

FRANCHISE DISCLOSURE DOCUMENT



MTY FRANCHISING USA, INC.
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We grant franchises for MANCHU WOK® Restaurant(s), selling “Chinese and Asian-style” foods and drinks and other menu items, located in a Shopping Mall Food Court or in a non-traditional location.

The total investment necessary to begin operation of a Manchu WOK Restaurant franchised business ranges from \$476,050 to \$787,500. This amount includes payments that range from \$447,000 to \$745,500 that must or may be paid to the franchisor or its affiliates.

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 MTY Franchising USA, Inc., Attn: John Wuycheck, 9311 E. Via de Ventura, Scottsdale, Arizona 85258 and (480) 362-4800.

The terms of your contract will govern your franchise relationship. Don't 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.

The issuance date of this Franchise Disclosure Document is March 28, 2022.

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 Exhibits F or G.
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 B 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 <i>Manchu Wok</i> 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 <i>Manchu Wok</i> franchisee?	Item 20 or Exhibits F or G 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 A.

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. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Arizona. 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 Arizona than in your own state.
2. **Spousal Liability**. 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.

FRANCHISE DISCLOSURE DOCUMENT

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Exhibits

- A List of State Regulators/Agents for Service of Process
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ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

MTY Franchising USA, Inc. is the franchisor. To simplify the language in this Franchise Disclosure Document, “MTY USA,” “**Manchu Wok**,” “**us**,” “**we**,” or “**Franchisor**” means MTY Franchising USA, Inc., the franchisor, doing business as “Manchu Wok.” “**You**” means the person, corporation, partnership or other entity that buys the franchise, the franchisee. If “you” are a business entity, “you” includes shareholders, members or owners of the business to the extent each guaranties or otherwise agrees to perform or be bound by the obligations of the business entity.

The Franchisor, Its Predecessors and Affiliates

We began offering Manchu Wok franchises in the United States in March 2015. MTY Franchising USA, Inc., (formerly known as The Extreme Pita Franchising USA, Inc.), was incorporated in Delaware on March 14, 2001 and converted to MTY Franchising USA Inc., a Tennessee Corporation, as of October 9, 2019. You will see references to our former corporate names in our audited financial statements. Our principal business address in the United States is 9311 East Via de Ventura, Scottsdale, AZ 85258. Our agents for service of process are disclosed in **Exhibit A**.

Manchu Wok is a franchising company which sells and grants franchises for the operation of retail restaurant businesses (“**Manchu Wok Franchise**” or “**Manchu Wok Store**”) using the name “MANCHU WOK®” in the United States. We are not engaged in any other type of business activity. We have been offering Manchu Wok franchises in the United States since March 2015.

We have two predecessors, a parent and affiliates.

For the Manchu Wok brand, we have two predecessors. Our first predecessor, Manchu WOK Franchising USA Inc. (“**MWF**”) was incorporated in Delaware on August 4, 2004 and offered Manchu Wok franchises from March 2005 through October 2014. Our second predecessor, Manchu WOK (USA), Inc. (“**MWUSA**”), was incorporated in Delaware on July 25, 2000, and offered Manchu Wok franchises from October 2000 until March 2005. MWUSA also continued to provide support services to a number of Machu Wok franchisees until December 2014. MWF’s and MWUSA’s business address was 85 Citizen Court, Unit 9, Markham, Ontario, Canada L6G 1A8.

MTY USA’s parent corporation is MTY Franchising Inc. (“**MTY Canada**”), a Canada corporation formerly known as MTY Tiki Ming Enterprises Inc., having an address at 8150 Route Transcanadienne, Suite 200, Ville Saint-Laurent, Quebec, H4S 1M5, Canada. MTY Canada was initially incorporated under the Canada Business Corporations Act on February 13, 1979, under the name “Matoyee Enterprises Inc.” On September 24, 2013, MTY Canada acquired our stock. MTY Canada is a wholly owned subsidiary of MTY Food Group, Inc. (“**MTY**”), a public corporation listed on the Toronto Stock Exchange. MTY’s principal place of business is also 8150 Route Transcanadienne, Suite 200, Ville Saint-Laurent, Quebec, H4S 1M5, Canada.

On September 24, 2013, MTY Canada, acquired our stock. MTY Canada is a wholly owned subsidiary of MTY. MTY Canada is a corporation that was initially incorporated under the Canada Business Corporations Act on February 13, 1979, under the name “Matoyee Enterprises Inc.” Its principal place of business is 8150 Route Transcanadienne, Suite 200, Ville Saint-Laurent,

Quebec, H4S 1M5, Canada. MTY is a public corporation and its principal place of business is 8150 Route Transcanadienne, Suite 200, Ville Saint-Laurent, Quebec, H4S 1M5, Canada.

MTY Canada currently operates or has franchised over (55) different restaurant concepts and has over 2,500 units under following brands primarily in Canada 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, Eat Pure, Extreme Pita, Frat's Cucina, Giorgio, Jugo Juice, Karma, Kim Chi, Koryo, Koya, La Boite Verte, La Crémère, La Diperie, Madisons, Manchu Wok, Toujours Mikes, mmmuffins, Mr. Souvlaki, Mr. Sub, Mucho Burrito, Muffin Plus, O'Burger, Pizza Delight, SENSEASIAN, Scores, South St. Burger, Sukiyaki, Sushi Go, Sushiman, Sushi Shop, Tandori, Thai Express, Thaizone, The Works, Tiki Ming, Timothy's World Coffee, The COOP Wicked Chicken, Tosto, Turtle Jack's, Tutti Frutti, Valentine, Vanellis, Vie & Nam, Villa Madina, Steak Frites, Wasabi Grill & Noodle and YUZU MTY or one of its subsidiaries is the master licensee for the following brands: TCBY (Canada), Taco Time (Canada), and Au Vieux Duluth Express (Quebec and Ontario, Canada), and Van Houtte (Quebec and Ontario, Canada). MTY Canada also provides support services to Manchu Wok stores in the United States.

Effective March 1, 2018, MTY through the merger of a wholly-owned subsidiary with Imvescor Restaurant Group Inc. ("IRG"), acquired all the outstanding shares of IRG. At closing, IRG operated 5 brands in Canada and had 261 locations in operation.

