requirements for new franchises; upgrade or remodel your restaurant; and sign a general release of all claims against Village Inn and its affiliates
d. Termination by you	Not Applicable	Franchisees may terminate the Franchise Agreement as permitted by law.
e. Termination by Village Inn without cause	Not Applicable	
f. Termination by Village Inn with cause	Article 21	Village Inn can terminate if you default
g. "Cause" defined - defaults which can be cured	Sections 21.3 and 21.4	You have seven days to cure non-payment of fees; you have 15 days to cure violations of any other terms or conditions, e.g., sanitation problems, non-submission of reports, and any other non-monetary default, or at

Provision	Section in Franchise Agreement	Summary
		least commence them if cure cannot be reasonably remedied within 15 days
h. "Cause" defined - defaults which cannot be cured	Sections 21.1 and 21.2	Non-curable defaults: bankruptcy filing or adjudication, assignment for the benefit of creditors, appointment of receiver, unauthorized transfer, foreclosure, or loss of occupancy of premises; conviction of felony; three defaults in 12-month period (even if cured); prior to opening -- furnishing misinformation, material failure to comply with pre-opening requirements
i. Your obligations on termination/ non-renewal	Article 24	Cease using any Village Inn marks; deliver to Village Inn all menus, materials, manuals and other trade secrets acquired in connection with the relationship; execute all documents required by Village Inn to effect the termination of the franchise; and cancel any fictitious name registrations (also see r. below)
j. Assignment of contract by Village Inn	Section 18.1	The Agreement is fully transferable by Village Inn
k. "Transfer" by you – definition	Sections 18.2 and 18.3	Includes any transfer, assignment, sale, pledge, encumbrance, or other transfer of rights under the Franchise Agreement, including a change of control of franchisee
l. Village Inn's approval of transfer by franchisee	Section 18.2	Village Inn has the right to approve all transfers but will not unreasonably withhold approval
m. Conditions for Village Inn approval of transfer	Section 18.2	You have paid all obligations due, new franchisee qualifies pursuant to Franchisor's criteria, transfer fee paid, training arranged, release signed by you, current agreement signed by new franchisee or assignment of Franchise Agreement for remainder of term, and location upgraded (also see r. below)
n. Village Inn's right of first refusal to acquire your business	Article 19	Village Inn can match any offer for the franchisee's business in the event of a proposed sale or transfer of the Franchise Agreement or your restaurant, including any transfer resulting in a change of control of franchisee
o. Village Inn's option to purchase your business	Section 18.4	See p. below
p. Your death or disability	Section 18.4	A legatee may assume the franchise under certain conditions subject to Village Inn's approval and pursuant to an assignment agreement and guaranty in a

Provision	Section in Franchise Agreement	Summary
		form prepared by Franchisor. If an approved legatee does not assume or is not capable of assuming the franchise, the franchise must be assigned by the estate to an approved buyer within twelve months of notice from Village Inn or Village Inn may thereafter purchase your restaurant at fair market value.
q. Non-competition covenants during the term of the franchise	Article 17	Subject to applicable state law, no involvement in competing business anywhere in the U.S.
r. Non-competition covenants after the franchise is terminated or expires	Section 17.1	Subject to applicable state law, no competing business for 1 year within a given geographical area
s. Modification of the agreement	Section 29.2	No modifications except by agreement of both parties in writing, except that nothing in the Disclosure Document is excluded from that on which you may rely.
t. Integration/merger clause	Section 29.3	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution and arbitration	Articles 22 and 25 and Sections 18.4, 29.4, 29.5, 29.6, 29.7, and 29.8	Subject to applicable state law, binding arbitration of any claim or controversy concerning the Franchise Agreement in accordance with the commercial rules of the American Arbitration Association, excluding lease disputes, trade or service marks, or copyright claims
v. Choice of forum	Section 25.1(g)	Subject to applicable state law, arbitration must be in Minneapolis, Minnesota
w. Choice of law	Section 29.6	Subject to applicable state law, the law of the state where the Restaurant is located applies

This table lists certain important provisions of the development agreement. You should read these provisions in the development agreement attached to this disclosure document.

Provision	Section in Development Agreement	Summary
a. Length of the Franchise Term	Section 4.a.	From effective date until the earlier of the required opening date for the last Restaurant you are required to open or the date your last Restaurant actually opens and has been approved by us for operation.
b. Renewal or extension of the term	Section 4.b.	You have no right to renew.
c. Requirements for you to renew or extend	Not Applicable	
d. Termination by you	Not Applicable	
e. Termination by Village Inn without cause	Not Applicable	A termination of the Development Agreement does not entitle us to terminate a Franchise Agreement for a Restaurant opened thereunder.
f. Termination by Village Inn with cause	Section 5.d.	Village Inn can terminate if you default under your Development Schedule. A termination of the Development Agreement does not entitle us to terminate a Franchise Agreement for a Restaurant opened thereunder.
g. "Cause" defined - defaults which can be cured	Not Applicable	A termination of the Development Agreement does not entitle us to terminate a Franchise Agreement for a Restaurant opened thereunder.
h. "Cause" defined - defaults which cannot be cured	Section 5.d.	Failure to satisfy your Development Schedule is a non-curable default. A termination of the Development Agreement does not entitle us to terminate a Franchise Agreement for a Restaurant opened thereunder.
i. Your obligations on termination/ non-renewal	Section 5.d.	Cease using any Village Inn marks and stop development of any Restaurants
j. Assignment of contract by Village Inn	Section 6.a.	The Agreement is fully transferable by Village Inn

Provision	Section in Development Agreement	Summary
k. “Transfer” by you – definition	Sections 6.b.	Includes any transfer, assignment, sale, pledge, encumbrance, or other transfer of rights under the Franchise Agreement, including a change of control of franchisee
l. Village Inn’s approval of transfer by franchisee	Section 6.b.	Village Inn has the right to approve all transfers but will not unreasonably withhold approval
m. Conditions for Village Inn approval of transfer	Section 6.b.i. to vii.	You have paid all obligations due, you guarantee transferee’s performance, new franchisee qualifies, transfer fee paid, training arranged, release signed by you, current agreement signed by new franchisee, and location upgraded (also see r. below)
n. Village Inn’s right of first refusal to acquire your business	Section 6.d.	Village Inn can match any offer for the franchisee’s business in the event of a proposed sale or transfer, including any transfer resulting in a change of control of franchisee
o. Village Inn’s option to purchase your business	Not Applicable	
p. Your death or disability	Section 6.d.	All our transfer conditions apply.
q. Non-competition covenants during the term of the franchise	Section 8	Subject to applicable state law, no competing business for 2 years within a given geographical area
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	
s. Modification of the agreement	Section 8.a.	No modifications except by agreement of both parties in writing, except that nothing in the Disclosure Document is excluded from that on which you may rely.
t. Integration/merger clause	Section 8.a.	Only the terms of the development agreement and other related written agreements are binding (subject to applicable state law.) Any representations or promises outside of the disclosure document and development agreement may not be enforceable.

Provision	Section in Development Agreement	Summary
u. Dispute resolution and arbitration	Section 7.b.	Subject to applicable state law, binding arbitration of any claim or controversy concerning the Development Agreement in accordance with the commercial rules of the American Arbitration Association, excluding lease disputes, trade or service marks, or copyright claims
v. Choice of forum	Section 7.a	Subject to applicable state law, arbitration must be in Minneapolis, Minnesota
w. Choice of law	Section 7.a	Subject to applicable state law, the law of the state where the Growth Area is located applies. If the Growth Area includes more than one state, then the Development Agreement will be governed by the laws of the state in which the Developer's primary place of business is located.

ITEM 18
Public Figures

Village Inn does not use any public figure to promote its franchise.

ITEM 19
Financial Performance Representations

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

Unless otherwise indicated, the financial information in this Item was compiled from 23 company-owned and 96 franchised Village Inn Restaurants open for the entire fiscal year in the United States.

The company-owned Village Inn Restaurants included in this Item are substantially similar to franchised Village Inn Restaurants. However, the revenues, expenses and profitability of your Restaurant will be directly affected by factors which include the Restaurant's geographic location; competition in the market; presence of other restaurants; the quality of both management and service at the Restaurant; contractual relationships with lessors and vendors; the extent to which you finance the operation of your Restaurant; your legal, accounting and other professional fees; federal, state and local income taxes, gross profits taxes or other taxes; discretionary expenditures; accounting methods used; certain benefits and economies of scale which Franchisor may derive as a result of operating restaurants on a consolidated basis; and the fees payable to Franchisor by franchised Village Inn Restaurants. See Items 5 and 6 for information on the fees you must pay under the Franchise Agreement and the Area Development Agreement.

Net Revenues[1] for Systemwide Restaurants
for the 2023 Fiscal Year Ended November 30, 2023

Company-Owned and Franchised Restaurants	Total/Average
System-wide Restaurant Average Net Revenues	$1,857,957
System-wide Restaurant Median Net Revenues	$1,866,637
System-wide Number of Restaurants	114
Number Above/Below Average Net Revenues	59 / 55
Number Above/Below Median Net Revenues	57 / 57
Low/High Net Revenues	$753,679 / $3,639,102

Net Revenues[1] for Franchised Restaurants
During the 2023 Fiscal Year Ended November 30, 2023

	Total/Average
Total Number of Franchised Restaurants	92
Average Annual Franchised Restaurant Net Revenues	$1,896,413
Median Annual Franchised Restaurant Net Revenues	$1,905,978
Number Above/Below the Average Annual Franchised Restaurant Net Revenues	46 / 46

Number Above/Below the Average Median Franchised Restaurant Net Revenues	46 / 46
Low/High Annual Franchised Restaurant Net Revenues	$753,679 / $3,639,102

Net Revenues[(1)] for Company-Owned Restaurants
for the 2023 Fiscal Year Ended November 30, 2023

Company-Owned Restaurants	Total/Average
Total Number of Company-Owned	22
Average Restaurant Net Revenues	$1,697,144
Median Net Revenues	$1,687,628
Number Above/Below the Average	11 / 11
Number Above/Below the Average Median	11 / 11
Low/High Annual Franchised Restaurant Net Revenues	$1,153,666 / $2,522,771

Notes:

Percentages other than number of restaurants are as a percentage of restaurant revenues, net.

(1) Includes food, beverages, and merchandise sales, net of discounts for franchised Restaurants open all of fiscal year 2023.

Some outlets have earned these amounts. Your individual results may differ. There is no assurance that you will earn as much.

The revenue figures contained in this Item do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised Village Inn Restaurant. The franchisees listed in Exhibit E-1 of this Disclosure Document may be one source of this information.

For each franchisee-owned restaurant, we compiled the figures for these financial performance representations using historical information that franchisees report to us. Please be advised that no certified public accountant has audited these figures or expressed his or her opinion concerning their contents or form. For each company-owned Restaurant, these figures utilized a uniform accounting system and the data was prepared on a basis consistent with generally accepted accounting principles during the covered period. The information contained in this Item has not been audited.

This information is provided as reference information only for your use with other information. Franchisor urges you to consult with your financial, business, tax, accounting and legal advisors about the information contained in this Item.

Franchisor will provide written substantiation of the data used to prepare the information contained in this Item upon your reasonable request.

Other than set forth above, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-operated or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future outcome, you should report it to the franchisor's management by contacting the Legal Department at 12701 Whitewater Drive, Suite 100, Minnetonka, Minnesota 55343-4164; telephone number 952-294-1300; the Federal Trade Commission; and the appropriate state regulatory agencies.

ITEM 20
Outlets and Franchisee Information

The information set forth below regarding the number of restaurants, and the portion of which are company-operated or franchisee-operated, is current as of November 30, 2023. See the Notes to the Tables for important updates related to the sale of company-operated locations during 2023.

Table No. 1
Systemwide Restaurant Summary
For Years 2021 - 2023

Restaurant Type	Year	Restaurants at the Start of the Year	Restaurants at the End of the Year	Net Change
Franchised	2021	116	109	-9
	2022	109	98	-11
	2023	98	91	-7
Company-Operated*	2021	26	21	-5
	2022	21	24	3
	2023	24	23	-1
Total Outlets	2021	142	130	-12
	2022	130	122	-8
	2023	122	114	-8

*As described in Item 1 above, Village Inn and its affiliates operate multiple company-operated and franchise restaurant concepts. Each of the other restaurants described in Item 1 focuses primarily on lunch and dinner, and none of those restaurants is a substantially similar concept to that of Village Inn Restaurants. Accordingly, none of the other restaurants described in Item 1 are included in the charts in this Item 20.

Table No. 2
Transfers of Restaurants from Franchisees to New Owners (other than Us)
For Years 2021 - 2023

State	Year	Number of Transfers
[All States]	**2021**	**0**
	2022	**0**
	2023	**0**
Totals	**2021**	**0**
	2022	**0**
	2023	**0**

Table No. 3
Status of Franchised Restaurants
For Years 2021 - 2023

State	Year	Restaurants at Start of Year	Restaurants Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Restaurants at End of Year
Alaska	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Arizona	2021	9	0	0	0	0	0	9
	2022	9	0	0	0	0	1	8
	2023	8	0	0	0	0	0	8
Arkansas	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Colorado	2021	20	0	0	0	0	0	20
	2022	20	0	0	0	0	3	17
	2023	17	0	0	0	0	2	15
Florida	2021	21	0	0	0	0	1	20
	2022	20	0	0	0	0	2	18
	2023	18	1	0	0	0	1	18

State	Year	Restaurants at Start of Year	Restaurants Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Restaurants at End of Year
Illinois	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Iowa*	2021	7	1	0	0	0	0	8
	2022	8	0	0	0	0	0	8
	2023	8	0	0	0	0	2	6
Kansas*	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	1	6
	2023	6	0	0	0	0	0	6
Minnesota	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Missouri	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Nebraska	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
New Mexico	2021	7	0	0	0	0	3	6
	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
North Dakota	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Oklahoma	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Oregon	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Texas	2021	9	0	0	0	0	3	6
	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	1	5
Utah	2021	7	0	0	0	0	1	6
	2022	6	0	0	0	0	1	5

State	Year	Restaurants at Start of Year	Restaurants Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Restaurants at End of Year
	2023	5	0	0	0	0	0	5
Virginia	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	2	0	1
	2023	1	0	0	0	0	0	1
Washington	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Wyoming	2021	6	0	0	0	0	1	5
	2022	5	0	0	0	0	1	4
	2023	4	0	0	0	0	2	2
Guam	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Totals	**2021**	116	1	0	0	0	**10**	109
	2022	109	**0**	0	0	**2**	9	98
	2023	98	1	0	0	**0**	8	91

*As part of its bankruptcy proceeding, our predecessor ABRH marketed certain company-affiliated Village Inn Restaurants for sale through a bankruptcy-related sale process. As a result of that process, ABRH sold three company-operated Village Inn Restaurants in New Mexico to a new franchisee in April 2020, three company-operated Village Inn Restaurants in Florida to an existing franchisee in June 2020 and thirty-one company-operated Village Inn Restaurants in Arizona, Colorado, Illinois, Iowa, Nebraska, New Mexico, Oklahoma and Utah to an existing franchisee in July 2020.

Table No. 4
Status of Company-Operated Restaurants
For Years 2021 - 2023

State	Year	Restaurants at Start of Year	Restaurants Opened	Restaurants Reacquired from Franchisees	Restaurants Closed	Restaurants Sold to Franchisees	Restaurants at End of the Year
Arizona	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Colorado	2021	7	0	0	0	0	7
	2022	7	0	0	0	0	7

State	Year	Restaurants at Start of Year	Restaurants Opened	Restaurants Reacquired from Franchisees	Restaurants Closed	Restaurants Sold to Franchisees	Restaurants at End of the Year
	2023	7	0	0	1	0	6
Florida	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Illinois	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Iowa	2021	5	0	0	0	0	5
	2022	5	0	0	0	0	5
	2023	5	0	0	0	0	5
Minnesota	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1
	2023	1	0	0	0	0	1
Nebraska	2021	7	0	0	0	0	7
	2022	7	0	0	0	0	7
	2023	7	0	0	0	0	7
New Mexico	2021	5	0	0	1	4	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Oklahoma	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Oregon	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Utah	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Virginia	2021	0	0	0	0	0	0
	2022	0	0	2	0	0	2
	2023	2	0	0	0	0	2
Totals	**2021**	**26**	**0**	**0**	**1**	**4**	**21**
	2022	**21**	**1**	**2**	**0**	**0**	**24**
	2023	**24**	**0**	**0**	**1**	**0**	**23**

*As part of its bankruptcy proceeding, our predecessor ABRH marketed certain company-affiliated Village Inn Restaurants for sale through a bankruptcy-related sale process. As a result of that process, ABRH sold three company-operated Village Inn Restaurants in New Mexico to a new franchisee in April 2020, three company-operated Village Inn Restaurants in Florida to an existing franchisee in June 2020 and thirty-one company-operated Village Inn Restaurants in Arizona, Colorado, Illinois, Iowa, Nebraska, New Mexico, Oklahoma and Utah to an existing franchisee in July 2020.

Table No. 5
Projected Openings
As of November 30, 2023

State	Franchise Agreements Signed But Restaurant Not Operational	Projected New Franchised Restaurants In The Next Fiscal Year	Projected New Company Restaurants in the Next Fiscal Year
Florida	**1**	**3**	**0**
Totals	**1**	**3**	**0**

Current Franchisees

The names, addresses, and telephone numbers of all current franchisees and their Village Inn Restaurants operating as of November 30, 2023 are as set forth on Exhibit C.

Former Franchisees

The names, addresses, email addresses (if any), current telephone numbers or, if unknown, the last known home telephone number of every franchisee who had a Village Inn Restaurant terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the 2022 fiscal year, or who have not communicated with us within 10 weeks of this disclosure document's issuance date, are as set forth on Exhibit C.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Purchase of Previously-Owned Franchise

If you are purchasing a previously-owned franchised outlet, we will provide you additional information on the previously-owned franchised outlet in an addendum to this Disclosure Document.

Confidentiality Clauses

During the last three fiscal years, we have not signed any agreements with franchisees that contain confidentiality clauses that would restrict a franchisee's ability to speak openly about their experience. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all of those franchisees will be able to communicate with you.

Franchisee Associations

We are not aware of any trademark-specific franchisee organization associated with our franchise that is required to be disclosed in this Franchise Disclosure Document.

ITEM 21
Financial Statements

Attached to this Disclosure Document as Exhibit D-1 are the audited consolidated financial statements of Franchisor's parent company, MTY Franchising USA, Inc. ("Guarantor") for the fiscal years ended November 30, 2023, 2022, and 2021 and for the fiscal years ended on November 30, 2022 and 2021.

Guarantor absolutely and unconditionally guarantees to assume the duties and obligations of Franchisor under its franchise registration in each state where the franchise is registered, and under the Franchise Agreement, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns. (See Exhibit D-2: Performance Guaranty).

ITEM 22
Contracts

The following agreements are attached as exhibits to this Disclosure Document:

Exhibit A	Franchise Agreement
Exhibit B	Development Agreement

ITEM 23
Receipts

You must sign two copies of the Receipt attached to this Disclosure Document. After signing, you keep one copy and provide the other to us.

Exhibit A
Franchise Agreement

VILLAGE INN

FRANCHISE AGREEMENT

This Agreement ("Agreement") is entered into as of ___________________ ("Effective Date"), by and between VI BrandCo, LLC, a Delaware limited liability company ("Franchisor"), with a principal place of business at 12701 Whitewater Drive, Suite 100, Minnetonka, Minnesota 55343-4164, and _______________ ___________________, a _________________ ("Franchisee"), located at ________________ _______________________________.

RECITALS

I. Franchisor is the owner and developer of a System (more completely described in Section 1.3, below) for establishing and operating full-service mid-scale family restaurants under the service mark, "Village Inn Restaurant", and other trademarks, service marks, logos, and identifying features and distinctive methods for establishing and operating those restaurants.

II. Franchisor grants to others non-exclusive licenses to use the System solely in conjunction with the operation of Village Inn Restaurants.

III. Franchisor desires to grant Franchisee a non-exclusive license to use the System solely in conjunction with the operation of a Village Inn Restaurant (as more completely defined below, the "Restaurant") at the Licensed Location under the terms and conditions contained in this Agreement, and Franchisee desires to accept such license and to operate a Village Inn at the Licensed Location in accordance with the terms and conditions contained in this Agreement.

WHEREFORE, the parties agree as follows:

DEFINITIONS

Unless the context clearly indicates otherwise, capitalized terms used in this Agreement shall have the meanings given to them below.

A. "Fiscal Year" means the twelve month period immediately prior to November 30th, or such other period as Franchisor may establish by written notice to Franchisee.

B. "Franchise Advisory Board" or "FAB" means the Association of Village Inn Franchisees ("AVIF"), so long as such organization represents franchisees owning at least 50% of all franchised Village Inn restaurants and in the event the AVIF fails to represent a sufficient number of restaurants, any successor independent franchisee association meeting such requirement. In the event no such entity exists, the FAB shall be made up of 5 franchisees appointed by the Franchisor.

C. "Franchised Area" means a three-mile radius of the Licensed Location.

D. “Franchisor Indemnitees” means Franchisor and its direct or indirect parents, subsidiaries, and affiliates and their respective officers, directors, managers, shareholders, members, and employees.

E. “Gross Sales” has the meaning given to it in Section 5.2, below.

F. “Licensed Location” means ____.

G. “Losses and Expenses” include, but are not limited to, all losses; compensatory, consequential, and punitive damages; fines; charges; costs; expenses; lost profits; reasonable attorneys’ fees, costs, and expenses; expert witness fees, costs, and expenses; court costs; settlement amounts; judgments; expenses of recall; refunds; and compensation (including any interest accrued on any of the foregoing).

H. “Marks” has the meaning set forth in Section 15.1, below.

I. “Operating Manuals” means those volumes designated “Operating Manuals” by Franchisor which are loaned by Franchisor to Franchisee including all editions, supplements, and modifications to such volumes during the term of this Agreement.

J. “Proceeding” means any action, suit, proceeding, claim, demand, investigation, formal or informal inquiry, judgment, or appeal.

K. “Restaurant” means the Village Inn Restaurant operated by Franchisee pursuant to this Agreement.

L. “Standards and Policies” means all requirements of the System promulgated by Franchisor as they may change from time to time as set forth in the Operating Manuals, memoranda, and other written directives from Franchisor, including, without limitation, requirements and procedures related to appearance of the Restaurant, menus and recipes, and operating requirements.

M. “System” has the definition given to it in Section 1.3, below.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties agree as follows:

1. THE SYSTEM

1.1. Franchisee acknowledges that Franchisor owns and is continually developing and modifying a system for the operation of restaurants under the service mark, “Village Inn Restaurant” (the “System”). By entering into this Agreement, Franchisee acknowledges that it is undertaking the continuing obligation to utilize the entire System in the operation of its Restaurant, including, but not limited to, Franchisor’s Operating Manuals and Standards and Policies, as the System presently exists and evolves.

1.2. The provisions of this Agreement shall be interpreted to give effect to Franchisee's acknowledgment that the Licensed Location shall always be operated by Franchisee in conformity to the System, through strict adherence to Franchisor's Standards and Policies as they exist now and as they may from time to time be modified.

1.3. The System is a comprehensive uniform restaurant system which includes but is not limited to such factors as reputation for high-quality food and service; distinctive appearance; distinctive interior decor and atmosphere; equipment design and layout; food product, menu, beverage, and recipe specifications; the federally registered service mark, "Village Inn"; other service marks; domain names; distinctive signs; distinctive menu design, format, and content; distinctive dress codes; advertising and marketing plans and materials; emblems; logos and logotypes; trade secrets; training materials; Operating Manuals; Standards and Policies; and other common factors. Franchisee acknowledges that adherence to the System creates significant value for Franchisor, Franchisor's franchisees, and Franchisee such that deviations from the System by Franchisee would cause significant damage to Franchisor and its other franchisees.

1.4. Franchisee agrees to strictly adhere to and not use any part of the System other than in accordance with this Agreement.

1.5. Franchisee acknowledges that aspects of the System, individually and collectively, constitute trade secrets of Franchisor and will always remain the sole and exclusive property of Franchisor, and that they are and will be revealed to Franchisee only in confidence. Franchisee agrees never to divulge such trade secrets and the System, and agrees to use its best efforts to prevent them from being divulged by its employees, shareholders, or agents.

1.6. Franchisee acknowledges that the words, "Village Inn," together with design and artwork used in connection with those words, are the valid and exclusive property of Franchisor and that valuable goodwill is attached to the name, "Village Inn." Franchisee agrees that it will use the words, "Village Inn," only pursuant to this Agreement. However, Franchisee also acknowledges that Franchisor may license others to use this name.

2. GRANT AND LOCATION

2.1. Franchisor grants to Franchisee the right and Franchisee undertakes the obligation to operate a Village Inn Restaurant at the Licensed Location. The right that is granted to Franchisee under this Agreement is for the specific Licensed Location, except as hereinafter provided, and cannot be transferred from such location without Franchisor's prior written approval.

2.2. Franchisee shall open for operation the Village Inn Restaurant at the Licensed Location within eighteen (18) months from the Effective Date of this Agreement.

2.3. Franchisor will not license, franchise, or itself operate another Village Inn Restaurant within the Franchised Area. Additionally, Franchisor will not own or operate a directly competitive restaurant (as defined in Section 17.1, below) in the Franchised Area without the express consent of Franchisee, except as referenced in Section 2.4 below or if such restaurant is acquired by Franchisor in conjunction with the purchase of multiple restaurants at least one of which is located outside the Franchised Area, and Franchisee declines to purchase such restaurant(s) in the Franchised Area from Franchisor within sixty (60) days after notice is provided to Franchisee. Further, the Franchisor shall not offer whole pies branded as "Village Inn" at any restaurant owned, franchised, or acquired by Franchisor or its affiliates or subsidiaries (except at Village Inn branded restaurants operated in conformance with this provision) within the Franchised Area.

2.4. Except as specifically provided in Section 2.3, Franchisor may engage in any business activity, under any name, at any location. Among other things, Franchisor expressly reserves the exclusive and unrestricted right to own, operate, develop, or franchise Village Inn Restaurants anywhere outside the Franchised Area. Further, Franchisee acknowledges and agrees that Franchisor or Franchisor's direct or indirect parent, subsidiaries, or affiliated entities may now or hereafter own, operate, develop, franchise, or license other restaurants under different trademarks and trade names or service marks within and outside of the Franchised Area, regardless of whether such restaurants offer products similar to those which are or may be offered at Village Inn Restaurants.

3. TERM

3.1. This Agreement will begin on the Effective Date and shall expire on the earlier of: (a) ten (10) years from the date of the opening of the Village Inn Restaurant at the Licensed Location; or (b) or the expiration of the term of your lease or sublease, as applicable (excluding any option/extension periods thereto of such lease or sublease), subject to Village Inn's approval, subject to provisions hereinafter set forth ("Initial Term").

3.2. At the expiration of this Agreement, Franchisee shall have the option to extend the term of this Agreement for a period of five (5) years, ten (10 years), or a term mutually agreeable between the parties to be coterminous with the Franchisee's existing lease if Franchisee:

(a) Provides Franchisor with written notice of its intent to renew the franchise at least six (6) months, but not more than twelve (12) months, prior to the expiration of the Initial Term.

(b) Provides Franchisor with evidence of Franchisee's right to possess the Licensed Location for the extended term.

(c) Executes the form of Village Inn franchise agreement (with the then-existing royalty and marketing fees, and other then-current fees, terms, and conditions) being offered by Franchisor for new franchised locations (or, if Franchisor is not then offering Village Inn franchises, the form most recently offered) at least thirty (30) days prior to the expiration of the Initial Term. Such agreement, however, shall provide for the payment of a renewal fee pro-rated at $500 per year of renewal term.

(d) Is not in default under this Agreement or any other agreement with Franchisor or its affiliates (i) at the time Franchisee provides Franchisor with its written notice of intent to renew or is eligible to do so, (ii) at the time Franchisee executes the new franchise agreement, or (iii) upon the expiration of the Initial Term.

(e) Has not received a written notice of default under this Agreement or any other agreement with Franchisor or its affiliates in the three (3) calendar year period immediately preceding the receipt of the notice of intent to renew.

(f) Upgrades and/or remodels the Licensed Location and the operations with respect to it, at Franchisee's sole cost and expense (the necessity of which shall be in the sole discretion of Franchisor), to conform with the most current Village Inn Restaurant prototype, design, standards, specifications, and requirements. Such upgrades and/or remodels are to be completed at least thirty (30) days prior to the expiration of the Initial Term.

(g) Concurrently with the execution of the new franchise agreement, executes a general release of all claims against the Franchisor Indemnitees.

4. INITIAL FRANCHISE FEE

4.1. Franchisee shall pay Franchisor an initial franchise fee of Forty Thousand and 00/100 Dollars ($40,000.00) ("Initial Franchise Fee"), which shall be paid no later than the execution of this Agreement. Except as provided in this Agreement, the Initial Franchise Fee is nonrefundable.

5. ROYALTY FEE

5.1. Beginning with the opening of Franchisee's Restaurant at the Licensed Location ("Royalty Commencement Date"), Franchisee shall pay to Franchisor a royalty fee ("Royalty" or "Royalties") equal to three percent (3.0%) of Franchisee's Gross Sales (as defined in Section 5.2, below). Payment shall be made weekly as provided in Section 5.3, below, unless prepaid as permitted in Section 5.4, below.

5.2. "Gross Sales" shall mean the total amount of sales made by Franchisee from all business activities conducted by or through the Restaurant, or taking place at the Licensed Location, in the form of cash, check, credit, or otherwise (without reserve or deduction for inability or failure to collect the same), and includes, without limitation, the sale of food, beverages, goods and services, whether sold for consumption on or off the premises, receipts from food catering, and sales from vending, amusement, or entertainment machines (regardless of whether such business activities are permitted by this Agreement or not). Further, Gross Sales shall be based on the actual price charged by Franchisee. Gross Sales shall not include tips and gratuities for employees or sales taxes actually collected and paid to a governmental agency. Furthermore, for the avoidance of doubt, loyalty redemptions, "Free Pie Wednesdays" discounts, senior discounts, delivery fees, and other customary promotions or discounts shall not be included in Gross Sales. Franchisee shall, by January 21st of each year, provide to Franchisor a written report containing information regarding Franchisee's Gross Sales for the previous Fiscal Year and such additional information as may be required by Franchisor.

5.3. The Royalty under this Agreement shall be paid on Tuesday of each week, or such other day of the week as determined by Franchisor after a thirty (30) day prior written notice is provided to Franchisee (email suffices), during the entire term of this Agreement by pre-authorized debit via the Automated Clearing House (ACH), unless prepaid as permitted in Section 5.4 below.

5.4. After operating the Restaurant for at least one full Fiscal Year, Franchisee is granted the option to annually prepay the Royalty for that year and thereby receive a ten percent (10%) discount on the Royalty due under Section 5.1 by paying to Franchisor on or before February 1 an amount equal to ninety percent (90%) of that year's projected royalty ("Prepaid Royalty"). The projected royalty ("Projected Royalty") is equal to three percent (3%) of the Gross Sales from the Franchisee's preceding fiscal year. In making the calculation of the Projected Royalty, the beginning date for the preceding Fiscal Year shall be based on the Franchisor's fiscal period with Fiscal Year being a 52-week fiscal year consisting of twelve (12) fiscal periods ending on the last business day of the Fiscal Year of the Franchisor. Franchisor and Franchisee agree to, on or before February 1, reconcile the difference between the Prepaid Royalty and the Royalty due based upon Franchisee's actual Gross Sales (while still subject to the 10% discount) during the preceding Fiscal Year. For example, if Franchisee's Projected Royalty was $50,000 (based on Gross Sales of $1,666,666.67), and thus the Prepaid Royalty was $45,000, but Franchisee's actual Gross Sales during the Fiscal Year were equal to $2,000,000, Franchisee would owe Franchisor an additional $9,000. ($2,000,000 x 3% = $60,000 Royalties owed x 10% discount = $54,000 less $45,000 prepaid = a remaining owed balance of $9,000).

6. MARKETING

6.1. Franchisor develops and administers marketing, advertising, public relations, and campaigns designed to promote and enhance the Village Inn brand image. These services and their costs include but are not limited to market analyses; public relations studies or services; program direction; production of TV and radio commercials; print advertising materials; direct mail and outdoor materials; internet activities; agency fees; recruiting and retention of marketing personnel; menu development; other costs related to the development, marketing, and testing of advertising; and the purchase of advertising time or space in national, regional, or other advertising vehicles. Accordingly, in each Fiscal Year, Franchisee agrees to pay Franchisor a marketing fee ("Marketing Fee") which will be held by Franchisor in a segregated account ("Marketing Fee Fund") in an amount established by Franchisor that is not more than one-half percent (0.5%) of Franchisee's current Gross Sales at the Restaurant. Franchisor may increase the Marketing Fee by a maximum of one-quarter percent (0.25%) one (1) time per year, but may not increase the Marketing Fee more than two (2) times during the term of this Agreement, unless seventy-five percent (75%) of Village Inn franchised Restaurants agree to increase the Marketing Fee. Franchisor is under no obligation to ensure that the Marketing Fee is expended so as to be proportionate or equivalent to the fees paid by Franchisee or that any particular amount is spent in the Franchised Area. Further, Franchisee agrees that Franchisor's decisions on how the Marketing Fee is used for marketing, advertising, public relations, and promotional campaigns, in all forms, phases, and aspects (including, without limitation, the cost, development, type, quantity, timing, placement and choice of media and means, including digital advertising, market areas, advertising agencies, and public relations firms), are entirely at Franchisor's sole discretion, final, and determinative. Franchisor has no fiduciary obligation to Franchisee in connection with the operation of any Marketing Fee Fund. No interest on an unexpended Marketing Fee shall be imputed or otherwise charged for the benefit of, or payable to, Franchisee. Franchisee understands and agrees that the only obligations Franchisor has regarding the collection and spending of the Marketing Fee or the administration of the Marketing Fee Fund are the express contractual obligations in this *Section 6.1*. Franchisor is not acting as a trustee, fiduciary, agent or in any other special capacity. Franchisor does not give any representation or warranty regarding the quality or effectiveness of the advertising and marketing activities funded by the Marketing Fee or of the Marketing Fee Fund, and Franchisor will have no liability to Franchisee with respect to how these funds are spent.

6.2. In addition to the payment of the fees required in Section 6.1, in each Fiscal Year, Franchisee shall spend money for local marketing/advertising promotions for its Restaurant, in an amount determined by Franchisor but no more than one percent (1%) of the Fiscal Year Gross Sales from the Licensed Location. The means by which Franchisee shall conduct its local marketing/advertising promotions are at Franchisee's discretion but subject to the requirements of Section 6.5.

6.3. Furthermore, Franchisee shall submit to Franchisor for approval a marketing/advertising grand opening plan for the Licensed Location not later than sixty (60) days before Franchisee first opens for business at the Licensed Location. Franchisee shall execute the approved plan. Franchisor will reimburse Franchisee fifty percent (50%) of its out-of-pocket costs to execute the plan up to a maximum of Two Thousand Dollars ($2,000.00), if Franchisee meets the following criteria: (i) the plan expenditures are made no later than sixty (60) days after the Restaurant opens for business; (ii) Franchisee submits to Franchisor, within ninety (90) days of the opening, documentation acceptable to Franchisor of the expenditures; and (iii) the expenditures are made pursuant to the approved plan.

6.4. All fees required to be paid pursuant to Sections 6.1 and 6.2 shall be calculated and paid in the same manner and under the same schedule as Franchisee's Royalty. Franchisor may at any time increase the percentage which Franchisee is required to pay to Franchisor or spend for local marketing/advertising under this Article 6, but in no event shall Franchisee be required to spend more than a total of two percent (2%) of the Gross Sales at the Licensed Location in any Fiscal Year on the fees or required expenditures under this Article 6. Franchisor does not represent to Franchisee that such level of advertising is adequate, and Franchisee may make its own determination to increase its spending on advertising in excess of that required in this Agreement, subject to the requirements of Section 6.5.

6.5. Franchisee shall use only approved marketing/advertising media vehicles and materials. Approved marketing/advertising media vehicles are limited to (i) television and radio; (ii) newspapers, magazines, and other such print vehicles; (iii) outdoor, transit, and other signage displayed on billboards or buildings (excluding on-premises signs or lighting); (iv) direct mail flyers, door hangers, and handbills; (v) internet web sites; and (vi) other means approved by Franchisor in advance in writing, which shall be at Franchisor's sole and absolute discretion. All marketing/advertising materials to be used by Franchisee, except those made available and approved for use by Franchisor, shall require Franchisor's written approval prior to their use, and such approval shall be at Franchisor's sole and absolute discretion. Franchisee shall submit to Franchisor, in each instance, all marketing/advertising materials requiring approval by Franchisor prior to use. Franchisor shall notify Franchisee, within ten (10) business days of Franchisee's request, as to whether it approves the use of such materials. Franchisor's failure to notify Franchisee within such ten (10) business days, shall not be deemed as an automatic approval of the request.

7. DEBTS, TAXES,INTEREST AND BREACHING ROYALTIES

7.1. Franchisee will pay when due and without abatement, offset, diminution, or reduction, all of Franchisee's obligations due and payable to Franchisor at the place designated by Franchisor, and to all other suppliers or creditors of Franchisee.

7.2. Franchisee shall promptly pay in full all city, county, state, and federal taxes (including gross receipts, business and occupation or similar taxes assessed against Franchisor) arising in connection with or levied or assessed by any governmental body in connection with any part of this Agreement, the operation of the Restaurant, or any of the merchandise or assets at the Licensed Location.

7.3. In the event that Franchisee fails to pay any sum which it is obligated to pay to Franchisor for any reason whatsoever, a late fee of 5% of the amount due and owing shall be assessed if not made within five (5) days after the obligation is due and owing. Thereafter, interest at the rate of three percent (3%) over the publicly announced prime rate of Franchisor's prime lender, adjusted annually on April 1 each year, per annum (but not to exceed the lawful maximum rate within the jurisdiction of the Licensed Location), will accrue on all such unpaid amounts until paid in full. The late fee and interest, however, shall not prohibit Franchisor from declaring a default as provided elsewhere in this Agreement.

7.4. Franchisor has the absolute right to increase the Royalty up to eighteen percent (18%) of Gross Sales, with respect to any period during which Franchisee is in breach or default of Franchisee's obligations under this Agreement without providing Franchisee advance notice or right to cure. The Royalty Fee paid or owing to Franchisor with respect to the period during which Franchisee is in breach or default are referred to as "Breaching Royalties." Breaching Royalties will be charged for a minimum fourteen (14)-day period, regardless of the length of the actual breach or default. In the event Franchisee prepaid Royalties pursuant to Section 5.4, then the Breaching Royalties in excess of the three percent (3%) Projected Royalty shall be due and owing for the time period Franchisee is in breach of default upon Franchisor's written demand.

8. OTHER INVESTMENTS REQUIRED OF FRANCHISEE

In addition to all payments, fees, and other obligations required in this Agreement, Franchisee acknowledges that it has made and will continually maintain cash investments in its business, including, but not limited to (i) land and building lease deposits (or equity investment if Franchisee owns its land and building); (ii) equipment lease deposits (or equity investment if Franchisee owns its equipment); and (iii) cash working capital of not less than Twenty-Five Thousand Dollars ($25,000.00).

9. RESTAURANT FACILITY

9.1. At Franchisee's expense, and in accordance with plans and specifications approved by Franchisor prior to the commencement of work, Franchisee shall establish and maintain at the Licensed Location a fully equipped Village Inn Restaurant in compliance with the System.

9.2. Franchisor shall provide to Franchisee (in hard copy, electronically or on computer disk in Print Document Format (PDF) file) one set of Franchisor's standard plans and specifications (excluding site development plans and without architectural seal) for the construction and equipping of a new Village Inn Restaurant. Franchisee shall be solely responsible for making modifications to such plans and incurring all expenses to bring them into compliance with Franchisee's lease requirements and applicable building codes, zoning, accessibility, and other governmental requirements relating to the Licensed Location, including without limitation the Americans with Disabilities Act ("ADA"). Any costs incurred by the Franchisor with respect to a change to the Franchisor's standard plans and specifications, shall be borne by the Franchisee.

9.3. If there is an existing structure at the Licensed Location which is to be converted into a Village Inn Restaurant, Franchisor will provide to Franchisee, at Franchisee's expense, minimum specifications for the conversion. However, in any case, Franchisee shall be solely responsible for developing plans and incurring whatever expenses are necessary to comply with Franchisee's lease requirements and all applicable governmental requirements.

9.4. All changes or modifications to previously approved plans or specifications relating to the building, remodeling, refurbishing, or equipping of the Licensed Location shall in each case be submitted to and approved by Franchisor prior to commencement of work.

9.5. Franchisee agrees to make, at its expense, necessary maintenance and repairs to keep the improvements constructed at the Licensed Location, and all furniture, fixtures, and equipment in the Restaurant, in good condition and repair, consistent with Franchisor's standards and specifications, throughout the entire term of this Agreement.

9.6. Franchisor shall have the right, not more than once every five (5) years during the term of this Agreement, to specify in writing the work which Franchisee must undertake to refurbish, remodel, re-equip, or repair the Restaurant in accordance with Franchisor's then-current prototype, design, standards, and specifications for Village Inn Restaurants (the "Upgrade"). Franchisee agrees, at its expense, to perform such work within a reasonable time, not to exceed two hundred and seventy (270) days, after receipt of Franchisor's notice, and to pay Franchisor's then-current fee for remodel plans (currently $7,500). Nothing herein shall be construed to relieve Franchisee of any part of its responsibility for keeping the Licensed Restaurant, with all of its furnishings, fixtures, and equipment, in continuous good repair, maintenance, and appearance.

In the event the franchisee owns two or more Village Inn Restaurants, the Parties agree that the Franchisee will not be required to Upgrade more than 50% of the Franchisee's restaurants in any given year. Moreover, if the Franchisee believes that notwithstanding the foregoing, the demand for Upgrade will cause undue economic burden on the Franchisee or its operation, the parties agree to negotiate in good faith a remodel schedule that will "smooth" the obligation over a number of years, taking into account all Upgrades that are projected to be required throughout the smoothing period. By way of example, if Franchisee would otherwise be required to remodel three restaurants in Year 2, the parties could negotiate to allow the Franchisee to remodel a restaurant in Year 1, a restaurant in Year 2, and a restaurant in Year 3—taking into account that any restaurants that would need to be remodeled in Years 1 and 3 might also then requiring a negotiated smoothing schedule. The intent of the parties is to reach an overall Upgrade schedule that keeps the restaurants current without causing undue economic burden on the Franchisee or its operations.

9.7. Franchisor or its designated representative shall be allowed, at Franchisor's expense, to view the Restaurant during construction or renovation for the purpose of determining the progress of the construction. However, Franchisor's viewing during construction will not, in any way, be deemed an acknowledgment that the construction is being done in accordance with approved plans and specifications, in compliance with applicable governmental requirements, or in a good and workmanlike manner. Accordingly, Franchisor will have no duty or obligation to Franchisee or any other party whatsoever for these matters, all of which are the sole responsibility of Franchisee.