On May 25, 2016, MTY entered into an agreement with Kahala Brands, Inc., formerly known as Kahala Brands, Ltd., having an address at 9311 East Via de Ventura, Scottsdale, AZ 85258 ("**Kahala Brands**"), whereby Kahala Brands agreed to merge with a wholly-owned subsidiary of MTY ("**Kahala Brands Transaction**"). The Kahala Brands Transaction closed July 26, 2016. As of the issuance date, Kahala Brands or one or more of its subsidiaries has franchised or currently operates approximately 2,281 quick service restaurants which consist of the multiple brands further detailed in the chart below.

Effective May 23, 2019, Papa Murphy's Holdings, Inc. ("**Papa Murphy's**"), a Delaware corporation having an address at 8000 NE Parkway Dr. #350, Vancouver, WA 98662, merged with a wholly-owned subsidiary of MTY. MTY USA succeeded as the parent company of Papa Murphy's. The current franchisor offers Papa Murphy's unit franchises which sell or offer for sale pizza products. As of November 30, 2021, there were 1,249 franchised (1,212 in the United States, 37 internationally) and 27 company-owned stores in the United States.

Agent for Service of Process

Unless otherwise specified, our registered agent for service of process is CT Corporation System, 300 Montvue Road, Knoxville, Tennessee 37919. We are members in good standing of the International Franchise Association ("**IFA**") and we therefore comply with the IFA's Code of Ethics.

Other Franchises Offered by Franchisor or its Affiliate

MTY USA IS ONLY OFFERING A MANCHU WOK UNIT FRANCHISE UNDER THIS DISCLOSURE DOCUMENT. EACH OF THE FRANCHISES DETAILED BELOW ARE OFFERED BY MTY USA OR ITS AFFILIATE UNDER SEPARATE DISCLOSURE DOCUMENTS FOR EACH BRAND.

The following summarizes Manchu Wok and these other quick service restaurant brands as of November 30, 2021, including the type of restaurant business, number of franchised units in operation as of November 30, 2021, and the date MTY USA and/or its current or former affiliates offered franchises in those brands:

Brand Name	Type of Restaurant Business	Number of Units as of November 30, 2021	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 unit	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	13 franchised units	Since February 2018 under MTY USA
Ginger Sushi Boutique	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	0 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	8 franchised units (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	0 franchised units	From April 2019 under MTY USA

Brand Name	Type of Restaurant Business	Number of Units as of November 30, 2021	Dates unit franchises began being offered by us or our affiliate
Ben & Florentine	Restaurant serving a superior breakfast & lunch experience	0 franchised units	From December 2018 under MTY USA in the United States and From October 2009 in Canada under Imvescor Restaurant Group Inc.
Baja Fresh	Restaurant offering a limited menu featuring fresh high quality Mexican-style food products	92 franchised units (90 in the United States and 2 internationally) (plus 7 company-owned units)	October 2016 until July 2017 under Triune, LLC and since then under BF Acquisition Holdings, LLC
La Salsa	Restaurant offering a limited menu featuring fresh high quality Mexican-style food products	8 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	30 franchised units (24 in the United States and 6 internationally) (plus 1 company-owned unit)	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	248 franchised units (238 in the United States which include 21 licensed franchisees plus 10 internationally)	September 2018 under MTY USA

Brand Name	Type of Restaurant Business	Number of Units as of November 30, 2021	Dates unit franchises began being offered by us or our affiliate
Manchu WOK	Quick service restaurant serving fast and fresh Chinese cuisine	21 franchised units	March 2015: MTY USA
Papa Murphy's	Retail food outlets currently featuring take and bake pizza, salads, desserts and other related products	1,249 franchised units (1,212 franchised in the United States and 37 internationally plus 27 company-owned units)	From May 2019 Papa Murphy's International, Inc.

Brand Name	Type of Restaurant Business	Number of Units as of November 30, 2021	Dates unit franchises began being offered by us or our affiliate
America's Taco Shop	Restaurants serving freshly prepared Mexican food including tacos, burritos, and quesadillas	1 company-owned unit* And, 2 licensed units.	November 2011 under Kahala Franchising
Blimpie	Restaurants serving submarine sandwiches and salads	140 franchised units (137 in the United States and 3 internationally) (plus 5 company-owned units in the United States)	From 2006 until 2010 by Kahala Franchise Corp. and since August 2010 under Kahala Franchising
Cereality cereal bar & cafe	Restaurants serving hot and cold cereals and cereal blends with toppings, oatmeal, and parfaits	0 franchised units	From 2007 until 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, 2021	Dates unit franchises began being offered by us or our affiliate
Chicken Strips & Dips	Ghost kitchen concept primarily serving chicken tenders.	1 company-owned unit	March 2022, Kahala Franchising.
Cold Stone Creamery	Restaurants serving super-premium freshly made ice cream, frozen yogurt, cakes, pies, smoothies, shakes, and other frozen dessert products	1,248 franchised units (889 in the United States and 359 internationally)(plus 5 company-owned units). 96 Cold Stone Creamery franchises also sell Rocky Mountain Chocolate Factory® products and 1 Cold Stone Creamery franchise also sells Tim Hortons® products. Additionally, 25 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

Brand Name	Type of Restaurant Business	Number of Units as of November 30, 2021	Dates unit franchises began being offered by us or our affiliate
Great Steak	Restaurants serving Philadelphia cheesesteak sandwiches, chicken sandwiches and French fries	41 franchised units (31 in the United States and 10 internationally) Additionally, 1 licensed unit.	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
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	125 franchised units (117 in the United States and 8 internationally)	Since November 2015 under Kahala Franchising
NrGize Lifestyle Cafe	Cafes serving smoothies, fruit drinks and nutritional supplements	65 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	72 franchised units. And 17 licensed units.	From July 2008 until April 2016 under Pinkberry Ventures, Inc. and since June 2016 under Kahala

Brand Name	Type of Restaurant Business	Number of Units as of November 30, 2021	Dates unit franchises began being offered by us or our affiliate
	desserts		Franchising
Planet Smoothie	Restaurants serving smoothies, smoothie bowls, juices and nutritional supplements	150 franchised units (149 in the United States and 1 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
Rollerz Rolled Sandwiches	Restaurants serving gourmet rolled sandwiches, salads, soups and baked goods	1 franchised unit	From 2000 until 2004 by Rollerz Franchise Systems, L.L.C., from 2004 until March 2010 by Kahala Franchise Corp., and since August 2010 under Kahala Franchising
Samurai Sam's Teriyaki Grill	Restaurants serving Japanese rice bowls and noodle bowls	12 franchised units (plus 1 company-owned unit)	From 2003 until 2004 by SP Franchising, 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, 2021	Dates unit franchises began being offered by us or our affiliate
Surf City Squeeze	Juice bars serving smoothies, fruit drinks and nutritional supplements	73 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	237 franchised units (108 franchised in the United States and 129 internationally) Additionally, there are 79 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

**The company owned unit referenced above for America's Taco Shop was open as of our last fiscal year end but has since closed.*

The Business

A Manchu Wok restaurant (“**Manchu Wok Restaurant**”) is a retail quick service restaurant selling Chinese and Asian-style foods and drinks, and other menu items related to the Manchu Wok concept. A Manchu Wok Restaurant serves its customers by operating a uniform system consisting of high standards of service, the use of consistent quality products, and in accordance with the business format created and developed by us and our affiliates (“**System**”). We authorize you to use the Marks (as defined below) to operate a Manchu Wok Restaurant

Manchu Wok restaurants are located in shopping mall food courts or in non-traditional locations such as highway facilities, airport concourses, professional sports facilities, recreational and entertainment facilities, casinos, college campuses, military installations, governmental or institutional locations, supermarkets and department stores where dining facilities are generally located in a common area and a private/separate dining facility is not required to be maintained. Each Manchu Wok Restaurant offers a selection of Chinese cuisine such as sweet and sour pork, crispy chicken wings, chicken balls and mixed vegetables, soft drinks and other complementary items and beverages. Like most quick-service restaurants, customers order, receive and pay for their food purchases at the counter. There is no wait service.

The Restaurant Industry

Throughout the United States, the food service industry is highly competitive with constantly changing market conditions, and is characterized by a profusion of operators, including well financed and highly sophisticated national and regional chains. You will compete with other restaurants, fast food outlets, supermarkets and other food retailers located in your venue or market area which to some extent includes grocery and convenience stores that sell various prepared food products. Some of your competitors may include Manchu Wok restaurants operated by other franchisees or by our affiliates. The extent to which you may succeed at any particular location cannot be predicted. Because of the highly competitive nature of the business involved, successful operation of a Manchu Wok restaurant will depend in part upon the best efforts, capabilities, management, and efficient operation by the franchisee; as well as the general economic trend and other local marketing conditions.

Manchu Wok Restaurants compete in the quick service segment of the restaurant industry. You will cater to all persons desiring a quick and moderately priced meal, regardless of age or ethnic background. You will have to compete with other fast food restaurant chains such as hamburger, pizza and Mexican fast food chains, as well as other Chinese and Asian-style fast food chains and numerous local Chinese and Asian style restaurants including, perhaps, other restaurants licensed or owned by us or by the Company. The quick-service segment is a highly competitive and developed market, which can be significantly affected by many factors, including changes in local, regional or national economic conditions, changes in consumer tastes, consumer concerns about the nutritional quality of quick service food and increases in the number of, and particular locations of, competing quick service restaurants. Investing in a Manchu Wok Restaurant is a speculative risk and there are no warranties for your success. You will also face normal business risks that could have an adverse effect on your Manchu Wok Restaurant. These include industry developments, such as pricing policies of competitors, supply and demand, and changing consumer tastes. Another potential risk factor is dependence on personnel, the loss of whom could cause adverse effects. Our ability to fulfill our obligations under the Franchise Agreement with you depends in part on our present and future financial condition. Litigation risks also exist, including product liability litigation against you or us because of food-related illnesses and future litigation which may not be foreseeable.

Affiliates That Provide Products or Services to Franchisees

Kahala Management, L.L.C. ("**Kahala Management**"), an affiliate of ours, is an Arizona limited liability company that provides administrative, legal, accounting, sales, POS phone support, real estate and marketing support services to us. Kahala Holdings, LLC ("**Kahala Holdings**") and Kahala Restaurants, L.L.C., ("**Kahala Restaurants**") are affiliates of ours that also own and operate company-owned outlets detailed above. Neptune Equipment Services, LLC, an Arizona limited liability company ("**Neptune Equipment**"), is an affiliate of ours that is an approved retailer of equipment that sells, distributes, and coordinates logistics of equipment, menu boards, interior and exterior signage, and smallwares to franchisees and licensees.

Some company-owned Manchu Wok Restaurants may be leased by either us or our affiliates (collectively, "**Leasing Affiliates**"). In these situations, our Leasing Affiliates enter into a direct lease with the property owner ("**Master Lease**") for the location of the Manchu Wok Restaurant, and then Sublease the location to the franchisee for that particular Manchu Wok Restaurant. In most other cases, you will enter into a lease for the premises of your Manchu Wok Restaurant directly with the property owner.

Regulations

Your Manchu Wok Restaurant will be subject to various federal, state and local health and sanitation laws that apply to restaurant operations. The business of operating a **Manchu Wok Restaurant** is subject to all of the laws, codes and regulations (referred to below generally as “laws”) normally applicable to retail businesses. These include: (1) federal, (2) state, and (3) in most instances, city, county, parish, borough, municipality or other local laws.

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

The United States Department of Agriculture and the Food and Drug Administration regulate the manufacture, labeling and distribution of food products.

Many local or state jurisdictions require food service permits for those preparing, handling and serving food to the public. You and your employees may be required to pass a test or other certification process to obtain such a permit. There may also be local ordinances and regulations governing food storage, preparation and serving.

Your Manchu Wok Restaurant is subject to local food and health permits and inspection laws. Health laws are intended in part to reduce food borne illnesses and may cover such issues as: requiring employees to take a test and obtain a license as a food service worker, having accessible sinks, bathrooms for certain size establishments, inspections for cleanliness and compliance, equipment cleaning, storage and packaging, size of facilities, allowed foods, refrigeration, etc.

Federal. Examples of other federal laws affecting many small businesses are wage and hour, occupational health and safety, equal employment opportunity, taxes, hazardous materials communication to employees, hazardous waste and environmental, and the Americans With Disabilities Act.

State. State laws may cover the same topics as federal laws. Examples of other state laws affecting many small businesses include environmental, occupational health and safety, fire, taxes, health, and building and construction laws.

Local. Local laws may cover the same topics as federal and state laws. Examples of other local laws affecting many small businesses include health and sanitation, building codes, fire codes, permits, and waste disposal.

The foregoing are examples of some, but not all of the laws that may be applicable to the franchised business described in the Franchise Disclosure Document. The Franchise Agreement places the responsibility for complying with all applicable laws and regulations upon you, the franchisee. You should research these requirements before you invest.