9.8. No later than the commencement of the pre-opening training at the Licensed Location, Franchisee shall provide to Franchisor a letter from a licensed architect certifying that the Restaurant has been constructed in substantial compliance with the plans and specifications approved by Franchisor and in accordance with all applicable governmental requirements. Additionally, Franchisee shall provide to Franchisor an unconditional final certificate of occupancy issued by the appropriate governmental entity prior to opening the Restaurant.

9.9. Franchisee will be solely responsible for inspections during construction or renovation to confirm that the Licensed Location and the Restaurant is being constructed or renovated in a workmanlike manner and according to the specifications established by Franchisor. Franchisee will be solely responsible for complying with all federal, state and local laws, ordinances, statutes, and building codes, including without limitation the Americans with Disabilities Act ("ADA"), and for acquiring all licenses and building and other permits required by law in connection with the construction or renovation of Franchisee's Restaurant at the Franchised Location. Franchisor will have no responsibility to Franchisee or any other party. Franchisee will not open the Restaurant for business without the prior written approval of Franchisor.

10. OPERATIONS

10.1. Franchisee is solely responsible for the operation of its Restaurant in accordance with the requirements of this Agreement, the Operating Manuals, and Standards and Policies. Franchisor will provide general assistance in coordinating the Licensed Location's pre-opening activities. Additionally, Franchisor may but is not obligated to provide such advice and counsel and information on new developments and techniques as it deems appropriate, by sending representatives to visit the Licensed Location; through written and other materials; and at meetings, seminars, and training sessions. Franchisee and all of its required individuals shall be obligated, at Franchisee's expense, to attend any meeting, seminar, or training session designated as mandatory by Franchisor, including, but not limited to, those described in Section 12.3. Notwithstanding the foregoing, Franchisor may designate certain aspects of the System or Standards and Policies as either mandatory or suggested.

10.2. Franchisee covenants and warrants with respect to the operation of the Restaurant at the Licensed Location that Franchisee and its employees will at all times strictly comply with all of the Operating Manuals, Standards and Policies, and the System. Without limiting the foregoing, throughout the term of this Agreement, Franchisee shall:

(a) Continuously operate only a Village Inn Restaurant at the Licensed Location in accordance with the System and for at least the minimum days and hours prescribed by Franchisor. Franchisee may not relocate the Restaurant from the Licensed Location without the express written approval of Franchisor, which approval may be conditioned on, among other things, compliance with this Agreement and payment of a new prototype plans fee for the new location.

(b) Maintain and operate the Restaurant in a clean, safe, efficient, and high-quality manner in accordance with the System and in such a fashion as not to detract from or adversely impact the name and reputation of Village Inn Restaurants.

(c) Comply with all applicable governmental laws, ordinances, and requirements.

(d) Maintain the condition and appearance of the interior and exterior of the Restaurant building and the furniture, fixtures, and equipment such that they conform strictly with Franchisor's approved plans and Standards and Policies, including all exterior and interior decorating designs and color schemes.

(e) Offer only for sale all food, beverages, and products prescribed by Franchisor, plus such additional food, beverages, or products as may be approved in advance in writing by Franchisor.

(f) Use Franchisor's menu design, format, and content, and not make any change to the menu unless it is pre-approved in writing by Franchisor. The menu content shall consist of Franchisor's approved food and beverage offerings. Franchisee agrees to conform to all menu changes as they occur, or to become current with all changes at least once every six months. Modifications to the menu are allowed only as a reflection of food and beverage items characteristic of Franchisee's local area and subject to Franchisor's testing and prior written approval. Franchisee is at all times free to charge prices entirely of its own choosing. Franchisor may recommend or suggest prices to be charged by Franchisee for a menu item sold or offered, but such is not binding upon Franchisee in any manner.

(g) Order pies made by only a Franchisor approved vendor. In the event the pies provided by the Franchisor's approved vendor do not adhere to the quality and brand standards as the Franchisee expects, the Franchisee shall notify the FAB and the Franchisor in writing of deficiency of quality and brand standards. In the event the FAB agrees with the complaint, and the Franchisor cannot return the pies to same quality and brand standards within sixty (60) days, either the FAB or the Franchisee may request an alternate vendor to source pies. Franchisor agrees to approve any reasonable alternate vendor. Such approval shall not be unreasonably withheld.

(h) Not deviate from the formulas or recipes specified or approved by Franchisor.

(i) Maintain sufficient inventories and employ adequate and qualified personnel to operate the Restaurant so as to meet the expectations of customers who patronize the Restaurant.

(j) Require employees to conform to the dress code designated in the Operating Manuals. Franchisee bears sole liability for the hiring, firing and personnel decisions, and the terms and conditions of employment, for Franchisee's personnel and staff. Franchisor and Franchisee acknowledge and agree that Franchisor shall not, and shall have no right or authority to, control the employees of the Licensed Location or Franchisee's employees. Franchisor shall have no right or authority with respect to the hiring, termination, discipline, work schedules, pay rates or pay methods of employees of the Licensed Location or of Franchisee. Franchisee acknowledges and agrees that all employees of the Licensed Location and of Franchisee shall be the exclusive employees of Franchisee and shall not be employees of Franchisor nor joint employees of Franchisee and Franchisor. Franchisor neither dictates nor controls labor or employment matters for franchisees and their employees and Franchisor is not responsible for the safety and security of the Licensed Location's employees or customers.

(k) Display at the Licensed Location signs using the Village Inn mark as approved by Franchisor, and not display at or about the Licensed Location or anywhere else signs or advertisements of any kind which Franchisor has not approved in writing.

(l) Maximize Gross Sales at the Licensed Location.

10.3. Franchisee must implement and maintain an approved Payment Card Industry (PCI) compliance program for the Restaurant. Franchisor may suggest third party PCI compliance vendors occasionally, but Franchisee is free to submit alternative PCI compliance vendors to Franchisor for approval or seek approval to perform Franchisee's own PCI compliance, and Franchisee is in all cases solely responsible for Franchisee's and the Restaurant's PCI compliance programs. Franchisor may in its sole discretion require Franchisee to install a particular type of firewall (hardware and/or software) *provided that such required firewall hardware and/or software are the same/similar specifications and price points as those used in current corporate-owned/operated Village Inn restaurants.* Franchisee must submit PCI compliance reports to Franchisor in the manner and frequency Franchisor sets in the Operating Manuals. Franchisee's failure to comply will be a material default under this Agreement, and in all cases Franchisee is solely liable for data security for the Restaurant and its customers regardless of whether Franchisor performs any services for Franchisee or the Restaurant.

10.4. Subject to Sections 22.3 and 29.21, Franchisee shall immediately resolve any customer complaints (including, but not limited to, complaints received electronically) regarding the quality of food or beverages, service and/or cleanliness of the Restaurant or any similar complaints. When any customer complaints cannot be immediately resolved, Franchisee shall use best efforts to resolve the customer complaints as soon as practical and shall, whenever feasible, give the customer the benefit of the doubt. If Franchisor, in its sole discretion, determines that its intervention is necessary or desirable to protect the System or the goodwill associated with the System, or if Franchisor, in its sole discretion, believes that Franchisee has failed adequately to address or resolve any customer complaints, Franchisor may, without Franchisee's consent, resolve any complaints and charge Franchisee an amount sufficient to cover Franchisor's reasonable costs and expenses in resolving the customer complaints, which amount Franchisee shall pay Franchisor immediately on demand.

10.5. In order to maintain and enhance the goodwill associated with the Marks, the System and each Village Inn Restaurant, among other reasons, Franchisee agrees to participate in and/or request that its customers participate in programs initiated to verify customer satisfaction and/or Franchisee's compliance with all operational and other aspects of the System, including, but not limited to, a guest telephone survey program, an 800 number, secret shoppers or other programs as Franchisor may require. Franchisee will be responsible for all costs associated with these programs in connection with the Restaurant.

11. RESTAURANT MANAGEMENT AND SUPERVISION

11.1. Franchisee agrees that during the entire term of this Agreement, it shall have in place an individual who (i) has been approved by Franchisor; (ii) has successfully completed the training required in Article 12; and (iii) shall be primarily responsible for the operation of the Restaurant ("Director of Operations"). If Franchisee is an individual, he or she, subject to meeting these requirements, may be the Director of Operations.

11.2. During the entire term of this Agreement, Franchisee shall employ, in addition to the Director of Operations, on a full time basis, not less than two (2) managers who have been approved by Franchisor and have successfully completed Franchisor's manager training program as required in Article 12. One of these two (2) individuals or the Director of Operations shall be designated as the General Manager and shall be responsible for the direct on-premises day-to-day supervision of the Restaurant. At least one of the other remaining two (2) individuals shall be responsible for the direct on-premises supervision of the Restaurant in the absence of the General Manager. The General Manager may not serve in more than one restaurant owned by the Franchisee. Furthermore, in the event that one or more of these individuals shall cease to be employed by Franchisee, or such person's responsibilities change from that of restaurant operations, Franchisee agrees to immediately notify Franchisor of the change, and shall (i) within sixty (60) days thereafter, either replace such individual(s) with another person(s) who has/have been approved by Franchisor and successfully completed the required training, or reinstate the previous individual(s) to his/her/their prior operational responsibilities; or (ii) reassign personnel or responsibilities such that there will always be direct on-premises supervision of the Licensed Location by no less than two (2) Franchisor-approved and trained managers.

11.3. Franchisee shall be responsible, during the term of this Agreement, for training Franchisee's employees in the standards, methods, and techniques required for the satisfactory performance of their duties and in compliance with the System.

12. TRAINING

12.1. Franchisee agrees that, no later than four weeks prior to the commencement of operations at the Licensed Location, the Director of Operations and at least two (2) managers responsible for the day-to-day operations of the Restaurant must have successfully completed Franchisor's management training program. Furthermore, a new individual who later replaces any trained person must successfully complete the management training program within sixty (60) days of taking over managerial responsibilities. Franchisor's sole judgment shall determine whether an individual has successfully completed a training program. Franchisee expressly agrees that the opening date of the Restaurant will not be set nor will the Restaurant open until Franchisor is satisfied that Franchisee and its Director of Operations and managerial employees have been adequately trained with respect to the operation of a Village Inn Restaurant.

12.2. The management training program will include instruction and field training at Franchisor's designated training facilities and restaurants. Training will last for such duration as Franchisor determines to be necessary based upon the trainee's performance, prior training, and experience.

12.3. Periodically during the term of this Agreement, but not more frequently than once a year, Franchisor may require Franchisee and its managers, at Franchisee's cost and expense, to attend and successfully complete refresher or additional training courses at such locations and times as Franchisor may determine. Franchisor shall impose no tuition charge for such required training programs, but Franchisee shall be responsible for all expenses incurred by Franchisee or its employees in connection with the training program. Such costs include, by way of example and not limitation, travel, lodging and meals, wages, insurance, employee benefits, training materials, and other related and incidental expenses.

12.4. Franchisee, its managers, or other personnel may also attend, on a space-available basis, any specified training program offered but not required by Franchisor. Franchisee shall pay all costs and expenses in connection with its personnel attending such programs, including, but not limited to, any tuition charged by Franchisor and the expenses described in Section 12.3.

12.5. If the Restaurant is the first Restaurant opened by Franchisee or its affiliates, for a minimum of 18 business days during the pre- and post-opening period of the Restaurant, Franchisor will furnish to Franchisee, at Franchisee's premises and at Franchisee's expense, a new restaurant opening assistance team consisting of at least 10 team members for the purpose of facilitating the opening of the Restaurant. Franchisee will reimburse to Franchisor the costs of its opening assistance team members, including travel, lodging, meals and other expenses incurred, but Franchisor will not charge Franchisee for its team members' salaries. Franchisor may reduce or eliminate its new restaurant opening assistance to Franchisee if Franchisee or its affiliates have previously opened and are operating Restaurants.

13. INSPECTION

13.1. In order to maintain integrity of the Village Inn brand and System and to help achieve customer satisfaction, Franchisee authorizes Franchisor or its representatives to enter the Licensed Location from time to time during business hours, with or without notice, to inspect the premises and its furnishings, fixtures, and equipment; confer with Franchisee's employees; and examine and inspect the operation in all respects, including Franchisee's accounting records, materials, recipes, and formulas, and all public health or other governmental reports. Franchisee agrees to fully cooperate with Franchisor or its designated representative in conducting such inspections, including instructing its employees to provide prompt, accurate, and confidential responses to questions.

13.2. Franchisor's right of inspection shall include (i) videotaping or photographing the operations of the Restaurant, (ii) removing unsatisfactory or non-compliant items; and (iii) obtaining representative samples of foods and other products or materials for testing and analysis.

13.3. If, as a result of such inspection, Franchisee shall be found to be in non-compliance with the System or Franchisor's Standards and Policies, methods, techniques, procedures, policies, rules, or requirements, Franchisee agrees to correct all areas of non-compliance within thirty (30) days after receipt of written notice from Franchisor.

14. FINANCIAL STATEMENTS, REPORTS, RECORD KEEPING AND AUDITS

14.1. For accounting purposes, Franchisee shall establish and maintain an accounting year consisting of a 52-53 week fiscal year and thirteen four-week fiscal periods. *Notwithstanding the foregoing, Franchisee may establish and maintain its own fiscal year calendar but shall be required to report to Franchisor pursuant to and in accordance with Franchisor's Fiscal Year calendar.*

14.2. Franchisee will, at its expense, prepare monthly, quarterly and year-to-date Financial Statements and will deliver those Financial Statements to Franchisor within 30 days after the end of each period; provided, however, Franchisee will also prepare annual Financial Statements that will be delivered to Franchisor no later than 21 days after the end of Franchisee's fiscal year. All Financial Statements will be in the form prescribed by Franchisor. The Financial Statements must be verified by an officer or owner of Franchisee as to accuracy and completeness. All financial information provided to Franchisor by or on behalf of Franchisee may be used or disclosed by Franchisor for any purpose it deems necessary including, but not limited to, in the marketing of franchises and/or preparing financial performance information. If Franchisee fails to provide Franchisor with any required financial statement, Franchisor shall have the right to order an independent audit of Franchisee's books and records, and Franchisee shall promptly pay Franchisor for all costs of such audit.

14.3. Franchisee shall keep full and proper books and records pertaining to the operation of the Licensed Location. Such records shall include but are not limited to documents reflecting local marketing/advertising expenditures; governmental reports and all federal, state, and local tax returns; register tapes; guest checks; daily reports; and all reports required by Franchisee's lease. Franchisee shall maintain such records for a minimum of three (3) years after the end of each Fiscal Year of Franchisor, or such longer period as may be required by applicable governmental requirements. Franchisee shall also report weekly Gross Sales and entrée counts for its Restaurant on Franchisor's PARIS or other designated system.

14.4. All of Franchisee's books and records, including copies of tax returns, so far as they pertain to the operation of the Restaurant, upon reasonable notice shall be open to examination, inspection, and audit by Franchisor or its designated representative at all times, and copies may be made by Franchisor for its use. Upon reasonable notice, Franchisee shall provide Franchisor immediate access to any information, regardless of who possesses it, that relates in any way to the Restaurant, including access that allows Franchisor to electronically receive or collect such information. Franchisee agrees to fully cooperate with Franchisor or its designated representative in conducting such examination, inspection, or audit. If the examination, inspection, or audit discloses that Gross Sales reported by Franchisee are less than the actual Gross Sales, Franchisee shall immediately pay to Franchisor all Royalty fees due based upon the corrected Gross Sales, together with interest at the rate provided in Section 7.3. If Franchisee has overpaid based upon the corrected Gross Sales, Franchisor shall give a credit to Franchisee on subsequent Royalty due by Franchisee. The cost of the examination, inspection, or audit shall be at Franchisor's expense unless the results reveal that Franchisee underreported its Gross Sales by three percent (3%) or more for any fiscal period; Franchisee has failed to prepare and deliver the reports to Franchisor as required; or Franchisee has failed to maintain the books and records as required, in which event Franchisee shall pay or reimburse Franchisor for the costs of the examination, inspection, or audit.

14.5. Franchisee expressly authorizes Franchisor to use the information obtained under this Article as it deems necessary or appropriate in order to comply with federal or state disclosure laws.

15. TRADEMARK

15.1. Franchisor grants to Franchisee the right to display and use the trademark and name, "Village Inn," and such other trade names, trademarks, service marks, logotypes, labels, designs, and other identifying symbols and names pertaining to Village Inn Restaurant as are now and may hereafter be designated by Franchisor in writing ("Marks"), but only in connection with the Restaurant and upon the terms, covenants, and conditions and during the effective term of this Agreement. Franchisee possesses no right, title, or interest in or to any of the Marks or goodwill attached to them, except the privilege and license to display and use them according to the limitations and upon the terms, covenants, and conditions contained in this Agreement. Upon expiration or termination of this Agreement for any reason, Franchisee shall promptly deliver and surrender to Franchisor all items bearing or containing any of the Marks. Any unauthorized use of the Marks by Franchisee will constitute a breach of this Agreement and an infringement of Franchisor's rights in and to the Marks. Franchisee agrees not to raise or cause to be raised any question concerning, or objections to, the validity of the Marks on any ground whatsoever.

15.2. Franchisee must prominently display the Marks in the manner Franchisor prescribes at the Licensed Location, on menus, and in connection with advertising and marketing materials.

15.3. Franchisee shall adopt and use the Marks only in a manner expressly approved by Franchisor. If, in the sole judgment of Franchisor, Franchisee's use of the Marks infringes upon or is inconsistent with Franchisor's public interest or business standing, then Franchisee will, upon notice from Franchisor, immediately modify its use as prescribed by Franchisor.

15.4. If, in Franchisor's sole judgment, the use of any Mark is to be modified or discontinued and/or the Licensed Location is to use one or more additional or substitute Marks, Franchisee agrees, at its expense, to comply with Franchisor's direction within a reasonable time after receipt of written notice from Franchisor, provided, however that if it would cost more than $10,000, Franchisee must make any such change only if Franchisee agrees to do so in writing.

15.5. The right granted to Franchisee to use the Marks under this Agreement is non-exclusive. Franchisor, in its sole discretion, subject only to Section 2.3, has the right to grant other rights in, to, and under the Marks in addition to those rights already granted, and to develop and grant rights in other names and marks on terms and conditions that Franchisor deems appropriate.

15.6. Except as Franchisor may otherwise permit in writing, Franchisee shall not display or use the trademarks, trade names, service marks, logotypes, labels, designs, or other identifying symbols or names of any other person, firm, or corporation in, on, or at the Licensed Location.

15.7. If Franchisee is other than an individual, it shall not use the name "Village Inn", "VI BrandCo" or "Franchisor" in whole or in part, or in any derivative form, in its entity name. If local laws or ordinances require that Franchisee file an affidavit of doing business under an assumed name or otherwise indicate that Village Inn is being used as a fictitious or assumed name, Franchisee will include in such filing or application that it is a franchisee of Franchisor.

15.8. Franchisee shall clearly indicate, in its Restaurant, public records, and relationship with others, that its business is independently owned and its operation is separate and distinct from the operation of Franchisor's business.

15.9. Franchisee agrees to immediately notify Franchisor of any suspected or unauthorized use of or claim relating to the use of the Marks. Franchisor shall have the sole right to forbear, initiate, defend, or settle any suit or claim of infringement at its expense. Franchisee agrees to cooperate with Franchisor, as reasonably requested by and at Franchisor's expense, in the litigation or defense of any infringement, suit, or claim. Franchisee shall not enter into any negotiation or settlement of any such claim or suit without the prior written consent of Franchisor.

15.10. Franchisee shall not use the Marks on, or promote, offer, or sell any product relating to the Restaurant through the Internet or other future technological avenues without Franchisor's prior written consent, which Franchisor may withhold for any or no reason. Franchisor may condition its consent on such requirements as it deems appropriate, including, among other things, that Franchisee obtain Franchisor's written consent to: (i) any and all Internet domain names and home page addresses related to the Restaurant or the Marks; (ii) the proposed form and content of any web site related to the Restaurant or the Marks; (iii) Franchisee's use of hyperlinks or other links; (iv) Franchisee's use of materials (including text, video clips, photographs, images, and sound bites) in which any third party has an ownership interest; and (v) any proposed modification of Franchisee's web site. Franchisor may designate the form and content of Franchisee's web site relating to the Restaurant or the Marks and/or require that any such web site be hosted by Franchisor or a third party who Franchisor designates, using one or more web sites that Franchisor owns and/or controls. Franchisor may charge Franchisee a fee for developing, reviewing, and consenting to Franchisee's web site and/or for hosting a web site relating to the Restaurant or the Marks. Franchisee acknowledges that any web page it utilizes for the Restaurant or containing the Marks constitutes advertising and promotion subject to Article 6, above, and Franchisee agrees to comply with all additional policies and standards Franchisor issues from time to time with respect to web sites and web pages specifically. Franchisee must obtain Franchisor's consent prior to making any change to Franchisee's web page.

16. <u>CONFIDENTIAL INFORMATION</u>

16.1. Franchisee acknowledges that over the term of this Agreement, Franchisee will receive proprietary information which Franchisor has developed over time and at great expense, including, but not limited to: (i) methods and procedures relating to the development and operation of Village Inn Restaurants; (ii) management and personnel training; (iii) product development and testing; (iv) food, menu specifications, and recipes; (v) site selection; (vi) restaurant construction and equipping; (vii) marketing and promotion; (viii) back office and accounting systems; (ix) purchasing arrangements and vendor lists; and (x) administrative support. Such information is not generally known in the industry and is beyond Franchisee's present skills, experience, and knowledge, or cannot be readily developed, and that to develop such knowledge, skill, and experience would be time-consuming and expensive to Franchisee. Accordingly, Franchisee agrees, at all times (including the expiration or termination of this Agreement), to keep confidential all information disclosed to Franchisee by Franchisor which is deemed a "trade secret" by applicable law or which Franchisor otherwise designates as confidential and proprietary, regardless of any technical definition of "trade secrets" by statute or judicial interpretation, and to use all reasonable means to keep such information secret and confidential. Franchisee will divulge such information only to employees who must have access in order to operate the Restaurant at the Licensed Location. Additionally, Franchisee agrees not to misuse, copy, duplicate, record, or reproduce, in whole or in part, and in any manner, the information provided to him/her/it by Franchisor, or make such information available to any unauthorized person.

16.2. Franchisee agrees that the ownership of the confidential information is and shall remain vested solely in Franchisor.

16.3. In the event of a breach by Franchisee of its obligations under this Article, Franchisor will have the right, in addition to all other rights afforded by law or as set forth in this Agreement, to seek declaratory and/or injunctive relief from a court of competent jurisdiction (i.e., in accordance with the venue provisions of Section 29.6) without the necessity of showing actual or threatened damage, and without being required to furnish a bond or other security.

16.4. Notwithstanding anything in this Agreement to the contrary, Franchisee may, in accordance with any applicable law including the federal Defend Trade Secrets Act, disclose confidential information, including Franchisor's trade secrets, (a) in confidence, to federal, state, or local government officials, or to an attorney of Franchisee, for the sole purpose of reporting or investigating a suspected violation of law; or (b) in a document filed in a Proceeding, but only if the filing is made under seal and protected from public disclosure. Nothing in this Agreement is intended to conflict with any applicable law or create liability for disclosures expressly allowed by law.

16.5. Franchisee may be required and shall require its employees designated by Franchisor, upon request by Franchisor, to execute a confidentiality agreement consistent with the provisions of this Article 16. The omission of such a confidentiality agreement, however, shall not relieve Franchisee of any obligation otherwise required under this Article.

16.6. For purposes of this Article, Franchisee shall be defined as set forth in Section 17.4 of this Agreement. The provisions of this Article shall survive the expiration or termination of this Agreement.

17. CONFLICT OF INTEREST AND NON-COMPETE

17.1. Franchisee hereby agrees to the following: (a) Franchisee will not, on their own account or as an employee, principal, agent, independent contractor, consultant, affiliate, licensee, partner, officer, director or owner of any other person, firm, entity, partnership, or corporation for a period of one (1) year after the termination or expiration of this Agreement, own, operate, lease franchise, conduct, engage in, be connected with, have any interest in or assist any person or entity engaged in a food service business that derives 25% or more of its gross income from the sale of whole pies and/or breakfast food items, like pancakes, omelets, skillets, eggs, or other breakfast food items, which is located within four (4) miles of the Licensed Location, within four (4) miles of any other Village Inn restaurant, or within any territory granted by Franchisor or any affiliate of Franchisor pursuant to an Area Development Agreement or other territorial agreement; and (b) Franchisee expressly agrees that: (i) the time, geographical and product limitations set forth in this provision are reasonable and necessary to protect Franchisor and its franchisees if this Agreement expires or is terminated by either party for any reason; (ii) this covenant not to compete is necessary to protect Franchisor's intellectual property and proprietary rights and give Franchisor the opportunity to resell and/or develop a new Village Inn Restaurant at or in the area near the Licensed Location; and (iii) the one-year time period described in this Section 17 will not begin to run until the covered person or entity is in compliance with this Agreement, and will be tolled during any intervening period of non-compliance.

17.2. Franchisee agrees that the provisions of this Article are and have been a primary inducement to Franchisor to enter into this Agreement, and in the event of a breach, Franchisor will be irreparably injured and without adequate remedy at law. Therefore, should Franchisee breach or threaten or attempt to breach any of these provisions, Franchisor shall be entitled, in addition to other remedies which it may have at law or in equity (including the right to terminate this Agreement), to a preliminary and/or permanent injunction, and a decree for specific performance of the terms in this Article without the necessity of showing actual or threatened damage, and without being required to furnish a bond or other security.

17.3. As a forum for dispute resolution for Article 17 to determine the validity or enforceability of this Article, the parties shall nominate each two (2) members to form a committee, which will consist of two employees of the Franchisor and two (2) members of the FAB. Any decision with respect to the validity of Article 17 requires three (3) affirmative votes to render a decision in favor of the Franchisee. The parties agree the decision is binding. In the event the parties cannot come to a majority decision with respect to a favorable outcome to the Franchisee, the parties shall appoint a third party arbitrator to adjudicate the matter in accordance with Section 25.

17.4. For purposes of Articles 16, 17, and 18, "Franchisee" shall include Franchisee, its directors, officers, partners (general or limited), and members, shareholders, or other owners of interest in Franchisee and each such person's spouse, parent, or child.

18. <u>TRANSFERS</u>

18.1. This Agreement is fully transferable by Franchisor and any transferee of Franchisor or other legal successor to Franchisor's interests in this Agreement.

18.2. Neither Franchisee nor any direct or indirect owner of any interest in Franchisee shall (whether voluntarily or by operation of law) directly or indirectly sell, pledge, transfer, or assign any rights under this Agreement or any interest in Franchisee or any entity that owns

Franchisee, or a substantial portion of the assets of the Restaurant ("Transfer"), unless the transferor obtains Franchisor's prior written consent. Any attempted transfer without Franchisor's prior written consent will constitute a breach of this Agreement. Furthermore, any purported Transfer without Franchisor's prior written consent will convey no rights to or interest in this Agreement or the Licensed Location. Franchisor may withhold its consent on any reasonable grounds or may impose reasonable conditions including, but not limited to, the following:

(a) Franchisee paying all obligations and accounts due Franchisor or its affiliates and to third parties whose obligations Franchisor has guaranteed on behalf of Franchisee.

(b) Franchisee not otherwise being in default of this Agreement or any other agreement by and between Franchisee or its affiliates and Franchisor or its affiliates.

(c) The proposed transferee, in Franchisor's sole judgment, is qualified to provide proper ownership, operation, and financing of the Licensed Location pursuant to Franchisor's criteria which includes, without limitation, net worth; work experience and aptitude; ability to devote time and best efforts to the Restaurant; ability to speak and read English sufficient in Franchisor's opinion to communicate with employees, customers and suppliers and to satisfactorily complete Franchisor's training; and no conflicting interest. In this connection, Franchisor may conduct an investigation, use discretionary judgment, and require additional terms and conditions of the transfer in the same manner as any person (including legal entity) applying for a new franchise, and Franchisor may require the proposed transferee and certain of its employees to attend training programs.

(d) Payment of a transfer fee of Five Thousand Dollars ($5,000.00) to Franchisor, except in cases where the transfer is to Franchisee's spouse or children, and notwithstanding the above, Franchisee may be charged a document administration fee of Five Hundred Dollars ($500) ("Document Administration Fee"), payable to Franchisor when Franchisor must prepare an amendment to your franchise documents.

(e) Franchisee, its owners, directors, and officers executing a general release of all claims against all Franchisor Indemnitees.

(f) The proposed transferee, at Franchisor's option shall either: (i) execute an assignment of this Agreement for the remainder of the term and any renewal terms and conditions set forth in Section 3.2 herein and such other ancillary agreements as Franchisor may require; or (ii) enter into the form of franchise agreement then being offered to new Village Inn Restaurant franchisees and such other ancillary agreements as Franchisor may require, with such agreement superseding this Agreement in all respects other than the term and any renewal terms and conditions set forth in Section 3.2 herein, and provided that the terms of the new franchise agreement may differ from this Agreement with respect to the initial franchise fee, royalty, marketing fees, and other terms and conditions.

(g) The proposed transferee, at Franchisor's request and at the transferee's expense, upgrading the Licensed Location to conform to the then-current Standards and Policies and all other requirements for Village Inn Restaurants within the time specified by Franchisor.

(h) Franchisee agreeing to complete and sign a letter of agency, letter of authorization, or equivalent and provide it to the proposed transferee so that proposed transferee may keep the existing telephone number when the Restaurant is transferred to proposed transferee.

(i) Franchisee providing to us a copy of the purchase and sale agreement or other documentation evidencing the Transfer and, following our analysis of the terms and conditions of the proposed Transfer, Franchisor, in its sole discretion, concludes that such terms and conditions will not interfere with the financial feasibility of the future operation of the Restaurant.

(j) Franchisor approving the legal documents which its attorneys deem necessary or proper to document the transfer, including without limitation, all governing documents of proposed transferee. Franchisee shall pay all reasonable legal fees associated with the review and approval of the transfer, in addition to the transfer fee specified in Section 18.2(d), and regardless of whether legal counsel is retained independently or employed in-house by Franchisor.

18.3. The Transfers requiring Franchisor's prior written consent under Section 18.2 include, without limitation: (i) if Franchisee is a partnership or other business association, the addition or deletion of a partner or members of the association, or the transfer of any partnership or membership among existing partners or members; and (ii) if Franchisee is an individual, the transfer from such individual to a corporation or other business entity in which the individual has an ownership interest, in which case, Franchisor's approval will be conditioned upon receipt of the personal guarantee of the transferor, of the transferor's guarantors, of all owners, partners, members or officers of the transferee, and of each of the foregoing's respective spouses, of the corporation's or other business entity's performance of the obligations under and for the remainder of this Agreement.

18.4. In the event of the Franchisee's death or legal incapacity, or if Franchisee is a partnership or legal entity, on the death or legal incapacity of any owner of Franchisee, the rights and obligations of Franchisee/such owner under this Agreement shall inure to the Franchisee's/such owner's executors, administrators, heirs, conservators, or legatees (collectively, the "Legatee"), provided that (i) written notice is received by Franchisor within one hundred twenty (120) days after the date of death or the judicial determination of legal incapacity stating that such Legatee has been properly appointed, designated, or bequeathed, accompanied by effective evidence, such as Letters Testamentary or court order, and will perform all of the duties and obligations required by Franchisee or such owner under this Agreement; and (ii) the Legatee is determined by Franchisor, in Franchisor's reasonable discretion, to be able to perform such duties and obligations and the Legatee assumes such responsibility pursuant to an Assignment agreement and guaranty in a form to be prepared by Franchisor. In the event that Franchisor determines, in its reasonable judgment, that the Legatee is not capable of performing all of the duties and obligations required to be performed by Franchisee or such owner under this Agreement, the Legatee shall use best efforts, within twelve (12) months from the date of written notice from Franchisor, to sell his/her/its interest in the Agreement to a bona fide purchaser in accordance with and subject to all of the provisions of this Article. If by the end of such twelve-month period, the Legatee has not effectuated a transfer of such interest in a transaction which meets the requirements of this Article, Franchisor shall have the option to (a) purchase the

Legatee's interests at fair market value as determined jointly and in good faith by three (3) appraisers with Franchisor and the Legatee each selecting one (1) appraiser and the two (2) appraisers so chosen selecting the third appraiser; (b) permit the Legatee to perform the duties and obligations required by Franchisee under this Agreement; or (c) terminate the Agreement, but such termination shall not constitute a default by the Franchisee.

Franchisor shall in no event be liable or obligated to verify the validity of the Legatee's appointment, designation, or other circumstances entitling the Legatee to the rights and benefits of this Agreement. In any transfer, the Legatee shall represent and warrant that such Legatee possesses all rights, title, and interests in this Agreement, and shall indemnify, defend (with attorneys reasonably acceptable to Franchisor), and hold harmless the Franchisor Indemnitees from all Losses and Expenses arising from Legatee's fraud, misrepresentations, omissions, or improper or invalid authority to transfer such rights, title, and interests. Franchisor shall have the right (but not the obligation) to defend any Proceeding and/or to participate in the defense of any matter to which it is named as a party, with counsel of its choosing, all of whose fees and expenses will be subject to indemnification hereunder.

18.5 In the event that Franchisee (or any of its owners) shall, subject to the restrictions and conditions of transfer contained in this Article, attempt to raise or obtain funds by the sale of securities (including, without limitation, common or preferred stock, bonds, debentures, or general or limited partnership interests) by means of any public or private investment offering, which contains written information, in any manner, concerning Franchisor or the System, this Agreement, or the relationship used with respect thereto, Franchisee agrees to submit any such written information to Franchisor prior to its inclusion in any registration statement, prospectus, or other offering circular or memorandum ("Offering Document"). Franchisee shall furnish the Offering Document along with a written request to Franchisor to review the Offering Document and also stating the specific purpose for which the information is to be used. Should Franchisor, in its sole discretion, object to any reference made about Franchisor or its business, the System, or this Agreement in such Offering Document, such Offering Document shall not be used unless and until Franchisor's objections are withdrawn. Franchisor assumes no responsibility for the offering whatsoever. Franchisor's written consent obtained pursuant to this Section shall not imply or constitute its involvement in or approval with respect to the sale of the securities, the offering literature submitted to it, or any other aspect of the offering. Additionally, the Offering Document utilized in any offering shall contain the following language in bold-face type on the first textual page:

> **FRANCHISOR AND/OR ITS AFFILIATES ARE NOT DIRECTLY OR INDIRECTLY THE ISSUER OF THE SECURITIES OFFERED HEREBY AND ASSUME NO RESPONSIBILITY WITH RESPECT TO THIS OFFERING AND/OR THE ADEQUACY OR ACCURACY OF THE INFORMATION SET FORTH HEREIN, INCLUDING ANY STATEMENT MADE WITH RESPECT TO IT OR FRANCHISOR'S SYSTEMS, TRADEMARKS, OR VILLAGE INN RESTAURANT FRANCHISE. NEITHER FRANCHISOR NOR ITS AFFILIATE ENDORSE OR MAKE ANY RECOMMENDATION WITH RESPECT TO THE INVESTMENT CONTEMPLATED BY THIS OFFERING.**

Franchisee agrees to promptly reimburse Franchisor for any out-of-pocket expense and all attorneys' (including in-house counsel) and accountants' fees in the review of the Offering Document and any other material requested by Franchisee under this Section 18.5. Additionally, Franchisee and each of its owners shall indemnify, defend (with attorneys reasonably acceptable to Franchisor), and hold harmless all Franchisor Indemnitees from all Losses and Expenses incurred in connection with any Proceeding arising from the offer or sale of such securities, whether asserted by a purchaser of any such security or by a governmental agency. Franchisor shall have the right (but not the obligation) to defend such Proceedings and/or to participate in the defense of any matter to which it is named as a party, with counsel of its choosing, all of whose fees and expenses will be subject to indemnification hereunder.

18.6 This Article shall survive the expiration or termination of this Agreement.

19. <u>RIGHT OF FIRST REFUSAL</u>

Franchisee and its owners (including Legatees in connection with sales under Section 18.4, above) expressly grant to Franchisor the Right of First Refusal to purchase Franchisee's rights and interests in this Agreement and the Licensed Location in the event of a proposed sale or transfer of this Agreement and Franchisee's Restaurant, or transfer which results in a change of control of Franchisee of fifty-one percent (51%) or more, whether in a single transaction or as the result of several transactions. Franchisee shall, at a minimum, submit a written bona fide offer from the third-party purchaser/transferee, and the terms of this Right of First Refusal shall be the same as those submitted in writing to Franchisee by the bona fide third-party purchaser/transferee, except that Franchisor shall have the right to substitute cash for any other consideration offered. Franchisor shall have thirty (30) days within which to exercise this Right of First Refusal following Franchisee's delivery to Franchisor of the executed written offer containing the essential terms and conditions to which Franchisee and the proposed bona fide purchaser/transferee have committed to be bound toward a contractual agreement. Franchisor reserves the right to request (i) Franchisee's and the bona fide purchaser's/transferee's intent, understanding, or commitment regarding the transaction; (ii) clarification of certain terms and conditions stated in the written offer; and (iii) other information which Franchisor deems, in its sole judgment, to be necessary to make its decision, or which have not been addressed in the written offer, and if such terms are undetermined between Franchisee and the bona fide third party/transferee, the thirty (30) day Right of First Refusal shall be extended for the number of days in which such term remains undetermined until an agreement is reached between Franchisee and the bona fide purchaser/transferee in writing and provided to Franchisor. If Franchisor chooses not to exercise its Right of First Refusal, Franchisee shall be free to proceed with the proposed sale or transfer, subject to Franchisor's written consents and the terms and conditions set forth elsewhere in this Agreement, and provided that Franchisee's sale or transfer substantially conforms to the terms and conditions of the written offer. The terms regarding this Right of First Refusal shall apply with each proposed sale or transfer, and any material change in the terms of any offer prior to the closing shall constitute a new offer and shall be subject to Franchisor's Right of First Refusal as set forth in this Article.

20. <u>INSURANCE AND INDEMNIFICATION</u>

20.1. Franchisee shall, during the term of this Agreement, obtain, pay for, and maintain minimum insurance as may be required by Franchisor from time to time, including commercial general liability insurance for bodily injury and property damage; products liability and contractual liability coverage; workers' compensation; and all coverage required by Franchisee's landlord. Property insurance must be carried on buildings and contents, along with insurance to cover loss of income and extra expenses following a loss that results in the shutdown of the Restaurant. Franchisee must also carry automobile liability insurance to include hired and non-owned automobile liability coverage.

20.2. Franchisee shall include Franchisor, and such additional parties as Franchisor may designate, as Additional Insureds on liability insurance policies, and loss payee on any property insurance on property in which Franchisor may have an interest. All policies required by this Article shall be endorsed to require a thirty (30) day notice to Franchisor of any pending cancellation or proposed modification of insurance coverage. Certificates of Insurance or certified copies of property and liability insurance policies, or such other evidence of coverage as may be requested by Franchisor, shall be provided to Franchisor upon request during the entire term of this Agreement.

20.3. In the event that the Restaurant incurs any casualty, property damage, or loss, Franchisee shall use all commercially reasonable efforts to restore the Restaurant as soon as possible to full operational capacity, in accordance with Franchisor's specifications, and in satisfaction of Franchisee's obligations under this Agreement, including but not limited to Franchisee's obligations under Section 10.2. Franchisee shall be relieved of paying Royalties during the restoration period, however, the Franchisor shall receive the same percentage as the Royalty of any business interruption proceeds received by the Franchisee.

20.4 All required insurance shall be obtained through reputable and responsible insurance companies acceptable to Franchisor. All policies shall extend to and provide indemnity for all obligations assumed by Franchisee under this Agreement and all other matters for which Franchisee is required to indemnify Franchisor.

20.5 If Franchisee at any time fails or refuses to maintain any insurance required by this Agreement or to furnish satisfactory evidence of effective coverage, Franchisor, at its option and in addition to its other rights and remedies, may obtain such insurance on behalf of Franchisee, and Franchisee shall pay to Franchisor on demand all costs incurred by Franchisor in connection with obtaining the insurance. Franchisee must cooperate fully with Franchisor in its efforts (should it undertake to do so) to obtain such insurance.

20.6 In addition to any insurance obligation which Franchisee may have under this Agreement, Franchisee agrees to defend, at Franchisee's cost, with attorneys reasonably acceptable to Franchisor, indemnify, and hold harmless the Franchisor Indemnitees from and against all Losses and Expenses incurred in connection with any Proceeding or by or against the Franchisor Indemnitees or any settlement (whether or not a formal proceeding or action has been instituted), arising out of, resulting from, related to, or connected with the operation of Franchisee's business pursuant to this Agreement, unless such was the result of the gross negligence or willful misconduct of an Franchisor Indemnitee. The obligation to defend, indemnify, and hold harmless shall survive the expiration or termination of this Agreement and includes any loss in excess of Franchisee's insurance coverage.

21. DECLARATION OF DEFAULT

21.1. Franchisor will have the sole and absolute right to terminate this Agreement at any time prior to the opening of the Restaurant at the Licensed Location if Franchisor determines that: (a) any financial, personal, or other information provided by Franchisee to Franchisor is materially false, misleading, incomplete, or inaccurate; or (b) Franchisee has failed to materially comply with the pre-opening obligations set forth in this Agreement or as prescribed by Franchisor's Standards and Policies.

21.2. Franchisee acknowledges that Franchisor requires strict compliance with the System and all of the terms and conditions of this Agreement for the protection of Franchisor and all other operators of Village Inn Restaurants. Franchisor may declare a default, without giving Franchisee the opportunity to cure, on the happening of any of the following events:

(a) Franchisee filing or consenting to the filing of any petition for bankruptcy, reorganization, or other relief under any bankruptcy statute;

(b) Franchisee being adjudicated bankrupt or insolvent;

(c) Franchisee making any assignment or similar composition or agreement for the benefit of creditors;

(d) Franchisee having its interests herein fall under execution unless, within the time permitted by law, Franchisee takes necessary steps to obtain a stay of execution and furnishes the requisite undertaking;

(e) Franchisee or any of Franchisee's direct or indirect owners makes a Transfer in violation of Article 18 of this Agreement;

(f) A receiver has been appointed for all or substantially all of Franchisee's assets or business and is not discharged or the appointment set aside within thirty (30) days of the appointment;

(g) Any portion of the Restaurant or equipment, furnishing, or fixture located therein, or any interest which Franchisee may have in the Restaurant, equipment, furnishing, or fixture is taken in foreclosure of any mortgage, deed of trust, lien, or security interest, or if Franchisee loses the right to occupy the Licensed Location for any reason;

(h) Franchisee, through its officers, directors, or any authorized employee or agent, knowingly makes any material misrepresentation or omits any material fact of any information provided to Franchisor;

(i) Franchisee or any of its owners is convicted of or pleads guilty to a felony that, in the discretion of Franchisor, adversely affects Franchisor's reputation, the Village Inn System, or the Restaurant; or

(j) Franchisee defaults a third time in a twelve month period (regardless of whether the specific default had previously occurred), despite that Franchisee had defaulted but timely cured his/her/its performance on previous occasions.

21.3. In the event that Franchisee fails to pay any money due Franchisor pursuant to this Agreement or any other agreement existing between Franchisee or its affiliates and Franchisor or its affiliates, Franchisee shall be in default, and Franchisor shall be entitled to pursue its remedies under Article 22 of this Agreement if Franchisee does not cure the default within seven (7) days after written notice from Franchisor of the default.

21.4. Franchisor may pursue its remedies under Article 22 of this Agreement if Franchisee violates any other term or condition of this Agreement or the System and fails to cure the default within fifteen (15) days after receipt of written notice from Franchisor of the default. If the cure cannot be reasonably remedied within such period, Franchisee must at least commence the cure within the fifteen (15) day period and thereafter diligently and fully cure the default. For purposes of this Agreement, an alleged breach of this Agreement will be deemed cured only when Franchisee and Franchisor agree in writing. Further, this section is not applicable for a default under Section 21.2(j).

21.5. The provisions of this Article may be subject to statutes or regulations applicable to the Licensed Location which limit the grounds upon which a franchisee may be terminated or require additional prior written notice of default and opportunity to cure.

21.6. All cure periods under this Agreement and under any other agreement between Franchisee or its affiliates and Franchisor or its affiliates shall be deemed to run concurrently and not sequentially.

21.7. Subject to the consent of Franchisor, which will not be unreasonably withheld or delayed, Franchisee shall not be in default under this Agreement if Franchisee terminates operations at the Licensed Location, provided all of the following conditions are timely and completely fulfilled:

(a) Franchisee demonstrates to Franchisor a commercially reasonable business case demonstrating the profitability and desirability of closing the Restaurant at the Licensed Location and opening a replacement Restaurant within the Franchised Area (determined with respect to the initial Licensed Location);

(b) Until Franchisee’s replacement Restaurant is opened, Franchisee pays to Franchisor, as and when due, all weekly Royalty payments due under Article 5, above, and all marketing fees as required by Article 6, above, computed based upon the average Gross Sales from the Licensed Location over the 36-month period immediately preceding the closing of the Restaurant at the Licensed Location (or if 36 months have not been completed, the average annualized Gross Sales for the period from the opening of the Restaurant through the date of the Event of Default);

(c) Within six (6) months of such termination, Franchisee identifies a new Licensed Location, and such new Licensed Location is approved by Franchisor consistent with Franchisor’s normal procedures and standards for approving locations of its franchised restaurants;

(d) Thereafter, Franchisee complies with the applicable provisions of Article 9, above, concerning the construction of a Restaurant at the new Licensed Location consistent with Franchisor's plans and specifications for franchised restaurants; and

(e) Franchisee opens the new Restaurant in accordance with the System and this Agreement no later than fifteen (15) months following the date of closing of the Restaurant at the initial Licensed Location.

22. FRANCHISOR'S RIGHTS UPON DEFAULT BY FRANCHISEE

22.1 In the event of a default by Franchisee which is not cured within the time allowed (if any), Franchisor shall have the right to pursue any or all of the following remedies:

(a) In the event the default by the Franchisee was determined to be in bad faith, terminate this Agreement and all other agreements existing between Franchisor or its affiliates and Franchisee or its affiliates.

(b) Obtain from Franchisee and/or any guarantor (i) all unpaid Royalties, Marketing Fees and other amounts due to Franchisor or its affiliates; (ii) all costs and expenses (including attorneys' fees) incurred by Franchisor arising from Franchisee's default; and (iii) in the event of a unilateral closure of the Restaurant by Franchisee, Early Termination Damages calculated as follows:

(1) Compute the average monthly Royalties and Marketing Fee due for any consecutive twelve (12) month period within the forty-eight (48) months immediately preceding the closure date of the Restaurant, or, if the Restaurant has been open for less than twelve (12) months, the average monthly Royalties and Marketing Fee due since the opening of the Restaurant ("Monthly Average"); and

(2) Multiply the Monthly Average by the number of months remaining in the Term.

(3) The Early Termination Damages shall be considered damages and not a penalty, are not in lieu of other damages, and Franchisee's payment of these damages shall not constitute a release of any other obligation owed to Franchisor. Franchisor, Franchisee, each individual signing on behalf of Franchisee, and each guarantor guaranteeing Franchisee's obligations hereunder, hereby acknowledge and agree that Franchisor's losses due to Franchisee's unilateral closure of the Restaurant and/or termination of this Agreement would be highly difficult or impossible to calculate with reasonable certainty and, therefore, have agreed at the outset of this Agreement that the Early Termination Damages, and the formula for calculating these damages, constitutes a reasonable, good faith forecast of Franchisor's estimated losses and damages due to the premature closure of the Restaurant and/or termination of this Agreement.

(c) Apply to a court and receive injunctive relief in order to prevent the continuance of any existing default, or the occurrence of any threatened default of this Agreement or any related agreement between Franchisee and Franchisor, without the necessity of showing actual or threatened damage, and without being required to furnish a bond or other security.

(d) Apply to a court to have a receiver appointed to take possession of the Licensed Location and to implement any or all of Franchisor's remedies under this Agreement. Furthermore, all costs of such receivership, including any bond required to be furnished by Franchisor, shall be paid by Franchisee.

22.2 If Franchisee fails to comply with a written notice of termination sent by Franchisor, Franchisee shall be liable to Franchisor for damages resulting from such infringement, including, without limitation, and in addition to any fee paid or payable under this Agreement, all profits which Franchisee derived from the post-termination operation of the Restaurant.

22.3 Notwithstanding any other provision of this Agreement, in the event that Franchisee is in violation of any health code or in the event of any unsanitary condition or condition which has jeopardized or may jeopardize the health of patrons of the Restaurant, Franchisor may require Franchisee to close the Restaurant immediately upon notice until the condition giving rise to such closure has been resolved to the satisfaction of Franchisor and applicable governmental authorities. In the event such condition is not resolved within ten (10) days from the notice to close (or if such condition requires longer than ten (10) days to cure, then such longer period as determined by Franchisor, after consultation with Franchisee, to be necessary to cure such condition so long as during such period Franchisee takes all commercially reasonable efforts to diligently prosecute such cure to completion), this Agreement shall terminate with no further opportunity for Franchisee to cure.

22.4 Any specific right or remedy set forth in this Agreement - legal, equitable, or otherwise - shall not be exclusive, but shall be cumulative with all other rights and remedies set forth in this Article or allowed by this Agreement or by law.

23. ASSIGNMENT OF FRANCHISEE'S INTEREST AND LOCATION

23.1. If Franchisee leases the real property at the Licensed Location from a third party, the lease shall be submitted to Franchisor for approval prior to execution. Contemporaneously with the execution of such lease, Franchisee, the lessor of the Licensed Location, and Franchisor must enter into the option for assignment of lease attached hereto as Appendix B. If the lease is not satisfactory to Franchisor, or if Appendix B is not executed contemporaneously with the lease, Franchisor shall have the right to terminate this Agreement. Upon approval of such lease by Franchisor, no amendment, assignment, or sublease shall be made or entered into by Franchisee without Franchisor's prior written approval.

23.2. At Franchisor's request, Franchisee shall promptly execute a written Assignment consistent with this Article 23 for purposes of recording. In addition, Franchisee shall provide to Franchisor from time to time, upon request, a written Consent executed by any mortgagee with respect to the Licensed Location, if owned by Franchisee, or executed by Franchisee's landlord, if Franchisee leases the Licensed Location, consenting to the provisions of this Article 23 (which includes, but is not limited to, the option for assignment of lease attached hereto as Appendix B).

23.3. Franchisee shall not grant any security interest in this Agreement without Franchisor's prior written consent, which will not be unreasonably withheld. Franchisor's consent may be conditioned, in its sole discretion, on the written agreement by the secured party that, in the event of a default by Franchisee under any agreement related to the security interest, Franchisor shall have the right and option (but not the obligation) to purchase the rights of the secured party upon payment of all sums then due to the secured party.

24. FRANCHISEE'S OBLIGATIONS UPON EXPIRATION OR TERMINATION

24.1. Upon the expiration or termination of this Agreement, Franchisee will:

(a) Immediately discontinue the use, in any manner and for any purpose, directly or indirectly, of all Marks, signs, structures, and forms of advertising indicative of Village Inn Restaurants or its business or products, and unless Franchisor continues the operation of the Restaurant, make or cause to be made all changes in signs, buildings, and structures as Franchisor may direct to effectively distinguish the business from its former appearance and other Village Inn Restaurants.

(b) Deliver to Franchisor all Operating Manuals, menus, advertising and training materials, forms, trade secrets, and proprietary information received from Franchisor or otherwise acquired by Franchisee in connection with the franchise relationship established by this Agreement.

(c) Execute all documents required by Franchisor necessary or appropriate to terminate Franchisee's license of the System and to de-identify the Restaurant and the Licensed Location as required by Franchisor and as contemplated by Section 24.1(d), below.

(d) Not thereafter use any Mark, name, insignia, slogan, symbol, design, or other characteristic, or use any food or menu item, recipe, or method of food preparation, or operate or do business under any name or in any manner that may reasonably confuse or tend to give the public the impression that Franchisee or any of its owners is in any way associated with Franchisor or Village Inn Restaurants.

(e) Cancel any fictitious name registration.

(f) Upon Franchisor's written notice to Franchisee within thirty (30) days after the termination or expiration of this Agreement, assign all telephone numbers, facsimile numbers, domain names, or other numbers, names, and telephone directory listings (collectively, "Listings") associated with any of the Marks or the Restaurant, and Franchisee must notify the telephone company, all telephone directory publishers, and all domain name registries and Internet service providers of the termination or expiration of Franchisee's right to use any Listing associated with the Restaurant, and authorize and instruct their transfer to Franchisor or to a third party at Franchisor's direction and/or to instruct the telephone company, domain name registries, and Internet service providers to forward all calls, e-mails, and electronic communications made to Franchisee's names, numbers, or addresses to names, numbers or addresses Franchisor specifies. Franchisee is not entitled to any compensation if Franchisor exercises this option.

24.2. If after notice, Franchisee shall fail or refuse to comply with the requirements of Section 24.1, then Franchisor shall have the right, in addition to all other remedies at law or in equity, to enter upon the premises, without liability and with or without court order or legal proceedings, and take all actions it deems necessary or appropriate, at Franchisor's sole and absolute discretion, for Franchisee to be in compliance, at Franchisee's expense, which Franchisee shall pay on demand.

24.3. The provisions in this Article shall survive the expiration or termination of this Agreement.

25. ARBITRATION

25.1. Except as provided in Section 25.2, below, any dispute, breach, controversy, or claim arising out of or relating to this Agreement, including, but not limited to, any claim that this Agreement, in whole or in part, is invalid, illegal, or otherwise voidable or void ("Dispute"), shall be submitted to arbitration in accordance with the commercial arbitration rules of the American Arbitration Association relating to commercial arbitration, subject to the following:

(a) The arbitrator's award shall be in writing, contain findings of fact and conclusions of law, and set forth the arbitrator's rationale for the award based upon such findings of fact and conclusions of law.

(b) All proposed arbitrators shall be attorneys or current or former judges licensed to practice law in the state where the arbitration will take place, and have no less than 10 years' experience in business law, including substantial experience involving franchise matters.

(c) The arbitration shall be conducted on an individual and not a consolidated or class-wide basis.

(d) The arbitrator shall have the authority to award equitable relief, including, but not limited to, specific performance and injunctive relief. However, except as permitted by this Agreement, the arbitrator shall have no authority to award punitive, exemplary, consequential or multiple damages. See also Section 29.7, below.

(e) Judgment upon an arbitration award may be entered in any court having competent jurisdiction and shall be binding, final, and non-appealable.

(f) In the event that either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party by default or otherwise.

(g) The arbitration shall take place in Minneapolis, Minnesota, unless the franchise law in the state where the Restaurant is located requires arbitration in such state, in which case the arbitration shall be held in the largest city in such state.

(h) The arbitration shall have no collateral estoppel effect.

25.2. This Article shall not apply to claims relating to Franchisor's trademarks, service marks, patents, or copyrights; claims related to any lease or sublease of real property between the parties or their related entities; claims or actions for an express obligation to pay monies, declaratory relief, for damage to Franchisor's goodwill, fraudulent conduct by Franchisee; and/or requests for temporary restraining orders, preliminary injunctions, or other procedures in a court of competent jurisdiction to obtain interim relief when deemed necessary by such court to preserve the status quo or prevent injury pending resolution by arbitration of the actual dispute between the parties. Without limiting the scope of the previous sentence, nothing in this Agreement shall be construed as limiting or precluding Franchisor from bringing any action, at any time, in any court of competent jurisdiction, for injunctive or other extraordinary relief as Franchisor deems necessary or appropriate to compel Franchisee to comply with its obligations respecting the use, display, or removal of the Marks or to protect the Marks as required under this Agreement. Franchisee agrees that such action or any action for injunction, specific performance, or other equitable relief pertaining to the terms of this Agreement shall not require the posting of any bond, but if a bond shall nevertheless be required by a court of competent jurisdiction, the parties agree that the sum of One Hundred Dollars ($100.00) shall be a sufficient amount. This covenant shall be independent, severable, and enforceable, and in addition to all other rights or remedies which Franchisor may have.

25.3. If a court of competent jurisdiction determines that these provisions are unlawful in any way, such court shall modify or interpret them to the minimum extent necessary to have them comply with the law. All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the United States Arbitration Act (9 U.S.C. §1, *et seq.*) and the federal common law of arbitration.

25.4. These arbitration provisions shall be deemed to be self-executing and shall remain in full force and effect after expiration or termination of this Agreement.

26. RELATIONSHIP OF PARTIES

26.1. This Agreement does not create any agency, employment, joint venture, partnership, or fiduciary relationship between the parties. The business to be operated by Franchisee pursuant to this Agreement or any other of Franchisee's businesses is separate and apart from any which may be operated by Franchisor. Franchisee is an independent contractor and is not authorized to make any contract, agreement, warranty, or representation on behalf of Franchisor, or to create any obligation, express or implied, on behalf of Franchisor. Franchisee shall not make any contract, agreement, warranty, or representation on behalf of Franchisor or commit any act which may adversely affect any right or be detrimental to the good name and reputation of Franchisor, Village Inn Restaurants, or other franchisees of Franchisor or its affiliates. Franchisee shall indemnify, defend (with attorneys reasonably acceptable to Franchisor), and hold harmless Franchisor against all Losses and Expenses and Proceedings arising from Franchisee's breach of this provision.

26.2. Franchisee shall identify itself in all dealings with customers, vendors, public officials, employees, and others as the owner of the Licensed Location under a franchise granted by Franchisor. Should it ever be asserted that Franchisor is the employer, joint employer or co-employer of any of Franchisee's or Franchisee's affiliate's employees, Franchisee irrevocably agrees to timely respond to such assertions, including by providing the contents of Subsection 10.2(j) of the Agreement. If such assertions occur in the context of any private or government investigation, action, proceeding, arbitration, or other legal setting, Franchisee irrevocably agrees to provide honest, truthful, and accurate information about the nature of the relationship between the parties, including (if necessary) appearing at any venue requested by Franchisor to testify about such issues (and, as may be necessary, submitting itself to depositions, other appearances and/or preparing affidavits to provide honest, truthful, and accurate information regarding any allegation that Franchisor is the employer, joint employer or co-employer of any of Franchisee's or Franchisee's affiliates' employees).

26.3. Franchisee shall place such other notices of independent ownership on forms, business cards, checks, stationery, advertising, and other materials as Franchisor may require from time to time. Franchisee may file and renew (if required) the name, "Village Inn," under a certificate of Business Under Fictitious name (or equivalent) in accordance with the then applicable laws of the jurisdiction of the Licensed Location. However, such registration must indicate the corporate or legal name followed by "doing business as Village Inn Restaurant." Franchisee shall not use the words "Village Inn," "VI BrandCo", or "Franchisor," in whole or in part, or in any derivative form, in its legal or corporate name.

27. FRANCHISEE ORGANIZATION

Franchisee represents, warrants, and covenants that all direct, indirect, legal, or beneficial ownership interests ("Interests") in Franchisee are as set forth on Appendix A attached hereto and incorporated herein by reference, that no Interest has been pledged or hypothecated, and no change will be made in such Interests other than as permitted by this Agreement. Franchisee agrees to furnish to Franchisor such evidence as Franchisor may request from time to time, for the purpose of assuring Franchisor that the Interests of Franchisee remain as represented herein.

28. CONDEMNATION AND CASUALTY

28.1. Franchisee shall immediately notify Franchisor in writing of any proposed taking of any portion of the Licensed Location by a governmental branch or agency, or other empowered authority. To the extent that the taking is such that Franchisee cannot efficiently and economically operate a Village Inn Restaurant on the remainder of the premises, as determined by Franchisor, then Franchisee shall be allowed to (i) relocate the Restaurant, within one (1) year of the taking, to a new location within the Franchised Area, subject to approval by Franchisor, including but not limited to any remodel plans fee; or (ii) terminate this Agreement as of the effective date of the taking. In the event the Restaurant is relocated as provided in (i) above, all terms and conditions of this Agreement will govern that location without change or modification, including all references to the Franchised Area, meaning the Franchised Area defined with respect to the original Licensed Location.

28.2. If the Licensed Location is damaged by fire or other casualty, Franchisee shall promptly repair the damage in accordance with Franchisor's specifications and reopen the Restaurant as soon as reasonably practicable.

28.3. Nothing in this Article shall be construed as extending the term of this Agreement due to the closure of the Restaurant as the result of a public taking or casualty loss.

29. <u>OTHER PROVISIONS</u>

29.1. If any of the provisions of this Agreement violate or contravene any law, it shall be deemed severable and the remainder shall be in full force and effect unless such provision pertains to the payment of fees, the Marks, or trade secrets, in which case this Agreement shall terminate at Franchisor's option upon written notice to Franchisee. The failure of either party to exercise or enforce, at any time, or for any period of time, any of the provisions of this Agreement, shall not be construed as a waiver of such provision or the right of such party to exercise or enforce it at a later date. Furthermore, Franchisor's acceptance of Royalty or any other agreed or lawful charge shall not be deemed a waiver of any breach by Franchisee of any provision of this Agreement, regardless of Franchisor's knowledge of such breach at the time of acceptance and any legend, protest, or notice to the contrary placed on the check or transmittal letter for such fee or charge.

29.2. This Agreement supersedes all oral and prior written agreements, representations, and arrangements between the parties regarding the Village Inn franchise for the Licensed Location. All rights which the parties may have had under such prior written or oral agreements, if any, are canceled. Furthermore, there are no agreements between the parties superseding any of the provisions of this Agreement. No modifications of this Agreement shall be effective except those in writing hereafter made and signed by both parties.

29.3. The parties agree that there are no representations or warranties other than those set forth herein. Franchisee acknowledges that no officer, employee, independent contractor, or agent of Franchisor has any authority to make any representation or promise not contained in this Agreement, and Franchisee agrees that it has executed this Agreement without reliance upon any other representation or promise.

29.4. Subject to applicable state or federal statute, Franchisor and Franchisee agree that any legal action (whether for arbitration, damages, injunctive, equitable, or other relief, including, but not limited to, rescission) to enforce any liability or obligation of the other arising from this Agreement or otherwise must be commenced within the later of (i) one year after the date of discovery of the facts resulting in such alleged liability or obligation or (ii) two years after the date of the first act or omission giving rise to such alleged liability or obligation, **<u>except</u>** such limitations shall not apply in the event of Franchisor's collection of any unpaid Royalties, Marketing Fee, Early Termination Damages and/or any other amount due to Franchisor or Franchisor's affiliate(s).

29.5. If any proceeding is brought by or against Franchisor for the purpose of enforcing, interpreting, or preventing the breach of this Agreement, whether by arbitration, judicial, or quasi-judicial action or otherwise, the prevailing party shall be awarded reasonable attorneys' fees, costs, and expenses in addition to all other relief. In any proceeding involving more than one claim where neither party prevails on all of the claims, the presiding authority (judge, arbitrator, etc.) shall apportion the costs, expenses, and reasonable attorneys' fees between the parties. The term, "attorneys' fees," means all related legal fees incurred, including, without limitation, legal fees incurred prior to, in preparation for, or in contemplation of the filing of any written demand or claim, action, hearing, or proceeding, and in all appellate proceedings, and all paralegal fees.

29.6. Except as specifically provided elsewhere in this Agreement, this Franchise Agreement shall be governed by the Lanham Act and the laws of the state in which the Restaurant is located, irrespective of any conflict of laws. The parties agree that any dispute not subject to arbitration under Article 25 shall be litigated in any state or federal district court in Hennepin County, Minnesota, unless the franchise laws in the state where the Restaurant is located prohibit such agreement and require that the dispute be heard solely in its state, in which event the dispute shall be heard in the largest city in that state. Nothing in this Section 29.6 is intended by the parties to subject this Agreement to any franchise, business opportunity, antitrust, consumer protection, or similar law, rule, or regulation to which this Agreement would not otherwise be subject. Further, the parties agree that any state law or regulation applicable to the offer or sale of franchises or the franchise relationship will not apply unless the jurisdictional provisions are independently met.

29.7. **Except as otherwise provided in this Agreement, the parties waive, to the fullest extent permitted by law, any right or claim to any punitive, exemplary, or multiple damages against the other and agree that, in the event of a dispute between them, each shall be limited to the recovery of actual damages sustained by it and any claim to liquidated damages that is expressly permitted in this Agreement. Franchisee and Franchisor waive, to the fullest extent permitted by law, the right to bring, or be a class member in, any class or collective action or suit, and any action brought under this Agreement shall be conducted on an individual basis. Franchisee acknowledges and agrees that this Section shall survive the termination or expiration of this Agreement.**

29.8. THE PARTIES WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY.

29.9. Franchisee acknowledges that neither Franchisor nor any other party has guaranteed Franchisee's success in the business to be operated under this Agreement. Franchisee acknowledges that it has entered into this Agreement after making an independent investigation of the System, and that Franchisor has not made any representation, expressed or implied, as to the potential success of such business venture or the gross revenues, volume, profit, or earnings which Franchisee may be expected to realize. The business venture contemplated herein involves substantial risks and requires active management and participation in the daily affairs of the business and operational ability of Franchisee as an independent business entity.

29.10. All notices required to be given under this Agreement shall be in writing addressed as follows, and delivered personally or by facsimile transmission, with printed confirmation of successful transmission; certified or registered mail, first class postage prepaid, with return receipt requested; or a generally recognized overnight delivery service, with documentation of receipt and delivery charges assumed by the sender.

If to Franchisee: ______________________________

Attention: __________________

____

____

If to Franchisor: VI BrandCo, LLC
Attention: Legal Department
12701 Whitewater Drive, Suite 100
Minnetonka, Minnesota 55343-4164
Fax: (952) 294-0242

Either party may change its above address by sending written notice to the other in the manner permitted above.

29.11. Caption and Article and Section titles are for convenience and shall not be used to interpret or construe any word, clause, paragraph, subsection, section, or article of this Agreement.

29.12. Any word in singular or plural form or identifying any pronoun shall extend to mean and include all of its other singular or plural forms or all other pronouns as may be applicable to the facts, context, or sense of this Agreement or any Article or Section.

29.13. If Franchisee is owned by more than one person or entity, the obligations and liabilities of its owners shall be joint and several.

29.14. Time is of the essence of this Agreement.

29.15. This Agreement shall be binding upon and inure to the benefit of Franchisor and Franchisee and their respective heirs, executors, administrators, successors, and assigns, subject to the restrictions on transfers as contained herein.

29.16. The covenants in this Agreement which require performance in whole or in part after the expiration or termination of this Agreement shall be enforceable regardless of the expiration or termination of this Agreement for whatever reason.

29.17. Franchisor and Franchisee intend for this Agreement to be a complete understanding of their interests, titles, rights, responsibilities, and obligations regarding the Village Inn Restaurant at the Licensed Location.

29.18. Franchisee acknowledges that this Agreement may not be identical to franchise agreements executed by Franchisor (or its predecessors) with other franchisees or future franchisees.

29.19. Except with respect to Section 26.3 and Franchisee's indemnity obligations under this Agreement, there are no third party beneficiaries to this Agreement.

29.20. Franchisor and Franchisee to this Agreement agree to deal with one another in good faith, honestly, and in a non-discriminatory manner in accord with recognized standards of fair dealing in the industry. Additionally, Franchisor and Franchisee agree to exercise any discretion granted to them in this Agreement in a reasonable manner.

29.21. If an event occurs at the Restaurant that has or reasonably may cause harm or injury to customers, guests, or employees (i.e., food spoilage/poisoning, food tampering/sabotage, slip and fall injuries, natural disasters, robberies, shootings, etc.) or may damage the Marks, the System, or the reputation of Franchisor (collectively "Crisis Situation"), Franchisee shall (i) immediately contact appropriate emergency care providers to assist it in curing the harm or injury, and (ii) immediately inform Franchisor by telephone and electronically of the Crisis Situation. Franchisee shall refrain from making any internal or external announcement (i.e., no communication with the news media) regarding the Crisis Situation (unless otherwise directed by Franchisor or public health officials).

To the extent Franchisor deems appropriate, in its sole and absolute discretion, Franchisor or its designee may control the manner in which the Crisis Situation is handled by the parties, including, without limitation, conducting all communication with the news media, providing care for injured persons, and/or temporarily closing the Restaurant. The parties acknowledge that, in directing the management of any Crisis Situation, Franchisor or its designee may engage the services of attorneys, experts, doctors, testing laboratories, public relations firms, and those other professionals as it deems appropriate. Franchisee and its employees shall cooperate fully with Franchisor or its designee in its efforts and activities in this regard and shall be bound by all further Crisis Situation procedures developed by Franchisor hereafter. The indemnification under Section 20.6 shall include all losses and expenses that may result from the exercise by Franchisor or its designee of the management rights granted in this Section 29.21.

29.22. Franchisee acknowledges that under applicable U.S. law, including, without limitation, Executive Order 13224, signed on September 23, 2001 ("Order"), Franchisor is prohibited from engaging in any transaction with any person engaged in, or with a person aiding any person engaged in, acts of terrorism, as defined in the Order. Accordingly, Franchisee represents and warrants to Franchisor that, as of the date of this Agreement, neither Franchisee nor any person holding any ownership interest in Franchisee, controlled by Franchisee, or under common control with Franchisee is designated under the Order as a person with whom business may not be transacted by Franchisor, and that Franchisee: (i) does not, and hereafter shall not, engage in any terrorist activity; (ii) is not affiliated with and does not support any individual or entity engaged in, contemplating, or supporting terrorist activity; and (iii) is not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any terrorist activity.

30. COMPLIANCE WITH STATUTORY DISCLOSURE REQUIREMENTS

Franchisee acknowledges that it has, at least fourteen (14) calendar days prior to the execution of this Agreement, received Franchisor's Disclosure Document and that Franchisee has read the Disclosure Document.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above-written.

Franchisor:	**FRANCHISEE:**
VI BrandCo, LLC, a Delaware limited liability company	________________________, a ________________________
By:________________________	By:________________________
Name:______________________	Name:______________________
Title:______________________	Title:______________________

APPENDIX A

OWNERSHIP OF FRANCHISEE AND PERSONAL GUARANTY

Name	Percentage Ownership	Type of Ownership

PERSONAL GUARANTY

THIS PERSONAL GUARANTY (this "Personal Guaranty") is made and entered into this ______ day of ________________, 20___, by and between VI BrandCo, LLC, a Delaware limited liability company ("VI BrandCo"), and each one of the undersigned personal guarantors (the "Personal Guarantors").

WHEREAS, VI BrandCo and ____ ("Franchisee") have entered into a Franchise Agreement, dated the same date as set forth above, for the operation of a franchised Village Inn® Restaurant at the Franchised Location set forth in the Franchise Agreement (the "Franchise Agreement").

WHEREAS, it is the desire of each one of the undersigned Personal Guarantors to personally guaranty the obligations of Franchisee under the Franchise Agreement and to be individually, jointly and severally bound by the terms and conditions of the Franchise Agreement.

NOW, THEREFORE, in consideration of the execution of the Franchise Agreement by VI BrandCo, and for other good and valuable consideration, each one of the undersigned, for themselves, their heirs, successors, and assigns, do individually, jointly and severally hereby become surety and guaranty for the payment of all amounts and the performance of the covenants, terms and conditions of the Franchise Agreement, including the covenants not to compete, to be paid, kept and performed by Franchisee.

Obligations under Agreement. Each one of the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Franchise Agreement, including the covenants not to compete and indemnification obligations, and agree that this Personal Guaranty should be construed as though the undersigned and each of them executed an agreement containing the identical terms and conditions of the Franchise Agreement. Each one of the Personal Guarantors acknowledge having received a copy of the Franchise Agreement which is incorporated herein by reference.

Default of Franchisee. If Franchisee defaults on any monetary obligation of the Franchise Agreement, then each one of the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to pay to VI BrandCo the Initial Fee, Royalty Fees, Marketing Fund Fees and all other fees and monies due and payable to VI BrandCo under the terms and conditions of the Franchise Agreement or for any purchases of goods or services made by Franchisee from VI BrandCo or any Affiliate of VI BrandCo.

Non-Compliance by Franchisee. If Franchisee fails to comply with any other terms and conditions of the Franchise Agreement, then each one of the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to comply with the terms and conditions of the Franchise Agreement for and on behalf of Franchisee.

Obligations of Franchisee. If Franchisee is at any time in default on any obligation to pay monies to VI BrandCo or any Affiliate of VI BrandCo, whether for the Initial Fee, Royalty Fees, Marketing Fund Fees, goods or services purchased by Franchisee from VI BrandCo or any Affiliate of VI BrandCo, or for any other indebtedness of Franchisee to VI BrandCo or any Affiliate of VI BrandCo, then each of the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to pay all such monies due and payable by Franchisee to VI BrandCo or any Affiliate of VI BrandCo upon default by Franchisee.

Liability. Upon demand by VI BrandCo, each one of the Personal Guarantors, jointly and severally, will immediately make each payment required of Franchisee under the Franchise Agreement.

Binding Agreement. Each one of the Personal Guarantors warrant and represent that they have the capacity to execute this Personal Guaranty and that they will each be bound by all of the terms and conditions of this Personal Guaranty. The provisions, covenants and conditions of this Personal Guaranty will inure to the benefit of the successors and assigns of VI BrandCo.

Jurisdiction and Venue. Except as precluded by applicable law, all arbitration, litigation, actions or proceedings pertaining to this Personal Guaranty will be brought and venued in accordance with the terms of the Franchise Agreement and each one of the Personal Guarantors agree to the dispute resolution provisions, including jurisdiction and venue, contained in the Franchise Agreement.

PERSONAL GUARANTORS

______________________________ ______________________________

Signature	Signature
________________ Print Name	________________ Print Name
________________ Address	________________ Address
________________ City, State and Zip Code	________________ City, State and Zip Code
________________ Telephone	________________ Telephone
________________ Signature	________________ Signature
________________ Print Name	________________ Print Name
________________ Address	________________ Address
________________ City, State and Zip Code	________________ City, State and Zip Code
________________ Telephone	________________ Telephone

APPENDIX B

OPTION FOR ASSIGNMENT OF LEASE

THIS AGREEMENT is by and between:

VI BrandCo, LLC
(“**Optionee**”)

Street Address: 12701 Whitewater Drive, Suite 100

City, State: Minnetonka, Minnesota 55343-4164

Franchisee/Lessee: __________________________ (“**Franchisee**”)

Street Address:____

City, State:____

and

Lessor: ____

Street Address:____

City, State:____

Location:____

Lease Agreement Date:____

Effective Date of Franchise Agreement:____

WHEREAS, Franchisee has entered into or intends to enter into a Lease Agreement, as Lessee, with Lessor for the location identified above in conjunction with the opening or continuation of a Village Inn Restaurant under a Franchise Agreement between Franchisee and Optionee (the “**Franchise Agreement**”); and

WHEREAS, Optionee and Franchisee agree and intend that Franchisee, as Lessee, shall use the location solely and exclusively for the operation of a franchised Village Inn Restaurant and that, in connection therewith, Lessee is agreeable to grant an option to Optionee on the terms and conditions set forth below.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties do hereby agree as follows:

1. Franchisee, as Lessee, does hereby grant to Optionee an option to acquire Lessee’s interest in and to the Lease Agreement and the location leased thereunder (the “**Option**”).

2. Optionee shall have the right to exercise the Option, at its sole discretion, in the event of any of the following:

A. A default under the Lease Agreement caused by the failure of Franchisee to make monthly rental payments on the location to Lessor when due;

B. A default under the Lease Agreement caused by the failure of Franchisee to comply with the terms and conditions of said Lease Agreement for said location;

C. A default under the Franchise Agreement caused by the failure of Franchisee to comply with the terms and conditions of the Franchise Agreement; including but not limited to, failure to make payments for royalties, license fees, advertising fees and state and federal taxes due and owing; or

D. Termination of the Franchise Agreement by the Optionee.

With respect to (A) and (B) above, this Option shall be exercised, if at all, within thirty (30) days after receipt by Optionee of notice of such default by Lessor.

3. Exercise of the option shall effectuate the grant, assignment and transfer to Optionee by Franchisee of all rights, title and interest of Franchisee in and to the Lease Agreement, and the location leased thereunder and all leasehold improvements.

4. Lessor and Franchisee agree that an exercise of the option by Optionee shall not make Optionee liable for unpaid rent or any other obligations of Franchisee to Lessor in connection with the Lease Agreement arising prior to the exercise of the Option. In the event of the exercise of the Option, Franchisee shall remain solely liable and Lessor shall look solely to Franchisee for any unpaid rents or obligations existing prior to the time of exercise of the Option by Optionee. The Option is applicable to any extensions, renewals or other options of Franchisee with respect to the Lease Agreement.

5. Notices to be sent or served upon any of the parties hereto shall be delivered to a party at the address set forth next to such party's name above, by personal delivery or by postage prepaid certified or registered United States mail.

6. This Agreement shall be binding upon the respective heirs, executors, successors, assigns and legal representatives of the parties hereto.

7. This Agreement shall be interpreted and governed under the laws of the state where the Restaurant is located.

8. Failure of Optionee to enforce any of the provisions of this Agreement shall not constitute a waiver of rights or a waiver of any subsequent enforcement of the provisions of this Agreement.

9. If any provision of this Agreement or any part thereof is declared invalid by any court of competent jurisdiction, such remainder of this Agreement shall remain in full force and effect according to the terms of the remaining provisions or parts of provisions thereof.

This Agreement is executed between the parties and shall be effective on and after the _______ day of ______________, 20____.

OPTIONEE:	**FRANCHISEE:**
VI BRANDCO, LLC	____________________________________
By:_________________________________	By:_________________________________
Its:_________________________________	Its:_________________________________

LESSOR:

____

By:_________________________________

Its:_________________________________

ADDENDUM TO VI BRANDCO, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF CALIFORNIA

The VI BrandCo, LLC Franchise Agreement between ___________________________ ("Franchise Owner" or "You") and VI BrandCo, LLC ("Franchisor") dated __________________ (the "Franchise Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Franchise Agreement (the "Addendum"):

CALIFORNIA LAW MODIFICATIONS

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> The Franchise Agreement requires franchisee to execute a general release of claims upon renewal or transfer of the franchise agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).
>
> The Franchise Agreement contains a liquidated damages clause. Under California Civil Code §1671, certain liquidated damages clauses are unenforceable.
>
> California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. The Federal Bankruptcy Code also provides rights to franchisee concerning termination of the Franchise Agreement upon certain bankruptcy-related events. If the Franchise Agreement is inconsistent with the law, the law will control.
>
> The Franchise Agreement requires binding arbitration. The arbitration will occur in Minneapolis, Minnesota with the cost being borne by the parties as determined by the arbitrator. Prospective franchisees are encouraged to consult with private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
>
> The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

2. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement,

or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

4. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

VI BrandCo, LLC ("FRANCHISOR")

By:____________________________________
Title:__________________________________
Date:__________________________________

("FRANCHISE OWNER")

By:____________________________________
Title:__________________________________
Date:__________________________________

DDENDUM TO FRANCHISE DOCUMENTS
(FOR THE STATE OF HAWAII)

This ADDENDUM TO FRANCHISE DOCUMENTS (FOR THE STATE OF HAWAII) ("Addendum") dated ___________________________ ("Addendum Effective Date") to the [Franchise Agreement[, as amended], [Consent to Transfer and Release Agreement,] [General Release,] [Promissory Note and Security Agreement] [Sublease] [each] dated ___________________________, and including any and all exhibits attached thereto (individually and collectively, "Franchise Documents") between _____________________________ ("Franchisee") and VI BRANDCO, LLC, a Delaware limited liability company ("Franchisor") [and LEASING ENTITY, a[n] __________ "Sublessor"] hereby amends the Franchise Documents by the addition of the following language, which shall be considered an integral part of the Agreement. To the extent this Addendum contains terms and conditions that differ from those contained in the Franchise Documents, this Addendum shall control. The parties agree that a concept or principle covered in this Addendum shall apply and be incorporated into all other provisions of the Franchise Documents in which the concept or principle is also applicable, notwithstanding the absence of any specific cross-reference thereto. All capitalized terms not otherwise defined in this Addendum will have the same meanings ascribed to such terms in the Franchise Documents.

1. The Director of the Hawaii Department of Commerce and Consumer Affairs requires that certain provisions contained in franchise documents be amended to be consistent with Hawaii law, including the Hawaii Franchise Investment Law, Hawaii Revised Statutes, Title 26, Chapter 482E-1 through 482E-12 (1988). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Hawaii Franchise Investment Law provides rights to you concerning non-renewal, termination and transfer of the Franchise Agreement. If the Franchise Agreement contains a provision that is inconsistent with the Law, the Law will control. Among those rights, the law may require that upon termination or non-renewal Franchisor purchase for fair market value Franchisee's inventory, supplies, equipment and furnishings purchased from Franchisor or a supplier designated by Franchisor; provided that personalized materials which have no value to Franchisor need not be compensated for. If the non-renewal or termination is for the purpose of converting the Franchisee's business to one owned and operated by Franchisor, Franchisor may, additionally, be obligated to compensate the Franchisee for loss of goodwill. Franchisor may deduct all amounts due from Franchisee and any costs related to the transportation or disposition of items purchased against any payment for those items. If the parties cannot agree on fair market value, fair market value shall be determined in the manner set forth in the Franchise Agreement. If the Franchise Agreement does not provide for determination of fair market value of assets for purchase by Franchisor, such amount will be determined by an independent appraiser approved by both parties, and the costs of the appraisal shall be shared equally by the parties.

b. If the Franchisee is required in the Franchise Documents to execute a release of claims, such release shall exclude claims arising under the Hawaii Franchise Investment Law. Any condition, stipulation or provision binding the Franchisee to waive compliance with any provision of Section 482E-6 of the Hawaii Franchise Investment Law shall be void.

c. The requirement of a franchisee to purchase or lease goods or services of the franchisor or from designated sources may not be enforceable under Hawaii Franchise Investment law unless it is reasonably necessary for a lawful purpose, and does not substantially affect competition.

d. The Hawaii Franchise Investment Law prohibits the Franchisor from establishing a similar business or granting a franchise for the establishment of a similar business to that of the Franchisee's within the Franchisee's exclusive territory. To the extent the Franchise Documents contain a provision that is inconsistent with the Act, the Act will control.

e. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Section 482E-3(a) of the Hawaii Franchise Investment Law requires us to give you a copy of the Franchise Disclosure Document at least 7 calendar days prior to signing the Agreement.

3. The Franchise Documents permits us to terminate the Agreement upon your bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law. (11 U.S.C. §101, et seq.).

4. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Hawaii Franchise Investment Law applicable to the provision are met independent of this Addendum. This Addendum shall have no force or effect if such jurisdictional requirements are not met. Except as set forth in this Addendum, the terms and provisions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, each party hereto, by and through its respective representative with full rights, power and authority to enter into and bind his or her respective party without further consent or approval of any kind, have duly executed and delivered this Addendum as of the Addendum Effective Date.

FRANCHISOR:	**FRANCHISEE:**
VI BRANDCO, LLC, a Delaware limited liability company	**____________________________________,**
	____________________________________

By:________________________________
[Name, Title]

By:________________________________
[Name, Title]

By:________________________________
[Name, Title]

[SUBLESSOR:
__________________________________,
____
By:________________________________
[Name, Title]]

ADDENDUM TO VI BRANDCO, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF ILLINOIS

The VI BrandCo, LLC Franchise Agreement between ___________________________ ("Franchise Owner" or "You") and VI BrandCo, LLC ("Franchisor") dated __________________ (the "Franchise Agreement") will be amended by the addition of the following language, which will be considered an integral part of the Franchise Agreement (the "Addendum"):

ILLINOIS LAW MODIFICATIONS

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> Illinois law governs the Franchise Agreement.
>
> Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.
>
> Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
>
> Your rights upon termination and non-renewal of a franchise agreement are set forth in section 19 and 20 of the Illinois Franchise Disclosure Act.

2. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

4. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

[Signature Page Follows.]

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

VI BrandCo, LLC ("FRANCHISOR")

By:___________________________________
Title:_________________________________
Date:__________________________________

("FRANCHISE OWNER")

By:___________________________________
Title:_________________________________
Date:__________________________________

ADDENDUM TO FRANCHISE DOCUMENTS
(FOR THE STATE OF INDIANA)

This ADDENDUM TO FRANCHISE DOCUMENTS (FOR THE STATE OF INDIANA) ("Addendum") dated ____________________________ ("Addendum Effective Date") to the [Franchise Agreement[, as amended], [Consent to Transfer and Release Agreement,] [General Release,] [Promissory Note and Security Agreement] [Sublease] [each] dated ____________________________, and including any and all exhibits attached thereto (individually and collectively, "Franchise Documents") between ______________________________ ("Franchisee") and VI BRANDCO, LLC, a Delaware limited liability company ("Franchisor") [and LEASING ENTITY, a[n] __________ "Sublessor"] hereby amends the Franchise Documents by the addition of the following language, which shall be considered an integral part of the Agreement. To the extent this Addendum contains terms and conditions that differ from those contained in the Franchise Documents, this Addendum shall control. The parties agree that a concept or principle covered in this Addendum shall apply and be incorporated into all other provisions of the Franchise Documents in which the concept or principle is also applicable, notwithstanding the absence of any specific cross-reference thereto. All capitalized terms not otherwise defined in this Addendum will have the same meanings ascribed to such terms in the Franchise Documents.