In addition, your business will be subject to various employment regulations concerning wage rates, mandated employee benefits, employment taxes, tip reporting, worker safety,

unemployment compensation, workers' compensation, teenage labor practices, disabled employees and discrimination in employment practices. Environmental regulations will impact your restaurant operations, particularly in the area of sewer discharge. You will be subject to the Americans with Disabilities Act which prohibits practices that discriminate against physically and mentally challenged individuals regarding access to public accommodations and employment opportunities. Due to the permitted sale of alcoholic beverages, you will need to obtain all required liquor licenses and liquor liability (dram shop) insurance in addition to the required insurance policy. You must report and pay various sales, excise, property, income, use and inventory taxes. Additionally, you must obtain various licenses and permits at the federal, state and local level in order to conduct business including, but not limited to, those related to food preparation. The laws in your state or municipality may be more or less stringent, but failure to comply with the above governmental regulations could have a material adverse impact on you and your business. You should examine these laws before purchasing a Manchu Wok 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, Kahala Brands, or any one or more 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: 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.

Executive Vice President of Finance: Nik Rupp

Mr. Rupp has been the Executive Vice President of Finance of MTY USA since early 2020. He joined Papa Murphy's International LLC in April 2018 as Chief Financial Officer and was appointed to their Board of Managers in May 2019. In June 2019, his title changed to Executive Vice President of Finance. Mr. Rupp was with Specialized Bicycle Components, Inc., in Morgan Hill, California, as Global Controller from January 2015 to March 2016, and Chief Financial Officer from March 2016 to February 2018.

Senior Vice President of Restaurant Operations: Anthony Crosby

Mr. Crosby joined Kahala Brands in October 2009 as the Vice President of Restaurant Operations. He assumed his current role in August 2011.

Vice President of Restaurant Operations: Blake Borwick

Mr. Borwick was a Cold Stone Creamery franchisee in Cedar Falls and Waterloo, Iowa from April 2005 to March 2014. From March of 2014 to January 2017, he was the Regional Director of Operations of Cold Stone Creamery and Blimpie. He was promoted to Vice President of Operations for the Blimpie brand in January 2017 and then became Vice President of Operations for the Cold Stone Creamery brand in March 2018. In May of 2021 he was promoted to Vice President of Restaurant Operations for Kahala Brands.

Vice President of Restaurant Operations: Logan Reves

Mr. Reves joined Kahala Brands in May 2021 in his current role. Prior to joining Kahala Brands, Mr. Reves was an Independent Restaurant Consultant from March 2020 through April 2021. Prior to that Mr. Reves was with Tilted Kilt Franchise Operating, LLC in Tempe, Arizona as Vice President of Operations from January 2014 to July 2016, Chief Operating Officer from July 2016 through December 2018, and as Senior Vice President of Franchise Operations of the Dick's Wings & Grill brand from January 2019 through March 2020.

General Counsel: 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.

Deputy General Counsel: Kim Lane

Ms. Lane joined the Kahala Brands' Legal department in March 2012 as Corporate Counsel, then became the Vice President of Real Estate/Assistant General Counsel in February 2013, and became Deputy General Counsel in September 2016.

Vice President of Training and Customer Service: Kerri Kudla

Ms. Kudla joined the Cold Stone Creamery training team in June 2002. She became Director of Operations & Training Development in January 2009 and was promoted to Senior Director of Operations & Training Development in October 2012. In June 2014, Ms. Kudla assumed her current role.

Senior Vice President of Marketing: Steven Evans

Mr. Evans joined Kahala Brands in October 2007 as a National Marketing Manager for the Blimpie brand. In October 2009, he also became the Director of Marketing for the NrGize Lifestyle Cafe and Surf City Squeeze brands, and in January 2010, also the Director of Marketing for the TacoTime brand. In March 2011, Mr. Evans was promoted to Senior Director of Marketing, and in August 2011, he became the Vice President of Marketing. In January 2017, Mr. Evans was promoted to his current role.

COO of Quick Service Restaurants: Jason Brading

In 2014, Mr. Brading joined MTY as Brand Vice President for the MR.SUB brand, and saw the steady addition of many MTY brands under his supervision until 2018 when Jason was promoted to the role of Chief Operating Officer where he leads the Quick Service Division of restaurants for MTY.

Brand Leader (Manchu Wok): Lloyd McKenzie

Mr. McKenzie joined Manchu Wok as Sr. Director of Operations in April 2019 and assumed the role of Brand Leader in September 2019. For seven years prior to then, he was a Sr. Director of Operations.

Franchise Sales

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 worked with the Cold Stone Creamery brand since October 2005. In January 2008, he became the Senior Director of Development for Kahala Franchising, and from January 2008 until November 2008, he served as Senior Director of Operations. Mr. Goldstein was promoted to Vice President of Franchise Development in May 2009.

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.

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.

Franchise Development Manager: Traci Zandi

Ms. Zandi has assisted Kahala Brands' 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.

**ITEM 3
LITIGATION**

LITIGATION INVOLVING PREDECESSORS AND AFFILIATES

Concluded Arbitration and Litigation Involving The Extreme Pita 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.

Pending Arbitration and Litigation Involving MTY Franchising Inc., formerly known as MTY Tiki Ming Enterprises Inc.

9276-2665 Quebec Inc., Lynda Larrivée v. MTY Tiki Ming Enterprises Inc., Iad (Eddy) Hassan, Habitations Matrik Inc.; Superior Court of Quebec 500-17-104982-189.