INDIANA LAW MODIFICATIONS

1. The Indiana Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with Indiana law, including the Indiana Franchises Act, Ind. Code Ann. §§ 1-51 (1994) and the Indiana Deceptive Franchise Practices Act, Ind. Code Ann. § 23-27 (1985). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. **The Indiana Deceptive Franchise Practices Act provides rights to Franchisee concerning non-renewal and termination of the Franchise Agreement. To the extent the Franchise Agreement contains a provision that is inconsistent with the Act, the Act will control.**

b. **If the Franchisee is required in the Franchise Documents to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule of order under the Act, such release shall exclude claims arising under the Indiana Deceptive Franchise Practices Act and the Indiana Franchises Act, and such acknowledgements shall be void with respect to claims under the Act.**

c. **If the Franchise Agreement contains covenants not to compete upon expiration or termination of the Franchise Agreement that are inconsistent with the Indiana Deceptive Franchise Practices Act, the requirements of the Act will control.**

d. The Indiana Deceptive Franchise Practices Act provides that substantial modification of the Agreement by Franchisor requires written consent of the Franchisee. If the Agreement contains provisions that are inconsistent with this requirement, the Act will control.

e. If the Franchise Documents requires litigation/arbitration to be conducted in a forum other than the State of Indiana, the requirement may be unenforceable as a limitation on litigation under the Indiana Deceptive Franchise Practices Act §§ 23-2.2.7(10).

f. If the Franchise Documents requires that it be governed by a state's law, other than the State of Indiana, to the extent that such law conflicts with the Indiana Deceptive Franchise Practices Act and the Indiana Franchises Act, the Acts will control.

g. The Indiana Deceptive Franchise Practices Act provides rights to Franchisee concerning the waiver of claims or rights. To the extent the Franchise Documents contains a provision that is inconsistent with the Act, the Act will control.

h. The Indiana Deceptive Franchise Practices Act provides rights to Franchisee concerning the time period to bring an action against the Franchisor. To the extent the Agreement contains a provision that is inconsistent with the Act, the Act will control.

i. The Indiana Deceptive Franchise Practices Act prohibits the Franchisor from operating a substantially identical business to that of the Franchisee's within the Franchisee's territory, regardless of trade name. To the extent the Agreement contains a provision that is inconsistent with the Act, the Act will control.

j. The Indiana Deceptive Franchise Practice Act excludes any indemnification for liability caused by the Franchisee's proper reliance on or use of procedures or materials provided by the Franchisor. To the extent the Agreement contains a provision that is inconsistent with the Act, the Act will control.

k. If the Franchise Agreement requires goods, supplies, inventories, or services to be purchased exclusively from the franchisor or sources designated by the franchisor where such goods, supplies, inventories or services of comparable quality are available from sources other than those designated by the franchisor, to the extent that such law conflicts with the Indiana Deceptive Franchise Practices Act and the Indiana Franchises Act, the Acts will control. Providing a list of approved suppliers to comply with specifications and standards prescribed by Franchisor does not constitute designation of a source under the Indiana Deceptive Franchise Practices Act.

l. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Indiana Code § 23-2-2.5-9(2) requires us to give you a copy of the Franchise Disclosure Document at the earlier of: (i) 10 days prior to signing the Agreement; or (ii) 10 days prior to our receipt of any consideration.

3. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Indiana Deceptive Practices Act and the Indiana Franchises Act, with respect to each such provision, are met independent of this Addendum. This Addendum shall have no force or effect if such jurisdictional requirements are not met. Except as set forth in this Addendum, the terms and provisions of the Franchise Documents shall remain in full force and effect.

IN WITNESS WHEREOF, each party hereto, by and through its respective representative with full rights, power and authority to enter into and bind his or her respective party without further consent or approval of any kind, has duly executed and delivered this Addendum as of the Addendum Effective Date.

FRANCHISOR:	**FRANCHISEE:**
VI BRANDCO, LLC, a Delaware limited liability company	**____________________________________** **____________________________________**
By:__________________________________ **[Name, Title]**	**By:__________________________________** **[Name, Title]**
[SUBLESSOR:	**By:__________________________________** **[Name, Title]**
____________________________________, **____________________________________**	
By:__________________________________ **[Name, Title]]**	

ADDENDUM TO VI BRANDCO, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF MARYLAND

The VI BrandCo, LLC Franchise Agreement between __________________________ ("Franchise Owner" or "You") and VI BrandCo, LLC ("Franchisor") dated __________________ (the "Franchise Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Franchise Agreement (the "Addendum"):

MARYLAND LAW MODIFICATIONS

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
>
> Nothing in the Franchise Agreement prevents the franchisee from bringing a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
>
> Nothing in the Franchise Agreement operates to reduce the 3-year statute of limitations afforded to a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Further, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
>
> The Federal Bankruptcy laws may not allow the enforcement of the provisions for termination upon bankruptcy of the franchisee.

2. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

4. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

VI BrandCo, LLC ("FRANCHISOR")

By:_________________________________
Title:______________________________
Date:______________________________

("FRANCHISE OWNER")

By:_________________________________
Title:______________________________
Date:______________________________

ADDENDUM TO FRANCHISE DOCUMENTS

(FOR THE STATE OF MICHIGAN)

Section 445.1508(1) of the Michigan Franchise Investment Law requires franchisor to give you a copy of the Franchise Disclosure Document earlier of: (i) 10 business days prior to signing the Franchise Agreement; or (ii) 10 business days prior to franchisor's receipt of any consideration.

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN THE FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this Notice shall be directed to :

STATE OF MICHIGAN
DEPARTMENT OF THE ATTORNEY GENERAL
ATTENTION: FRANCHISE SECTION
P.O. BOX 30213
LANSING, MICHIGAN 48909
(517) 373-7117

ADDENDUM TO VI BRANDCO, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF MINNESOTA

The VI BrandCo, LLC Franchise Agreement between ___________________________ ("Franchise Owner" or "You") and VI BrandCo, LLC ("Franchisor") dated __________________ (the "Franchise Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Franchise Agreement (the "Addendum"):

MINNESOTA LAW MODIFICATIONS

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 4 which requires that except for certain specified cases, that franchisee be given 180 days' notice for non-renewal of this Franchise Agreement.
>
> The Minnesota Department of Commerce requires that franchisor indemnify franchisees whose franchise is located in Minnesota against liability to third parties resulting from claims by third parties that the franchisee's use of franchisor's trademarks ("Marks") infringe upon the trademark rights of the third party. Franchisor does not indemnify against the consequences of a franchisee's use of franchisor's trademark but franchisor shall indemnify franchisee for claims against franchisee solely as it relates to franchisee's use of the Marks in accordance with the requirements of the Franchise Agreement and franchisor's standards. As a further condition to indemnification, the franchisee must provide notice to franchisor of any such claim immediately and tender the defense of the claim to franchisor. If franchisor accepts tender of defense, franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.
>
> Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22.
>
> With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 3 which requires that except for certain specified cases, a franchisee be given 90 days' notice of termination (with 60 days to cure). Termination of the franchise by the franchisor shall be effective immediately upon receipt by franchisee of the notice of termination where its grounds for termination or cancellation are: (1) voluntary abandonment of the franchise relationship by the franchisee; (2) the conviction of the franchisee of an offense directly related to the business conducted according to the Franchise Agreement; or (3) failure of the franchisee to cure a default under the Franchise Agreement which materially impairs the goodwill associated with the franchisor's

trade name, trademark, service mark, logo type or other commercial symbol after the franchisee has received written notice to cure of at least twenty-four (24) hours in advance thereof.

According to Minn. Stat. Sec. 80C.21 in Minnesota Rules or 2860.4400J, the terms of the Franchise Agreement shall not in any way abrogate or reduce your rights as provided for in Minn. Stat. 1984, Chapter 80C, including the right to submit certain matters to the jurisdiction of the courts of Minnesota. In addition, nothing in this Franchise Agreement shall abrogate or reduce any of franchisee's rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedy provided for by the laws of the State of Minnesota.

Any claims franchisee may have against the franchisor that have arisen under the Minnesota Franchise Laws shall be governed by the Minnesota Franchise Law.

The Franchise Agreement contains a waiver of jury trial provision. This provision may not be enforceable under Minnesota law.

Franchisee consents to the franchisor seeking injunctive relief without the necessity of showing actual or threatened harm. A court shall determine if a bond or other security is required.

The Franchise Agreement contains a liquidated damages provision. This provision may not be enforceable under Minnesota law.

Any action pursuant to Minnesota Statutes, Section 80C.17, Subd. 5 must be commenced no more than 3 years after the cause of action accrues.

2. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

4. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

[Signature Page Follows.]

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

VI BrandCo, LLC ("FRANCHISOR")

By:___________________________________
Title:_________________________________
Date:_________________________________

("FRANCHISE OWNER")

By:___________________________________
Title:_________________________________
Date:_________________________________

ADDENDUM TO VI BRANDCO, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF NEW YORK

The VI BrandCo, LLC Franchise Agreement between ___________________________ ("Franchise Owner" or "You") and VI BrandCo, LLC ("Franchisor") dated ___________________ (the "Franchise Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Franchise Agreement (the "Addendum"):

NEW YORK LAW MODIFICATIONS

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Section 680 - 695 may not be enforceable.
>
> Any provision in the Franchise Agreement requiring franchisee to sign a general release of claims against franchisor does not release any claim franchisee may have under New York General Business Law, Article 33, Sections 680-695.
>
> The New York Franchise Law shall govern any claim arising under that law.

2. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

4. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

VI BrandCo, LLC ("FRANCHISOR")

By:_________________________________
Title:_______________________________

Date:__________________________________

("FRANCHISE OWNER")

By:____________________________________
Title:__________________________________
Date:__________________________________

ADDENDUM TO VI BRANDCO, LLC
FRANCHISE AGREEMENT
<u>FOR THE STATE OF NORTH DAKOTA</u>

The VI BrandCo, LLC Franchise Agreement between __________________________ ("Franchise Owner" or "You") and VI BrandCo, LLC ("Franchisor") dated __________________ (the "Franchise Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Franchise Agreement (the "Addendum"):

<u>NORTH DAKOTA LAW MODIFICATIONS</u>

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> Any release executed in connection with a renewal shall not apply to any claims that may arise under the North Dakota Franchise Investment Law.
>
> Covenants not to compete during the term of and upon termination or expiration of the franchise agreement are enforceable only under certain conditions according to North Dakota law. If the Franchise Agreement contains a covenant not to compete that is inconsistent with North Dakota law, the covenant may be unenforceable.
>
> The choice of law other than the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.
>
> The waiver of punitive or exemplary damages may not be enforceable under the North Dakota Franchise Investment Law.
>
> The waiver of trial by jury may not be enforceable under the North Dakota Franchise Investment Law.
>
> The requirement that arbitration be held outside the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. Any mediation or arbitration will be held at a site agreeable to all parties.
>
> The requirement that a franchisee consent to termination or liquidated damages has been determined by the Commissioner to be unfair, unjust and inequitable within the intent of the North Dakota Franchise Investment Law. This requirement may not be enforceable under North Dakota law.
>
> The Franchise Agreement states that franchisee must consent to the jurisdiction of courts located outside the State of North Dakota. This requirement may not be enforceable under North Dakota law.
>
> The Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. To the extent this requirement conflicts with North Dakota

law, North Dakota law will apply.

Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by Franchisor in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

2. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

4. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

VI BrandCo, LLC ("FRANCHISOR")

By:______________________________
Title:_____________________________
Date:_____________________________

("FRANCHISE OWNER")

By:______________________________
Title:_____________________________
Date:_____________________________

ADDENDUM TO VI BRANDCO, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF RHODE ISLAND

The VI BrandCo, LLC Franchise Agreement between __________________________ ("Franchise Owner" or "You") and VI BrandCo, LLC ("Franchisor") dated __________________ (the "Franchise Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Franchise Agreement (the "Addendum"):

RHODE ISLAND LAW MODIFICATIONS

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

2. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

4. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

VI BrandCo, LLC ("FRANCHISOR")

By:___________________________________
Title:_________________________________
Date:_________________________________

("FRANCHISE OWNER")

By:___________________________________
Title:_________________________________
Date:_________________________________

ADDENDUM TO
VI BRANDCO, LLC
FRANCHISE AGREEMENT
FOR STATE OF SOUTH DAKOTA

THIS ADDENDUM TO THE FRANCHISE AGREEMENT (this "Addendum") is made, entered into, and effective this ____ day of ______________, 20___, by and between VI BrandCo, LLC, a Delaware limited liability company ("Franchisor"), and ____, a(n) __________________________________ ("Franchisee") to amend and revise certain provisions of the Franchise Agreement between Franchisor and Franchisee, dated the same date as this Addendum (the "Franchise Agreement"), as follows:

1. The covenant not to compete upon termination or expiration of the Franchise Agreement contained in Article 21.3 of the Franchise Agreement may be unenforceable, except in certain circumstances provided by law.

2. Arbitration hearings will be conducted in Sioux Falls, South Dakota, or at a mutually agreed upon location.

3. Any provision of the Franchise Agreement which designates jurisdiction or venue outside of the State of South Dakota or requires Franchisee to agree to jurisdiction or venue in a forum outside of the State of South Dakota is void with respect to any cause of action which is otherwise enforceable in the State of South Dakota.

4. Any provisions of the Franchise Agreement which require that actions be commenced within one year and that limit the parties' rights to recover punitive, exemplary, incidental, indirect, special or consequential damages may not be enforceable under South Dakota law.

5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

To the extent this Addendum is deemed to be inconsistent with any terms or conditions of the Franchise Agreement, the terms of this Addendum will govern. All other terms and conditions of the Franchise Agreement will remain unchanged and as originally written.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it is effective as of the date first above written.

VI BRANDCO, LLC	____________________________________ Legal Name of Franchisee

By ______________________	By ______________________
Signature	Signature
______________________	______________________
Print Name	Print Name
Its ______________________	Its ______________________
Title	Title

ADDENDUM TO VI BRANDCO, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF VIRGINIA

The VI BrandCo, LLC Franchise Agreement between ___________________________ (“Franchise Owner” or “You”) and VI BrandCo, LLC (“Franchisor”) dated __________________ (the “Franchise Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Franchise Agreement (the “Addendum”):

VIRGINIA LAW MODIFICATIONS

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> “According to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.”

2. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

4. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

VI BrandCo, LLC (“FRANCHISOR”)

By:___________________________________
Title:_________________________________
Date:_________________________________

("FRANCHISE OWNER")

By:__________________________________
Title:________________________________
Date:________________________________

ADDENDUM TO VI BRANDCO, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF WASHINGTON

The VI BrandCo, LLC Franchise Agreement between ___________________________ ("Franchise Owner" or "You") and VI BrandCo, LLC ("Franchisor") dated __________________ (the "Franchise Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Franchise Agreement (the "Addendum"):

WASHINGTON LAW MODIFICATIONS

1. The Director of the Washington Department of Financial Institutions requires that certain provisions contained in franchise documents be amended to be consistent with Washington law, including the Washington Franchise Investment Protection Act, WA Rev. Code §§ 19.100.010 to 19.100.940 (1991). To the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

b. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

c. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

d. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

e. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

f. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

g. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

2. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The undersigned does hereby acknowledge receipt of this Addendum.

VI BrandCo, LLC ("FRANCHISOR")

By:________________________________
Title:______________________________
Date:______________________________

("FRANCHISE OWNER")

By:________________________________
Title:______________________________
Date:______________________________

ADDENDUM TO
VI BRANDCO, LLC
FRANCHISE AGREEMENT
FOR STATE OF WISCONSIN

THIS ADDENDUM TO THE FRANCHISE AGREEMENT (this "Addendum") is made, entered into, and effective this ____ day of ______________, 20___, by and between VI BrandCo, LLC, a Delaware limited liability company ("Franchisor"), and ____, a(n) ____________________________________ ("Franchisee") to amend and revise certain provisions of the Franchise Agreement between Franchisor and Franchisee, dated the same date as this Addendum (the "Franchise Agreement"), as follows:

If applicable, the provisions of the Wisconsin Fair Dealership Law, Wis. Stat. Chapter 135, will supersede any conflicting terms of the Franchise Agreement.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

To the extent this Addendum is deemed to be inconsistent with any terms or conditions of the Franchise Agreement, the terms of this Addendum will govern. All other terms and conditions of the Franchise Agreement will remain unchanged and as originally written.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it is effective as of the date first above written.

VI BRANDCO, LLC	______________________________ Legal Name of Franchisee
By ______________________________ Signature	By ______________________________ Signature
______________________________ Print Name	______________________________ Print Name
Its ______________________________ Title	Its ______________________________ Title

Exhibit B
Development Agreement

VILLAGE INN
DEVELOPMENT AGREEMENT

This Development Agreement is made and entered into this ___ day of ______ 20__, between VI BrandCo, LLC, a Delaware limited liability company, d/b/a Village Inn Restaurants, with a principal place of business at 12701 Whitewater Drive, Suite 100, Minnetonka, Minnesota 55343-4164 ("Franchisor"), and ___________________________, a(n) __________________, with a principal place of business at ____ ("DEVELOPER").

RECITALS

A. Franchisor is the owner and developer of a system (the "System") for establishing and operating Casual Dine restaurants under the service mark, "Village Inn Restaurants," and other trademarks, service marks, logos, and identifying features and distinctive methods for establishing and operating those restaurants.

B. DEVELOPER agrees to enter into a Development Agreement to establish and operate a total of _{insert number of restaurants}___ (__) Village Inn Restaurants in __{list city / county / state }___ (collectively, "Growth Area").

C. Pursuant to such agreement, DEVELOPER desires to obtain a non-exclusive right to develop and operate _{insert number of restaurants}___ (__) Village Inn Restaurants in the next __{insert number of years}______ (__) years in accordance with the System and terms set forth below.

AGREEMENT

NOW, THEREFORE, in consideration of the APA and the mutual promises set forth below, the parties agree as follows:

1. Grant.

a. Franchisor grants to DEVELOPER and DEVELOPER accepts from Franchisor the right to establish and maintain Village Inn Restaurants in the Growth Area, subject to the provisions of this Development Agreement and the territorial rights granted to other franchisees by Franchisor, and for so long as DEVELOPER is not in default hereunder or under any other agreement between the parties. DEVELOPER has no right under this Development Agreement to develop Village Inn Restaurants outside of the Growth Area or to possess or acquire any option, right of first refusal, or similar right to any additional Village Inn Restaurant franchises or Franchisor's restaurants within DEVELOPER'S territory or contiguous territories.

b. Franchisor may engage in any business activity, under any name, at any location. Among other things, Franchisor expressly reserves the right to own, operate, develop, or franchise Village Inn Restaurants within or outside the Growth Area. Furthermore, Franchisor or its direct or indirect parent, subsidiary, or affiliated entities may now or hereafter own, operate, develop, or franchise, within or outside the Growth Area, other restaurants under different trademarks and trade names or service marks, even if such other restaurants offer products similar to those which are or may be offered at Village Inn Restaurants. Notwithstanding anything to the contrary set forth herein, Franchisor will not establish or license a Village Inn Restaurant or any other restaurant within the radius specified in DEVELOPER'S Franchise Agreement for any of DEVELOPER'S Village Inn Restaurants now in operation or to be developed and operated hereunder so long as such Franchise Agreement remains in effect.

c. Each Village Inn Restaurant which is developed under this Development Agreement shall be established and operated pursuant to a separate Franchise Agreement to be entered into between DEVELOPER and Franchisor in accordance with Section 3(b) (each, a "Unit Franchise Agreement").

d. This Agreement is not a Franchise Agreement and does not grant to DEVELOPER any right to use, in any manner, Franchisor's proprietary marks or the Village Inn system.

2. Fees.

a. In consideration for the development rights granted herein and the development opportunities lost or deferred as a result of the rights granted to DEVELOPER, DEVELOPER agrees to pay to Franchisor, upon the execution of this Development Agreement, a development fee of ___{insert fee amount}___ Dollars ($_________) which shall be fully earned and non-refundable. However, provided that DEVELOPER is not in default herein or in any other agreement between the parties, and subject to the following conditions in this Section, Franchisor will reduce DEVELOPER'S initial franchise fee by ___{insert reduced amount}__ Dollars ($________) for each Village Inn Restaurant developed, opened, and operated by DEVELOPER in __{insert growth area}___________ and its metropolitan statistical area (specified in the Recitals above) on or before _______________, 20___. Such reduction will be reflected in the Franchise Agreement to be executed between Franchisor and the DEVELOPER.

3. Growth.

a. DEVELOPER acknowledges and agrees that the development of the locations pursuant to this Development Agreement must meet, at the time of the development of each location, the criteria imposed by Franchisor on persons or entities seeking to become new Village Inn franchisees.

b. When a location approved by Franchisor within the Growth Area is acquired, DEVELOPER shall execute a Unit Franchise Agreement which shall be guaranteed by each owner of DEVELOPER holding at least 25% or more ownership interest in DEVELOPER. Each Unit Franchise Agreement shall be in the form substantially similar to the Franchise Agreement attached and incorporated herein by reference as Exhibit A.

c. DEVELOPER agrees that for each restaurant to be developed herein, it shall not enter into any contract for the purchase or lease of any premises unless DEVELOPER obtains the prior written approval of Franchisor, or such contract or lease expressly states that the terms are contingent upon receipt of Franchisor's approval and DEVELOPER later obtains the written approval from Franchisor.

4. Term and Termination.

a. This Agreement shall commence on the date specified above and shall continue until the earlier of (i) ______________, 20__; (ii) the occurrence of a material default or material breach by DEVELOPER of any covenant, term, or provision contained in this Development Agreement or in any Franchise Agreement at any time in effect between Franchisor and DEVELOPER which default or breach is not cured within any applicable grace or cure period provided therefore; or (iii) the establishment by DEVELOPER of __{insert number of restaurants}____ (__) Village Inn Restaurants in the Growth Area prior to ______________, 20__ ("Term"). For the purpose of clause (ii), above, any delay in performance of a material obligation shall be material.

b. DEVELOPER shall have no right to renew this Development Agreement except as otherwise agreed by the parties in writing.

c. At the expiration or termination of this Development Agreement, all rights of DEVELOPER hereunder shall cease. However, all rights vested in DEVELOPER pursuant to a respective Unit Franchise Agreement for each restaurant then developed, opened, and operated shall continue in full force and effect subject to the terms therein.

5. Minimum Development Schedule.

a. DEVELOPER agrees to develop, open, and operate __{insert number of restaurants}____ (__) Village Inn Restaurants within the Growth Area and pursuant to executed Unit Franchise Agreements, in accordance with the following schedule:

i. Year 1 – Neither of the __{insert number of restaurants}____ (__) Village Inn Restaurants must be developed, opened, and operating on or before __________, 20__.

ii. Year 2 - At least one (1) of the required __{insert number of restaurants}___ (__) Village Inn Restaurants must be developed, opened, and operating on or before ____________, 20__.

iii. Year 3 - Both of the required __{insert number of restaurants}____ (__) Village Inn Restaurants must be developed, opened, and operating on or before ____________, 20__ (unless extended pursuant to Section 5(b), below).

b. DEVELOPER may request, in writing, at least 120 days before the end of Year 3, for an extension of up to twelve (12) months in order to meet the specified number of restaurants required in the Minimum Development Schedule set forth in Section 5(a) (the date of the request for an extension at the end of Year 3 is hereby referred to as the "Requested Extension"), provided that, on the Requested Extension, the {first/second/etc} Village Inn Restaurant has been timely developed, opened, and operating pursuant to the obligations of DEVELOPER under this Development Agreement.

c. During the term of this Development Agreement, DEVELOPER may, subject to the terms and conditions of this Development Agreement and the Unit Franchise Agreements, establish, open, and operate more Village Inn Restaurants in the Growth Area than required in Section 5(a), above. However, DEVELOPER must still at all times timely meet the Minimum Development Schedule of the number of minimum Village Inn Restaurants to be developed, opened, and operating as required in Section 5(a), except as permitted to be extended in Section 5(b).

d. DEVELOPER acknowledges that time is of the essence in developing and operating the required Village Inn Restaurants under this Development Agreement, as any delay will result in Franchisor being unable to collect royalties and marketing fees, set forth in the Unit Franchise Agreements, and promoting its brand name and products to the public. Accordingly, in the event that DEVELOPER fails to timely establish, open, and operate the __{insert number of restaurants}____ (__) Village Inn Restaurants in accordance with the Minimum Development Schedule required in Section 5(a), above, DEVELOPER shall be in default, this Development Agreement shall terminate, and DEVELOPER shall lose its rights to develop and operate any further Village Inn restaurant that it has not yet completed, opened, and operated but would otherwise be permitted under this Development Agreement. DEVELOPER shall bear all risks and be solely responsible for all costs incurred for any incomplete restaurant prior to the termination. The remedies provided to Franchisor in this clause (d) constitute the sole and exclusive remedies of Franchisor in the event DEVELOPER fails to timely complete development and commence operation of the __{insert number of restaurants}___ (__) Village Inn Restaurants in accordance with the Minimum Development Schedule required in Section 5(a) above.

6. Transfers.

a. Franchisor shall have the right to transfer or assign its rights under this Development Agreement at any time, provided that it has fulfilled its obligations or made adequate provisions for them.

b. DEVELOPER shall not offer, transfer, or assign, directly or indirectly, or by operation of law, any of its rights or interests under this Development Agreement, in whole or in part, without Franchisor's prior written consent, which shall be at Franchisor's sole and absolute discretion. Franchisor may withhold its consent or may impose conditions to any transfer, including but not limited to the following:

i. That DEVELOPER is not in default of this Development Agreement or any other agreement between the parties.

ii. That the proposed transfer satisfies all requirements under federal or state franchise regulations.

iii. That the proposed transferee expressly assumes, in writing, all rights and obligations of DEVELOPER under this Development Agreement and all Unit Franchise Agreements.

iv. That the proposed transfer and the proposed transferee meet all of the requirements of and satisfy all of the conditions to transfers under the Unit Franchise Agreements.

v. That the proposed transferee must, in Franchisor's sole judgment, demonstrate that the transferee has the skills, qualifications, and economic resources necessary to own, operate, and develop Village Inn Restaurants as contemplated by this Development Agreement, and to comply with all other agreements between Franchisor and such transferee and all agreements proposed to be assigned to such transferee.

vi. That the proposed transferee completes any training Franchisor deems required or necessary in its sole judgment.

vii. That all persons holding a 25% or greater interest in the proposed transferee shall execute Franchisor's then standard form of Guaranty guarantying full and timely payment and performance of all obligations of DEVELOPER (or other transferor) under this Development Agreement and under all Unit Franchise Agreements.

c. In the event of any proposed sale, transfer, or assignment by DEVELOPER for which Franchisor has consented, DEVELOPER shall pay to Franchisor a transfer fee of $2,000 for each of the _{insert number of restaurants}___ (__) restaurants to be developed, opened, and operated under this Development Agreement.

d. Regardless of any provision to the contrary, in the event of the sale, transfer, or assignment of DEVELOPER'S entity, DEVELOPER agrees to grant Franchisor a thirty (30) day right of first refusal to purchase such rights or assets on the same terms and conditions as are contained in the written offer to purchase submitted to DEVELOPER by the proposed bona fide transferee. DEVELOPER shall notify Franchisor by sending a written offer containing essential terms and conditions which DEVELOPER and the proposed bona fide transferee have committed to be bound as terms toward a contractual agreement. Franchisor reserves the right to request the understanding or commitment of DEVELOPER and the proposed bona fide transferee for terms not addressed in the written offer, and if such terms are undetermined, the thirty (30) day right of first refusal shall be extended for the number of days in which such term remains undetermined until an agreement is reached. If Franchisor chooses not to exercise its right of first refusal, DEVELOPER shall be free to proceed with the proposed sale, transfer, or assignment, subject to Franchisor's written consent and the terms of this Development Agreement.

The terms regarding this right of first refusal shall apply with each proposed sale, transfer, or assignment.

7. Dispute Resolution.

a. Except as specifically provided elsewhere in this Agreement, this Agreement shall be governed by the Lanham Act and the law of the state in which the Growth Area is located, irrespective of any conflict of laws. If the Growth Area includes more than one state, then this Agreement will be governed by the laws of the state in which DEVELOPER's primary place of business is located, irrespective of any conflict of laws. The parties agree that any dispute not subject to arbitration under 7.b. shall be litigated in any state or federal district court in Hennepin County, Minnesota, unless the franchise laws in the state where the Village Inn Restaurants are located prohibit such agreement and require that the dispute be heard solely in its state, in which event, the dispute shall be heard in the largest city in that state. Nothing in this Section 7.a. is intended by the parties to subject this Agreement to any franchise, business opportunity, antitrust, consumer protection, or similar law, rule, or regulation to which this Agreement would not otherwise be subject. Further, the parties agree that any state law or regulation applicable to the offer or sale of franchises or the franchise relationship will not apply unless the jurisdictional provisions are independently met. DEVELOPER waives, to the fullest extent permitted by law, the rights and protections provided by any such franchise law or regulation.

b. Except as provided in this Section below, any breach, controversy, or claim arising out of or relating to this Agreement, including, but not limited to, any claim that this Agreement, in whole or in part, is invalid, illegal, or otherwise voidable or void, shall be submitted to arbitration in accordance with the commercial arbitration rules of the American Arbitration Association relating to commercial arbitration, subject to the following:

i. The arbitrator's award shall be in writing, contain findings of fact and conclusions of law, and set forth the arbitrator's rationale for the award based upon such findings of fact and conclusions of law.

ii. All proposed arbitrators shall be attorneys or current or former judges licensed to practice law in the state where the arbitration will take place, and have no less than ten (10) years' experience in business law, including substantial experience involving franchise matters.

iii. The arbitration shall be conducted on an individual and not a consolidated, collective or class-wide basis.

iv. The arbitrator shall have the authority to award equitable relief, including, but not limited to, specific performance and injunctive relief. However, except as permitted by this Agreement, the arbitrator shall have no authority to award punitive, exemplary, consequential, or multiple damages.

v. Judgment upon an arbitration award may be entered in any court having competent jurisdiction and shall be binding, final, and non-appealable.

vi. In the event that either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party by default or otherwise.

c. The arbitration shall take place in Minneapolis, Minnesota, unless the franchise law in the state where the Restaurant is located requires arbitration in such state, in which case the arbitration shall be held in the largest city in such state and the commercial arbitration rules of the American Arbitration Association shall govern such proceedings rather than the arbitration rules of the Judicial Arbiter Group.

d. The arbitration shall have no collateral estoppel effect.

e. This Article shall not apply to claims relating to Franchisor's trademarks, service marks, patents, or copyrights; claims related to any lease or sublease of the real property between the parties or their related entities; and requests for temporary restraining orders, preliminary injunctions, or other procedures in a court of competent jurisdiction to obtain interim relief when deemed necessary by such court to preserve the status quo or prevent injury pending resolution by arbitration of the actual dispute between the parties. Without limiting the scope of the previous sentence, nothing in this Agreement shall be construed as limiting or precluding Franchisor from bringing an action, at any time, in any court of competent jurisdiction, for injunctive or other extraordinary relief as ABHR deems necessary or appropriate to compel DEVELOPER to comply with its obligations respecting the use, display, or removal of the Marks or to protect the Marks as required under this Agreement. DEVELOPER agrees that such action or any action for injunction, specific performance, or other equitable relief pertaining to the terms of this Agreement shall not require the posting of any bond, but if a bond shall, nevertheless, be required by a court of competent jurisdiction, the parties agree that the sum of One Hundred Dollars ($100) shall be a sufficient amount. This covenant shall be independent, severable, and enforceable, and in addition to all other rights or remedies which Franchisor may have.

f. If a court of competent jurisdiction determines that these provisions are unlawful in any way, such court shall modify or interpret them to the minimum extent necessary to have them comply with the law. All issues relating to the arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the United States Arbitration Act (9 U.S.C. § 1, et seq.) and the federal common law of arbitration.

g. These arbitration provisions shall be deemed to be self-executing and shall remain in full force and effect after expiration or termination of this Agreement.

h. THE PARTIES WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY.

8. Competition and Non-Compete.

a. DEVELOPER will not, on their own account or as an employee, principal, agent, independent contractor, consultant, affiliate, licensee, partner, officer, director or owner of any other person, firm, entity, partnership, or corporation (i) for a period of two (2) years after the termination or expiration of this Agreement, own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in or assist any person or entity engaged in a food service business that Franchisor determines, in the exercise of its business judgment, serves the same general range of consumer demand (regardless of menu) as comparable to that served by a Village Inn Restaurant, which is located within five (5) miles of the Growth Area, within five (5) miles of any other Village Inn Restaurant, or within any territory granted by Franchisor or any affiliate of Franchisor pursuant to an Area Development Agreement or other territorial agreement, and (ii) for a period of two (2) years after the termination or expiration of this Agreement, own, operate, lease, franchise, conduct, engage in, be connected with, a food service business that is reasonably expected to derive, or does derive 15% or more of its gross income from the sale of breakfast food items, like pancakes, omelets, skillets, eggs, or other breakfast food items, if such business is located within five (5) miles of the Growth Area.

b. DEVELOPER expressly agrees that: (i) the time, geographical and product limitations set forth in this provision are reasonable and necessary to protect Franchisor and its franchisees if this Agreement expires or is terminated by either party for any reason; (ii) this covenant not to compete is necessary to protect Franchisor's intellectual property and proprietary rights and give Franchisor the opportunity to resell and/or develop a new Village Inn Restaurant at or in the area near the Growth Area; and (iii) the two-year time period described in this Article 8 will not begin to run until the covered person or entity is in compliance with this Agreement, and will be tolled during any intervening period of non-compliance.

c. DEVELOPER agrees that the provisions of this Article are and have been a primary inducement to Franchisor to enter into this Agreement, and in the event of a breach, Franchisor will be irreparably injured and without adequate remedy at law. Therefore, should DEVELOPER breach or threaten or attempt to breach any of these provisions, Franchisor shall be entitled, in addition to other remedies which it may have at law or in equity (including the right to terminate this Agreement), to a preliminary and/or permanent injunction, and a decree for specific performance of the terms in this Article without the necessity of showing actual or threatened damage, and without being required to furnish a bond or other security.

d. If any court or other tribunal having jurisdiction to determine the validity or enforceability of this Article (pursuant to the venue terms of set forth in this Agreement) determines that these provisions are invalid or unenforceable as written, then they shall be deemed to be modified to such an extent or in such manner as is necessary to be valid and enforceable to the greatest extent possible.

e. For purposes of Article 8, "DEVELOPER" shall include DEVELOPER, its directors, officers, partners (general or limited), and members, shareholders, or other owners of twenty-five percent (25%) or greater interest in DEVELOPER and each such person's spouse, parent, or child.

9. Miscellaneous.

a. Complete Agreement. This Development Agreement and the attached Exhibit A shall constitute the entire agreement between the parties with respect to the matters related to this Development Agreement. All rights which the parties may have had under such prior written or oral agreements, if any, are canceled. Furthermore, there are no agreements between the parties superseding any of the provisions of this Development Agreement. No modifications of this Development Agreement shall be effective except those in writing hereafter made and signed by both parties.

b. Interpretation and Reasonableness. Any conflict between the provisions of this Development Agreement and a Unit Franchise Agreement shall be governed by the terms and provisions of this Development Agreement. Except as expressly provided, any consent or approval required from Franchisor shall not be unreasonably withheld.

c. Severability. If an arbitrator or court of competent jurisdiction determines that any provision in this Development Agreement is unlawful in any way, such provision shall be modified or interpreted to the minimum extent necessary to comply with the law, and except as modified or interpreted, all other provisions of this Development Agreement shall remain in full force and effect.

d. Survival of Covenants. The covenants in this Development Agreement which require performance in whole or in part after the expiration or termination of this Development Agreement shall be enforceable regardless of the expiration or termination of this Development Agreement for whatever reason.

e. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Franchisor and DEVELOPER and their respective successors and assigns, subject to the provisions of Section 6.

f. Time is of the Essence. Time is the essence as to each provision of this Development Agreement, including but not limited to DEVELOPER'S compliance with the Minimum Development Schedule set forth in Section 5.

g. Attorney's Fees. If any proceeding is brought for the purpose of enforcing, interpreting, or preventing the breach or default of this Development Agreement, whether by arbitration, judicial, or quasi-judicial action or otherwise, the prevailing party shall be awarded reasonable attorneys' fees, costs, and expenses in addition to all other relief. In any proceeding involving more than one claim where neither party prevails on all of the claims, the presiding authority (judge, arbitrator, etc.) shall apportion the costs, expenses, and attorneys' fees between the parties. The term "attorneys' fees," means all related legal fees incurred, including, without limitation, legal fees incurred prior to, in preparation for, or in contemplation of the filing of any written demand or claim, action, hearing, or proceeding, and in all appellate proceedings, and all paralegal fees (including any interest).

h. Status of the Parties. Nothing herein contained or done pursuant to this Development Agreement shall be deemed to constitute either party as an agent, partner, or joint venturer of the other party, and neither party shall have authority to act for the other in any manner or to create obligations or debts which would be binding on the other.

i. Non-Waiver. No waiver of any breach or default shall be construed as a waiver of any subsequent breach or default of any provision of this Development Agreement to be performed.

j. Notices. All notices required to be given under this Development Agreement shall be in writing, addressed as follows, and delivered personally or by facsimile, with printed confirmation of successful transmission; certified or registered mail, first class postage prepaid, with return receipt requested; or a generally recognized overnight delivery service, with documentation of signed receipt and delivery charges assumed by the sender.

DEVELOPER:	______________________________ Attn: _________________________ ______________________________ ______________________________ Fax Number: ( )
Franchisor:	VI BrandCo, LLC Attention: Legal Department 12701 Whitewater Drive, Suite 100 Minnetonka, Minnesota 55343-4164 Fax: (952) 294-0242

Either party may change its above address or fax number by sending written notice to the other in the manner permitted above.

k. Pronouns and Number. Any word in singular or plural form or identifying any pronoun shall extend to mean and include all of its other singular or plural forms or all other pronouns as may be applicable to the facts, context, or sense of this Development Agreement or any Section.

l. No Guarantees of Success. DEVELOPER acknowledges that neither Franchisor nor any other party has guaranteed DEVELOPER'S success in the venture or business to be operated under this Development Agreement. DEVELOPER acknowledges that it has entered into this Development Agreement after making an independent investigation of the System and assessing its financial capabilities, costs, and risks. Franchisor has not made any representation, expressed or implied, as to the potential success of such business venture or the gross revenues, volume, profit, or earnings which DEVELOPER may be expected to realize with each developed restaurant. The venture and business contemplated herein involves substantial risks and requires careful planning, diligence, determination, active management, and participation in the daily affairs of the development and business and operational ability of DEVELOPER as an independent business entity.

m. No Implied Warranties. Franchisor and DEVELOPER intend for this Development Agreement and the attached exhibits to be a complete understanding of their interests, titles, rights, responsibilities, and obligations regarding the development of Village Inn Restaurants within the Growth Area. There are no implied covenants in this Development Agreement or exhibits. Franchisor and DEVELOPER waive all implied covenants, including, without limitation, the covenant of good faith and fair dealing.

n. Counterparts. This Agreement may be executed in counterparts. Facsimile signatures shall be deemed equivalent as an original.

o. Entire Agreement. Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.

IN WITNESS WHEREOF, the parties hereto have subscribed this Development Agreement as of the day and year first above-written.

ATTEST:	VI BrandCo, LLC, a Delaware limited liability company
______________________________	By: ______________________________
ATTEST:	DEVELOPER a(n) ______________________________
______________________________	By: ______________________________

AMENDMENT TO VI BRANDCO, LLC
DEVELOPMENT AGREEMENT
FOR THE STATE OF CALIFORNIA

The VI BrandCo, LLC Development Agreement between ___________________________ ("Developer" or "You") and VI BrandCo, LLC ("Franchisor") dated ___________________ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

CALIFORNIA LAW MODIFICATIONS

1. Notwithstanding anything to the contrary contained in the Development Agreement, to the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> The Development Agreement requires franchisee to execute a general release of claims upon renewal or transfer of the Development Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).
>
> The Development Agreement requires application of the laws of Minnesota. This provision may not be enforceable under California law.
>
> The Development Agreement contains a liquidated damages clause. Under California Civil Code §1671, certain liquidated damages clauses are unenforceable.
>
> California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. The Federal Bankruptcy Code also provides rights to franchisee concerning termination of the Development Agreement upon certain bankruptcy-related events. If the Development Agreement is inconsistent with the law, the law will control.
>
> The Development Agreement requires binding arbitration. The arbitration will occur in Minneapolis, Minnesota with the cost being borne by the parties as determined by the arbitrator. Prospective franchisees are encouraged to consult with private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a development agreement restricting venue to a forum outside the State of California.
>
> The Development Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

3. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Development Agreement. In the event of any conflict between this Addendum and the Development Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

VI BrandCo, LLC ("VILLAGE INN")

By:__________________________________
Title:________________________________
Date:________________________________

("DEVELOPER")

By:__________________________________
Title:________________________________
Date:________________________________

ADDENDUM TO DEVELOPMENT AGREEMENT
(FOR THE STATE OF HAWAII)

This ADDENDUM TO DEVELOPMENT AGREEMENT (FOR THE STATE OF HAWAII) ("Addendum") dated ____________________________ ("Addendum Effective Date") to the Development Agreement[, as amended], dated ____________________________, and including any and all exhibits attached thereto (collectively, "Development Agreement") between ______________________________ ("Developer") and VI BRANDCO, LLC, a Delaware limited liability company ("Franchisor") hereby amends the Development Agreement by the addition of the following language, which shall be considered an integral part of the Agreement. To the extent this Addendum contains terms and conditions that differ from those contained in the Development Agreement, this Addendum shall control. The parties agree that a concept or principle covered in this Addendum shall apply and be incorporated into all other provisions of the Development Agreement in which the concept or principle is also applicable, notwithstanding the absence of any specific cross-reference thereto. All capitalized terms not otherwise defined in this Addendum will have the same meanings ascribed to such terms in the Development Agreement.

1. The Director of the Hawaii Department of Commerce and Consumer Affairs requires that certain provisions contained in franchise development documents be amended to be consistent with Hawaii law, including the Hawaii Franchise Investment Law, Hawaii Revised Statutes, Title 26, Chapter 482E-1 through 482E-12 (1988). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Hawaii Franchise Investment Law provides rights to you concerning non-renewal, termination and transfer of the Development Agreement. If the Development Agreement contains a provision that is inconsistent with the Law, the Law will control. Among those rights, the law may require that upon termination or non-renewal Franchisor purchase for fair market value Developer's inventory, supplies, equipment and furnishings purchased from Franchisor or a supplier designated by Franchisor; provided that personalized materials which have no value to Franchisor need not be compensated for. If the non-renewal or termination is for the purpose of converting the Developer's business to one owned and operated by Franchisor, Franchisor may, additionally, be obligated to compensate the Developer for loss of goodwill. Franchisor may deduct all amounts due from Developer and any costs related to the transportation or disposition of items purchased against any payment for those items. If the parties cannot agree on fair market value, fair market value shall be determined in the manner set forth in the Development Agreement. If the Development Agreement does not provide for determination of fair market value of assets for purchase by Franchisor, such amount will be determined by an independent appraiser approved by both parties, and the costs of the appraisal shall be shared equally by the parties.

b. If the Developer is required in the Development Agreement to execute a release of claims, such release shall exclude claims arising under the Hawaii Franchise Investment Law. Any condition, stipulation or provision

binding the Developer to waive compliance with any provision of Section 482E-6 of the Hawaii Franchise Investment Law shall be void.

c. The requirement of a developer or franchisee to purchase or lease goods or services of the franchisor or from designated sources may not be enforceable under Hawaii Franchise Investment law unless it is reasonably necessary for a lawful purpose, and does not substantially affect competition.

d. The Hawaii Franchise Investment Law prohibits the Franchisor from establishing a similar business or granting a franchise for the establishment of a similar business to that of the Developer's within the Developer's exclusive territory. To the extent the Development Agreement contain a provision that is inconsistent with the Act, the Act will control.

e. No statement, questionnaire, or acknowledgment signed or agreed to by a developer in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Section 482E-3(a) of the Hawaii Franchise Investment Law requires us to give you a copy of the Franchise Disclosure Document at least 7 calendar days prior to signing the Agreement.

3. The Development Agreement permits us to terminate the Agreement upon your bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law. (11 U.S.C. §101, et seq.).

4. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Hawaii Franchise Investment Law applicable to the provision are met independent of this Addendum. This Addendum shall have no force or effect if such jurisdictional requirements are not met. Except as set forth in this Addendum, the terms and provisions of the Development Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, each party hereto, by and through its respective representative with full rights, power and authority to enter into and bind his or her respective party without further consent or approval of any kind, have duly executed and delivered this Addendum as of the Addendum Effective Date.

FRANCHISOR: **VI BRANDCO, LLC, a Delaware limited liability company**	**DEVELOPER:** **____________________________________,** **____________________________________**
By:_________________________________	**By:_________________________________**

[Name, Title] **[Name, Title]**

AMENDMENT TO VI BRANDCO, LLC
DEVELOPMENT AGREEMENT
<u>FOR THE STATE OF ILLINOIS</u>

The VI BrandCo, LLC Development Agreement between __________________________ ("Developer" or "You") and VI BrandCo, LLC ("Franchisor") dated __________________ (the "Agreement") will be amended by the addition of the following language, which will be considered an integral part of the Agreement (the "Amendment"):

<u>ILLINOIS LAW MODIFICATIONS</u>

1. Notwithstanding anything to the contrary contained in the Development Agreement, to the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> Illinois law governs the Development Agreement.
>
> Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a development agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a development agreement may provide for arbitration outside of Illinois.
>
> Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
>
> Your rights upon termination and non-renewal of a development agreement are set forth in section 19 and 20 of the Illinois Franchise Disclosure Act.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

3. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Development Agreement. In the event of any conflict between this Addendum and the Development Agreement, the terms and conditions of this Addendum shall apply.

[Signature Page Follows.]

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

VI BrandCo, LLC (“FRANCHISOR”)

By:___________________________________
Title:_________________________________
Date:__________________________________

(“DEVELOPER”)

By:___________________________________
Title:_________________________________
Date:__________________________________

ADDENDUM TO DEVELOPMENT AGREEMENT
(FOR THE STATE OF INDIANA)

This ADDENDUM TO DEVELOPMENT AGREEMENT (FOR THE STATE OF INDIANA) ("Addendum") dated __________________________ ("Addendum Effective Date") to the [Development Agreement[, as amended], dated __________________________, and including any and all exhibits attached thereto (collectively, "Development Agreement") between ____________________________ ("Developer") and VI BRANDCO, LLC, a Delaware limited liability company ("Franchisor") hereby amends the Development Agreement by the addition of the following language, which shall be considered an integral part of the Agreement. To the extent this Addendum contains terms and conditions that differ from those contained in the Development Agreement, this Addendum shall control. The parties agree that a concept or principle covered in this Addendum shall apply and be incorporated into all other provisions of the Development Agreement in which the concept or principle is also applicable, notwithstanding the absence of any specific cross-reference thereto. All capitalized terms not otherwise defined in this Addendum will have the same meanings ascribed to such terms in the Development Agreement.

INDIANA LAW MODIFICATIONS

1. The Indiana Securities Commissioner requires that certain provisions contained in franchise development documents be amended to be consistent with Indiana law, including the Indiana Franchises Act, Ind. Code Ann. §§ 1-51 (1994) and the Indiana Deceptive Franchise Practices Act, Ind. Code Ann. § 23-27 (1985). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Indiana Deceptive Franchise Practices Act provides rights to Developer concerning non-renewal and termination of the Development Agreement. To the extent the Development Agreement contains a provision that is inconsistent with the Act, the Act will control.

b. If the Developer is required in the Development Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule of order under the Act, such release shall exclude claims arising under the Indiana Deceptive Franchise Practices Act and the Indiana Franchises Act, and such acknowledgements shall be void with respect to claims under the Act.

c. If the Development Agreement contains covenants not to compete upon expiration or termination of the Development Agreement that are inconsistent with the Indiana Deceptive Franchise Practices Act, the requirements of the Act will control.

d. The Indiana Deceptive Franchise Practices Act provides that substantial modification of the Agreement by Franchisor requires written consent of

the Developer. If the Development Agreement contains provisions that are inconsistent with this requirement, the Act will control.

e. **If the Development Agreement requires litigation/arbitration to be conducted in a forum other than the State of Indiana, the requirement may be unenforceable as a limitation on litigation under the Indiana Deceptive Franchise Practices Act §§ 23-2.2.7(10).**

f. **If the Development Agreement requires that it be governed by a state's law, other than the State of Indiana, to the extent that such law conflicts with the Indiana Deceptive Franchise Practices Act and the Indiana Franchises Act, the Acts will control.**

g. **The Indiana Deceptive Franchise Practices Act provides rights to Developer concerning the waiver of claims or rights. To the extent the Development Agreement contains a provision that is inconsistent with the Act, the Act will control.**

h. **The Indiana Deceptive Franchise Practices Act provides rights to Developer concerning the time period to bring an action against the Franchisor. To the extent the Development Agreement contains a provision that is inconsistent with the Act, the Act will control.**

i. **The Indiana Deceptive Franchise Practices Act prohibits the Franchisor from operating a substantially identical business to that of the Developer's within the Developer's territory, regardless of trade name. To the extent the Development Agreement contains a provision that is inconsistent with the Act, the Act will control.**

j. **The Indiana Deceptive Franchise Practice Act excludes any indemnification for liability caused by the Developer's proper reliance on or use of procedures or materials provided by the Franchisor. To the extent the Development Agreement contains a provision that is inconsistent with the Act, the Act will control.**

k. **If the Development Agreement requires goods, supplies, inventories, or services to be purchased exclusively from the franchisor or sources designated by the franchisor where such goods, supplies, inventories or services of comparable quality are available from sources other than those designated by the franchisor, to the extent that such law conflicts with the Indiana Deceptive Franchise Practices Act and the Indiana Franchises Act, the Acts will control. Providing a list of approved suppliers to comply with specifications and standards prescribed by Franchisor does not constitute designation of a source under the Indiana Deceptive Franchise Practices Act.**

l. **No statement, questionnaire, or acknowledgment signed or agreed to by a developer in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any**

applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Indiana Code § 23-2-2.5-9(2) requires us to give you a copy of the Franchise Disclosure Document at the earlier of: (i) 10 days prior to signing the Agreement; or (ii) 10 days prior to our receipt of any consideration.

3. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Indiana Deceptive Practices Act and the Indiana Franchises Act, with respect to each such provision, are met independent of this Addendum. This Addendum shall have no force or effect if such jurisdictional requirements are not met. Except as set forth in this Addendum, the terms and provisions of the Development Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, each party hereto, by and through its respective representative with full rights, power and authority to enter into and bind his or her respective party without further consent or approval of any kind, has duly executed and delivered this Addendum as of the Addendum Effective Date.

FRANCHISOR:	**DEVELOPER:**
VI BRANDCO, LLC, a Delaware limited liability company	**________________________________** **________________________________**
By:______________________________ **[Name, Title]**	

AMENDMENT TO VI BRANDCO, LLC
DEVELOPMENT AGREEMENT
<u>FOR THE STATE OF MARYLAND</u>

The VI BrandCo, LLC Development Agreement between __________________________ ("Developer" or "You") and VI BrandCo, LLC ("Franchisor") dated __________________ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

<u>MARYLAND LAW MODIFICATIONS</u>

1. Notwithstanding anything to the contrary contained in the Development Agreement, to the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
>
> Nothing in the Development Agreement prevents the franchisee from bringing a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
>
> Nothing in the Development Agreement operates to reduce the 3-year statute of limitations afforded to a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Further, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
>
> The Federal Bankruptcy laws may not allow the enforcement of the provisions for termination upon bankruptcy of the franchisee.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

3. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Development Agreement. In the event of any conflict between this Addendum and the Development Agreement, the terms and conditions of this Addendum shall apply.

[Signature Page Follows.]

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

VI BrandCo, LLC ("VILLAGE INN")

By:___________________________________
Title:_________________________________
Date:__________________________________

("DEVELOPER")

By:___________________________________
Title:_________________________________
Date:__________________________________

ADDENDUM TO DEVELOPMENT AGREEMENT
(FOR THE STATE OF MICHIGAN)

Section 445.1508(1) of the Michigan Franchise Investment Law requires franchisor to give you a copy of the Franchise Disclosure Document earlier of: (i) 10 business days prior to signing the Development Agreement; or (ii) 10 business days prior to franchisor's receipt of any consideration.

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN THE DEVELOPMENT AGREEMENT. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THE DEVELOPMENT AGREEMENT, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a development agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the development agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the development agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the development agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

(j) No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this Notice shall be directed to:

STATE OF MICHIGAN
DEPARTMENT OF THE ATTORNEY GENERAL
ATTENTION: FRANCHISE SECTION
P.O. BOX 30213
LANSING, MICHIGAN 48909
(517) 373-7117

AMENDMENT TO VI BRANDCO, LLC
DEVELOPMENT AGREEMENT
<u>FOR THE STATE OF MINNESOTA</u>

The VI BrandCo, LLC Development Agreement between ___________________________ ("Developer" or "You") and VI BrandCo, LLC ("Franchisor") dated ___________________ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

<u>MINNESOTA LAW MODIFICATIONS</u>

1. Notwithstanding anything to the contrary contained in the Development Agreement, to the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 4 which requires that except for certain specified cases, that franchisee be given 180 days' notice for non-renewal of this Development Agreement.
>
> The Minnesota Department of Commerce requires that franchisor indemnify franchisees whose franchise is located in Minnesota against liability to third parties resulting from claims by third parties that the franchisee's use of franchisor's trademarks ("Marks") infringe upon the trademark rights of the third party. Franchisor does not indemnify against the consequences of a franchisee's use of franchisor's trademark but franchisor shall indemnify franchisee for claims against franchisee solely as it relates to franchisee's use of the Marks in accordance with the requirements of the Development Agreement and franchisor's standards. As a further condition to indemnification, the franchisee must provide notice to franchisor of any such claim immediately and tender the defense of the claim to franchisor. If franchisor accepts tender of defense, franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.
>
> Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22.
>
> With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 3 which requires that except for certain specified cases, a franchisee be given 90 days' notice of termination (with 60 days to cure). Termination of the franchise by the franchisor shall be effective immediately upon receipt by franchisee of the notice of termination where its grounds for termination or cancellation are: (1) voluntary abandonment of the franchise relationship by the franchisee; (2) the conviction of the franchisee of an offense directly related to the business conducted according to the Development Agreement; or (3) failure of the franchisee to cure a default under the Development Agreement which materially impairs the goodwill associated with the franchisor's trade name, trademark, service mark, logo type or other commercial symbol after

the franchisee has received written notice to cure of at least twenty-four (24) hours in advance thereof.

According to Minn. Stat. Sec. 80C.21 in Minnesota Rules or 2860.4400J, the terms of the Development Agreement shall not in any way abrogate or reduce your rights as provided for in Minn. Stat. 1984, Chapter 80C, including the right to submit certain matters to the jurisdiction of the courts of Minnesota. In addition, nothing in this Development Agreement shall abrogate or reduce any of franchisee's rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedy provided for by the laws of the State of Minnesota.

Any claims franchisee may have against the franchisor that have arisen under the Minnesota Franchise Laws shall be governed by the Minnesota Franchise Law.

The Development Agreement contains a waiver of jury trial provision. This provision may not be enforceable under Minnesota law.

Franchisee consents to the franchisor seeking injunctive relief without the necessity of showing actual or threatened harm. A court shall determine if a bond or other security is required.

The Development Agreement contains a liquidated damages provision. This provision may not be enforceable under Minnesota law.

Any action pursuant to Minnesota Statutes, Section 80C.17, Subd. 5 must be commenced no more than 3 years after the cause of action accrues.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

3. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Development Agreement. In the event of any conflict between this Addendum and the Development Agreement, the terms and conditions of this Addendum shall apply.

VI BrandCo, LLC ("VILLAGE INN")

By:______________________________
Title:_____________________________
Date:_____________________________

("DEVELOPER")

By:______________________________
Title:_____________________________
Date:_____________________________

AMENDMENT TO VI BRANDCO, LLC
DEVELOPMENT AGREEMENT
FOR THE STATE OF NEW YORK

The VI BrandCo, LLC Development Agreement between __________________________ ("Developer" or "You") and VI BrandCo, LLC ("Franchisor") dated ____________________ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

NEW YORK LAW MODIFICATIONS

1. Notwithstanding anything to the contrary contained in the Development Agreement, to the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> Any provision in the Development Agreement that is inconsistent with the New York General Business Law, Article 33, Section 680 - 695 may not be enforceable.
>
> Any provision in the Development Agreement requiring franchisee to sign a general release of claims against franchisor does not release any claim franchisee may have under New York General Business Law, Article 33, Sections 680-695.
>
> The New York Franchise Law shall govern any claim arising under that law.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

3. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Development Agreement. In the event of any conflict between this Addendum and the Development Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

VI BrandCo, LLC ("VILLAGE INN")

By:__________________________________
Title:________________________________
Date:_________________________________

("DEVELOPER")
By:__________________________________
Title:________________________________
Date:_________________________________

AMENDMENT TO VI BRANDCO, LLC
DEVELOPMENT AGREEMENT
<u>FOR THE STATE OF NORTH DAKOTA</u>

The VI BrandCo, LLC Development Agreement between __________________________ ("Developer" or "You") and VI BrandCo, LLC ("Franchisor") dated __________________ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

<u>NORTH DAKOTA LAW MODIFICATIONS</u>

1. Notwithstanding anything to the contrary contained in the Development Agreement, to the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> Any release executed in connection with a renewal shall not apply to any claims that may arise under the North Dakota Franchise Investment Law.
>
> Covenants not to compete during the term of and upon termination or expiration of the development agreement are enforceable only under certain conditions according to North Dakota law. If the Development Agreement contains a covenant not to compete that is inconsistent with North Dakota law, the covenant may be unenforceable.
>
> The choice of law other than the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.
>
> The waiver of punitive or exemplary damages may not be enforceable under the North Dakota Franchise Investment Law.
>
> The waiver of trial by jury may not be enforceable under the North Dakota Franchise Investment Law.
>
> The requirement that arbitration be held outside the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. Any mediation or arbitration will be held at a site agreeable to all parties.
>
> The requirement that a franchisee consent to termination or liquidated damages has been determined by the Commissioner to be unfair, unjust and inequitable within the intent of the North Dakota Franchise Investment Law. This requirement may not be enforceable under North Dakota law.
>
> The Development Agreement states that franchisee must consent to the jurisdiction of courts located outside the State of North Dakota. This requirement may not be enforceable under North Dakota law.

The Development Agreement requires the franchisee to consent to a limitation of claims within one year. To the extent this requirement conflicts with North Dakota law, North Dakota law will apply.

Development Agreement stipulates that the franchisee shall pay all costs and expenses incurred by Franchisor in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

3. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Development Agreement. In the event of any conflict between this Addendum and the Development Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

VI BrandCo, LLC ("VILLAGE INN")

By:__________________________________
Title:________________________________
Date:________________________________

("DEVELOPER")

By:__________________________________
Title:________________________________
Date:________________________________

AMENDMENT TO VI BRANDCO, LLC
DEVELOPMENT AGREEMENT
FOR THE STATE OF RHODE ISLAND

The VI BrandCo, LLC Development Agreement between __________________________ (“Developer” or “You”) and VI BrandCo, LLC (“Franchisor”) dated __________________ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

RHODE ISLAND LAW MODIFICATIONS

1. Notwithstanding anything to the contrary contained in the Development Agreement, to the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: “A provision in a development agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

3. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Development Agreement. In the event of any conflict between this Addendum and the Development Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

VI BrandCo, LLC (“VILLAGE INN”)

By:___________________________________
Title:_________________________________
Date:_________________________________

(“DEVELOPER”)

By:___________________________________
Title:_________________________________
Date:_________________________________

ADDENDUM TO FRANCHISE DOCUMENTS

(FOR THE STATE OF SOUTH DAKOTA)

This ADDENDUM TO FRANCHISE DOCUMENTS (FOR THE STATE OF SOUTH DAKOTA) ("Addendum") dated ____________________________ ("Addendum Effective Date") to the [Franchise Agreement[, as amended], [Consent to Transfer and Release Agreement,] [General Release,] [Promissory Note and Security Agreement] [Sublease] [each] dated ____________________________, and including any and all exhibits attached thereto (individually and collectively, "Franchise Documents") between ____________________________ ("Developer") and VI BrandCo, LLC, a Delaware limited liability company ("Franchisor") [and LEASING ENTITY, a[n] __________ "Sublessor"] hereby amends the Franchise Documents by the addition of the following language, which shall be considered an integral part of the Agreement. To the extent this Addendum contains terms and conditions that differ from those contained in the Franchise Documents, this Addendum shall control. The parties agree that a concept or principle covered in this Addendum shall apply and be incorporated into all other provisions of the Franchise Documents in which the concept or principle is also applicable, notwithstanding the absence of any specific cross-reference thereto. All capitalized terms not otherwise defined in this Addendum will have the same meanings ascribed to such terms in the Franchise Documents.

SOUTH DAKOTA LAW MODIFICATIONS

1. The Director of the South Dakota Division of Securities requires that certain provisions contained in franchise documents be amended to be consistent with South Dakota law, including the South Dakota Franchise Investment Law, South Dakota Codified Laws, Title 37, Chapter 37-5B, Sections 37-5B-1 through 37-5B-53 (2008). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. If the Developer is required in the Franchise Documents to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Law, or a rule or order under the Law, such release shall exclude claims arising under the South Dakota Franchise Investment Law, and such acknowledgements shall be void with respect to claims under the Law.

b. Covenants not to compete upon termination or expiration of the Development Agreement are generally unenforceable in the state of South Dakota, except in certain limited instances as provided by law. If the Agreement contains a covenant not to compete which is inconsistent with South Dakota Law, the covenant may be unenforceable.

c. Regardless of the terms of the Development Agreement concerning termination, if Developer fails to meet performance and quality standards or fails to make any royalty payments under the Development Agreement, Developer will be afforded thirty (30) days' written notice with an opportunity to cure the default before termination.

d. If the Franchise Documents require payment of liquidated damages that are inconsistent with South Dakota law, the liquidated damage clause may be void under SDCL 53-9-5.

e. If the Franchise Documents require litigation to be conducted in a forum other than the State of South Dakota, the requirement is void with respect to any cause of action otherwise enforceable under South Dakota Law.

f. If the Franchise Documents require that it be governed by a state's law, other than the State of South Dakota, matters regarding franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota; but as to contractual and all other matters, the Agreement and all provisions of this Addendum will be and remain subject to the application, construction, enforcement, interpretation under the governing law set forth in the Agreement.

g. If the Franchise Documents require that disputed between Franchisor and Developer be mediated/arbitrated at a location that is outside the State of South Dakota, the mediation/arbitration will be conducted at a location mutually agreed upon by the parties. If the parties cannot agree on location for the mediation/arbitration, the location shall be determined by the mediator/arbitrator selected.

h. Any condition, stipulation or provision in the Franchise Documents requiring Developer to waive compliance of a provision under the South Dakota Franchise Investment Law may be void.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the South Dakota Franchise Investment Law, with respect to each such provision, are met independent of this Addendum. This Addendum shall have no force or effect if such jurisdictional requirements are not met. Except as set forth in this Addendum, the terms and provisions of the Franchise Documents shall remain in full force and effect.

IN WITNESS WHEREOF, each party hereto, by and through its respective representative with full rights, power and authority to enter into and bind his or her respective party without further consent or approval of any kind, have duly executed and delivered this Addendum as of the Addendum Effective Date.

FRANCHISOR:	**DEVELOPER**:
VI BrandCo, LLC, a Delaware limited	___________________________________,

liability company

By: _________________________________
[Name, Title]

[SUBLESSOR:

______________________________, a[n]
____

By: _________________________________]
[Name, Title]]

____

By: _________________________________
[Name, Title]

By: _________________________________
[Name, Title]

AMENDMENT TO VI BRANDCO, LLC
DEVELOPMENT AGREEMENT
<u>FOR THE STATE OF VIRGINIA</u>

The VI BrandCo, LLC Development Agreement between __________________________ ("Developer" or "You") and VI BrandCo, LLC ("Franchisor") dated __________________ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

<u>VIRGINIA LAW MODIFICATIONS</u>

1. Notwithstanding anything to the contrary contained in the Development Agreement, to the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> "According to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the development agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable."

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

3. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Development Agreement. In the event of any conflict between this Addendum and the Development Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

VI BrandCo, LLC ("VILLAGE INN")

By:___________________________________
Title:_________________________________
Date:_________________________________

("FRANCHISE OWNER")

By:___________________________________
Title:_________________________________
Date:_________________________________

AMENDMENT TO VI BRANDCO, LLC
DEVELOPMENT AGREEMENT
<u>FOR THE STATE OF WASHINGTON</u>

The VI BrandCo, LLC Development Agreement between __________________________ (“Developer” or “You”) and VI BrandCo, LLC (“Franchisor”) dated __________________ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

<u>WASHINGTON LAW MODIFICATIONS</u>

1. The Director of the Washington Department of Financial Institutions requires that certain provisions contained in franchise documents be amended to be consistent with Washington law, including the Washington Franchise Investment Protection Act, WA Rev. Code §§ 19.100.010 to 19.100.940 (1991). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

b. RCW 19.100.180 may supersede the development agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the development agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

c. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the development agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

d. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

e. Transfer fees are collectable to the extent that they reflect the franchisor’s reasonable estimated or actual costs in effecting a transfer.

f. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the development agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

g. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the development agreement or elsewhere are void and unenforceable in Washington.

The undersigned does hereby acknowledge receipt of this addendum.

VI BrandCo, LLC ("VILLAGE INN")

By:__________________________________
Title:________________________________
Date:________________________________

("DEVELOPER")

By:__________________________________
Title:________________________________
Date:________________________________

ADDENDUM TO
VI BRANDCO, LLC
AREA DEVELOPMENT AGREEMENT
FOR STATE OF WISCONSIN

THIS ADDENDUM TO AREA DEVELOPMENT AGREEMENT (this "Addendum") is made, entered into, and effective this ___ day of __________, 20___, by and between VI BrandCo, LLC, a Delaware limited liability company ("VI BrandCo"), and ________________________________, a(n) ___________________________ ("Area Developer"), to amend and revise certain provisions of the Area Development Agreement between VI BrandCo and Area Developer, dated the same date as this Addendum (the "Area Development Agreement"), as follows:

If applicable, the provisions of the Wisconsin Fair Dealership Law, Wis. Stat. Chapter 135, will supersede any conflicting terms of the Area Development Agreement.

To the extent this Addendum is deemed to be inconsistent with any terms or conditions of the Area Development Agreement, the terms of this Addendum will govern. All other terms and conditions of the Area Development Agreement will remain unchanged and as originally written.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it is effective as of the date first above written.

VI BRANDCO, LLC	_________________________ Legal Name of Area Developer
By ______________________ Signature	By ______________________ Signature
______________________ Print Name	______________________ Print Name
Its ______________________ Title	Its ______________________ Title

Exhibit C
Franchisees of Village Inn Restaurants

The following is a list of franchisees as of November 30, 2023:

Franchise Organization	Address	City	State	Zip	Phone
Anchorage Inns, Inc.	1130 E Northern Lights Blvd	Anchorage	AK	99508	907-279-6012
Sherwood Hospitality Group, LLC	2300 SE Walton Blvd	Bentonville	AR	72712	479-464-0777
Sherwood Hospitality Group, LLC	3364 N College Ave	Fayetteville	AR	72703	479-521-1880
Sherwood Hospitality Group, LLC	7620 Rogers Ave	Fort Smith	AR	72903	479-452-7007
Family Restaurants, Inc.	710 Platte River Blvd	Brighton	CO	80601	303-659-8663
Family Restaurants, Inc.	102 W 6th St	Glenwood Springs	CO	81601	970-945-9275
Family Restaurants, Inc.	1910 North Ave	Grand Junction	CO	81501	970-243-5467
Family Restaurants, Inc.	4318 Centerplace Drive	Greeley	CO	80631	970-353-5187
Family Restaurants, Inc.	921 30th Ave	Greeley	CO	80634	970-356-5449
Family Restaurants, Inc.	5 Wal-Mart Way-No USPS	La Junta	CO	81050	719-384-1084
ARCHCO of Loveland, LLC	1225 W Eisenhower Blvd	Loveland	CO	80537	970-667-8555
Stan Rivera, Inc.	1707 S Pueblo Blvd	Pueblo	CO	81005	719-561-1228
Lestan Corporation	4719 N Elizabeth St	Pueblo	CO	81008	719-253-0450
Family Restaurants, Inc.	203 N Fourth St	Sterling	CO	80751	970-522-4882
LDL Holdings, Inc.	13105 Walsingham Rd	Largo	FL	33774	727-596-4310
4th Street Group, LLC	13105 Walsingham Rd.	Largo	FL	33774	727-596-4310
Dow Sherwood Corporation	6275 Westwood Blvd	Orlando	FL	32821	407-352-1997
Michael Titze Company, Inc.	4843 Highway 90	Pace	FL	32571	850-995-9939
Michael Titze Company, Inc.	5170 N 9th Ave	Pensacola	FL	32504	850-478-0040

Franchise Organization	Address	City	State	Zip	Phone
Michael Titze Company, Inc.	1590 E Nine Mile Road	Pensacola	FL	32514	850-202-0147
Dow Sherwood Corporation	3101 US 27 South	Sebring	FL	33870	863-385-3939
Dow Sherwood Corporation	900 N Ponce De Leon Blvd	St Augustine	FL	32084	904-824-4377
Dow Sherwood Corporation	4571 13th St	St. Cloud	FL	34769	407-957-5880
Bay Pines Group, Inc.	10155 Bay Pines Blvd.	St. Petersburg	FL	33708	727-317-5700
Michael Titze Company, Inc.	2531 Apalachee Pkwy	Tallahassee	FL	32301	850-877-8471
Dow Sherwood Corporation	215 N Dale Mabry Hwy	Tampa	FL	33609	813-877-2617
Dow Sherwood Corporation	11302 N 30th St	Tampa	FL	33612	813-977-7925
Dow Sherwood Corporation	7011 W Hillsborough Ave	Tampa	FL	33634	813-884-5292
Dow Sherwood Corporation	13001 Race Track Rd	Tampa	FL	33626	813-814-0488
Dow Sherwood Corporation	2925 S Washington Ave	Titusville	FL	32780	321-267-6611
VICHRIS, Inc.	5214 Gall Blvd	Zephyrhills	FL	33542	813-782-9556
Boyer Restaurants, Inc.	6301 University Ave #F	Cedar Falls	IA	50613	319-277-5551
Boyer Restaurants, Inc.	1940 John F Kennedy Road	Dubuque	IA	52002	563-556-0893
Boyer Restaurants, Inc.	2002 N 15th St	Fort Dodge	IA	50501	515-955-2002
Boyer Restaurants, Inc.	212 W Ridgeway Ave	Waterloo	IA	50701	319-291-2010
Sherwood Hospitality Group, LLC	200 N 36th ST	Quincy	IL	62301	217-228-1817
Boyer Restaurant Systems, Inc.	1200 N Rock Rd	Derby	KS	67037	316-788-9500
Boyer Restaurant Systems, Inc.	2901 N Main St	Hutchinson	KS	67502	620-662-3116
KAW Pancake Houses, Inc.	5800 Broadmoor St	Mission	KS	66202	913-236-7088
Boyer Restaurant Systems, Inc.	7020 W Central Ave	Wichita	KS	67212	316-945-2400

Franchise Organization	Address	City	State	Zip	Phone
Boyer Restaurant Systems, Inc.	1685 S Rock Rd	Wichita	KS	67207	316-687-4454
Boyer Restaurant Systems, Inc.	3535 S Meridian Ave	Wichita	KS	67217	316-946-9000
Village Ventures, LLC	940 Holiday Dr	Moorhead	MN	56560	218-233-1329
Wanigan Corporation	1500 13th St South	Virginia	MN	55792	218-749-8289
Wyoming Restaurants, Inc.	4848 E Viking Blvd	Wyoming	MN	55092	651-462-2669
Village Inn Pancake House of Springfield, Inc.	850 N 17th St	Ozark	MO	65721	417-581-8815
Village Inn Pancake House of Springfield, Inc.	533 East Elm Street	Republic	MO	65738	417-647-2200
Village Inn Pancake House of Springfield, Inc.	2036 S Glenstone Ave	Springfield	MO	65804	417-881-0774
Village Inn Pancake House of Springfield, Inc.	4222 S Campbell Ave	Springfield	MO	65810	417-887-4774
VI Ventures, LLC	3140 25th St South	Fargo	ND	58103	701-232-9233
Verlander Enterprises I, Ltd.	1205 S El Paseo Blvd	Las Cruces	NM	88001	575-523-0794
Verlander Enterprises I, Ltd.	445 Telshor Blvd	Las Cruces	NM	88011	575-521-1512
New Mexico Restaurant Investors, Inc.	1741 Rio Rancho Dr SE	Rio Rancho	NM	87124	505-892-4200
Verlander Enterprises I, Ltd.	7144 Gateway Blvd East	El Paso	TX	79915	915-772-7755
Verlander Enterprises I, Ltd.	5863 N Mesa St	El Paso	TX	79912	915-581-6329
Verlander Enterprises I, Ltd.	2275 Trawood Dr	El Paso	TX	79935	915-592-7210
Verlander Enterprises I, Ltd.	1500 Airway Blvd	El Paso	TX	79925	915-779-5363
Verlander Enterprises I, Ltd.	4757 Hondo Pass	El Paso	TX	79925	915-751-3455
Verlander Enterprises I, Ltd.	2929 N Mesa St	El Paso	TX	79902	915-544-0229
Verlander Enterprises I, Ltd.	7801 N Mesa St	El Paso	TX	79932	915-581-7205
Verlander Enterprises I, Ltd.	1331 N Zaragosa Road	El Paso	TX	79936	915-590-5058

Franchise Organization	Address	City	State	Zip	Phone
Verlander Enterprises I, Ltd.	3464 Joe Battle	El Paso	TX	79938	915-849-5826
VI RADCO, Inc.	1633 N Main St	Logan	UT	84341	435-752-5656
Family Restaurants, Inc.	29 N River Road	St. George	UT	84790	435-652-9528
Dow Sherwood Corporation	313 Independence Blvd	Virginia Beach	VA	23462	757-499-5557
Quintana Investments, Inc.	31711 Pacific Highway South	Federal Way	WA	98003	253-941-9860
Gulley Enterprises, Inc.	325 Durbin Street	Casper	WY	32609	307-472-0361
ARCHCO of Cheyenne, LLC	411 E 16th St	Cheyenne	WY	82001	307-638-3107
VI-Doug, Inc.	1840 E Richards St	Douglas	WY	82633	307-358-5600
Gulley Enterprises, Inc.	806 E 2nd St	Gillette	WY	82716	307-682-8823
Gulley Enterprises, Inc.	2028 Dewar Dr	Rock Springs	WY	82901	307-362-1205

*As noted in Item 1, as part of the bankruptcy proceeding, our predecessor ABRH marketed certain company-affiliated Village Inn Restaurants for sale through a bankruptcy-related sale process. As a result of that process, ABRH sold three company-operated Village Inn Restaurants in New Mexico to a new franchisee in April 2020, three company-operated Village Inn Restaurants in Florida to an existing franchisee in June 2020 and thirty-one company-operated Village Inn Restaurants in Arizona, Colorado, Illinois, Iowa, Nebraska, New Mexico, Oklahoma and Utah to an existing franchisee in July 2020.

Former Franchisees

The following is a list of franchisees who had a Village Inn Restaurant terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the 2022 fiscal year, or who have not communicated with us within 10 weeks of this disclosure document's issuance date:

Former Franchisees	Address	Phone
Breakfast One Cedar, LLC	1509 Cedar Rd. Chesapeake VA 23322	757-410-3551
Breakfast One Suffolk, LLC	6116 College Drive Suffolk VA 23435	757-484-0700
WWS, Inc.	2215 South Range Ave Colby KS 67701	785-460-6683

ARCHCO of Fort Collins, LLC	1402 E Harmony Rd Ft. Collins CO 80525	970-229-1603

Exhibit D-1
Financial Statements

Consolidated financial statements of MTY Franchising USA, Inc.

For the years ended November 30, 2023 and 2022

pwc

Report of Independent Auditors

To the Management and Stockholder of MTY Franchising USA, Inc.

Opinion

We have audited the accompanying consolidated financial statements of MTY Franchising USA, Inc. and its subsidiaries (the "Company"), which comprise the consolidated statement of operations and comprehensive income for the year ended on November 30, 2023 and 2022, the consolidated statement of changes in stockholder's equity for the year ended on November 30, 2023 and 2022, the consolidated balance sheets as of November 30, 2023 and 2022, and the consolidated statement of cash flows for the year then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of November 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP[1]

Montreal, Canada
February 2, 2024

[1] CPA auditor, public accountancy permit No. A125677

MTY Franchising USA, Inc.
Consolidated statements of operations and comprehensive income
Years ended November 30, 2023 and 2022
(In thousands of US dollars)

	Notes	2023	2022
		$	$
Revenue	19	**580,280**	263,686
Costs and expenses			
Operating expenses	20	**472,147**	194,664
Depreciation – property, plant and equipment	7	**11,358**	2,480
Amortization – intangible assets	8	**19,213**	14,631
Impairment charge – property, plant and equipment	7 & 10	**169**	338
Impairment charge – operating lease right-of-use assets	6	**—**	247
Impairment charge – intangible assets	8 & 10	**4,063**	5,643
Interest expense	21	**53,977**	18,135
Management fees charged by parent company	24	**2,249**	2,928
		563,176	239,066
Other income (expenses)			
Interest income		**2,255**	2,256
(Loss) gain on disposal of property, plant and equipment and intangible assets		**(1,843)**	92
Gain on contingent consideration from a business acquisition	3	**1,600**	—
(Loss) gain on de-recognition/lease modification of operating lease liabilities	6	**(736)**	20
		1,276	2,368
Income before income taxes		**18,380**	26,988
Income tax expense (recovery)	22		
Current		**7,807**	9,911
Deferred		**(6,405)**	(2,496)
		1,402	7,415
Net income and comprehensive income		**16,978**	19,573

MTY Franchising USA, Inc.

Consolidated statements of changes in stockholder's equity

Years ended November 30, 2023 and 2022

(In thousands of US dollars, except number of common stock issued)

	Common stock issued	Common stock value	Retained earnings	Total stockholder's equity
		$	$	$
Balance as at November 30, 2021	15	179,154	37,231	216,385
Net income and comprehensive income	—	—	19,573	19,573
Balance as at November 30, 2022	**15**	**179,154**	**56,804**	**235,958**
Net income and comprehensive income	**—**	**—**	**16,978**	**16,978**
Balance as at November 30, 2023	**15**	**179,154**	**73,782**	**252,936**

MTY Franchising USA, Inc.
Consolidated balance sheets
As at November 30, 2023 and 2022
(In thousands of US dollars)

	Notes	2023	2022
		$	$
Assets			
Current assets			
Cash		**21,138**	23,059
Restricted cash		**271**	504
Accounts receivable	4	**29,461**	24,961
Inventories		**6,414**	6,164
Assets held for sale	5 & 7	**1,668**	1,563
Current portion of loans receivable		**272**	461
Receivable from company under common control	13	**—**	3
Receivable from ultimate parent	13 & 24	**148,828**	126,323
Prepaid expenses and deposits		**8,386**	7,728
Other current assets		**3,333**	3,167
Income taxes receivable	22	**4,919**	2,827
		224,690	196,760
Loans receivable		**151**	543
Contract cost asset		**3,696**	3,127
Other assets		**1,896**	1,492
Property, plant and equipment	7	**63,599**	54,458
Operating lease right-of-use assets	6	**187,074**	165,641
Intangible assets	8	**602,168**	522,400
Goodwill	9	**376,175**	238,060
		1,459,449	1,182,481
Liabilities			
Current liabilities			
Accounts payable		**15,878**	16,650
Accrued liabilities		**28,769**	29,565
Gift card liability	11	**104,858**	91,453
Promotional funds payable		**14,690**	16,303
Current portion of operating lease liabilities	6	**37,080**	35,431
Current portion of deferred revenue and deposits	12	**7,775**	7,571
Advance from parent company	13 & 24	**2,249**	2,928
Advance from ultimate parent	13	**—**	198,801
Advances from companies under common control	13 & 24	**42**	42
Current portion of holdback payable	15	**912**	—
		212,253	398,744

(In thousands of US dollars)

	Notes	2023 $	2022 $
Liabilities (continued)			
Long-term loan from company under common control	14	**705,683**	299,850
Other liabilities		**159**	412
Operating lease liabilities	6	**153,413**	132,285
Deferred revenue and deposits	12	**24,753**	23,288
Deferred income taxes	22	**110,252**	91,944
		1,206,513	946,523
Stockholder's equity			
Common stock	17	**179,154**	179,154
Retained earnings		**73,782**	56,804
		252,936	235,958
		1,459,449	1,182,481

Approved by the Board on February 2, 2024

____________________________________, Director

MTY Franchising USA, Inc.
Consolidated statements of cash flows
Years ended November 30, 2023 and 2022
(In thousands of US dollars)

	Notes	2023 $	2022 $
Operating activities			
Net income and comprehensive income		**16,978**	19,573
Items not affecting cash:			
Depreciation – property, plant and equipment	7	**11,358**	2,480
Amortization – intangible assets	8	**19,213**	14,631
Interest expense	21	**53,977**	18,135
Loss (gain) on disposal of property, plant and equipment and intangible assets		**1,843**	(92)
Impairment charge – property, plant and equipment	7 & 10	**169**	338
Impairment charge – operating lease right-of-use assets	6	**—**	247
Impairment charge – intangible assets	8 & 10	**4,063**	5,643
Gain on contingent consideration from a business acquisition	3	**(1,600)**	—
Loss (gain) on de-recognition/lease modification of operating lease liabilities	6	**736**	(20)
Deferred income tax recovery		**(6,405)**	(2,496)
		100,332	58,439
Interest paid		**(53,977)**	(16,192)
Changes in non-cash working capital items			
Accounts receivable		**(4,133)**	(213)
Inventories		**198**	151
Prepaid expenses and deposits		**(1,140)**	(2,997)
Loans receivable		**1,410**	329
Other current assets		**(412)**	(574)
Income taxes		**(1,842)**	(1,048)
Accounts payable		**(911)**	(2,511)
Accrued liabilities		**(5,853)**	(6,759)
Promotional funds payable		**(2,045)**	(218)
Gift card liability		**7,521**	7,747
Deferred revenue and deposits		**1,088**	2,831
Other		**1,512**	74
Net cash provided from operating activities		**41,748**	39,059

(In thousands of US dollars)

	Notes	2023 $	2022 $
Investing activities			
Net cash outflow on acquisitions	3	**(221,180)**	(207,083)
Net cash acquired through business acquisitions	3	**6,884**	10,431
Additions to property, plant and equipment	7	**(13,250)**	(1,830)
Additions to intangible assets	8	**(565)**	(2,950)
Proceeds on disposal of property, plant and equipment		**358**	326
Net cash used in investing activities		**(227,753)**	(201,106)
Financing activities			
Net advance (to) from ultimate parent and parent company		**(221,985)**	174,599
Net advance from (to) companies under common control		**405,836**	(142)
Repayment of holdback payable	15	**—**	(7,076)
Net cash provided from financing activities		**183,851**	167,381
Net (decrease) increase in cash		**(2,154)**	5,334
Cash, beginning of year		**23,563**	18,229
Cash, end of year		**21,409**	23,563
Supplemental cash flow information	23		

The accompanying notes are an integral part of the consolidated financial statements.

1. Nature of operations

MTY Franchising USA, Inc. (the "Company" or "MTY USA") was incorporated on March 14, 2001. The Company operates, develops and franchises restaurants under a multitude of different banners in the United States of America (the "US").

2. Significant accounting policies

Basis of presentation

The accounting policies of the Company are in accordance with accounting principles generally accepted in the US ("US GAAP"). The Company uses the US dollar as its functional and reporting currency, and tabular amounts are rounded to the nearest thousand ($000) except when otherwise indicated. MTY USA is a wholly owned subsidiary of MTY Food Group Inc.

The preparation of the consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Presented below are those policies considered particularly significant:

Basis of consolidation

The consolidated financial statements reflect the financial position and operating results of the Company, including wholly owned subsidiaries and investees that we control.

The principal subsidiaries of the Company are as follows:

Principal subsidiaries	Percentage of equity interest
	%
BF Acquisition Holdings, LLC	100
Built Franchise Systems, LLC	100
CB Franchise Systems, LLC	100
Kahala Brands Ltd.	100
Papa Murphy's Holdings Inc.	100
BBQ Holdings, Inc. (Note 3)	100
Wetzel's Pretzels, LLC (Note 3)	100

Revenues and expenses of subsidiaries are included in the consolidated statement of operations and comprehensive income from the effective date of acquisition. The subsidiaries are consolidated from the acquisition date until the date on which the Company ceases to control them.

All intercompany transactions, balances, revenues and expenses are eliminated in full upon consolidation.

Business combinations

The Company accounts for acquired businesses using the acquisition method of accounting in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805, Business Combinations. The consideration transferred for the acquisition is the fair values of the assets transferred, the liabilities incurred, and the equity interest issued. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date.

2. Significant accounting policies (continued)

Business combinations (continued)

Goodwill is measured as the excess of the purchase price over the estimated fair values of the net assets acquired. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Goodwill reflects how the acquisition will impact the Company's ability to generate future profits in excess of existing profits. The consideration paid mostly relates to combined synergies, related mainly to revenue growth. These benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Company obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in income and other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Goodwill

Goodwill represents the excess of cost over the net tangible assets and identifiable intangible assets of acquired businesses. Goodwill is carried at cost reduced by previous impairment losses, if any.

Functional currency

The functional currency of the Company and its subsidiaries is the US dollar. The Company translates monetary assets and liabilities that are denominated in currencies other than the US dollar at the exchange rates prevailing at the end of the reporting period; non-monetary assets denominated in foreign currencies are translated using the exchange rate prevailing at the transaction date; all revenue and expense items denominated in foreign currencies are translated at the exchange rate prevailing at the transaction date. All foreign exchange gains and losses are reported in profit or loss.

Revenue recognition

Revenue is recognized upon the transfer of control of promised goods or services to customer in an amount that reflects the consideration the Company expects to receive for those goods or services:

Revenue from franchise locations

i) Royalties are based either on a percentage of gross sales as reported by the franchisees or on a fixed monthly fee. They are recognized on an accrual basis in accordance with the substance of the relevant agreement, as they are earned.

ii) Promotional fund contributions are based on a percentage of gross sales as reported by the franchisees. Corresponding promotional fund transfers are presented directly on the consolidated balance sheets. The Company is not entitled to retain these promotional fund payments received and is obligated to transfer these funds to be used solely for use in promotional and marketing-related costs for specific restaurant banners. The Company sometimes charges a fee for the administration of the promotional funds.

2. Significant accounting policies (continued)

Revenue recognition (continued)

Revenue from franchise locations (continued)

iii) Initial franchise fees are recognized on a straight-line basis over the term of the franchise agreement as the performance obligation relating to franchise rights is fulfilled. Amortization begins once the restaurant has opened.

iv) Upfront fees related to master license agreements are recognized over the term of the master license agreements on a straight-line basis.

v) Renewal fees and transfer fees are recognized on a straight-line basis over the term of the related franchise agreement.

vi) The Company earns rent revenue on certain leases it holds; the Company's policy is described below.

vii) Revenue from equipment sale and retail sales are recognized upon transfer of control, generally upon shipment of the equipment or goods. This revenue is recorded in resale material and retail sales.

viii) The Company recognizes breakage income proportionately as each gift card is redeemed, based on the historical redemption patterns of the gift cards. The Company also charges various program fees to its franchisees as gift cards are redeemed. Notably, this does not apply to gift card liabilities assumed in a business acquisition, which are accounted for at fair value at acquisition date.

ix) The Company receives considerations from certain suppliers. Fees are generally earned based on the value of purchases during the period. Agreements that contain an initial upfront fee, in addition to ongoing fees, are recognized on a straight-line basis over the term of the respective agreement. Supplier contributions are recognized as revenue as they are earned and are recorded in franchising revenue.

x) The Company earns e-commerce fees, which includes point-of-sale ("POS") support fees and transaction fees for purchase made through one of the Company's brands' e-commerce platforms. POS supports fees are received quarterly in advance and are recognized over the period they cover. Transaction fees are recognized when the food items purchased from a store are delivered or picked up by customers.

Revenue from corporate-owned locations

Revenue from corporate-owned locations is recorded when goods are delivered to customers.

Contract cost asset

The Company recognizes incremental costs of obtaining a contract as an asset if they are expected to be recoverable, unless their amortization period would be less than one year, in which case they are expensed as incurred. The costs are amortized to operating expenses over the term of the related franchise agreement.

Leasing

In accordance with ASC 842, the Company determines if an arrangement is or contains a lease at contract inception and recognizes a right-of-use asset and a lease liability at the lease commencement date. Leases with an initial term of 12 months or less but greater than one month are not recorded on the balance sheet for select asset classes.

The lease liability is measured at the present value of future lease payments as of the lease commencement date. The right-of-use asset recognized is based on the lease liability adjusted for prepaid and deferred rent and unamortized lease incentives. An operating lease right-of-use asset is amortized on a straight-line basis over the lease term and is recognized as a single lease cost against the operating lease liability. A finance lease right-of-use asset is amortized on a straight-line basis, with interest costs reported separately, over the lesser of the useful life of the leased asset or lease term.

2. Significant accounting policies (continued)

Leasing (continued)

Operating lease expense is recognized on a straight-line basis over the lease term and is included in Operating expenses. Variable lease payments are expensed as incurred. The Company uses its incremental borrowing rates as the discount rate for its leases, which is equal to the rate of interest the Company would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. The lease terms for all the Company's leases include the contractually obligated period of the leases, plus any additional periods covered by Company options to extend the leases that the Company is reasonably certain to exercise. Certain leases provide that the lease payments may be increased annually based on the fixed rate terms or adjustable terms such as the Consumer Price Index. Future base rent escalations that are not contractually quantifiable as of the lease commencement date are not included in the lease liability.

Lease expense for lease payments is recognized on a straight-line basis over the lease term. Lease expense is comprised of operating and finance lease costs, short-term lease costs, and variable lease costs, which primarily include common area maintenance, real estate taxes, and insurance for the Company's real estate leases.

The Company enters into leases for franchised and corporately-owned locations, offices, and equipment in the normal course of business.

The Company as lessee

The Company recognizes operating lease liabilities with corresponding operating lease right-of-use assets, except for short-term leases and leases of low value assets, which are expensed on a straight-line basis over the lease term. The Company's leases are all classified as operating leases. The amortization of the operating lease right-of-use asset and interest expense related to the operating lease liability are recorded together as the lease expense to produce a straight-line recognition effect in the consolidated statement of operations. Under ASC 842, operating lease right-of-use assets are tested for impairment in accordance with ASC 360, Property, Plant and Equipment.

The Company as lessor

When the Company enters into a sublease arrangement as an intermediate lessor, the Company accounts for the head lease and the sublease as two separate contracts. All the subleases of the Company are classified as operating subleases by reference to the operating lease right-of-use asset arising from the underlying asset. For operating subleases, the Company recognizes an operating right-of-use asset relating to the head lease and recognizes a deferred rent asset or liability in the sublease. As the intermediate lessor, the Company retains the operating lease liability on the head lease in its consolidated balance sheet. During the term of the sublease, the Company recognizes both lease income on the sublease and lease expense on the head lease.

Income taxes

The Company accounts for income taxes pursuant to ASC 740, Income Taxes ("ASC 740"). Deferred tax assets and liabilities are recorded for differences between the financial statement and tax basis of the assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is recorded for the amount of income tax payable or refundable for the period increased or decreased by the change in deferred tax assets and liabilities during the period.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

Allowance for doubtful accounts

The Company currently uses the simplified expected credit loss ("ECL") model for its trade receivables, which permits the use of the lifetime expected loss provision for all trade receivables and also incorporates forward-looking information. Lifetime ECL represents the ECL that will result from all probable default events over the expected life of a financial instrument.

2. Significant accounting policies (continued)

Assets held for sale

Assets are classified as held for sale when management with the appropriate authority commits to a plan to sell the assets, the assets are available for immediate sale, the assets are actively marketed at a reasonable price, the sale is probable within a year, and certain other criteria met. Assets held for sale consist primarily of Company-owned stores where the Company has committed to a plan to sell specific stores. Assets designated as held for sale are held at the lower of the net book value or fair value less costs to sell. Depreciation is not charged against property, plant and equipment classified as assets held for sale.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated balance sheet at their historical costs less accumulated depreciation (buildings) and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, including any costs directly attributable to bringing the asset to a working condition for its intended use.

Equipment, leasehold improvements, rolling stock and computer hardware are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Depreciation is based on the following terms:

Buildings	Straight-line	25 to 50 years
Equipment	Straight-line	Three to 10 years
Leasehold improvements	Straight-line	Term of the lease
Rolling stock	Straight-line	Five to seven years
Computer hardware	Straight-line	Three to seven years

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if applicable. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful lives and amortization methods are reviewed at the end of each year, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses, if applicable.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets having a finite life acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, if applicable, on the same basis as intangible assets that are acquired separately. Intangible assets having an indefinite life are not amortized and are therefore carried at cost reduced by previous impairment losses, if applicable.

2. Significant accounting policies (continued)

Intangible assets (continued)

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

The Company currently carries the following intangible assets in its books:

Franchise rights

The franchise rights acquired through business combinations are recognized at the fair value of the estimated future cash inflows related to the acquisition of franchises. The franchise rights are generally amortized on a straight-line basis over the term of the agreements which typically range between 10 to 20 years.

Trademarks

Trademarks acquired through business combinations are recognized at their fair value at the time of the acquisition and are not amortized. Trademarks are determined to have an indefinite useful life based on their brand recognition and their ability to generate revenue through changing economic conditions with no foreseeable time limit.

Other

Included in other intangible assets are purchased software and liquor licences, which are being amortized over their expected useful life on a straight-line basis.

Impairment of long-lived assets other than goodwill

The Company continually reviews whether events or circumstances subsequent to the acquisition of any long-lived assets, including intangible assets with finite useful lives, have occurred that indicate the remaining estimated useful lives of those assets may warrant revision or that the remaining balance of those assets may not be recoverable. If events and circumstances indicate that the long-lived assets should be reviewed for possible impairment, the Company uses projections to assess whether future cash flows on an undiscounted basis related to the assets exceed the recorded carrying amount of those assets to determine if an asset is impaired. Should an impairment be identified, a loss would be recorded to the extent that the carrying value of the impaired assets exceeds their fair values as determined by valuation techniques appropriate in the circumstances that could include the use of similar cash flow projections on a discounted basis. The reporting units of indefinite intangible assets are individual brands, comprised of franchise rights, trademarks, and perpetual licenses.

Impairment of goodwill

For the purposes of impairment testing, goodwill is allocated to the unit or group of units ("reporting unit") that are considered to represent the lowest level within the group at which the goodwill is monitored for internal management purposes. As at November 30, 2023, goodwill is allocated as follows:

	Reporting unit description
Reporting Unit A	A group of units comprised of acquired brands in the US, excluding the Papa Murphy's, BBQ Holdings, Inc. ("BBQ Holdings") and Wetzel's Pretzels brands
Reporting Unit B	One unit comprised of the Papa Murphy's brand
Reporting Unit C	A group of units comprised of the BBQ Holdings brands
Reporting Unit D	One unit comprised of the Wetzel's Pretzels brand

2. Significant accounting policies (continued)

Impairment of goodwill (continued)

Goodwill is tested for impairment on an annual basis (August 31 for the Company) and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. Fair value is determined using a discounted cash flow methodology with a risk adjusted weighted average cost of capital.

Cash and restricted cash

Cash and restricted cash include cash on hand and short-term investments, if any, with maturities upon acquisition of generally three months or less or that are redeemable at any time at full value and for which the risk of a change in value is not significant. As at November 30, 2023, cash and restricted cash included $271 of restricted cash (2022 – $504) that is required as part of guarantees on certain lease commitments.

Inventories

Inventories are measured at the lower of cost and market value. Costs of inventories are determined on a first-in-first-out basis and include acquisition costs and other costs incurred to bring inventories to their present location and condition.

Market value represents the current replacement cost, provided that the cost does not exceed the net realizable value or is not less than the net realizable value reduced by a normal profit margin.

Contingencies

Litigation, disputes and closed stores

Provisions for the expected cost of litigation, disputes and the cost of settling leases for closed stores, with the exception of operating lease liabilities already recorded pursuant to ASC 842, are recognized when it becomes probable the Company will be required to settle the obligation, at management's best estimate of the expenditure required to settle the Company's obligation.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized, and the amount initially recognized less cumulative amortization recognized, if any.

Financial instruments

The Company's financial instruments consist of cash, restricted cash, accounts receivable, loans receivable, receivable from company under common control, receivable from ultimate parent, accounts payable, accrued liabilities, promotional funds payable, advance from parent company, advances from companies under common control, long-term loan from company under common control and holdbacks payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values for cash, restricted cash, accounts receivable, loans receivable, receivable from company under common control, receivable from ultimate parent, accounts payable, accrued liabilities, promotional funds payable, advance from parent company and advances from companies under common control approximate their carrying values due to their immediate or short-term maturities, unless otherwise noted. The long-term loan from company under common control, advances from ultimate parent and holdbacks payable are measured at amortized cost using the effective interest method.

Promotional funds

Pursuant to the franchise agreements, franchisees must pay a fee to the promotional funds. These amounts are collected by the Company in its capacity as agent and must be used for promotional and advertising purposes, since the amounts are set aside to promote the respective banners for the franchisees' benefit. The promotional funds collected, and the related expenditures are reported on a gross basis in the consolidated statements of operations and comprehensive income. To the extent that promotional funds received exceed the related promotional expenditures, the excess contributions will be recorded in accounts payable or accrued liabilities.

2. Significant accounting policies (continued)

Promotional funds (continued)

Cash held pursuant to the promotional funds received are classified as unrestricted cash as there are no legal restrictions on the use of these funds; however, the Company intends to use these funds solely to support the promotional funds rather than to fund its ongoing operations. As at November 30, 2023, promotional funds were in a net liability position amounting to $11,357 (2022 – net liability position of $13,278).

Subsequent events

Subsequent events were evaluated through the date that the consolidated financial statements were issued, which was February 2, 2024.

Estimates and assumptions

Business combinations

For business combinations, the Company must make assumptions and estimates to determine the purchase price accounting of the business being acquired. To do so, the Company must determine the acquisition date fair value of the identifiable assets acquired, including such intangible assets as franchise rights and master franchise rights, trademarks, step-in rights and liabilities assumed. Among other things, the determination of these fair market values involves the use of discounted cash flow analyses and future system sales growth. Goodwill is measured as the excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree over the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. These assumptions and estimates have an impact on the asset and liability amounts recorded in the consolidated balance sheets on the acquisition date. In addition, the estimated useful lives of the acquired amortizable assets, the identification of intangible assets and the determination of the indefinite or finite useful lives of intangible assets acquired will have an impact on the Company's future profit or loss.

Goodwill and indefinite-lived intangible assets

The fair value calculation includes estimates of revenue growth, which are based on past performance and internal projections for the intangible asset group's forecasted growth, and royalty rates, which are adjusted for our particular facts and circumstances. The discount rate is selected based on the estimated cost of capital that reflects the risk profile of the related business. These estimates are highly subjective, the ability to achieve the forecasted cash flows used in our fair value calculations is affected by factors such as the success of strategic initiatives, changes in economic conditions, changes in our operating performance and changes in our business strategies.

Contingencies

The Company makes assumptions and estimations based on its current knowledge of future disbursements it will have to make in connection with various events that have occurred in the past and for which the amount to be disbursed and the timing of such disbursement are uncertain at the date of producing its financial statements. This includes contingencies for onerous contracts, litigations and disputes and other contingencies.

Gift card liabilities

Management is required to make certain assumptions in both the prorated recognition based on redemption pattern and remoteness recognition of gift card breakage. The significant estimates are breakage rate and the redemption patterns.

(In thousands of US dollars)

3. Business acquisitions

I) Sauce Pizza and Wine (2023)

On December 15, 2022, the Company completed the acquisition of the assets of Sauce Pizza and Wine, an operator of fast casual restaurants operating in the state of Arizona in the US. As of the date of the acquisition, Sauce Pizza and Wine was operating 13 corporate-owned restaurants. The purpose of the transaction was to diversify the Company's range of offerings in the US.

The transaction included a purchase price totaling $11,165 and a holdback on acquisition of $798, as detailed below. The resulting aggregate cash outflow in connection with the Sauce Pizza and Wine acquisition was $9,927.

	2023
	$
Consideration paid:	
Purchase price	11,165
Working capital	(401)
Cash	23
Discount on non-interest-bearing holdback	(39)
Total consideration	10,748
Cash	(23)
Holdback	(798)
Net consideration paid/cash outflow	9,927

(In thousands of US dollars)

3. Business acquisitions (continued)

l) Sauce Pizza and Wine (2023) (continued)

The final purchase price allocation is as follows:

	2023
	$
Net assets acquired:	
Current assets	
Cash	23
Inventories	183
Prepaid expenses and deposits	193
	399
Property, plant and equipment	3,821
Operating lease right-of-use assets	7,262
Intangible assets – Trademark	4,140
Goodwill (1)	3,658
	19,280
Current liabilities	
Accrued liabilities	78
Gift card liability	1,086
Current portion of operating lease liabilities	1,218
	2,382
Operating lease liabilities	6,150
	8,532
Net purchase price	10,748

(1) Goodwill is deductible for tax purposes.

Total expenses incurred related to acquisition costs amounted to $160.

(In thousands of US dollars)

3. Business acquisitions (continued)

II) Wetzel's Pretzels (2023)

On December 8, 2022, the Company completed the acquisition of all of the issued and outstanding shares of COP WP Parent, Inc. ("Wetzel's Pretzels"), a franchisor and operator of quick service restaurants operating in the snack category across 25 states in the US, as well as in Canada and Panama. As of the date of the acquisition, Wetzel's Pretzels was operating 328 franchised and 38 corporate-owned restaurants. The purpose of the transaction was to diversify the Company's range of offerings in the US.

The transaction included a purchase price totaling $210,189, as detailed below. The resulting aggregate cash outflow in connection with the Wetzel's Pretzels acquisition was $203,328. The transaction consideration also includes $3,000 held in escrow contingent on the execution of several lease contracts within 12 months of acquisitions. As of December 8, 2023, only a portion of the contracts were executed and therefore $1,600 was released from escrow and recorded as a gain in the statement of profit and loss.

	2023
	$
Consideration paid:	
Purchase price	210,189
Total consideration	210,189
Cash	(6,861)
Net consideration paid/cash outflow	203,328

(In thousands of US dollars)

3. Business acquisitions (continued)

II) Wetzel's Pretzels (2023) (continued)

The final purchase price allocation is as follows:

	2023
	$
Net assets acquired:	
Current assets	
Cash	6,861
Accounts receivable	1,005
Inventories	265
Current portion of loans receivable	45
Prepaid expenses and deposits	757
Income taxes receivable	1,371
	10,304
Loans receivable	594
Property, plant and equipment	5,082
Operating lease right-of-use assets	21,931
Intangible assets – Franchise rights	35,600
Intangible assets – Trademarks	71,700
Goodwill [1]	118,447
	263,658
Current liabilities	
Accounts payable	911
Accrued liabilities	4,979
Promotional funds payable	431
Current portion of operating lease liabilities	936
Current portion of deferred revenue and deposits	67
Income taxes payable	547
	7,871
Operating lease liabilities	20,995
Deferred revenue and deposits	939
Deferred income taxes	23,664
	53,469
Net purchase price	210,189

(1) Goodwill is deductible for tax purposes.

Total expenses incurred related to acquisition costs amounted to $320.

(In thousands of US dollars)

3. Business acquisitions (continued)

III) BBQ Holdings (2022)

On September 27, 2022, the Company completed the acquisition of all of the issued and outstanding common shares of BBQ Holdings. BBQ Holdings is a franchisor and operator of casual and fast casual dining restaurants across 37 states in the US, Canada, and the United Arab Emirates. As of the date of the acquisition, BBQ Holdings was operating 198 franchised and 103 corporate-owned restaurants under 10 different brands. The purpose of the transaction was to diversify the Company's range of offerings in the US as well as to bring proficiency in operating corporate-owned restaurants.

The transaction included a purchase consideration totaling $182,458, repayment of long-term debt of $24,625 and early cash settlement of stock options and restricted stock units of $10,204, as detailed below. The resulting aggregate cash outflow in connection with the BBQ Holdings acquisition was $207,123.

	As previously reported	Adjustments	2022
	$	$	$
Consideration paid:			
Cash	207,083	—	**207,083**
Amount paid for early settlement of options	10,164	—	**10,164**
Cash amount paid for early settlement of options (1)	—	40	**40**
Total consideration	217,247	40	**217,287**

(In thousands of US dollars)

3. Business acquisitions (continued)

III) BBQ Holdings (2022) (continued)

The final purchase price allocation is as follows:

	As previously reported	Adjustments	2022
	$	$	$
Net assets acquired:			
Current assets			
Cash	20,595	—	**20,595**
Accounts receivable [1]	5,847	(537)	**5,310**
Inventories	3,853	—	**3,853**
Prepaid expenses and deposits [1]	1,348	271	**1,619**
Income taxes receivable	895	—	**895**
	32,538	(266)	**32,272**
Loans receivable [1]	143	87	**230**
Other assets [1]	180	(180)	**—**
Property, plant and equipment [1]	54,238	(983)	**53,255**
Operating lease right-of-use assets [1]	79,601	81	**79,682**
Intangible assets – Franchise rights [1]	8,130	(1,340)	**6,790**
Intangible assets – Trademarks [1]	121,440	(8,010)	**113,430**
Intangible assets – Other [1]	1,007	517	**1,524**
Goodwill [2]	52,484	14,933	**67,417**
	349,761	4,839	**354,600**
Current liabilities			
Accounts payable [1]	5,644	113	**5,757**
Accrued liabilities	17,502	(880)	**16,622**
Gift card liability [1]	7,609	4,798	**12,407**
Current portion of operating lease liabilities [1]	12,561	63	**12,624**
Current portion of deferred revenue and deposits [1]	425	(425)	**—**
	43,741	3,669	**47,410**
Other liabilities [1]	605	63	**668**
Operating lease liabilities [1]	67,040	18	**67,058**
Deferred income taxes [1]	21,128	1,049	**22,177**
	132,514	4,799	**137,313**
Net purchase price	217,247	40	**217,287**

(1) The Company has recorded adjustments to its previously reported preliminary purchase price allocation reported in the annual 2022 financial statements. The adjustments relate to the fair values of accounts receivable, other assets, prepaid expenses and deposits, loans receivable, property, plant and equipment, operating lease right-of-use assets, franchise rights, trademarks, other intangible assets, accounts payable, gift card liability, current portion of deferred revenue and deposits, current portion of operating lease liabilities, operating lease liabilities, deferred income taxes and other liabilities.

(2) Goodwill is deductible for tax purposes.

Total expenses incurred related to acquisition costs during the year ended November 30, 2023 amounted to $417 (2022 – $3,566).

(In thousands of US dollars)

4. Accounts receivable

Details of accounts receivable are as follows:

	2023	2022
	$	$
Total accounts receivable	**31,738**	26,974
Less: Allowance for credit losses	**(2,277)**	(2,013)
Total accounts receivable, net	**29,461**	24,961
Of which:		
Not past due	**25,787**	21,364
Past due for more than one day but no more than 30 days	**430**	677
Past due for more than 31 days but no more than 60 days	**208**	248
Past due for more than 61 days	**3,036**	2,672
Total accounts receivable, net	**29,461**	24,961

	2023	2022
	$	$
Allowance for credit losses, beginning of year	**(2,013)**	(2,063)
(Provision) recovery	**(733)**	97
Additions through business acquisition	**(374)**	(369)
Reversal of amounts previously written off	**(2)**	—
Write-offs	**845**	322
Allowance for credit losses, end of year	**(2,277)**	(2,013)

5. Assets held for sale

Assets held for sale as at November 30, 2023 and 2022 are stated at fair value less costs to sell and are comprised of one location's leasehold improvements, land and building that were acquired with BBQ Holdings and that were transferred from property, plant and equipment (Note 7). They did not meet the definition of assets held for sale as at the acquisition date of BBQ Holdings.

(In thousands of US dollars)

6. Leases

Operating lease right-of-use assets

The following table provides the net carrying amounts of the operating lease right-of-use assets by class of underlying asset and the changes in the years ended November 30, 2023 and 2022:

	Offices and stores	Other	Total
	$	$	$
Balance as at November 30, 2021	100,769	103	100,872
Additions	1,948	—	1,948
Additions through business acquisitions (Note 3)	79,208	393	79,601
Depreciation expense	(28,644)	(63)	(28,707)
Impairment charge	(247)	—	(247)
De-recognition/lease modifications	12,174	—	12,174
Balance as at November 30, 2022	165,208	433	165,641
Additions	**7,115**	**160**	**7,275**
Additions through business acquisitions (Note 3)	**29,274**	**—**	**29,274**
Depreciation expense	**(40,972)**	**(278)**	**(41,250)**
De-recognition/lease modifications	**26,139**	**(5)**	**26,134**
Balance as at November 30, 2023	**186,764**	**310**	**187,074**

The Company recorded sublease income from its operating lease right-of-use assets amounting to $24,789 (2022 – $24,414).

(In thousands of US dollars)

6. Leases (continued)

Operating lease liabilities

The following table provides the net carrying amounts of the operating lease liabilities and the changes in the years ended November 30, 2023 and 2022:

	2023	2022
	$	$
Operating lease liabilities, beginning of year	**167,716**	101,910
Additions	**7,284**	1,948
Additions through business acquisitions (Note 3)	**29,380**	79,601
Lease renewals and modifications	**29,624**	13,918
Lease terminations	**(3,554)**	(1,763)
Other adjustments	**(201)**	282
Interest expense	**10,449**	3,853
Payments	**(50,205)**	(32,033)
Operating lease liabilities, end of year	**190,493**	167,716

Recorded in the consolidated balance sheets as follows:

	2023	2022
	$	$
Current portion	**37,080**	35,431
Long-term portion	**153,413**	132,285
	190,493	167,716

Maturity analysis

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be paid after November 30, 2023:

	Leases	**Expected sublease income**
	$	**$**
2024	47,680	23,049
2025	41,990	19,288
2026	35,406	15,232
2027	29,151	11,325
2028	22,532	7,672
Thereafter	52,003	9,385
Total undiscounted lease payments	**228,762**	**85,951**
Less: Unearned finance income	(38,269)	—
Total present value of lease liabilities and expected sublease income	**190,493**	**85,951**

(In thousands of US dollars)

7. Property, plant and equipment

Cost	Equipment	Leasehold improve-ments	Rolling stock	Computer hardware	Land	Building	Total
	$	$	$	$	$	$	$
Balance as at November 30, 2021	3,117	642	40	1,147	—	—	4,946
Additions	596	682	—	538	—	14	1,830
Additions through business acquisition (Note 3)	18,275	25,400	—	2,407	3,925	4,231	54,238
Disposals	(522)	(11)	(16)	(94)	—	—	(643)
Impairment (Note 10)	(167)	(171)	—	—	—	—	(338)
Transfer to assets held for sale	—	(47)	—	—	(780)	(736)	(1,563)
Balance as at November 30, 2022	21,299	26,495	24	3,998	3,145	3,509	58,470
Additions through business acquisitions (Note 3)	**2,014**	**6,242**	**(8)**	**(89)**	**75**	**(314)**	**7,920**
Additions	**6,215**	**5,978**	**—**	**1,007**	**—**	**50**	**13,250**
Disposals	**(578)**	**(155)**	**—**	**(125)**	**—**	**—**	**(858)**
Impairment (Note 10)	**(139)**	**(16)**	**—**	**(14)**	**—**	**—**	**(169)**
Balance as at November 30, 2023	**28,811**	**38,544**	**16**	**4,777**	**3,220**	**3,245**	**78,613**

Accumulated depreciation	Equipment	Leasehold improve-ments	Rolling stock	Computer hardware	Land	Building	Total
	$	$	$	$	$	$	$
Balance as at November 30, 2021	1,381	232	20	324	—	—	1,957
Depreciation	459	1,292	3	682	—	44	2,480
Disposals	(305)	(12)	(16)	(92)	—	—	(425)
Balance as at November 30, 2022	1,535	1,512	7	914	—	44	4,012
Depreciation	**3,362**	**7,381**	**(7)**	**524**	**—**	**98**	**11,358**
Disposals	**(282)**	**(65)**	**—**	**(9)**	**—**	**—**	**(356)**
Balance as at November 30, 2023	**4,615**	**8,828**	**—**	**1,429**	**—**	**142**	**15,014**

Carrying amounts	Equipment	Leasehold improve-ments	Rolling stock	Computer hardware	Land	Building	Total
	$	$	$	$	$	$	$
November 30, 2022	19,764	24,983	17	3,084	3,145	3,465	54,458
November 30, 2023	**24,196**	**29,716**	**16**	**3,348**	**3,220**	**3,103**	**63,599**

(In thousands of US dollars)

8. Intangible assets

Cost	Franchise rights	Trademarks	Other	Total
	$	$	$	$
Balance as at November 30, 2021	174,870	300,297	1,050	476,217
Additions	—	—	2,950	2,950
Additions through business acquisitions (Note 3)	8,130	121,440	1,007	130,577
Impairment (Note 10)	(1,776)	(3,867)	—	(5,643)
Balance as at November 30, 2022	181,224	417,870	5,007	604,101
Additions	**—**	**—**	**565**	**565**
Additions through business acquisitions (Note 3)	**34,260**	**67,830**	**517**	**102,607**
Disposals	**—**	**—**	**(177)**	**(177)**
Impairment (Note 10)	**(559)**	**(3,504)**	**—**	**(4,063)**
Balance as at November 30, 2023	**214,925**	**482,196**	**5,912**	**703,033**

Accumulated amortization	Franchise rights	Trademarks	Other	Total
	$	$	$	$
Balance as at November 30, 2021	66,514	—	556	67,070
Amortization	14,079	—	552	14,631
Balance as at November 30, 2022	80,593	—	1,108	81,701
Disposals	**—**	**—**	**(49)**	**(49)**
Amortization	**18,434**	**—**	**779**	**19,213**
Balance as at November 30, 2023	**99,027**	**—**	**1,838**	**100,865**

Carrying amounts	Franchise rights	Trademarks	Other	Total
	$	$	$	$
November 30, 2022	100,631	417,870	3,899	522,400
November 30, 2023	**115,898**	**482,196**	**4,074**	**602,168**

(In thousands of US dollars)

9. Goodwill

The changes in the carrying amount of goodwill are as follows:

	2023	2022
	$	$
Goodwill, beginning of year	**286,713**	234,229
Amount recognized from business acquisitions (Note 3)	**138,115**	52,484
Goodwill, end of year	**424,828**	286,713
Accumulated impairment, beginning and end of year	**(48,653)**	(48,653)
Carrying amount	**376,175**	238,060

10. Impairment

The Company performed its annual impairment test as at August 31, 2023, resulting in the recognition of $4,063 (2022 – $5,643) of impairment losses on its intangible assets for four of its brands (2022 – three brands), following indicators of impairment that were noted.

Additionally, the Company recorded $169 of impairment losses on its property, plant and equipment (2022 – $338), and did not record any impairment on goodwill (2022 – nil), for a total of $4,232 (2022 – $5,981) of impairment charges on its property, plant and equipment and intangible assets for the year ended November 30, 2023, which have been recognized in the consolidated statement of operations.

Impairment charges were based on the amount by which the carrying values of the assets exceeded recoverable amounts, determined using expected discounted projected operating cash flows for trademarks and franchise rights.

Impairment by reporting unit for the year ended November 30, 2023:

		Intangible assets		
	Property, plant and equipment	**Franchise rights**	**Trademarks**	**Total**
	$	**$**	**$**	**$**
Reporting Unit A	**22**	**559**	**3,264**	**3,845**
Reporting Unit B	**—**	**—**	**—**	**—**
Reporting Unit C	**105**	**—**	**240**	**345**
Reporting Unit D	**42**	**—**	**—**	**42**
	169	**559**	**3,504**	**4,232**

(In thousands of US dollars)

10. Impairment (continued)

Impairment by reporting unit for the year ended November 30, 2022:

		Intangible assets		
	Property, plant and equipment	Franchise rights	Trademarks	Total
	$	$	$	$
Reporting Unit A	79	1,776	3,867	5,722
Reporting Unit B	259	—	—	259
Reporting Unit C	—	—	—	—
	338	1,776	3,867	5,981

The key assumptions used, where the recoverable amount was measured as a reporting unit's fair value, are those related to projected operating cash flows, as well as the discount rates. The sales forecasts for cash flows were based on the subsequent fiscal year's budgeted operating results, which were prepared by management and approved by the Board, and internal forecasts for subsequent years, which were prepared by management and developed from the budgeted operating results.

(In thousands of US dollars)

10. Impairment (continued)

The following table presents the key assumptions used in the Company's impairment tests, as well as the recoverable amounts measured at fair value as at August 31, 2023 and 2022:

				2023		2022
($, except percentage data)	**Reporting Unit A**	**Reporting Unit B**	**Reporting Unit C**	**Reporting Unit D**	Reporting Unit A	Reporting Unit B
Discount rates after tax	**10.5%**	**10.5%**	**10.5%**	**10.5%**	10.3%	10.3%
Discount rates pre-tax	**13.4%**	**13.8%**	**13.7%**	**13.6%**	13.1%	13.2%
Recoverable amounts	**539,407**	**266,604**	**313,644**	**270,246**	515,478	250,715

Long-term growth rates ranging from 0% to 2% (2022 – 0% to 2%) were used in the impairment test for Reporting Unit A. A change of 100 basis points in discount rates in Reporting Unit A would result in additional impairment charges on intangible assets of three brands (2022 – four brands) representing 0.7% (2022 – 0.5%) of the total carrying value of the franchise rights and trademarks in that unit. A change of 100 basis points in discount rates in Reporting Unit A would not result in additional impairment charges on goodwill for the years ended November 30, 2023 and 2022. For Reporting Unit A, an increase of 440 basis points (2022 – 320 basis points) in the discount rate would have resulted in its recoverable amount being equal to its carrying value.

A long-term growth rate of 1.5% (2022 – 1.5%) was used in the impairment test for Reporting Unit B. A change of 100 basis points in discount rates in Reporting Unit B would not result in additional impairment charges on intangible assets or goodwill for the years ended November 30, 2023 and 2022. For Reporting Unit B, an increase of 200 basis points (2022 – 110 basis points) in the discount rate would have resulted in its recoverable amount being equal to its carrying value.

Long-term growth rates of 2.0% were used in the impairment test for Reporting Unit C. A change of 100 basis points in discount rates in Reporting Unit C would not result in additional impairment charges on intangible assets or goodwill for the years ended November 30, 2023. For Reporting Unit C, an increase of 200 basis points in the discount rate would have resulted in its recoverable amount being equal to its carrying value. For the year ended November 30, 2022, the impairment test of Reporting Unit C was performed as at November 30, 2022 and was based on qualitative factors, which did not give rise to any indications of impairment.

A long-term growth rate of 2.0% was used in the impairment test for Reporting Unit D. A change of 100 basis points in discount rates in Reporting Unit D would not result in additional impairment charges on intangible assets or goodwill for the year ended November 30, 2023. For Reporting Unit D, an increase of 160 basis points in the discount rate would have resulted in its recoverable amount being equal to its carrying value.

11. Gift card liability

The changes in the carrying amount of the gift card liability are as follows:

	2023	2022
	$	$
Gift card liability, beginning of year	**91,453**	76,097
Activations	**52,873**	37,978
Redemptions	**(39,603)**	(25,168)
Gift card liability acquired and purchase price allocation adjustments (Note 3)	**5,884**	7,609
Deferred program fees and other	**(1,065)**	(873)
Gift card breakage recorded	**(4,684)**	(4,190)
Gift card liability, end of year	**104,858**	91,453

(In thousands of US dollars)

12. Deferred revenue and deposits

	2023	2022
	$	$
Franchise fee deposits	**28,948**	25,246
Unearned rent	**1,794**	1,880
Supplier contributions and other allowances	**1,786**	3,733
	32,528	30,859
Current portion	**(7,775)**	(7,571)
	24,753	23,288

Deferred revenues consist mostly of initial, transfer and renewal franchise fees paid by franchisees, as well as upfront fees paid by master franchisees, which are generally recognized on a straight-line basis over the term of the related agreement. Deferred revenues also include amounts paid in upfront fees received from agreements with suppliers, which are amortized over the term of the related agreement.

$8,055 (2022 – $7,598) of revenue recognized in the current year was included in the deferred revenue balance at the beginning of the year.

The following table provides estimated revenues expected to be recognized in future years related to performance obligations that are unsatisfied as at November 30, 2023:

Estimate for fiscal year:	$
2024	7,775
2025	3,416
2026	3,066
2027	2,614
2028	2,026
Thereafter	13,631
	32,528

13. Receivables and advances from ultimate parent, parent company and companies under common control

The receivable from ultimate parent is primarily comprised of a renewable one-year term loan facility of $148,670 (2022 – $126,128). The term loan is unsecured and bears interest at the rate set at the Applicable Federal Rates as issued by the US Internal Revenue Service for short-term instruments. The term loan may be repaid, in whole or in part, at any time, without premium or penalty. MTY USA may also request repayment, in whole or in part, at any time, without penalty.

The advance from ultimate parent was repaid in conjunction with the issuance of another loan that makes up a portion of the interest bearing loans totaling $405,833 seen in note 14 (2022 – $198,785). Those loans are due December 8, 2029, are unsecured and bear interest at 9.26%. The term loans may be repaid, in whole or in part, at any time, without premium or penalty.

The receivable from company under common control and advances from parent company and companies under common control are non-interest bearing and receivable/due on demand with no specified collection/repayment terms.

(In thousands of US dollars)

14. Long-term loan from company under common control

	2023	2022
	$	$
Interest-bearing loan at 5.4%, repayable by November 27, 2026 [1]	**299,850**	299,850
Two interest-bearing loans at 9.26%, repayable by December 8, 2029	**405,833**	—
	705,683	299,850

[1] This loan is subject to a maximum debt-to-EBITDA ratio of 6.00:1.00 starting on November 27, 2019, and a minimum EBITDA interest coverage ratio of 2.00:1.00 to be calculated in conjunction with interest payments based on the past 12 months.

15. Holdback payable

	2023	2022
	$	$
Non-interest-bearing holdback on acquisition of Sauce Pizza and Wine, repayable in December 2023 (Note 3)	**837**	—
Non-interest-bearing holdback on acquisition of the assets of two restaurants located in California, repayable within the next 12 months	**75**	—
Current portion of holdback payable	**912**	—

16. Contingencies

The contingencies for litigation and disputes represent management's best estimate of the outcome of litigations and disputes that are ongoing at the date of the consolidated balance sheet. These contingencies consist of multiple items, a large part of which are insurance claims, including worker's compensation claims, at the Company's corporately owned locations. The timing of the settlement of these contingencies is unknown given their nature, as the Company does not control the litigation timelines.

	2023	2022
	$	$
Provision for litigations, disputes and other contingencies, beginning of year	**724**	966
Reversals	**(304)**	(421)
Amounts used	**(8,797)**	(56)
Additions	**11,226**	235
Provision for litigations, disputes and other contingencies, end of year	**2,849**	724

17. Common stock

	2023		2022	
	Shares issued	**$**	Shares issued	$
Balance, beginning and end of year	**15**	**179,154**	15	179,154

(In thousands of US dollars)

18. Financial instruments

In the normal course of business, the Company uses various financial instruments which by their nature involve risk, including market risk and the credit risk of non-performance by counterparties. These financial instruments are subject to normal credit standards, financial controls, risk management as well as monitoring procedures.

Fair value of recognized financial instruments

The Company has determined that the fair value of its financial assets and financial liabilities with short-term maturities approximates their carrying value. These financial instruments include cash, restricted cash, accrued liabilities, promotional funds payable, and advances from parent company and from companies under common control.

The table below shows the fair value and the carrying value of other financial instruments as at November 30, 2023 and 2022. Since estimates are used to determine fair value, they must not be interpreted as being realizable in the event of a settlement of the instruments.

		2023		2022
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Financial assets				
Loans receivable	**423**	**423**	1,004	1,004

Determination of fair value

The following methods and assumptions were used to estimate the fair values of each class of financial instrument:

Cash, restricted cash, accounts receivable, receivable from ultimate parent, deposits, accounts payable, holdback payable, accrued liabilities, advance from parent company, advances from companies under common control – The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Risk management policies

The Company, through its financial assets and financial liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at November 30, 2023.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables, loans receivable and deposits. For accounts receivable and loans receivable, the amounts disclosed on the consolidated balance sheets are net of allowances for bad debts, estimated by the Company's management based on past experience and counterparty specific circumstances. The Company believes that the credit risk of accounts receivable is limited for the following reasons:

- The Company's broad client base is spread mostly across the US, which limits the concentration of credit risk.
- The Company accounts for specific bad debt provisions when management considers that the expected recovery is less than the actual account receivable.

The credit risk on cash is limited because the Company invests its excess liquidity in high-quality financial instruments and with credit-worthy counterparties.

The credit risk on deposits is also limited as these are mostly with well-established and credit-worthy companies.

Interest rate risk

Interest rate risk is the Company's exposure to increases and decreases in financial instrument values caused by the fluctuation in interest rates. The Company has limited exposure to interest rate risk as its long-term loans from company under common control and ultimate parent as well as its long-term debt have fixed interest rates

(In thousands of US dollars)

19. Revenue

	For the year ended					
	November 30, 2023			November 30, 2022		
	Franchising	**Corporate**	**Total**	Franchising	Corporate	Total
	$	**$**	**$**	$	$	$
Corporate store revenues	**—**	**337,937**	**337,937**	—	67,015	67,015
Royalties	**128,461**	**—**	**128,461**	99,637	—	99,637
Franchise fees, transfer fees and master license fees	**4,996**	**—**	**4,996**	5,203	—	5,203
Promotional funds	**56,734**	**—**	**56,734**	51,867	—	51,867
Program allowances	**32,499**	**—**	**32,499**	20,619	—	20,619
Breakage income	**4,684**	**—**	**4,684**	4,190	—	4,190
Resale material and retail sales	**5,754**	**—**	**5,754**	8,587	—	8,587
Other	**9,215**	**—**	**9,215**	6,568	—	6,568
	242,343	**337,937**	**580,280**	196,671	67,015	263,686

20. Operating expenses

	For the year ended					
	November 30, 2023			November 30, 2022		
	Franchising	**Corporate**	**Total**	Franchising	Corporate	Total
	$	**$**	**$**	**$**	**$**	**$**
Cost of goods sold	**2,284**	**94,465**	**96,749**	2,994	21,494	24,488
Wages and benefits	**54,590**	**115,976**	**170,566**	36,336	24,271	60,607
Advertising, marketing and promotion	**462**	**5,311**	**5,773**	442	2,130	2,572
Rent	**4,369**	**35,294**	**39,663**	2,964	7,096	10,060
Professional and consulting fees and commission	**12,054**	**4,394**	**16,448**	14,942	197	15,139
Office, travel, meals and entertainment and utilities	**13,302**	**37,713**	**51,015**	9,099	7,273	16,372
Promotional funds	**56,734**	**—**	**56,734**	51,867	—	51,867
Gift card program costs	**6,695**	**—**	**6,695**	6,296	—	6,296
Other (1)	**2,342**	**25,474**	**27,816**	1,573	5,640	7,213
Bad debt expense (recovery)	**438**	**250**	**688**	(70)	120	50
	153,270	**318,877**	**472,147**	126,443	68,221	194,664

(1) Other operating expenses are comprised mainly of other office administration expenses.

Franchising operations

The franchising business mainly generates revenues from royalties, supplier contributions, franchise fees and rent.

Corporate store operations

Corporate stores generate revenues from the direct sale of prepared food to customers.

(In thousands of US dollars)

21. Interest expense

	2023	2022
	$	$
Interest charged by ultimate parent company (Note 24)	—	1,943
Interest charged by companies under common control (Note 24)	53,977	16,192
Interest expense	53,977	18,135

22. Income taxes

The Company accounts for income taxes in accordance with ASC 740. ASC 740 prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates. The effects of future changes in tax laws or rates are not anticipated.

Under ASC 740, income taxes are recognized for the following: a) amount of tax payable for the current year and b) deferred tax liabilities and assets for future tax consequences of events that have been recognized differently in the consolidated financial statements than for tax purposes.

Income tax expense (recovery)	2023	2022
	$	$
Current tax expense	7,807	9,911
Deferred tax recovery	(6,405)	(2,496)
Total tax expense	1,402	7,415

The provision for income taxes recorded in the consolidated financial statements differs from the amount which would be obtained by applying the statutory federal income tax rate of 21% (2022 – 21%) to the income for the period as follows:

	2023	2022
	$	$
Income before income taxes	18,380	26,988
Income tax expense at federal statutory rate	3,860	5,679
State and local income taxes net of federal tax benefit	2,360	2,457
Non-deductible/non-taxable items	(216)	549
Temporary difference for which no deferred tax asset is recognized	—	(44)
True-up of prior year tax provision	(2,239)	(598)
Rate variation on deferred income tax	(102)	(552)
Credits generated and used in current year	(2,371)	286
Other	110	(362)
Income tax expense	1,402	7,415

(In thousands of US dollars)

22. Income taxes (continued)

Components of the net deferred tax asset (liability):

	2023	2022
	$	$
Inventories	**(264)**	42
Allowance for credit losses	**595**	228
Deferred revenue and deposits	**4,725**	4,482
Gift card liability	**2,947**	16,835
Accrued liabilities	**33,567**	6,658
Non-capital losses and other tax credits	**4,570**	12,832
Other	**(1,285)**	98
Operating lease liabilities	**48,406**	42,998
Total deferred tax assets	**93,261**	84,173
Deferred costs	**(948)**	(859)
Property, plant and equipment	**(11,490)**	(12,420)
Operating lease right-of-use assets	**(47,497)**	(42,260)
Intangible assets	**(143,345)**	(120,483)
Holdback payable	**(233)**	(95)
Total deferred tax liabilities	**(203,513)**	(176,117)
Net deferred tax liability	**(110,252)**	(91,944)

23. Supplemental cash flow information

During the year ended November 30, 2023, the Company paid $8,268 (2022 – $8,894) in income taxes. Furthermore, there are non-cash items included in the proceeds on disposition amounting to a net liability of $1,574 (2022 – net asset of $25). The non-cash items were primarily related to commitments made as part of the disposal of a portfolio of corporately-owned locations.