On August 6, 2018, 9276-2665 Quebec Inc. (“Plaintiff Quebec Inc.”), Lynda Larrivée (collectively “Plaintiffs”) filed a Statement of Claim against MTY Tiki Ming Enterprises Inc. (“Defendant MTY”), Iad (Eddy) Hassan, and Habitations Matrik Inc. (collectively “Defendants”). Plaintiffs allege: (i) false representations regarding system sales and projected sales for the outlet and business values; (ii) Defendants withheld material information and that as a result the Plaintiffs suffered damages; and (iii) representatives of the Franchisor are responsible for defects in the construction of the outlet. Plaintiffs sought: (i) to order the Defendants MTY and Hassan, jointly and severally to pay the Plaintiffs the sum of \$ 251,935.00 in damages for the years of operation ending in 2017, including the year 2017, resulting from false representations and fraudulent maneuvers by the Defendants on the situation financing of the Thai Express banner, plus interest at the legal rate and the additional indemnity provided for in Article 1619 of the Civil Code of Quebec as of February 27, 2018; (ii) to order the Defendants jointly and severally to pay the Plaintiffs the sum of \$ 54,978.22 for the payment of the work carried out following the negligence and non-respect by the Defendants of the plans and specifications, of the construction and the arrangement of the restaurant, plus the interests at the legal rate plus the additional indemnity provided for in Article 1619 of the Civil Code of Quebec as of February 27, 2018; (iii) to condemn the Defendants jointly and severally to pay the Plaintiffs for the troubles, annoyances and inconveniences that their wrongful behavior caused the Plaintiffs, the sum of \$ 36,944.03 plus interest at the legal rate, and the additional indemnity provided for in Article 1619 of the Civil Code of Quebec as of February 27, 2018; (iv) cancel the franchise agreement signed

in 2015 following the change in shareholding with the Plaintiff Quebec Inc.; (v) cancel the general discharge signed by the Plaintiffs in 2015 following the change in shareholding with the Plaintiff Quebec Inc.; (vi) to declare the franchise contract signed on May 1, 2013 between the Plaintiffs and the Defendant MTY as the one and only contract governing the contractual relationship between the parties; (vii) all with legal costs, including expert fees. On March 3, 2019, Defendants filed their Answer denying all allegations cited in Plaintiff's complaint. On May 16, 2019, Plaintiff's counsel ceased its representation. On July 6, 2020, Plaintiffs amended their claim and alleged: (i) false representations regarding system sales and projected sales for the outlet and business values; (ii) Defendants withheld material information and that as a result Plaintiffs suffered damages; and (iii) representatives of the franchisor are responsible for defects in the construction of the outlet. Plaintiffs are seeking: (i) to order Defendants, jointly and severally, to pay Plaintiffs the sum of \$251,935.00 in damages for the years of operation ending in 2017, including the year 2017, resulting from alleged false representations and fraudulent maneuvers by Defendants on the situation financing of the Thai Express banner, plus interest at the legal rate and the additional indemnity provided for in Article 1619 of the Civil Code of Quebec as of February 27, 2018; (ii) to order Defendants, jointly and severally, to pay Plaintiffs the sum of \$54,978.22 for the payment of the work carried out following the negligence and non-respect by Defendants of the plans and specifications of the construction and the arrangement of the restaurant, plus interest at the legal rate and the additional indemnity provided for in Article 1619 of the Civil Code of Quebec as of February 27, 2018; (iii) to condemn Defendants, jointly and severally, to pay Plaintiffs, for the troubles, annoyances and inconveniences that their alleged wrongful behavior caused Plaintiffs, the sum of \$36,944.03, plus interest at the legal rate and the additional indemnity provided for in Article 1619 of the Civil Code of Quebec Inc. as of February 27, 2018; (iv) to order Defendants, jointly and severally, to pay Plaintiffs the sum of \$56,000.00 for the payment of the work to be carried out following the alleged negligence and non-compliance by Defendants with the plans and specifications, the construction, and the renovation of the restaurant, plus interest at the legal rate and the additional indemnity provided for in Article 1619 of the Civil Code of Quebec as of December 14, 2019; (v) to cancel the franchise contract signed in 2015 with the change in shareholding with Plaintiff Quebec Inc.; (vi) to cancel the general discharge signed by Plaintiffs in 2015 following the change in shareholding with Plaintiff Quebec Inc. ; (vii) to declare the franchise contract signed on May 1, 2013 between Plaintiffs and Defendant MTY as the one and only contract governing the contractual relationship between the parties; (viii) to award Plaintiffs all legal costs, including expert fees. Defendants vehemently deny the allegations made and will continue to vigorously defend the matter. Trial is set for October 2022.

Concluded Arbitration and Litigation Involving MTY Franchising Inc., formerly known as MTY Tiki Ming Enterprises Inc.

2423950 Ontario Inc. and Sylvie Louchez v. MTY Tiki Ming Enterprises Inc., Stanley Ma and Claude St-Pierre; Ontario Superior Court of Justice; Court File No.: CV-17-584365.

On October 13, 2017, 2423950 Ontario Inc. and Sylvie Louchez ("Applicants") filed a Notice of Application against MTY Tiki Ming Enterprises Inc., Stanley Ma, and Claude St-Pierre (collectively "Respondents"). Applicants alleged (i) Breach of the Wishart Act. Applicants sought: (i) a declaration that MTY Tiki Ming Enterprises Inc. is a franchisor as defined in the Wishart Act; (ii) a declaration that Stanley Ma and Claude St-Pierre are each "franchisor's

associates” as defined in the Wishart Act; (iii) a declaration that Respondents were obligated to provide Applicants with a disclosure document and failed to do so; therefore, giving rise to a right to rescind the agreement; (iv) a declaration that any agreement (including the franchise agreement and sublease) relating to the franchise between the parties was rescinded by Notice of Rescission dated April 14, 2016; (v) an order requiring Respondents to indemnify Applicants for any payments due to Respondents; (vi) damages jointly and severally in the amount of \$269,863.00; (vii) in addition or in the alternative damages in the amount of \$269,863.00 from the Respondents, jointly and severally, pursuant to Sections 7 and 8 of the Wishart Act for alleged failure to comply with Section 5 of the Wishart Act; (viii) a declaration that Respondents are jointly and severally liable to Applicants pursuant to Sections 7 and 8 of the Wishart Act; (ix) pre-judgment interest and post-judgment interest in accordance with the provisions of the Courts of Justice Act, RSO 1990 c. C-43; (x) costs of the application on a full indemnity basis, including HST and any other applicable taxes; and (xi) any other relief the Court deems fit. On December 6, 2018, the parties executed a full and final mutual release in which Applicants assigned the assets of the franchised business to Respondents and Respondents agreed to pay Applicants \$120,000 to settle the matter in full.

9299-7626 Quebec Inc., Martin Belley and Carole Tremblay v. Les Entreprises MTY Tiki Ming Inc.; Superior Court of Chicoutimi; Quebec; Case No.: 150-17-003520-175.

On August 4, 2017, 9299-7626 Quebec Inc., Martin Belley and Carole Tremblay (collectively “Plaintiffs”) filed a Statement of Claim against MTY Tiki Ming Enterprises Inc. (“Defendant”). Plaintiffs alleged: (i) misrepresentation; and (ii) failure to act in good faith and fair dealing. Mediation occurred in January 2018, but was not successful. On January 28, 2019, Defendant filed its Answer and vehemently denied the allegations. On December 16, 2019, the trial began; however, the parties chose to settle on December 17, 2019. Defendant agreed in the settlement to grant one year of royalty relief of 1.5% to Plaintiffs; \$2,000 to assist in food delivery; \$2,000 reimbursement for digital media advertising and assistance in negotiating a possible rent reduction with the landlord.

Concluded State Administrative Actions, Arbitration, and Litigation Involving SFF, 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. Franchisor is not aware of any licensees that accepted the rescission and has made a good faith effort to obtain that information.

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 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.

Lawsuits Filed by Franchisor Kahala Franchising, L.L.C. Against Franchisees During Fiscal Year December 1, 2020 through November 30, 2021

Suits for Federal Trademark Infringement; Common Law Trademark Infringement; Federal Unfair Competition; California Statutory Trademark Infringement; and California Unfair Competition

Kahala Franchising, LLC v. Real Faith, LLC; D'Mari Jackson and Does 1-50; United States District Court Central District of California; Case No.: 2:21-cv-08115-ODW-SK.

Suits for Breach of Contract (Franchise Agreement) and Account Stated

Kahala Franchising, LLC v. Atul Patel; Superior Court of New Jersey Monmouth County Law Division; Case No.: MON-L-002881-21.

Pending Arbitration and Litigation Involving Cold Stone Creamery, Inc.

Cecil Rolle v. Cold Stone Creamery, Inc., Kahala Corp., Cold Stone Franchisee National Advisory Board, L.L.C., Robert Zarco, Esq. and Zarco, Einhorn, Salkowski, & Brito, P.A.; Eighth Judicial Circuit Court, Alachua County, Florida, Case No. 2011-CA-5004 subsequently amended and removed to Cecil Rolle v. Cold Stone Creamery, Inc.; The Kahala Corp.; The NIACCF, Inc.; Robert Zarco, Esq.; and Zarco, Einhorn, Salkowski, & Brito, P.A.; Daniel Beem; Rodolfo Puig; Frank Caperino and Edward Reesman; County Court of the Eleventh Judicial Circuit in and for Miami-Dade County, FL; Case No.: 2012-19002CA02.

On or about September 30, 2011, Cecil Rolle, a former general manager of a Cold Stone Creamery franchisee ("Plaintiff"), filed a Complaint and Demand for Jury Trial against Cold Stone Creamery, Inc., Kahala Corp. (collectively "Defendants Cold Stone"), Cold Stone Franchisee National Advisory Board, L.L.C., Robert Zarco, Esq., and Zarco, Einhorn, Salkowski, & Brito, P.A. The Complaint alleged defamation per se and defamation per quod. Plaintiff sought an award in an unspecified amount for all damages, including interest, costs and any other relief the Court deemed proper. On November 21, 2011, Defendants Cold Stone filed a Motion to Dismiss Plaintiff's Complaint and/or for More Definite Statement. The National Advisory Board, L.L.C. also filed a Motion to Dismiss Plaintiff's Complaint on November 21, 2011. On January 3, 2012, Defendant Robert Zarco, Esq. filed his Motion to Dismiss Plaintiff's Complaint with Prejudice. On January 4, 2012, Defendants The NIACCF, Inc. ("NIACCF"), and Zarco, Einhorn, Salkowski, & Brito, P.A. filed their Motion to Dismiss Plaintiff's Complaint With Prejudice and/or for a More Definite Statement. Plaintiff filed an Amended Complaint on or about January 17, 2012. Plaintiff amended the original claims and added conspiracy to defame. The Amended Complaint no longer named the National Advisory Board L.L.C. as a Defendant but included Daniel Beem ("Defendant Beem"), NIACCF, , Rodolfo Puig, Frank Caperino, and Edward Reesman, as additional Defendants (hereinafter "Defendants Puig, Caperino and Reesman"). On February 1, 2012, Defendants NIACCF, Robert Zarco, Esq., and Zarco, Einhorn, Salkowski, & Brito, P.A. filed a Motion to Dismiss along with a Motion to Transfer Venue. On February 2, 2012, Defendants Cold Stone filed a Motion to Dismiss and Motion for