24. Related party transactions

The Company has transactions in the normal course of business with its ultimate parent, parent company and companies under common control. These transactions were in the normal course of business and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Consolidated financial statements of
MTY Franchising USA, Inc.

For the years ended November 30, 2022, 2021 and 2020

Report of Independent Auditors

To the Management and Stockholder of MTY Franchising USA, Inc.

Opinion

We have audited the accompanying consolidated financial statements of MTY Franchising USA, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of November 30, 2022, 2021 and 2020, and the related consolidated statements of operations and comprehensive income (loss), of changes in stockholder's equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of November 30, 2022, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 3 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

PricewaterhouseCoopers LLP
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP[1]

Montréal, Quebec, Canada
February 6, 2023

[1] CPA auditor, public accountancy permit No. A123475

MTY Franchising USA, Inc.

Consolidated statements of operations and comprehensive income (loss)

Years ended November 30, 2022, 2021 and 2020

(In thousands of US dollars)

	Notes	2022	2021	2020
		$	$ *Adjusted (Note 3)*	$ *Adjusted (Note 3)*
Revenue	22	**263,686**	216,655	192,657
Costs and expenses				
Operating expenses	3 & 23	**194,664**	141,877	141,386
Depreciation – property, plant and equipment	9	**2,480**	1,057	1,415
Amortization – intangible assets	11	**14,631**	13,888	14,174
Impairment charge – property, plant and equipment	9 & 13	**338**	27	579
Impairment charge – operating lease right-of-use assets	3 & 8	**247**	42	774
Impairment charge – intangible assets and goodwill	11, 12 & 13	**5,643**	2,862	62,143
Interest expense	24	**18,135**	16,264	16,764
Management fees charged by parent company	27	**2,928**	1,733	1,830
		239,066	177,750	239,065
Other income (expenses)				
Interest income		**2,256**	1,536	683
Gain (loss) on disposal of property, plant and equipment and assets held for sale		**92**	1,986	(276)
Gain on extinguisment of holdback		**—**	27	—
Gain on de-recognition/lease modification of operating lease liabilities	3 & 8	**20**	793	475
		2,368	4,342	882
Income (loss) before income taxes		**26,988**	43,247	(45,526)
Income tax expense (recovery)	3 & 25			
Current		**9,911**	12,727	3,076
Deferred	3	**(2,496)**	(168)	(11,779)
		7,415	12,559	(8,703)
Net income (loss) and comprehensive income (loss)	3	**19,573**	30,688	(36,823)

The accompanying notes are an integral part of these consolidated financial statements.

MTY Franchising USA, Inc.

Consolidated statements of changes in stockholder’s equity

Years ended November 30, 2022, 2021 and 2020

(In thousands of US dollars, except number of common stock issued)

	Common stock issued	Common stock value	Retained earnings	Total stockholder's equity
		$	$ *Adjusted (Note 3)*	$ *Adjusted (Note 3)*
Balance as at November 30, 2019	15	179,154	45,152	224,306
Adjustment on adoption of ASC 842 (Note 3)	—	—	(1,786)	(1,786)
Balance as at December 1, 2019	15	179,154	43,366	222,520
Net loss and comprehensive loss	—	—	(36,823)	(36,823)
Balance as at November 30, 2020	15	179,154	6,543	185,697
Net income and comprehensive income	—	—	30,688	30,688
Balance as at November 30, 2021	**15**	**179,154**	**37,231**	**216,385**
Net income and comprehensive income	**—**	**—**	**19,573**	**19,573**
Balance as at November 30, 2022	**15**	**179,154**	**56,804**	**235,958**

The accompanying notes are an integral part of these consolidated financial statements.

MTY Franchising USA, Inc.
Consolidated balance sheets
As at November 30, 2022, 2021 and 2020
(In thousands of US dollars)

	Notes	2022	2021	2020
		$	$	$
			Adjusted (Note 3)	*Adjusted (Note 3)*
Assets				
Current assets				
Cash		**23,059**	17,868	16,017
Restricted cash		**504**	361	361
Accounts receivable	5	**24,961**	17,207	19,559
Inventories		**6,164**	2,462	2,296
Assets held for sale	6 & 9	**1,563**	—	—
Current portion of loans receivable	7	**461**	551	690
Receivable from company under common control	16	**3**	3	11
Receivable from ultimate parent	16 & 27	**126,323**	100,926	58,895
Prepaid expenses and deposits		**7,728**	4,324	3,585
Other current assets		**3,167**	1,918	1,030
Income taxes receivable	25	**2,827**	2,367	—
		196,760	147,987	102,444
Loans receivable	7	**543**	561	919
Contract cost asset		**3,127**	2,749	2,291
Other assets	3	**1,492**	1,291	825
Property, plant and equipment	9	**54,458**	2,989	2,741
Operating lease right-of-use assets	3 & 8	**165,641**	100,872	124,217
Intangible assets	11	**522,400**	409,147	425,894
Goodwill	12	**238,060**	185,576	185,576
		1,182,481	851,172	844,907
Liabilities				
Current liabilities				
Accounts payable		**16,650**	9,980	12,225
Accrued liabilities	3	**29,565**	19,293	23,270
Gift card liability	14	**91,453**	76,097	70,571
Promotional funds payable		**16,303**	16,521	10,589
Current portion of operating lease liabilities	3 & 8	**35,431**	25,033	29,017
Current portion of deferred revenue and deposits	15	**7,571**	6,358	5,894
Income taxes payable	25	**—**	—	11,904
Advance from parent company	16 & 27	**2,928**	1,733	1,830
Advance from ultimate parent		**198,801**	—	—
Advances from companies under common control	16 & 27	**42**	184	184
Current portion of holdbacks payable	18	**—**	7,076	3,810
		398,744	162,275	169,294

The accompanying notes are an integral part of these consolidated financial statements.

(In thousands of US dollars)

	Notes	2022	2021	2020
		$	$	$
			Adjusted (Note 3)	*Adjusted (Note 3)*
Liabilities (continued)				
Long-term loan from company under common control	17	**299,850**	299,850	299,850
Other liabilities		**412**	804	—
Operating lease liabilities	3 & 8	**132,285**	76,877	97,862
Deferred revenue and deposits	15	**23,288**	21,669	18,725
Deferred income taxes	3 & 25	**91,944**	73,312	73,479
		946,523	634,787	659,210
Stockholder's equity				
Common stock	20	**179,154**	179,154	179,154
Retained earnings	3	**56,804**	37,231	6,543
		235,958	216,385	185,697
		1,182,481	851,172	844,907

Approved by the Board on February 6, 2023

________________________________ , Director

MTY Franchising USA, Inc.

Consolidated statements of cash flows

Years ended November 30, 2022, 2021 and 2020
(In thousands of US dollars)

	Notes	**2022**	2021	2020
		$	$ *Adjusted (Note 3)*	$ *Adjusted (Note 3)*
Operating activities				
Net income (loss) and comprehensive income (loss)	3	**19,573**	30,688	(36,823)
Items not affecting cash, restricted cash:				
Depreciation – property, plant and equipment	9	**2,480**	1,057	1,415
Amortization – intangible assets	11	**14,631**	13,888	14,174
Interest expense	24	**18,135**	16,264	16,764
(Gain) loss on disposal of property, plant and equipment and assets held for sale		**(92)**	(1,986)	276
Impairment charge – property, plant and equipment	9 & 13	**338**	27	579
Impairment charge – operating lease right-of-use assets	3 & 8	**247**	42	774
Impairment charge – intangible assets and goodwill	11, 12 & 13	**5,643**	2,862	62,143
Gain on extinguisment of holdback		**—**	(27)	—
Gain on de-recognition/lease modification of operating lease liabilities	3 & 8	**(20)**	(793)	(475)
Deferred income tax recovery	3	**(2,496)**	(168)	(11,779)
		58,439	61,854	47,048
Interest paid		**(16,192)**	(16,192)	(16,192)
Changes in non-cash working capital items				
Accounts receivable		**(213)**	450	(4,344)
Inventories		**151**	(166)	(1,006)
Prepaid expenses and deposits		**(2,997)**	(2,336)	1,487
Loans receivable		**329**	497	(236)
Other current assets		**(574)**	(888)	(1,030)
Income taxes		**(1,048)**	(5,276)	25
Accounts payable		**(2,511)**	(2,245)	3,080
Accrued liabilities		**(6,759)**	(4,075)	(2,662)
Promotional funds payable		**(218)**	5,932	6,297
Gift card liability		**7,747**	5,526	2,474
Deferred revenue and deposits		**2,831**	3,408	5,009
Other	3	**74**	(645)	(760)
Net cash provided from operating activities		**39,059**	45,844	39,190

(In thousands of US dollars)

	Notes	**2022**	2021	2020
		$	$ *Adjusted (Note 3)*	$ *Adjusted (Note 3)*
Investing activities				
Net cash outflow on acquisition	4	**(207,083)**	—	—
Net cash acquired through business acquisition	4	**10,431**	—	—
Additions to property, plant and equipment	9	**(1,830)**	(2,338)	(1,273)
Additions to intangible assets	11	**(2,950)**	(3)	(68)
Proceeds on disposal of property, plant and equipment		**326**	4,339	300
Proceeds on disposal of assets held for sale		**—**	—	8,405
Net cash (used in) provided from investing activities		**(201,106)**	1,998	7,364
Financing activities				
Net advance from (to) ultimate parent and parent company		**174,599**	(42,128)	(53,125)
Net advance (to) from companies under common control		**(142)**	8	(105)
Repayment of holdbacks payable	18	**(7,076)**	(3,871)	(1,433)
Net cash provided from (used in) financing activities		**167,381**	(45,991)	(54,663)
Net increase (decrease) in cash, restricted cash		**5,334**	1,851	(8,109)
Cash, restricted cash, beginning of year		**18,229**	16,378	24,487
Cash, restricted cash, end of year		**23,563**	18,229	16,378
Supplemental cash flow information	26			

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of operations

MTY Franchising USA, Inc. (the “Company” or “MTY USA”) was incorporated on March 14, 2001. The Company develops and franchises restaurants under a multitude of different banners in the United States of America (the “US”).

2. Significant accounting policies

Basis of presentation

The accounting policies of the Company are in accordance with accounting principles generally accepted in the US (“US GAAP”). The Company uses the US dollar as its functional and reporting currency, and tabular amounts are rounded to the nearest thousand ($000) except when otherwise indicated. MTY USA is a wholly owned subsidiary of MTY Food Group Inc.

The preparation of the consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Presented below are those policies considered particularly significant:

Basis of consolidation

The consolidated financial statements reflect the financial position and operating results of the Company, including wholly owned subsidiaries and investees that we control.

The principal subsidiaries of the Company are as follows:

Principal subsidiaries	Percentage of equity interest
	%
BF Acquisition Holdings, LLC	100
Built Franchise Systems, LLC	100
CB Franchise Systems, LLC	100
Kahala Brands Ltd.	100
Papa Murphy’s Holdings Inc.	100
BBQ Holdings, Inc. (Note 4)	100

Revenues and expenses of subsidiaries are included in the consolidated statement of operations and comprehensive income from the effective date of acquisition. The subsidiaries are consolidated from the acquisition date until the date on which the Company ceases to control them.

All intercompany transactions, balances, revenues and expenses are eliminated in full upon consolidation.

2. Significant accounting policies (continued)

Business combinations

The Company accounts for acquired businesses using the acquisition method of accounting in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805, Business Combinations. The consideration transferred for the acquisition is the fair values of the assets transferred, the liabilities incurred, and the equity interest issued. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date.

Goodwill is measured as the excess of the purchase price over the estimated fair values of the net assets acquired. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Goodwill reflects how the acquisition will impact the Company's ability to generate future profits in excess of existing profits. The consideration paid mostly relates to combined synergies, related mainly to revenue growth. These benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Company obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in income and other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Goodwill

Goodwill represents the excess of cost over the net tangible assets and identifiable intangible assets of acquired businesses. Goodwill is carried at cost reduced by previous impairment losses, if any.

2. Significant accounting policies (continued)

Functional currency

The functional currency of the Company and its subsidiaries is the US dollar. The Company translates monetary assets and liabilities that are denominated in currencies other than the US dollar at the exchange rates prevailing at the end of the reporting period; non-monetary assets denominated in foreign currencies are translated using the exchange rate prevailing at the transaction date; all revenue and expense items denominated in foreign currencies are translated at the exchange rate prevailing at the transaction date. All foreign exchange gains and losses are reported in profit or loss.

Revenue recognition

Revenue is recognized upon the transfer of control of promised goods or services to customer in an amount that reflects the consideration the Company expects to receive for those goods or services.

Revenue from franchise locations

i) Royalties are based either on a percentage of gross sales as reported by the franchisees or on a fixed monthly fee. They are recognized on an accrual basis in accordance with the substance of the relevant agreement, as they are earned.

ii) Promotional fund contributions are based on a percentage of gross sales as reported by the franchisees. Corresponding promotional fund transfers are presented directly on the consolidated balance sheets. The Company is not entitled to retain these promotional fund payments received and is obligated to transfer these funds to be used solely for use in promotional and marketing-related costs for specific restaurant banners. The Company sometimes charges a fee for the administration of the promotional funds.

iii) Initial franchise fees are recognized on a straight-line basis over the term of the franchise agreement as the performance obligation relating to franchise rights is fulfilled. Amortization begins once the restaurant has opened.

iv) Upfront fees related to master license agreements are recognized over the term of the master license agreements on a straight-line basis.

v) Renewal fees and transfer fees are recognized on a straight-line basis over the term of the related franchise agreement.

vi) The Company earns rent revenue on certain leases it holds; the Company's policy is described below.

vii) Revenue from equipment sale and retail sales are recognized upon transfer of control, generally upon shipment of the equipment or goods. This revenue is recorded in resale material and retail sales.

viii) The Company recognizes breakage income proportionately as each gift card is redeemed, based on the historical redemption patterns of the gift cards. The Company also charges various program fees to its franchisees as gift cards are redeemed. Notably, this does not apply to gift card liabilities assumed in a business acquisition, which are accounted for at fair value at acquisition date.

ix) The Company receives considerations from certain suppliers. Fees are generally earned based on the value of purchases during the period. Agreements that contain an initial upfront fee, in addition to ongoing fees, are recognized on a straight-line basis over the term of the respective agreement. Supplier contributions are recognized as revenue as they are earned and are recorded in franchising revenue.

2. Significant accounting policies (continued)

Revenue from franchise locations (continued)

x) The Company earns e-commerce fees, which includes point-of-sale ("POS") support fees and transaction fees for purchase made through one of the Company's brands' e-commerce platforms. POS supports fees are received quarterly in advance and are recognized over the period they cover. Transaction fees are recognized when the food items purchased from a store are delivered or picked up by customers.

Revenue from corporate-owned locations

Revenue from corporate-owned locations is recorded when goods are delivered to customers.

Contract cost asset

The Company recognizes incremental costs of obtaining a contract as an asset if they are expected to be recoverable, unless their amortization period would be less than one year, in which case they are expensed as incurred. The costs are amortized to operating expenses over the term of the related franchise agreement.

Leasing

The Company adopted ASC 842, Leases ("ASC 842") on December 1, 2021. See note 3 for further details.

In accordance with ASC 842, the Company determines if an arrangement is or contains a lease at contract inception and recognizes a right-of-use asset and a lease liability at the lease commencement date. Leases with an initial term of 12 months or less but greater than one month are not recorded on the balance sheet for select asset classes.

The lease liability is measured at the present value of future lease payments as of the lease commencement date. The right-of-use asset recognized is based on the lease liability adjusted for prepaid and deferred rent and unamortized lease incentives. An operating lease right-of-use asset is amortized on a straight-line basis over the lease term and is recognized as a single lease cost against the operating lease liability. A finance lease right-of-use asset is amortized on a straight-line basis, with interest costs reported separately, over the lesser of the useful life of the leased asset or lease term.

Operating lease expense is recognized on a straight-line basis over the lease term and is included in Operating expenses. Variable lease payments are expensed as incurred. The Company uses its incremental borrowing rates as the discount rate for its leases, which is equal to the rate of interest the Company would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. The lease terms for all the Company's leases include the contractually obligated period of the leases, plus any additional periods covered by Company options to extend the leases that the Company is reasonably certain to exercise. Certain leases provide that the lease payments may be increased annually based on the fixed rate terms or adjustable terms such as the Consumer Price Index. Future base rent escalations that are not contractually quantifiable as of the lease commencement date are not included in the lease liability.

Lease expense for lease payments is recognized on a straight-line basis over the lease term. Lease expense is comprised of operating and finance lease costs, short-term lease costs, and variable lease costs, which primarily include common area maintenance, real estate taxes, and insurance for the Company's real estate leases.

2. Significant accounting policies (continued)

Leasing (continued)

The Company enters into leases for franchised and corporately-owned locations, offices, and equipment in the normal course of business.

The Company as lessee

The Company recognizes operating lease liabilities with corresponding operating lease right-of-use assets, except for short-term leases and leases of low value assets, which are expensed on a straight-line basis over the lease term. The Company's leases are all classified as operating leases. The amortization of the operating lease right-of-use asset and interest expense related to the operating lease liability are recorded together as the lease expense to produce a straight-line recognition effect in the consolidated statement of operations. Under ASC 842, operating lease right-of-use assets are tested for impairment in accordance with ASC 360, Property, Plant and Equipment.

The Company as lessor

When the Company enters into a sublease arrangement as an intermediate lessor, the Company accounts for the head lease and the sublease as two separate contracts. All the subleases of the Company are classified as operating subleases by reference to the operating lease right-of-use asset arising from the underlying asset. For operating subleases, the Company recognizes an operating right-of-use asset relating to the head lease and recognizes a deferred rent asset or liability in the sublease. As the intermediate lessor, the Company retains the operating lease liability on the head lease in its consolidated balance sheet. During the term of the sublease, the Company recognizes both lease income on the sublease and lease expense on the head lease.

Income taxes

The Company accounts for income taxes pursuant to ASC 740, Income Taxes ("ASC 740"). Deferred tax assets and liabilities are recorded for differences between the financial statement and tax basis of the assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is recorded for the amount of income tax payable or refundable for the period increased or decreased by the change in deferred tax assets and liabilities during the period.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

Allowance for doubtful accounts

The Company currently uses the simplified expected credit loss ("ECL") model for its trade receivables, which permits the use of the lifetime expected loss provision for all trade receivables and also incorporates forward-looking information. Lifetime ECL represents the ECL that will result from all probable default events over the expected life of a financial instrument.

2. Significant accounting policies (continued)

Assets held for sale

Assets are classified as held for sale when management with the appropriate authority commits to a plan to sell the assets, the assets are available for immediate sale, the assets are actively marketed at a reasonable price, the sale is probable within a year, and certain other criteria met. Assets held for sale consist primarily of Company-owned stores where the Company has committed to a plan to sell specific stores. Assets designated as held for sale are held at the lower of the net book value or fair value less costs to sell. Depreciation is not charged against property, plant and equipment classified as assets held for sale.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated balance sheet at their historical costs less accumulated depreciation (buildings) and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, including any costs directly attributable to bringing the asset to a working condition for its intended use.

Equipment, leasehold improvements, rolling stock and computer hardware are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Depreciation is based on the following terms:

Buildings	Straight-line	25 to 50 years
Equipment	Straight-line	Three to 10 years
Leasehold improvements	Straight-line	Term of the lease
Rolling stock	Straight-line	Five to seven years
Computer hardware	Straight-line	Three to seven years

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if applicable. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful lives and amortization methods are reviewed at the end of each year, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses, if applicable.

2. Significant accounting policies (continued)

Intangible assets (continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets having a finite life acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, if applicable, on the same basis as intangible assets that are acquired separately. Intangible assets having an indefinite life are not amortized and are therefore carried at cost reduced by previous impairment losses, if applicable.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

The Company currently carries the following intangible assets in its books:

Franchise rights

The franchise rights acquired through business combinations are recognized at the fair value of the estimated future cash inflows related to the acquisition of franchises. The franchise rights are generally amortized on a straight-line basis over the term of the agreements which typically range between 10 to 20 years.

Trademarks

Trademarks acquired through business combinations are recognized at their fair value at the time of the acquisition and are not amortized. Trademarks are determined to have an indefinite useful life based on their brand recognition and their ability to generate revenue through changing economic conditions with no foreseeable time limit.

Other

Included in other intangible assets are purchased software and liquor licences, which are being amortized over their expected useful life on a straight-line basis.

Impairment of long-lived assets other than goodwill

The Company continually reviews whether events or circumstances subsequent to the acquisition of any long-lived assets, including intangible assets with finite useful lives, have occurred that indicate the remaining estimated useful lives of those assets may warrant revision or that the remaining balance of those assets may not be recoverable. If events and circumstances indicate that the long-lived assets should be reviewed for possible impairment, the Company uses projections to assess whether future cash flows on an undiscounted basis related to the assets exceed the recorded carrying amount of those assets to determine if an asset is impaired. Should an impairment be identified, a loss would be recorded to the extent that the carrying value of the impaired assets exceeds their fair values as determined by valuation techniques appropriate in the circumstances that could include the use of similar cash flow projections on a discounted basis. The reporting units of indefinite intangible assets are individual brands, comprised of franchise rights, trademarks, and perpetual licenses.

(In thousands of US dollars)

2. Significant accounting policies (continued)

Impairment of goodwill

For the purposes of impairment testing, goodwill is allocated to the unit or group of units ("reporting unit") that are considered to represent the lowest level within the group at which the goodwill is monitored for internal management purposes. As at November 30, 2022, goodwill is allocated as follows:

	Reporting unit description
US excluding Papa Murphy's and BBQ Holdings	A group of units comprised of acquired brands in the US, excluding the Papa Murphy's ("Papa Murphy's") and BBQ Holdings, Inc. ("BBQ Holdings") brands
Papa Murphy's	One unit comprised of the Papa Murphy's brand
BBQ Holdings	A group of units comprised of the BBQ Holdings brands

Goodwill is tested for impairment on an annual basis (August 31 for the Company) and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. Fair value is determined using a discounted cash flow methodology with a risk adjusted weighted average cost of capital.

Cash and restricted cash

Cash and restricted cash include cash on hand and short-term investments, if any, with maturities upon acquisition of generally three months or less or that are redeemable at any time at full value and for which the risk of a change in value is not significant. As at November 30, 2022, cash and restricted cash included $504 of restricted cash (2021 and 2020 – $361) that is required as part of guarantees on certain lease commitments.

Inventories

Inventories are measured at the lower of cost and market value. Costs of inventories are determined on a first-in-first-out basis and include acquisition costs and other costs incurred to bring inventories to their present location and condition.

Market value represents the current replacement cost, provided that the cost does not exceed the net realizable value or is not less than the net realizable value reduced by a normal profit margin.

Contingencies

Litigation, disputes and closed stores

Provisions for the expected cost of litigation, disputes and the cost of settling leases for closed stores, with the exception of operating lease liabilities already recorded pursuant to ASC 842, are recognized when it becomes probable the Company will be required to settle the obligation, at management's best estimate of the expenditure required to settle the Company's obligation.

2. Significant accounting policies (continued)

Contingencies (continued)

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized, and the amount initially recognized less cumulative amortization recognized, if any.

Financial instruments

The Company's financial instruments consist of cash, restricted cash, accounts receivable, loans receivable, receivable from company under common control, receivable from ultimate parent, accounts payable, accrued liabilities, promotional funds payable, advance from parent company, advances from companies under common control, long-term loan from company under common control and holdbacks payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values for cash, restricted cash, accounts receivable, loans receivable, receivable from company under common control, receivable from ultimate parent, accounts payable, accrued liabilities, promotional funds payable, advance from parent company and advances from companies under common control approximate their carrying values due to their immediate or short-term maturities, unless otherwise noted. The long-term loan from company under common control, advances from ultimate parent and holdbacks payable are measured at amortized cost using the effective interest method.

Promotional funds

Pursuant to the franchise agreements, franchisees must pay a fee to the promotional funds. These amounts are collected by the Company in its capacity as agent and must be used for promotional and advertising purposes, since the amounts are set aside to promote the respective banners for the franchisees' benefit. The promotional funds collected, and the related expenditures are reported on a gross basis in the consolidated statements of operations and comprehensive income. To the extent that promotional funds received exceed the related promotional expenditures, the excess contributions will be recorded in accounts payable or accrued liabilities.

Cash held pursuant to the promotional funds received are classified as unrestricted cash as there are no legal restrictions on the use of these funds; however, the Company intends to use these funds solely to support the promotional funds rather than to fund its ongoing operations. As at November 30, 2022, promotional funds were in a net liability position amounting to $13,278 (2021 – net liability position of $14,603; 2020 – net liability position of $9,559).

Subsequent events

Subsequent events were evaluated through the date that the consolidated financial statements were issued, which was February 6, 2023.

2. Significant accounting policies (continued)

Estimates and assumptions

Business combinations

For business combinations, the Company must make assumptions and estimates to determine the purchase price accounting of the business being acquired. To do so, the Company must determine the acquisition date fair value of the identifiable assets acquired, including such intangible assets as franchise rights and master franchise rights, trademarks, step-in rights and liabilities assumed. Among other things, the determination of these fair market values involves the use of discounted cash flow analyses and future system sales growth. Goodwill is measured as the excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree over the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. These assumptions and estimates have an impact on the asset and liability amounts recorded in the consolidated balance sheets on the acquisition date. In addition, the estimated useful lives of the acquired amortizable assets, the identification of intangible assets and the determination of the indefinite or finite useful lives of intangible assets acquired will have an impact on the Company's future profit or loss.

Goodwill and indefinite-lived intangible assets

The fair value calculation includes estimates of revenue growth, which are based on past performance and internal projections for the intangible asset group's forecasted growth, and royalty rates, which are adjusted for our particular facts and circumstances. The discount rate is selected based on the estimated cost of capital that reflects the risk profile of the related business. These estimates are highly subjective, the ability to achieve the forecasted cash flows used in our fair value calculations is affected by factors such as the success of strategic initiatives, changes in economic conditions, changes in our operating performance and changes in our business strategies.

Contingencies

The Company makes assumptions and estimations based on its current knowledge of future disbursements it will have to make in connection with various events that have occurred in the past and for which the amount to be disbursed and the timing of such disbursement are uncertain at the date of producing its financial statements. This includes contingencies for onerous contracts, litigations and disputes and other contingencies.

Gift card liabilities

Management is required to make certain assumptions in both the prorated recognition based on redemption pattern and remoteness recognition of gift card breakage. The significant estimates are breakage rate and the redemption patterns.

2. Significant accounting policies (continued)

Estimates and assumptions (continued)

Impact of COVID-19

During the year ended November 30, 2022, the COVID-19 pandemic continued to impact the markets in which MTY USA and its franchise partners and suppliers operate. The beginning of the year saw the spread of the Omicron variant, which impacted certain markets with additional government-mandated restrictions. However, over the following months such restrictions were gradually eased, with most government-imposed restrictions lifted in the second quarter in most of the markets in which MTY USA operates. The continuing vaccination campaigns, including the administration of boosters and the gradual expansion of the coverage of the population, allowed those markets to mostly remain open in the second half of the year, with small disruptions in certain areas. Although there is uncertainty surrounding the effects that the lifting of restrictions will have on the number of infections and the potential emergence of new variants, the current situation appears to highlight a familiar sense of back-to-normal with the longer-term impact on the economy and the rules and restrictions that will apply to MTY USA's restaurants.

As a result of the continued and uncertain economic and business impacts of the COVID-19 pandemic, the Company continues to monitor the estimates, judgments and assumptions used in the financial statements. For the year ended November 30, 2022, the Company determined that there were no specific triggers for impairment assessments attributable to COVID-19. Accordingly, the Company did not record impairment charges on its property, plant and equipment, intangible assets, and goodwill in the period attributable to COVID-19. These estimates, judgments and assumptions are subject to change.

3. Changes in accounting policies

ASU 2016-13 – Financial instruments (“ASU 2016-13”)

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments, which revised guidance for the accounting for credit losses on financial instruments within its scope, and through March 2020 issued ASUs that amended the standard (ASU No. 2018-19, ASU No. 2019-04, ASU No. 2019-05, ASU No. 2019-11, and ASU No. 2020-03). The new standard introduced an approach, based on expected losses, to estimate credit losses on certain types of financial instruments and modified the impairment model for available-for-sale debt securities. The new approach to estimating credit losses (referred to as the current expected credit losses model) applies to most financial assets measured at amortized cost and certain other instruments, notably trade and other receivables and loans. For the Company, this ASU was effective December 1, 2023 but the Company chose to early adopt this ASU on December 1 2021 and it did not have a material impact due to the nature and extent of the Company’s financial instruments in scope for this ASU (primarily trade receivables) and the historical, current and expected credit quality of its customers as of the date of adoption.

ASU 2016-02 – Leases (Topic 842) (“ASU 2016-02”)

The early adoption of ASC 842 on December 1, 2021 had a material impact on the Company’s assets and liabilities due to the recognition of operating lease right-of-use assets and operating lease liabilities on its consolidated balance sheets. The Company elected to adopt ASC 842 using the retrospective method using December 1, 2019 as the date of initial application. As such, the Company has adjusted the comparative periods for its 2020 and 2021 financial years. The Company elected to apply the package of practical expedients under which it has not reassess the classification of its existing leases, re-evaluate whether any expired or existing contracts are or contain leases or reassessed initial direct costs under the new guidance. Additionally, the Company has elected lessee and lessor practical expedients to not separate non-lease components from lease components. The Company did not elect the practical expedient that permits a reassessment of lease terms for existing leases. The Company has also made an accounting policy election to keep leases with an initial term of 12 months or less off the balance sheet. The impacts on each financial year are outlined in the tables below.

(In thousands of US dollars)

3. Changes in accounting policies (continued)

ASU 2016-02 – Leases (Topic 842) (“ASU 2016-02”) (continued)

Consolidated balance sheets	As previously reported under ASC 840 November 30, 2019	ASC 842 adoption adjustments	ASC 842 adoption December 1, 2019	As previously reported under ASC 840 November 30, 2020	ASC 842 adoption adjustments	Restated November 30, 2020	As previously reported under ASC 840 November 30, 2021	ASC 842 adoption adjustments	Restated November 30, 2021
	$	$	$	$	$	$	$	$	$
Assets									
Prepaid expenses and deposits	5,210	—	5,210	3,585	—	3,585	5,463	(1,139)	4,324
Operating lease right-of-use assets	—	133,949	133,949	—	124,217	124,217	—	100,872	100,872
Other assets	—	—	—	—	825	825	—	1,291	1,291
	5,210	133,949	139,159	3,585	125,042	128,627	5,463	101,024	106,487
Liabilities and Stockholder's equity									
Current liabilities									
Accrued liabilities	25,932	(770)	25,162	23,270	—	23,270	19,293	—	19,293
Current portion of operating lease liabilities	—	30,809	30,809	—	29,017	29,017	—	25,033	25,033
	25,932	30,039	55,971	23,270	29,017	52,287	19,293	25,033	44,326
Operating lease liabilities	—	105,505	105,505	—	97,862	97,862	—	76,877	76,877
Deferred income taxes	85,234	191	85,425	73,934	(455)	73,479	73,536	(224)	73,312
	111,166	135,735	246,901	97,204	126,424	223,628	92,829	101,686	194,515
Retained earnings	45,152	(1,786)	43,366	7,925	(1,382)	6,543	37,893	(662)	37,231

(In thousands of US dollars)

3. Changes in accounting policies (continued)

ASU 2016-02 – Leases (Topic 842) ("ASU 2016-02") (continued)

Consolidated statements of operations and comprehensive income (loss)	As previously reported under ASC 840 Year ended November 30, 2020	ASC 842 adoption adjustments	Restated Year ended November 30, 2020	As previously reported under ASC 840 Year ended November 30, 2021	ASC 842 adoption adjustments	Restated Year ended November 30, 2021
	$	$	$	$	$	$
Costs and expenses						
Operating expenses	**141,443**	(57)	**141,386**	**142,077**	(200)	**141,877**
Impairment charge – operating lease right-of-use assets	**—**	774	**774**	**—**	42	**42**
Other income						
Gain on de-recognition/lease modification of operating lease liabilities	**—**	475	**475**	**—**	793	**793**
Income tax recovery						
Deferred	**(11,133)**	(646)	**(11,779)**	**(399)**	231	**(168)**
Net (loss) income and comprehensive (loss) income	**(37,227)**	404	**(36,823)**	**29,968**	720	**30,688**

(In thousands of US dollars)

4. Business acquisition

I) BBQ Holdings (2022)

On September 27, 2022, the Company completed its acquisition of all of the issued and outstanding common shares of BBQ Holdings. BBQ Holdings is a franchisor and operator of casual and fast casual dining restaurants across 37 states in the US, Canada, and the United Arab Emirates. As of the date of the acquisition, BBQ Holdings was operating over 190 franchised and over 100 corporate-owned restaurants under nine different brands. The purpose of the transaction was to diversify the Company's range of offerings in the US as well as to bring proficiency in operating corporate-owned restaurants.

The transaction included a purchase consideration totaling $182,458, repayment of long-term debt of $24,625 and early cash settlement of stock options and restricted stock units of $10,164, as detailed below. The payment of stock options and restricted stock units was settled with cash acquired from BBQ Holdings.

The Company has not yet completed its fair value assessment of all assets acquired and liabilities assumed in connection with the BBQ Holdings acquisition. The most significant aspects remaining to be finalized relate to the valuation of property, plant and equipment, franchise rights, trademarks, gift card liability and deferred income taxes. Consequently, the table below presents management's preliminary assessment of the fair values of the assets acquired and the liabilities assumed. The final determination of the fair values will be made within 12 months of the acquisition date. Accordingly, the following values and goodwill are subject to change and such changes may be material.

	2022
	$
Consideration paid:	
Cash	207,083
Amount paid for early settlement of options	10,164
Total consideration	217,247

(In thousands of US dollars)

4. Business acquisition (continued)

I) BBQ Holdings (2022) (continued)

The preliminary purchase price allocation is as follows:

	2022
	$
Net assets acquired:	
Current assets	
Cash	20,595
Accounts receivable	5,847
Inventories	3,853
Prepaid expenses and deposits	1,348
Income taxes receivable	895
	32,538
Loans receivable	143
Other assets	180
Property, plant and equipment	54,238
Operating lease right-of-use assets	79,601
Intangible assets – Franchise rights	8,130
Intangible assets – Trademarks	121,440
Intangible assets – Other	1,007
Goodwill (1)	52,484
	349,761
Current liabilities	
Accounts payable	5,644
Accrued liabilities	17,502
Gift card liability	7,609
Current portion of operating lease liabilities	12,561
Current portion of deferred revenues	425
	43,741
Other liabilities	605
Operating lease liabilities	67,040
Deferred income taxes	21,128
	132,514
Net purchase price	217,247

(1) Goodwill is deductible for tax purposes.

Total expenses incurred related to acquisition costs amounted to $3,566.

(In thousands of US dollars)

5. Accounts receivable

Details of accounts receivable are as follows:

	2022	2021	2020
	$	$	$
Total accounts receivable	**26,974**	19,270	23,330
Less: Allowance for credit losses	**(2,013)**	(2,063)	(3,771)
Total accounts receivable, net	**24,961**	17,207	19,559
Of which:			
Not past due	**21,364**	12,835	13,483
Past due for more than one day but no more than 30 days	**677**	793	841
Past due for more than 31 days but no more than 60 days	**248**	358	707
Past due for more than 61 days	**2,672**	3,221	4,528
Total accounts receivable, net	**24,961**	17,207	19,559

	2022	2021	2020
	$	$	$
Allowance for credit losses, beginning of year	**(2,063)**	(3,771)	(1,507)
Current period recovery (provision)	**97**	829	(2,547)
Additions through business acquisition (Note 4)	**(369)**	—	—
Reversal of amounts previously written off	**—**	(1)	(10)
Write-offs	**322**	880	293
Allowance for credit losses, end of year	**(2,013)**	(2,063)	(3,771)

6. Assets held for sale

Assets held for sale as at November 30, 2022 are stated at fair value less costs to sell and are comprised of one location’s leasehold improvements, land and building that were acquired with BBQ Holdings and that were transferred from property, plant and equipment (Note 9). They did not meet the definition of assets held for sale as at the acquisition date of BBQ Holdings.

(In thousands of US dollars)

7. Loans receivable

Loans receivable generally result from the sales of franchises and of various advances to certain franchisees and consist of the following:

	2022	2021	2020
	$	$	$
Loans receivable bearing interest between 0% and 8% per annum, receivable in monthly instalments of $91 in aggregate, including principal and interest, ending in 2028	**1,004**	1,112	1,609
Current portion	**(461)**	(551)	(690)
	543	561	919

The total allowance for uncollectible amounts on loans receivable amounted to $683 as at November 30, 2022 (2021 – $826; 2020 – $1,383).

The capital repayments in subsequent years will be:

	$
2023	461
2024	104
2025	90
2026	28
2027	5
Thereafter	316
	1,004

(In thousands of US dollars)

8. Leases

Operating lease right-of-use assets

The following table provides the net carrying amounts of the operating lease right-of-use assets by class of underlying asset and the changes in the years ended November 30, 2022, 2021 and 2020:

	Offices and stores	Other	Total
	$	$	$
Balance as at December 1, 2019	133,735	214	**133,949**
Additions	12,178	—	**12,178**
Depreciation expense	(30,743)	(65)	**(30,808)**
Impairment charge	(774)	—	**(774)**
De-recognition/lease modifications	9,672	—	**9,672**
Balance as at November 30, 2020	124,068	149	**124,217**
Additions	3,847	—	**3,847**
Depreciation expense	(29,237)	(46)	**(29,283)**
Impairment charge	(42)	—	**(42)**
De-recognition/lease modifications	2,133	—	**2,133**
Balance as at November 30, 2021	100,769	103	**100,872**
Additions	**1,948**	**—**	**1,948**
Additions through business acquisition (Note 4)	**79,208**	**393**	**79,601**
Depreciation expense	**(28,644)**	**(63)**	**(28,707)**
Impairment charge	**(247)**	**—**	**(247)**
De-recognition/lease modifications	**12,174**	**—**	**12,174**
Balance as at November 30, 2022	**165,208**	**433**	**165,641**

The Company recorded sublease income from its operating lease right-of-use assets amounting to $24,414 (2021 – $26,506; 2020 – $28,009).

(In thousands of US dollars)

8. Leases (continued)

Operating lease liabilities

The following table provides the net carrying amounts of the operating lease liabilities and the changes in the years ended November 30, 2022, 2021 and 2020:

	Operating lease liabilities
	$
Balance as at December 1, 2019	136,314
Additions	12,178
Lease renewals and modifications	18,195
Lease terminations	(8,999)
Interest expense	3,706
Payments	(34,515)
Balance as at November 30, 2020	126,879
Additions	3,847
Lease renewals and modifications	9,633
Lease terminations	(8,293)
Other adjustments	(1,139)
Interest expense	3,345
Payments	(32,362)
Balance as at November 30, 2021	101,910
Additions	**1,948**
Additions through business acquisition (Note 4)	**79,601**
Lease renewals and modifications	**13,918**
Lease terminations	**(1,763)**
Other adjustments	**282**
Interest expense	**3,853**
Payments	**(32,033)**
Balance as at November 30, 2022	**167,716**

Recorded in the consolidated balance sheets as follows:

	Operating lease liabilities
	$
Current portion	29,017
Long-term portion	97,862
November 30, 2020	126,879
Current portion	25,033
Long-term portion	76,877
November 30, 2021	101,910
Current portion	**35,431**
Long-term portion	**132,285**
November 30, 2022	**167,716**

(In thousands of US dollars)

8. Leases (continued)

Maturity analysis

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be paid after November 30, 2022:

	Leases	Expected sublease income
	$	$
2023	43,837	22,803
2024	36,845	18,508
2025	30,454	14,418
2026	25,481	10,577
2027	19,233	6,720
Thereafter	41,326	7,723
Total undiscounted lease payments	**197,176**	**80,749**
Less: Unearned finance income	(29,460)	—
Total present value of lease liabilities and expected sublease income	**167,716**	**80,749**

(In thousands of US dollars)

9. Property, plant and equipment

Cost	Equipment	Leasehold improve-ments	Rolling stock	Computer Hardware	Land	Building	Total
	$	$	$	$	$	$	$
Balance as at November 30, 2019	3,208	1,901	64	271	—	—	5,444
Additions	884	190	—	199	—	—	1,273
Dispositions	(844)	—	—	—	—	—	(844)
Impairment (Note 13)	(579)	—	—	—	—	—	(579)
Balance as at November 30, 2020	2,669	2,091	64	470	—	—	5,294
Additions	1,316	345	—	677	—	—	2,338
Dispositions	(841)	(1,794)	(24)	—	—	—	(2,659)
Impairment (Note 13)	(27)	—	—	—	—	—	(27)
Balance as at November 30, 2021	3,117	642	40	1,147	—	—	4,946
Additions through business acquisition (Note 4)	**18,275**	**25,400**	**—**	**2,407**	**3,925**	**4,231**	**54,238**
Additions	**596**	**682**	**—**	**538**	**—**	**14**	**1,830**
Dispositions	**(522)**	**(11)**	**(16)**	**(94)**	**—**	**—**	**(643)**
Impairment (Note 13)	**(167)**	**(171)**	**—**	**—**	**—**	**—**	**(338)**
Transfer to assets held for sale	**—**	**(47)**	**—**	**—**	**(780)**	**(736)**	**(1,563)**
Balance as at November 30, 2022	**21,299**	**26,495**	**24**	**3,998**	**3,145**	**3,509**	**58,470**

Accumulated depreciation	Equipment	Leasehold improve-ments	Rolling stock	Computer Hardware	Land	Building	Total
	$	$	$	$	$	$	$
Balance as at November 30, 2019	1,041	373	30	111	—	—	1,555
Depreciation expense	709	632	7	67	—	—	1,415
Dispositions	(417)	—	—	—	—	—	(417)
Balance as at November 30, 2020	1,333	1,005	37	178	—	—	2,553
Depreciation expense	510	398	3	146	—	—	1,057
Dispositions	(462)	(1,171)	(20)	—	—	—	(1,653)
Balance as at November 30, 2021	1,381	232	20	324	—	—	1,957
Depreciation expense	**459**	**1,292**	**3**	**682**	**—**	**44**	**2,480**
Dispositions	**(305)**	**(12)**	**(16)**	**(92)**	**—**	**—**	**(425)**
Balance as at November 30, 2022	**1,535**	**1,512**	**7**	**914**	**—**	**44**	**4,012**

(In thousands of US dollars)

9. Property, plant and equipment (continued)

Carrying amounts	Equipment	Leasehold improve-ments	Rolling stock	Computer Hardware	Land	Building	Total
	$	$	$	$	$	$	$
November 30, 2020	1,336	1,086	27	292	—	—	2,741
November 30, 2021	1,736	410	20	823	—	—	2,989
November 30, 2022	**19,764**	**24,983**	**17**	**3,084**	**3,145**	**3,465**	**54,458**

10. Divestitures

During the year ended November 30, 2022, the Company did not dispose of any portfolio of corporately-owned locations.