Sanctions. On February 16, 2012, Defendants Puig, Caperino and Reesman filed their Motion to Dismiss. On February 16, 2012, Plaintiff filed his Response to Defendants NIACCF, Robert Zarco, Esq., and Zarco, Einhorn, Salkowski, & Brito, P.A.'s Motion to Dismiss and Motion to Transfer Venue requesting the Court to keep the venue in Alachua County, Florida. On March 13, 2012, Plaintiff filed a Request to Enter Default against Defendant Beem for failure to respond to the Complaint. On April 9, 2012, Defendant Beem filed a Motion to Quash Service of Process and Motion to Set Aside Clerk's Default for lack of personal jurisdiction pursuant to Fla. R. Civ. P. 1.140. He also moved to set aside the clerk's default entered against him on March 14, 2012, on the grounds that: (i) he was entitled to notice prior to entry of the default; and (ii) his alleged failure to timely answer was due to excusable neglect, he has meritorious defenses, and he acted with diligence in moving to set aside the default. On April 12, 2012, the Alachua County Eighth Circuit District Court denied Defendants NIACCF, Robert Zarco, Esq., and Zarco, Einhorn, Salkowski, & Brito, P.A.'s Motion to Dismiss, but granted the Motion to Transfer Venue to the Miami-Dade Eleventh Circuit District Court. On May 4, 2012, Plaintiff filed an Appeal in the First District Court of Appeal; State of Florida; Case No.: 12-2112. Plaintiff requested the Court reverse the trial Court's Order to Transfer Venue. On June 29, 2012, Defendants Cold Stone and Defendant Beem filed their Answer Brief requesting that the Court affirm the trial Court's Order granting the defense motions to transfer venue. On July 18, 2012, Plaintiff filed his Reply again requesting that the trial Court's Order to Transfer Venue be reversed. On November 28, 2012, the First District Court of Appeal issued its Opinion and affirmed the trial Court's Order to transfer the venue from Alachua County to Miami-Dade County. On January 22, 2013, Plaintiff filed his reply to Defendant Beem's Motion to Quash Service of Process and Motion to Set Aside the Clerk's Default and requested that the Court deny both motions. On January 23, 2013, the Court issued its Order that Defendant Beem's Motion to Set Aside the Clerk's Default was granted and the Clerk's Default of March 13, 2012 be set aside; (ii) Defendant Beem's Motion to Quash Service for lack of personal jurisdiction was denied; and (iii) Defendant Beem's arguments with regard to personal jurisdiction were preserved and would be heard with his Motion to Dismiss. On January 15, 2013, Plaintiff filed a Motion for Default against Defendants NIACCF, Robert Zarco, Esq., and Zarco, Einhorn, Salkowski, & Brito, P.A. for failure to plead or otherwise defend within the specified time frame. On January 28, 2012, Defendants NIACCF, Robert Zarco Esq., and Zarco, Einhorn, Salkowski, & Brito, P.A. filed a Corrected Motion to Vacate the Portion of the Order Dated April 12, 2012, Denying Defendants' Motion to Dismiss. On June 18, 2013, the Court Order was issued, and it granted without prejudice Defendant Beem's Amended Motion to Dismiss based on a lack of personal jurisdiction. On June 24, 2013, the Court granted Defendants NIACCF, Robert Zarco, Esq., and Zarco, Einhorn, Salkowski, & Brito, P.A.'s Corrected Motion to Vacate the Portion of the Order Dated April 12, 2012 Denying Defendants' Motion to Dismiss. The Court further ordered on June 24, 2013 an Order granting (i) Defendants NIACCF,, Robert Zarco, Esq., and Zarco, Einhorn, Salkowski, & Brito, P.A.'s Motion to Dismiss the First Amended Complaint; (ii) Defendants NIACCF, Inc. Robert Zarco Esq., and Zarco, Einhorn, Salkowski, & Brito, P.A.'s Supplemental Motion to Dismiss; (iii) Defendants Cold Stone Creamery Amended Motion to Dismiss First Amended Complaint; and (iv) Defendant Beem's Motion to Dismiss Amended Complaint. On July 15, 2013, Plaintiff filed a Notice of Appeal with the Florida Third District Court of Appeal, Case No. 3D13-1821, to appeal the June 24, 2013 Order granting Defendant Cold Stone's Motion to Dismiss. On July 19, 2013, Defendants Cold Stone filed their Notice of Appearance. On July 24, 2013, the Court granted Defendants Puig, Caperino and Reesman's Motion to Dismiss First Amended Complaint. On July 24, 2013, Plaintiff filed an Amended Notice of Appeal to the aforementioned June 24, 2013 Order and the July 24, 2013 Order. On August 27, 2013, Defendants Cold Stone filed their Motion to Dismiss Appeal and Alternative Motion to Strike Notice of Appeal. On March 31, 2014, oral argument of the Appeal took place in which Defendants Cold Stone presented their authorities and arguments in favor of affirming

the lower court's decision. On June 24, 2016, Plaintiff filed its Notice of Substitution of Counsel for Plaintiff. On July 8, 2016, Defendants NIACCF, Robert Zarco, Esq., and Zarco, Einhorn, Salkowski, & Brito, P.A., filed a Motion to Strike Plaintiff's Notice of Supplemental Authority. On July 11, 2016, Plaintiff filed his Response in Opposition to Defendants' Motion to Strike Defendants' Notice of Supplemental Authority. Defendants Cold Stone filed their Notice of Supplemental Authority on July 21, 2016. On March 1, 2017, the Third District Court of Appeals issued its decision reversing the trial court's decision to dismiss Plaintiff's defamation lawsuit based on technical procedural grounds. On May 18, 2017, Defendants Cold Stone filed their Answer and Affirmative Defenses. On April 25, 2019, the parties participated in mediation but failed to come to a resolution. On August 13, 2019, Defendants Robert Zarco, Esq. and Zarco, Einhorn, Salkowski, & Brito, P.A. filed a Motion for Summary Judgment (collectively "Zarco MSJ"). On August 13, 2019, Defendants Cold Stone filed Motions for Partial Summary Judgment on Defamation Per Quod and Defamation Per Se as well as a Motion for Final Summary Judgment. On August 22, 2019, Defendants Cold Stone filed a Notice of Joinder to the Zarco MSJ. On August 30, 2019, Defendants Robert Zarco, Esq. and Zarco, Einhorn, Salkowski, & Brito, P.A. filed their Notice of Joinder as to Defendants Cold Stones' Motions for Partial Summary Judgment on Defamation Per Quod and Defamation Per Se and its Motion for Final Summary Judgment as to Defamation, Defamation Per Se and Conspiracy to Defame. On November 10, 2019, Plaintiff filed his Response to the Zarco MSJ. The hearing on the Zarco MSJ was held on November 18, 2019. The Court ruled on the Zarco MSJ on November 27, 2019, granting the Zarco MSJ as to the Defamation Per Quod count but denying it as to the Defamation Per Se and Conspiracy counts. On December 14, 2019, Plaintiff filed his Response to Defendants Cold Stone's Motion for Partial Summary Judgment as to Plaintiff's Defamation and Defamation Per Se Count. A hearing was held on December 16, 2019, in which Defendants Cold Stone presented their argument for summary judgment. On October 16, 2020, the Court denied Defendants Cold Stone's Motion for Summary Judgment on Lack of Agency Relationship, leaving the Motions for Summary Judgment on Defamation Per Se and Qualified Privilege pending. The Judge further recused himself from the case leading to the appointment of a new Judge later that same month. In January 2021, the case was again transferred to a new judge due to judge rotation. In April 2021, Defendants Cold Stone filed an Amended Supplemental Motion for Final Summary Judgment, incorporating the previously filed Motions for Summary Judgment. In July 2021, the judge denied Defendants Cold Stone's Motion for Summary Judgment as to Absolute Privilege and Qualified Privilege. In August 2021, Defendants Cold Stone filed, and the judge subsequently granted, their Motion for Reconsideration of the October 2020 Order Denying its Final Summary Judgment Based on Lack of Agency. In December 2021, Defendants Cold Stone filed a Renewed Motion For Final Summary Judgment On Plaintiff's Defamation Per Se Claim Based on Agency and its Motion For Final Summary Judgment On Plaintiff's Conspiracy To Defame Claim. The hearing for the Motion for Summary Judgments and the Court ordered Mediation are set for March 2022. Trial is set for June 2022. Defendants Cold Stone will continue to vigorously defend the claims against them.