During the year ended November 30, 2021, the Company disposed of two portfolios comprised of seven and twenty-four corporately-owned locations that were refranchised upon completion of the sale. During the year ended November 30, 2021, the Company received a total consideration of $3,343 for both portfolios and recorded a gain on disposal of $1,093, presented in Gain (loss) on disposal of property, plant, equipment and assets held for sale in its consolidated statement of operations. As at November 30, 2021, the Company had recorded a liability for marketing and material defect expenditures of $260 as Accrued liabilities on the Company's consolidated balance sheets.

During the year ended November 30, 2020, the Company disposed of two portfolios comprised of seven and nine corporately-owned locations that were refranchised upon completion of the sale. During the year ended November 30, 2020, the Company received a total consideration of $8,405 for both portfolios and recorded a loss on disposal of $93, presented in Gain (loss) on disposal of property, plant, equipment and assets held for sale in its consolidated statement of operations.

These dispositions did not meet the criteria for accounting as a discontinued operation.

(In thousands of US dollars)

11. Intangible assets

Cost	Franchise rights	Trademarks	Other	Total
	$	$	$	$
Balance as at November 30, 2019	179,881	311,630	987	492,498
Additions	8	—	60	68
Impairment (Note 13)	(4,489)	(9,001)	—	(13,490)
Balance as at November 30, 2020	175,400	302,629	1,047	479,076
Additions	—	—	3	3
Impairment (Note 13)	(530)	(2,332)	—	(2,862)
Balance as at November 30, 2021	174,870	300,297	1,050	476,217
Additions	**—**	**—**	**2,950**	**2,950**
Additions through business acquisition (Note 4)	**8,130**	**121,440**	**1,007**	**130,577**
Impairment (Note 13)	**(1,776)**	**(3,867)**	**—**	**(5,643)**
Balance as at November 30, 2022	**181,224**	**417,870**	**5,007**	**604,101**

Accumulated amortization	Franchise rights	Trademarks	Other	Total
	$	$	$	$
Balance as at November 30, 2019	38,802	—	206	39,008
Amortization expense	13,982	—	192	14,174
Balance as at November 30, 2020	52,784	—	398	53,182
Amortization expense	13,730	—	158	13,888
Balance as at November 30, 2021	66,514	—	556	67,070
Amortization expense	**14,079**	**—**	**552**	**14,631**
Balance as at November 30, 2022	**80,593**	**—**	**1,108**	**81,701**

Carrying amounts	Franchise rights	Trademarks	Other	Total
	$	$	$	$
November 30, 2020	122,616	302,629	649	425,894
November 30, 2021	108,356	300,297	494	409,147
November 30, 2022	**100,631**	**417,870**	**3,899**	**522,400**

(In thousands of US dollars)

12. Goodwill

The changes in the carrying amount of goodwill are as follows:

	2022	2021	2020
	$	$	$
Goodwill, beginning of year	**234,229**	234,229	233,743
Amount recognized from business acquisition (Note 4)	**52,484**	—	—
Purchase price allocation adjustments	**—**	—	486
Goodwill, end of year	**286,713**	234,229	234,229
Accumulated impairment, beginning of year	**(48,653)**	(48,653)	—
Impairment (Note 13)	**—**	—	(48,653)
Accumulated impairment, end of year	**(48,653)**	(48,653)	(48,653)
Carrying amount	**238,060**	185,576	185,576

13. Impairment

The Company performed its annual impairment test as at August 31, 2022, with the exception of BBQ Holdings, which was performed as at November 30, 2022. The impairment test of BBQ Holdings was based on qualitative factors, which did not give rise to any indications of impairment. The Company’s impairment test as at August 31, 2022 resulted in the recognition of $5,643 (2021 – $2,862; 2020 – $13,490) of impairment losses on its intangible assets for three of its brands (2021 – three brands; 2020 – 10 brands), following indicators of impairment that were noted.

Additionally, the Company recorded $338 of impairment losses on its property, plant and equipment (2021 – $27; 2020 – $579), and did not record any impairment on goodwill (2021 – nil; 2020 – $48,653), for a total of $5,981 (2021 – $2,889; 2020 – $62,722) of impairment charges on its property, plant and equipment, intangible assets and goodwill for the year ended November 30, 2022, which have been recognized in the consolidated statement of operations.

Impairment charges were based on the amount by which the carrying values of the assets exceeded recoverable amounts, determined using expected discounted projected operating cash flows for trademarks and franchise rights.

(In thousands of US dollars)

13. Impairment (continued)

Impairment by reporting unit for the year ended November 30, 2022:

		Intangibles		
	Property, plant and equipment	Franchise rights	Trademarks	Total
	$	$	$	$
US excluding Papa Murphy's and BBQ Holdings	79	1,776	3,867	5,722
Papa Murphy's	259	—	—	259
BBQ Holdings	—	—	—	—
	338	1,776	3,867	5,981

Impairment by reporting unit for the year ended November 30, 2021:

		Intangibles		
	Property, plant and equipment	Franchise rights	Trademarks	Total
	$	$	$	$
US excluding Papa Murphy's	27	530	2,332	2,889
Papa Murphy's	—	—	—	—
	27	530	2,332	2,889

Impairment by reporting unit for the year ended November 30, 2020:

		Intangibles			
	Property, plant and equipment	Franchise rights	Trademarks	Goodwill	Total
	$	$	$	$	$
US excluding Papa Murphy's	579	4,489	9,001	48,653	62,722
Papa Murphy's	—	—	—	—	—
	579	4,489	9,001	48,653	62,722

The key assumptions used, where the recoverable amount was measured as a reporting unit's fair value, are those related to projected operating cash flows, as well as the discount rates. The sales forecasts for cash flows were based on the subsequent fiscal year's budgeted operating results, which were prepared by management and approved by the Board, and internal forecasts for subsequent years, which were prepared by management and developed from the budgeted operating results.

(In thousands of US dollars)

13. Impairment (continued)

The following table presents the key assumptions used in the Company's impairment tests, as well as the recoverable amounts measured at fair value as at August 31, 2022, 2021 and 2020:

	2022		2021		2020	
($, except percentage data)	**US excluding Papa Murphy's and BBQ Holdings**	**Papa Murphy's**	US excluding Papa Murphy's	Papa Murphy's	US excluding Papa Murphy's	Papa Murphy's
Discount rates after tax	**10.3%**	**10.3%**	8.0%	8.0%	8.3%	8.3%
Discount rates pre-tax	**13.1%**	**13.2%**	10.1%	10.2%	10.5%	10.5%
Recoverable amounts	**515,478**	**250,715**	695,525	305,133	431,609	323,543

Long-term growth rates ranging from 0% to 2% (2021 and 2020 – 0% to 2%) were used in the impairment test for the US excluding Papa Murphy's and BBQ Holdings. A change of 100 basis points in discount rates in the US excluding Papa Murphy's and BBQ Holdings would result in additional impairment charges on intangible assets of four brands (2021 – three brands; 2020 – 11 brands) representing 0.5% (2021 – 0.1%; 2020 – 2.9%) of the total carrying value of the franchise rights and trademarks in that unit. A change of 100 basis points in discount rates in the US excluding Papa Murphy's and BBQ Holdings would not result in additional impairment charges on goodwill for the year ended November 30, 2022 (2021 – nil; 2020 – additional impairment charges on goodwill representing 5.3% of the total carrying value of goodwill in that unit). For the US excluding Papa Murphy's and BBQ Holdings reporting unit, an increase of 320 basis points (2021 – 500 basis points; 2020 – 60 basis points) in the discount rate would have resulted in its recoverable amount being equal to its carrying value.

A long-term growth rate of 1.5% (2021 and 2020 – 1.5%) was used in the impairment test for Papa Murphy's. A change of 100 basis points in discount rates in Papa Murphy's would not result in additional impairment charges on intangible assets or goodwill for the years ended November 30, 2022, 2021 and 2020. For the Papa Murphy's reporting unit, an increase of 110 basis points (2021 – 230 basis points; 2020 – 300 basis points) in the discount rate would have resulted in its recoverable amount being equal to its carrying value.

(In thousands of US dollars)

14. Gift card liability

The changes in the carrying amount of the gift card liability are as follows:

	2022	2021	2020
	$	$	$
Gift card liability, beginning of year	**76,097**	70,571	68,097
Activations during the year	**37,978**	31,827	26,186
Redemptions during the year	**(25,168)**	(21,976)	(19,930)
Gift card liability acquired (Note 4)	**7,609**	—	—
Deferred program fees and other	**(873)**	(708)	(434)
Gift card breakage recorded	**(4,190)**	(3,617)	(3,348)
Gift card liability, end of year	**91,453**	76,097	70,571

15. Deferred revenue and deposits

	2022	2021	2020
	$	$	$
Franchise fee deposits	**25,246**	22,188	17,628
Unearned rent	**1,880**	1,931	1,926
Supplier contributions and other allowances	**3,733**	3,908	5,065
	30,859	28,027	24,619
Current portion	**(7,571)**	(6,358)	(5,894)
	23,288	21,669	18,725

Deferred revenues consist mostly of initial, transfer and renewal franchise fees paid by franchisees, as well as upfront fees paid by master franchisees, which are generally recognized on a straight-line basis over the term of the related agreement. Deferred revenues also include amounts paid in upfront fees received from agreements with suppliers, which are amortized over the term of the related agreement.

$7,598 (2021 – $6,548; 2020 – $6,248) of revenue recognized in the current year was included in the deferred revenue balance at the beginning of the year.

(In thousands of US dollars)

15. Deferred revenue and deposits (continued)

The following table provides estimated revenues expected to be recognized in future years related to performance obligations that are unsatisfied as at November 30, 2022:

Estimate for fiscal year:	
	$
2023	7,571
2024	3,917
2025	2,854
2026	2,473
2027	1,898
Thereafter	12,146
	30,859

16. Receivables and advances from ultimate parent, parent company and companies under common control

The receivable from ultimate parent is primarily comprised of a renewable one-year term loan facility of $126,128 (2021 – $100,776; 2020 – $58,497). The term loan is unsecured and bears interest at the rate set at the Applicable Federal Rates as issued by the US Internal Revenue Service for short-term instruments. The term loan may be repaid, in whole or in part, at any time, without premium or penalty. MTY USA may also request repayment, in whole or in part, at any time, without penalty.

The advance from ultimate parent is primarily comprised of a loan of $198,785 (2021 and 2020 – nil) due September 27, 2023. The loan is unsecured and bears interest at 5.49%. The term loan may be repaid, in whole or in part, at any time, without premium or penalty.

The receivable from company under common control and advances from parent company and companies under common control are non-interest bearing and receivable/due on demand with no specified collection/repayment terms.

17. Long-term loan from company under common control

	2022	2021	2020
	$	$	$
Interest-bearing loan at 5.4%, repayable by November 27, 2026 (1)	**299,850**	299,850	299,850

(1) The loan is subject to a maximum debt to EBITDA ratio of 6.00:1.00 starting on November 27, 2019, and a minimum EBITDA interest coverage ratio of 2.00:1.00 to be calculated in conjunction with interest payments based on the past 12 months.

(In thousands of US dollars)

18. Holdbacks payable

	2022	2021	2020
	$	$	$
Non-interest-bearing holdback acquired on acquisition of The Counter repayable in December 2020	**—**	—	1,542
Non-interest-bearing holdback acquired on acquisition of SweetFrog repayable in September 2021	**—**	—	2,268
Non-interest-bearing holdback acquired on acquisition of Kahala repayable in August 2020	**—**	7,076	—
Current portion of holdbacks payable [1]	**—**	7,076	3,810

[1] During the year ended November 30, 2021, the Company reclassified non-interest-bearing holdbacks acquired on acquisition of Kahala Brands Ltd. that were previously being applied to an income tax payable related to the acquisition of Kahala Brands Ltd. The holdbacks were repaid during the year ended November 30, 2022.

19. Contingencies

The contingencies for litigation and disputes represent management's best estimate of the outcome of litigations and disputes that are ongoing at the date of the consolidated balance sheet. These contingencies consist of multiple items; the timing of the settlement of these contingencies is unknown given their nature, as the Company does not control the litigation timelines.

The payables related to closed stores mainly represent amounts that are expected to be disbursed to exit leases of underperforming or closed stores. The negotiations with the various stakeholders are typically short in duration and are expected to be settled within a few months following the recognition of the provision. The Company has recognized a liability of nil (2021 and 2020, both restated – nil) for the leases of premises in which it no longer has operations but retains the obligations contained in the lease agreement, with the exception of leases for which the operating lease liabilities are already recorded pursuant to ASC 842.

	2022	2021	2020
	$	$	$
		Adjusted (Note 3)	*Adjsuted (Note 3)*
Provision for litigation, disputes and other contingencies, beginning of year	**966**	1,023	7,438
Reversals	**(421)**	(344)	(614)
Purchase price allocation adjustment	**—**	—	196
Amounts used	**(56)**	(3)	(6,485)
Additions	**235**	290	488
Provision for litigation, disputes and other contingencies, end of year	**724**	966	1,023

(In thousands of US dollars)

20. Common stock

	2022		2021		2020	
	Shares issued	**$**	Shares issued	$	Shares issued	$
Balance, beginning and end of year	**15**	**179,154**	15	179,154	15	179,154

21. Financial instruments

In the normal course of business, the Company uses various financial instruments which by their nature involve risk, including market risk and the credit risk of non-performance by counterparties. These financial instruments are subject to normal credit standards, financial controls, risk management as well as monitoring procedures.

Fair value of recognized financial instruments

The Company has determined that the fair value of its financial assets and financial liabilities with short-term maturities approximates their carrying value. These financial instruments include cash, restricted cash, accrued liabilities, promotional funds payable, and advances from parent company and from companies under common control.

The table below shows the fair value and the carrying value of other financial instruments as at November 30, 2022, 2021 and 2020. Since estimates are used to determine fair value, they must not be interpreted as being realizable in the event of a settlement of the instruments.

	2022		2021		2020	
	Carrying amount	**Fair value**	Carrying amount	Fair value	Carrying amount	Fair value
	$	**$**	$	$	$	$
Financial assets						
Loans receivable	**1,004**	**1,004**	1,112	1,112	1,609	1,609

Determination of fair value

The following methods and assumptions were used to estimate the fair values of each class of financial instruments:

> *Cash, restricted cash, accounts receivable, receivable from ultimate parent, deposits, accounts payable, accrued liabilities, advance from parent company, advances from companies under common control* – The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Risk management policies

The Company, through its financial assets and financial liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at November 30, 2022.

(In thousands of US dollars)

21. Financial instruments (continued)

Risk management policies (continued)

Credit risk

The Company's credit risk is primarily attributable to its trade receivables, loans receivable and deposits. For accounts receivable and loans receivable, the amounts disclosed on the consolidated balance sheets are net of allowances for bad debts, estimated by the Company's management based on past experience and counterparty specific circumstances. The Company believes that the credit risk of accounts receivable is limited for the following reasons:

- The Company's broad client base is spread mostly across the US, which limits the concentration of credit risk.
- The Company accounts for specific bad debt provisions when management considers that the expected recovery is less than the actual account receivable.

The credit risk on cash is limited because the Company invests its excess liquidity in high-quality financial instruments and with credit-worthy counterparties.

The credit risk on deposits is also limited as these are mostly with well-established and credit-worthy companies.

Interest rate risk

Interest rate risk is the Company's exposure to increases and decreases in financial instrument values caused by the fluctuation in interest rates. The Company has limited exposure to interest rate risk as its long-term loans from company under common control and ultimate parent as well as its long-term debt have fixed interest rates.

22. Revenue

	Franchising	Corporate	2022 Total
	$	$	$
Corporate store revenues	—	67,015	67,015
Royalties	99,637	—	99,637
Franchise fees, transfer fees and master license fees	5,203	—	5,203
Promotional funds	51,867	—	51,867
Program allowances	20,619	—	20,619
Breakage income	4,190	—	4,190
Resale material and retail sales	8,587	—	8,587
Other	6,568	—	6,568
	196,671	67,015	263,686

(In thousands of US dollars)

22. Revenue (continued)

	Franchising	Corporate	2021 Total
	$	$	$
Corporate store revenues	—	32,074	32,074
Royalties	94,977	—	94,977
Franchise fees, transfer fees and master license fees	3,474	—	3,474
Promotional funds	48,237	—	48,237
Program allowances	20,632	—	20,632
Breakage income	3,616	—	3,616
Resale material and retail sales	7,708	—	7,708
Other	5,937	—	5,937
	184,581	32,074	216,655

	Franchising	Corporate	2020 Total
	$	$	$
Corporate store revenues	—	34,553	34,553
Royalties	80,231	—	80,231
Franchise fees, transfer fees and master license fees	3,174	—	3,174
Promotional funds	42,628	—	42,628
Program allowances	17,335	—	17,335
Breakage income	3,348	—	3,348
Resale material and retail sales	4,755	—	4,755
Other	6,633	—	6,633
	158,104	34,553	192,657

23. Operating expenses

	Franchising	**Corporate**	**2022 Total**
	$	**$**	**$**
Cost of goods sold	**2,994**	**21,494**	**24,488**
Wages and benefits	**36,336**	**24,271**	**60,607**
Advertising, marketing and promotion	**442**	**2,130**	**2,572**
Rent	**2,964**	**7,096**	**10,060**
Professional & consulting fees and commission	**14,942**	**197**	**15,139**
Office, travel, meals & entertainment and utilities	**9,099**	**7,273**	**16,372**
Promotional funds	**51,867**	**—**	**51,867**
Gift card program costs	**6,296**	**—**	**6,296**
Other	**1,573**	**5,640**	**7,213**
Bad debt (recovery) expense	**(70)**	**120**	**50**
	126,443	**68,221**	**194,664**

(In thousands of US dollars)

23. Operating expenses (continued)

	Franchising	Corporate	2021 Total
	$	$	$
Cost of goods sold	3,330	10,765	14,095
Wages and benefits	30,975	12,675	43,650
Advertising, marketing and promotion	121	2,403	2,524
Rent *(Adjusted – Note 3)*	3,807	3,942	7,749
Professional & consulting fees and commission	10,616	—	10,616
Office, travel, meals & entertainment and utilities	5,452	3,044	8,496
Promotional funds	48,237	—	48,237
Gift card program costs	5,012	—	5,012
Other	716	1,914	2,630
Bad debt (recovery) expense	(1,139)	7	(1,132)
	107,127	34,750	141,877

	Franchising	Corporate	2020 Total
	$	$	$
Cost of goods sold	1,260	11,874	13,134
Wages and benefits	33,143	13,401	46,544
Advertising, marketing and promotion	555	2,767	3,322
Rent *(Adjusted – Note 3)*	4,905	4,292	9,197
Professional & consulting fees and commission	9,431	—	9,431
Office, travel, meals & entertainment and utilities	4,444	2,920	7,364
Promotional funds	42,628	—	42,628
Gift card program costs	4,143	—	4,143
Other	1,127	1,944	3,071
Bad debt expense	2,531	21	2,552
	104,167	37,219	141,386

Franchising operations

The franchising business mainly generates revenues from royalties, supplier contributions, franchise fees and rent.

Corporate store operations

Corporate stores generate revenues from the direct sale of prepared food to customers.

(In thousands of US dollars)

24. Interest expense

	2022	2021	2020
	$	$	$
Interest charged by ultimate parent company (Note 27)	**1,943**	—	—
Interest charged by companies under common control (Note 27)	**16,192**	16,192	16,192
Accreted interest expense on interest-bearing holdbacks	**—**	72	572
Interest expense	**18,135**	16,264	16,764

25. Income taxes

The Company accounts for income taxes in accordance with ASC 740. ASC 740 prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates. The effects of future changes in tax laws or rates are not anticipated.

Under ASC 740, income taxes are recognized for the following: a) amount of tax payable for the current year and b) deferred tax liabilities and assets for future tax consequences of events that have been recognized differently in the consolidated financial statements than for tax purposes.

Income tax expense (recovery)	2022	2021	2020
	$	$ *Adjusted* *(Note 3)*	$ *Adjusted* *(Note 3)*
Current tax expense	**9,911**	12,727	3,076
Deferred tax recovery	**(2,496)**	(168)	(11,779)
Total tax expense (recovery)	**7,415**	12,559	(8,703)

(In thousands of US dollars)

25. Income taxes (continued)

The provision for income taxes recorded in the consolidated financial statements differs from the amount which would be obtained by applying the statutory federal income tax rate of 21% (2021 and 2020 – 21%) to the income for the period as follows:

	2022	2021	2020
	$	$	$
		Adjusted (Note 3)	*Adjusted (Note 3)*
Income (loss) before income taxes	**26,988**	43,247	(45,526)
Income tax expense (recovery) at federal statutory rate	**5,679**	9,082	(9,896)
State and local income taxes net of federal tax benefit	**2,457**	2,171	(19)
Non-deductible/non-taxable items	**549**	(2)	7,666
Temporary difference for which no deferred tax asset is recognized	**(44)**	—	—
True up of prior year tax provision	**(598)**	(144)	293
Rate variation on deferred income tax	**(552)**	1,219	(2,429)
Revision of estimates for tax exposures	**—**	—	(4,173)
General business credit	**286**	—	—
Other	**(362)**	233	(145)
Income tax expense (recovery)	**7,415**	12,559	(8,703)

(In thousands of US dollars)

25. Income taxes (continued)

Components of the net deferred tax asset (liability):

	2022	2021	2020
	$	$ *Adjusted (Note 3)*	$ *Adjusted (Note 3)*
Inventory	**42**	45	77
Allowance for doubtful accounts	**228**	451	401
Deferred revenue	**4,482**	4,018	2,770
Gift cards	**16,835**	14,181	13,042
Accrued liabilities	**6,658**	8,009	6,141
Non-capital losses and other tax credits	**12,832**	28	657
Other	**98**	—	—
Operating lease liabilities	**42,998**	26,069	31,454
Total deferred tax assets	**84,173**	52,801	54,542
Deferred costs	**(859)**	(812)	(459)
Property, plant and equipment	**(12,420)**	(4,079)	(2,511)
Operating lease right-of-use assets	**(42,260)**	(25,518)	(30,794)
Intangible assets	**(120,483)**	(95,623)	(94,153)
Long-term debt	**(95)**	(81)	(104)
Total deferred tax liabilities	**(176,117)**	(126,113)	(128,021)
Net deferred tax liability	**(91,944)**	(73,312)	(73,479)

26. Supplemental cash flow information

During the year ended November 30, 2022, the Company paid $8,300 (2021 – $13,660; 2020 – $2,732) in income taxes. Furthermore, there are non-cash item included in the proceeds on disposition amounting to $25 (2021 – $1,370; 2020 – nil). During the year ended November 30, 2021, the change in income taxes in operating activities in the consolidated statement of cash flows included the reclassification of a holdback payable (2022 and 2020 – nil).

27. Related party transactions

The Company has transactions in the normal course of business with its ultimate parent, parent company and companies under common control. These transactions were in the normal course of business and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

28. Subsequent events

Acquisition of Wetzel's Pretzels

On December 8, 2022, the Company completed its acquisition of all of the issued and outstanding shares of COP WP Parent, Inc. ("Wetzel's Pretzels"), a franchisor and operator of quick service restaurants operating in the snack category across 25 states in the US, as well as in Canada and Panama, for a cash consideration of approximately $207,000, on a cash-free, debt-free basis. At closing, there were 329 franchised restaurants and 38 corporate-owned restaurants in operation.

Acquisition of Sauce Pizza and Wine

On December 15, 2022, one of the Company's wholly owned subsidiaries completed its acquisition of the assets of Sauce Pizza and Wine, an operator of fast casual restaurants operating in the state of Arizona, for a total consideration of $10,842, including a holdback on acquisition of $837. At closing, there were 13 corporate-owned restaurants in operation.

Exhibit D-2
Guarantee of Performance

GUARANTEE OF PERFORMANCE

For value received, MTY Franchising USA, Inc., a Tennessee corporation ("Guarantor"), located at 9311 E. Via De Ventura, Scottsdale, Arizona 85258, absolutely and unconditionally guarantees to assume the duties and obligations of VI BrandCo, LLC, a Delaware corporation, located at 12701 Whitewater Drive, Suite 100, Minnetonka, Minnesota 55343-4164 ("Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2024 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at Scottsdale, Arizona on March 12, 2024.

Guarantor:

MTY Franchising USA, Inc., a Tennessee corporation

By:________________________________
Eric Lefebvre, Chief Executive Officer

Exhibit E
ACH Fund Transfer Authorization

AUTHORIZATION FOR AUTOMATIC PAYMENTS

Company Name:__________________________________ ("Company")

Address: ____________________________________

____

Form of organization: ____
(Corporation, General Partnership, Sole Proprietorship, etc.)

Organized under the laws of the State of:___________________________

Company hereby authorizes VI BrandCo, LLC and its affiliate ("Village Inn") and the financial institution named below to initiate DEBIT entries to Company's checking account specified below for payment of amounts due to Village Inn pursuant to Company's agreements with Village Inn. This authority will remain in effect until Company notifies Village Inn in writing at the address specified below in such time as to afford Village Inn and the financial institution a reasonable opportunity to act on it. Company agrees to be bound by the operating rules of the National Automated Clearing House Association (NACHA) as the same may apply.

Depository Bank Name: ______

Account Number: ______ Bank ABA Number:_____

Company: ______________________________________

Signature: ______________________________________

Name: ______________________________________

Title: ______________________________________

Date: ______________________________________

Addresses for Notice:

If to Village Inn:	If to Company:
VI BrandCo, LLC	______
______________	
Attn: Treasurer	____

12701 Whitewater Drive, Suite 100 ____

Minnetonka, Minnesota 55343-4164 ____

(PLEASE ATTACH A VOIDED CHECK)

Exhibit F
State Administrators

CALIFORNIA

Dept. of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013-1105
866-275-2677

FLORIDA

Department of Agriculture and Consumer Services
Mayo Building, 2nd Floor
Tallahassee, Florida 32399

HAWAII

Business Registration Division
Department of Commerce and Consumer Affairs
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

ILLINOIS

Chief, Franchise Bureau
Attorney General's Office
500 South Second Street
Springfield, Illinois 62706

INDIANA

Secretary of State
Franchise Section, Securities Division
302 West Washington Street, Room E-111
Indianapolis, Indiana 46204

MARYLAND

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2020

MICHIGAN

Office of the Attorney General
Consumer Protection Division
Franchise Section
G. Mennen Williams Building, 1st Floor
525 Ottawa Street
Lansing, Michigan 48913

MINNESOTA

Franchise Examiner
Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101

NEBRASKA

Nebraska Department of Banking and Finance
Commerce Court
1200 N Street, P.O. Box 95006
Lincoln, Nebraska 68509-5006

NEW YORK

Special Deputy Attorney General
New York Department of Law
Bureau of Investor Protection and Securities
120 Broadway, 23rd Floor
New York, New York 10271

NORTH DAKOTA

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol Fifth Floor Dept. 414
Bismarck, North Dakota 58505-0510

OREGON

Department of Consumer and Business Services
Division of Finance and Corporate Securities
Labor and Industries Building
Salem, Oregon 97310

RHODE ISLAND

Chief Securities Examiner
Director of Business Regulation
Division of Securities
1511 Pontiac Avenue
John O. Pastore Complex – Building 69-1
Cranston, Rhode Island 02920

SOUTH DAKOTA

Department of Labor and Regulation
Division of Securities
124 S Euclid, Suite 104
Pierre SD 57501
(605) 773-4823

TEXAS

Statutory Document Section
Secretary of State
P.O. Box 12887
Austin, Texas 78711

UTAH

Director
Department of Commerce
Division of Consumer Protection
160 East Three Hundred South
P.O. Box 45804
Salt Lake City, Utah 84111

VIRGINIA

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219

WASHINGTON

Administrator
Department of Financial Institutions
Securities Division
150 Israel Road S.W.
Tumwater, Washington 98501

WISCONSIN

Franchise Administrator
Division of Securities
Department of Financial Institutions
201 West Washington Avenue
Madison, Wisconsin 53703

Exhibit G
Agents for Service of Process

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process. There also may be additional agents appointed in some of the states listed.

CALIFORNIA

Commissioner of Financial Protection and Innovation
Department of Financial Protection and Innovation 320 West 4th Street, Suite 750
Los Angeles, California 90013-2344

CONNECTICUT

Banking Commissioner of State of Connecticut
Securities and Business Investment Division
Connecticut Department of Banking
260 Constitution Plaza
Hartford, Connecticut 06103-1800

HAWAII

Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street
Honolulu, Hawaii 96813

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

INDIANA

Secretary of State
201 State House
200 West Washington
Indianapolis, Indiana 46204

MARYLAND

Maryland Securities Commissioner
Maryland Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020

MICHIGAN

Michigan Department of Commerce,
Corporations and Securities Bureau
670 Law Building
Lansing, Michigan 48913

MINNESOTA

Commissioner of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101

NEW YORK

Secretary of State of the State of New York
41 State Street
Albany, New York 12231

NORTH CAROLINA

Secretary of State of North Carolina
300 North Salisbury Street
Raleigh, North Carolina 27603

NORTH DAKOTA

Securities Commissioner
North Dakota Securities Department
600 East Boulevard Avenue

State Capitol - 5th Floor
Bismarck, North Dakota 58505-0510

OREGON

Director
Department of Consumer and Business Services
Division of Finance and Corporate Securities
Labor and Industries Building
Salem, Oregon 97310

RHODE ISLAND

Director of Department of Business Regulation
1511 Pontiac Avenue
John O. Pastore Complex – Building 69-1
Cranston, Rhode Island 02920

SOUTH DAKOTA

Director
Department of Labor and Regulation
Division of Securities
124 S Euclid, Suite 104
Pierre SD 57501

VIRGINIA

Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

WASHINGTON

Director of Financial Institutions
Securities Division
150 Israel Rd. S.W.
Tumwater, Washington 98501

WISCONSIN

Commissioner of Securities
Wisconsin Securities Commission
201 West Washington Avenue
Madison, Wisconsin 53703

Exhibit H
State Addenda to Disclosure Document

CALIFORNIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AND COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPI.CA.GOV.

SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

Item 3, Additional Disclosure:

Neither we nor any person described in Item 2 of the Disclosure Document is subject to any currently effective order of any National Securities Association or National Securities Exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq. suspending or expelling such persons from membership in such association or exchange.

Item 6, Additional Disclosure:

The highest interest rate allowed by law in California is 10% annually.

Item 17, Additional Disclosures:

The franchise agreement requires franchisee to execute a general release of claims upon renewal or transfer of the franchise agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

The franchise agreement contains a liquidated damages clause. Under California Civil Code §1671, certain liquidated damages clauses are unenforceable.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. §101 et seq.)

The franchise agreement requires binding arbitration. The arbitration will occur in Minneapolis, Minnesota with the cost being borne by the parties as determined by the arbitrator. Prospective franchisees are encouraged to consult with private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

ADDENDUM TO
VI BRANDCO, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF HAWAII

For franchises and franchisees subject to Hawaii statutes and regulations, the Village Inn® Franchise Disclosure Document is modified to include the following:

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE

CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND FRANCHISEE.

NO STATEMENT, QUESTIONNAIRE, OR ACKNOWLEDGMENT SIGNED OR AGREED TO BY A FRANCHISEE IN CONNECTION WITH THE COMMENCEMENT OF THE FRANCHISE RELATIONSHIP SHALL HAVE THE EFFECT OF (I) WAIVING ANY CLAIMS UNDER ANY APPLICABLE STATE FRANCHISE LAW, INCLUDING FRAUD IN THE INDUCEMENT, OR (II) DISCLAIMING RELIANCE ON ANY STATEMENT MADE BY ANY FRANCHISOR, FRANCHISE SELLER, OR OTHER PERSON ACTING ON BEHALF OF THE FRANCHISOR. THIS PROVISION SUPERSEDES ANY OTHER TERM OF ANY DOCUMENT EXECUTED IN CONNECTION WITH THE FRANCHISE.

ILLINOIS ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§705/1 – 705/44 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures. The following statements are added to Item 17:

Illinois law governs the Franchise Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

ADDENDUM TO
VI BRANDCO, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF INDIANA

For franchises and franchisees subject to Indiana statutes and regulations, the Village Inn® Franchise Disclosure Document is modified to include the following:

> The scope of the joint and mutual release executed by you as a condition of assignment of the franchised business will be limited by applicable law.
>
> Indiana Code Section 23-2-2.7-1(9) requires that the post-termination noncompetition covenant be limited to within your exclusive territory.
>
> Under Indiana law, you do not waive any right afforded by Indiana statutes with regard to prior representations made by VI BrandCo, LLC.
>
> Indiana Code Section 23-2-2.7-1(10) requires that litigation between an Indiana developer and VI BrandCo, LLC will be conducted in Indiana or at a site mutually agreed upon by the parties.
>
> No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

MARYLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14-201 – 14-233 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures:

Our termination of the Franchise Agreement because of your bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A. 101 et seq.).

You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The general release required as a condition of renewal, sale and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

ADDENDUM TO VI BRANDCO, LLC
DISCLOSURE DOCUMENT
FOR THE STATE OF MICHIGAN

Section 445.1508(1) of the Michigan Franchise Investment Law requires franchisor to give you a copy of the Franchise Disclosure Document earlier of: (i) 10 business days prior to signing the Agreement; or (ii) 10 business days prior to franchisor's receipt of any consideration.

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:

(A) A prohibition on the right of a franchisee to join an association of franchisees.

(B) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a Franchise Agreement, from settling any and all claims.

(C) A provision that permits a franchisor to terminate a Franchise Agreement prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(D) A provision that permits a franchisor to refuse to renew a Franchise Agreement without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration, of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchised business are not subject to compensation. This subsection applies only if: (i) the term of the Franchise Agreement is less than five (5) years; and (ii) the franchisee is prohibited by the Franchise Agreement or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the Franchise Agreement or the franchisee does not receive at least six (6) months advance notice of franchisor's intent not to renew the Franchise Agreement.

(E) A provision that permits the franchisor to refuse to renew a Franchise Agreement on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(F) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(G) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

(H) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the Franchise Agreement and has failed to cure the breach in the manner provided in subdivision (c).

(I) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

(J) No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice shall be directed to:

STATE OF MICHIGAN
DEPARTMENT OF THE ATTORNEY GENERAL
ATTENTION: FRANCHISE SECTION
P.O. BOX 30213
LANSING, MICHIGAN 48909
(517) 373-7117

MINNESOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

State Cover Page and Item 17, Additional Disclosures:

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside of Minnesota, requiring waiver of a jury trial or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document shall abrogate or reduce any of your rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required.

Item 6, Additional Disclosure:

NSF checks are governed by Minn. Stat. 604.113, which puts a cap of $30 on service charges.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Item 13, Additional Disclosures:

The Minnesota Department of Commerce requires that a franchisor indemnify Minnesota Franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's trademark infringes upon the trademark rights of the third party. The franchisor does not indemnify against the consequences of a franchisee's use of a franchisor's trademark except in accordance with the requirements of the franchise agreement, and as the condition to an indemnification, the franchisee must provide notice to the franchisor of any such claim immediately and tender the defense of the claim to the franchisor. If the franchisor accepts tender of defense, the franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

Item 17, Additional Disclosures:

Any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of the State of Minnesota or in the case of a partnership or corporation, organized or incorporated under the laws of the State of Minnesota, or purporting to bind a person acquiring any franchise to be operated in the State of Minnesota to waive compliance or which has the effect of waiving compliance with any provision of the Minnesota Franchise Law is void.

We will comply with Minn. Stat. Sec. 80C.14, subds. 3, 4 and 5, which requires, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure), 180 days notice for nonrenewal of the Franchise Agreement, and that consent to the transfer of the franchise will not be unreasonably withheld.

Minnesota Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§80C.01 – 80C.22.

The limitations of claims section must comply with Minn. Stat. Sec. 80C.17, subd. 5.

NEW YORK ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

Cover Page, Additional Disclosure.

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT F OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

Item 3, Additional Disclosure. The last sentence in Item 3 is deleted and replaced with the following:

> Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has any administrative, criminal, or a material civil or arbitration action pending against him alleging a violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegations.
>
> Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has been convicted of a felony or pleaded nolo contendere to any other felony charge or, during the ten-year period immediately preceding the application for registration, been convicted of a misdemeanor or pleaded nolo contendere to any misdemeanor charge or been found liable in an arbitration proceeding or a civil action by final judgment, or been the subject of any other material complaint or legal or arbitration proceeding if such misdemeanor conviction or charge, civil action, complaint, or other such proceeding involved a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegation.
>
> Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, is subject to any currently effective injunctive or restrictive order or decree relating to franchises, or under any federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of

an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

Item 4, Additional Disclosure. Item 4 is deleted and replaced with the following:

Neither we nor any of our predecessors, affiliates, or officers, during the 10-year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of the franchisor held this position in the company or partnership.

Item 17, Additional Disclosures.

The following is added to the Summary sections of Item 17(c) and 17(m): To the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Section 687.4 and 687.5 be satisfied.

The Summary section of Item 17(d) is deleted and replaced with the following language: You may terminate the agreement on any grounds available by law.

The following is added to the Summary section of Item 17(j): No assignment will be made except to an assignee who in good faith and judgment of the franchisor is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

The following is added to the Summary sections of Items 17(v) and 17(w): The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

NORTH DAKOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-19-17 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures. The following statements are added to Item 17:

Any provision requiring franchisees to consent to the jurisdiction of courts outside North Dakota or to consent to the application of laws of a state other than North Dakota may be unenforceable under North Dakota law. Any mediation or arbitration will be held at a site agreeable to all parties. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.

Any general release the franchisee is required to assent to as a condition of renewal is not intended to nor shall it act as a release, estoppel or waiver of any liability franchisor may have incurred under the North Dakota Franchise Investment Law.

Covenants not to compete during the term of and upon termination or expiration of the franchise agreement are enforceable only under certain conditions according to North Dakota law. If the Franchise Agreement contains a covenant not to compete that is inconsistent with North Dakota law, the covenant may be unenforceable.

The Franchise Agreement includes a waiver of exemplary and punitive damages. This waiver may not be enforceable under North Dakota law.

The Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by franchisor in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

The Franchise Agreement requires the franchisee to consent to a waiver of trial by jury. This waiver may not be enforceable under North Dakota law.

The Franchise Disclosure Document and Franchise Agreement state that franchisee must consent to the jurisdiction of courts outside that State of North Dakota. That requirement may not be enforceable under North Dakota law.

The Franchise Disclosure Document and Franchise Agreement may require franchisees to consent to termination or liquidated damages. This requirement may not be enforceable under North Dakota law.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. To the extent this requirement conflicts with North Dakota law, North Dakota law will apply.

RHODE ISLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Rhode Island Franchise Investment Act, R.I. Gen. Law ch. 395 §§19-28.1-1 – 19-28.1-34 applies, the terms of this Addendum apply.

Item 17, Additional Disclosure. The following statement is added to Item 17:

> Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."
>
> No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

ADDENDUM TO
VI BRANDCO, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF SOUTH DAKOTA

For franchises and franchisees subject to South Dakota statutes and regulations, the Village Inn® Franchise Disclosure Document is modified to include the following:

> Covenants not to compete are generally unenforceable in South Dakota, except in limited circumstances provided by law.
>
> Any provision of the Franchise Agreement or Area Development Agreement which designates jurisdiction or venue outside South Dakota or requires jurisdiction or venue in a forum outside of South Dakota is void if the cause of action is otherwise enforceable in South Dakota.
>
> No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures:

> Any provision in any of the contracts that you sign with us which provides for termination of the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. 101 et. seq.).
>
> "According to Section 13.1 – 564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable."

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

WASHINGTON ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

ADDENDUM TO
VI BRANDCO, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF WISCONSIN

For franchisees subject to Wisconsin statutes and regulations, the Village Inn® Franchise Disclosure Document is modified to include the following:

Item 17

1. For all franchisees residing in the State of Wisconsin, VI BrandCo, LLC will provide you at least 90 days prior written notice of termination, cancellation, or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation or substantial change in competitive circumstances and will provide that you have 60 days in which to cure any claimed deficiency. If this deficiency is cured within 60 days, the notice will be void. If the reason for termination, cancellation or substantial change in competitive circumstances is nonpayment of sums due under the franchise, you will have 10 days to cure the deficiency.

2. For Wisconsin franchisees, Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of the Franchise Agreement or related contract, which is inconsistent with the law.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

In Iowa and New York, VI BrandCo, LLC must give you this Disclosure Document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. In Michigan, VI BrandCo, LLC give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If VI BrandCo, LLC does not deliver this Disclosure Document on time, or if it contains a false or misleading statement, or a material omission, we may have committed a violation of federal or state law which you should report to the Federal Trade Commission, Washington, D.C. 20580 or the appropriate state agency listed in Exhibit F.

The name(s), address(es) and telephone number(s) of the franchise seller(s) is(are): ____
____.

Date of Issuance: March 28, 2024

The name and address of our registered agent authorized to receive service of process is shown in Exhibit G.

I have received a Village Inn Franchise Disclosure Document dated March 28, 2024. This Disclosure Document includes the following Exhibits:

Exhibit A	Franchise Agreement
Exhibit B	Development Agreement
Exhibit C	Franchisees of Village Inn Restaurants/Franchisees That Have Left the System
Exhibit D-1	Financial Statements
Exhibit D-2	Guarantee of Performance
Exhibit E	ACH Fund Transfer Authorization
Exhibit F	State Administrators
Exhibit G	Agents for Service of Process
Exhibit H	State Addenda to Disclosure Document

PROSPECTIVE FRANCHISEE:	**PROSPECTIVE FRANCHISEE:**
______________________________	______________________________
Print Name: ____________________	Print Name: ____________________
Date: _________________________	Date: _________________________

Please return the signed and dated Receipt to VI BrandCo, LLC by mail to 12701 Whitewater Drive, Suite 100, Minnetonka, MN 55343-4164

RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

In Iowa and New York, VI BrandCo, LLC must give you this Disclosure Document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. In Michigan, VI BrandCo, LLC give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If does not deliver this Disclosure Document on time, or if it contains a false or misleading statement, or a material omission, we may have committed a violation of federal or state law which you should report to the Federal Trade Commission, Washington, D.C. 20580 or the appropriate state agency listed in Exhibit F.

The name(s), address(es) and telephone number(s) of the franchise seller(s) is(are): ____
____.

Date of Issuance: March 28, 2024.

The name and address of our registered agent authorized to receive service of process is shown in Exhibit G.

I have received a Village Inn Franchise Disclosure Document dated March 28, 2024. This Disclosure Document includes the following Exhibits:

Exhibit A	Franchise Agreement
Exhibit B	Development Agreement
Exhibit C	Franchisees of Village Inn Restaurants/Franchisees That Have Left the System
Exhibit D-1	Financial Statements
Exhibit D-2	Guarantee of Performance
Exhibit E	ACH Fund Transfer Authorization
Exhibit F	State Administrators
Exhibit G	Agents for Service of Process
Exhibit H	State Addenda to Disclosure Document

PROSPECTIVE FRANCHISEE:	**PROSPECTIVE FRANCHISEE:**
____________________________	____________________________
Print Name: ____________________	Print Name: ____________________
Date: ________________________	Date: ________________________

Please keep this Receipt for your records.