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.

On or about August 17, 2009, Cindy Kilman, Joseph "Buck" Kilman, and BCEK, L.L.C. (collectively "Claimants"), former Cold Stone Creamery franchisees, filed a Demand for Arbitration with the American Arbitration Association against Cold Stone Creamery, Inc. ("Respondent"). Claimants alleged: (i) intentional fraud/fraudulent inducement; (ii) negligent misrepresentations and omissions; (iii) wrongful termination of four franchise agreements and subleases; (iv) breach of implied covenant of good faith and fair dealing; (v) breach of contract; (vi) violations of Federal Anti-Trust law including "illegal tying" claims and "exclusive arrangements" under the Sherman Act and Clayton Act; (vii) violations of the Arizona Uniform State Antitrust Act, A.R.S. §§ 44-1401, *et seq.*; (viii) violations of the Texas Free Enterprise and Antitrust Act of 1983, Tex. Bus. & Com. Code Ann. §§15.01 – 15.26 (TFEAA); (ix) violations of Arizona's Consumer Fraud Act, A.R.S. §§ 44-1521, *et seq.*; (x) and violations of Texas' Deceptive Trade Practices-Consumer Protection Act, Texas Bus. & Comm. Code Ann. §§17.41, *et seq.* Claimants sought: (i) damages in excess of \$1,100,000, which included their investment; (ii) future profits; (iii) future earnings; (iv) interest; (v) costs and expenses of the arbitration proceeding; (vi) attorneys' fees; (vii) rescission of their four franchise agreements and subleases; and (viii) declaratory relief that "None of the Kilmans (BCEK, L.L.C., Cindy Kilman or Joseph "Buck" Kilman), shall be responsible to Cold Stone Creamery, Inc. for contribution, or otherwise, relating to any rent or additional rent which Cold Stone Creamery, Inc. (or any of its affiliates) may owe or may have been adjudged to owe to any landlord in connection with any of the premises from which the Kilmans (or any one of them) operated their Cold Stone Franchises." Claimants filed an Amended Demand for Arbitration on or about February 9, 2010, stating with more specificity the allegations of each alleged misrepresentation. Respondent filed a Response to the Amended Demand for Arbitration and Counterclaim in which it alleged breach of contract and sought a dismissal of all claims raised by Claimants with prejudice and damages in the amount of \$85,000 plus reasonable attorneys' fees and costs. The arbitration occurred in March 2011, with the American Arbitration Association. The arbitrator awarded Claimants \$349,542.07 on or about May 6, 2011. On or about May 20, 2011, Respondent filed a Notice of Appeal with the American Arbitration Association. On or about June 15, 2011, the American Arbitration Association asked to set up a conference call to initiate the appeal. When, as of June 17, 2011, counsel for the Claimants had not indicated any availability for or an agreement to participate in the conference call, Respondent appealed the decision to the Arizona District Court by filing a Complaint, Case No. 2:11-cv-01192, alleging breach of contract. Respondent sought an order compelling the Claimants to submit to AAA jurisdiction for an appeal of the award, reasonable attorneys' fees and costs, and any other relief the court deemed proper. On August 5, 2011, Respondent filed a Motion to Vacate and Modify Arbitration Award in which it sought an order amending the arbitration award in favor of Respondent in the amount of \$85,000 plus pre- and post-judgment interest, or alternatively, an order vacating the arbitration award, and reasonable attorneys' fees and costs incurred and such other relief as the court deemed just and proper. On or about September 6, 2011, Claimants filed a Motion for Temporary Restraining Order and Preliminary Injunction seeking the court to disallow Respondent from any further activity in the appeal of the arbitration award and to disallow Respondent from enforcing the appeal of arbitration provision in the franchise agreement. Claimants filed an Answer and Counterclaims seeking an Order confirming the final arbitration award, a declaration that the appeal provision in the franchise agreement is unconscionable, and injunctive relief. On September 16, 2011, Respondent filed a Motion to Stay its earlier filed Petition to Vacate and Modify the Arbitration Award until the Court ruled on

the underlying merits of the Complaint. On September 20, 2011, Claimants filed an Amended Answer to the Complaint asserting counter-claims against Respondent. Respondent filed a response to Claimants' Motion seeking a temporary restraining order. On October 3, 2011, Claimants filed a response to Respondent's Motion to Stay. On October 26, 2011, the United States District Court of Arizona Order granted Claimants' Motion for Temporary Restraining Order and Preliminary Injunction as well as its cross-motion seeking to confirm the arbitration award. The Order further denied Respondent's Motion to Stay as well as its Motion seeking to Vacate and/or Modify the arbitration. Following the October 2011 Order, Claimants filed a Motion for Attorneys' Fees and Non-Taxable Expenses in the amount of \$160,000. In May 2012, the Court ordered Respondent to pay Claimants \$70,000 in fees. Respondent appealed the United States District Court of Arizona's Order to the United States Court of Appeals for the Ninth Circuit in February 2012 and Claimants cross-appealed the May 2012 Order. While the appeal was pending, the parties continued to explore settlement discussions. In December 2012, the parties wished to settle all the issues and claims arising out of and/or relating to the (i) AAA Proceeding; (ii) the District Court Action; (iii) the AAA Appeal Proceeding; and (iv) the Court of Appeals Actions. Respondent agreed to pay Claimants \$371,160 in full satisfaction of the claims and attorneys' fees along with \$3,381 in AAA fees. In exchange, Claimants agreed to release and forever discharge Respondent from any and all claims related to or arising from the dispute. On January 17, 2013, the United States District Court executed an Order that dismissed all claims and counter claims with prejudice with each party bearing its own costs and attorneys' fees.

Concluded Arbitration and Litigation Involving Kahala Franchise Corp.

Texas Nrgize #1, Inc. v. Kahala Franchise Corp. 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.

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 Leasing Company, Inc.

Afsana Alekozai v. Cold Stone Creamery Leasing Company, Inc.; United States District Court for the Northern District of California, San Francisco Division, Case No. CV-10 1254.

In March 2010, Afsana Alekozai ("Plaintiff Alekozai"), a former Cold Stone Creamery franchisee, filed a Complaint against Cold Stone Creamery Leasing Company, Inc. ("Defendant Cold Stone" or "Respondent Cold Stone ") alleging violation of the California Franchise Relations Act (Cal Bus & P C §§2000-20043) for: (i) terminating Plaintiff Alekozai's Franchise Agreement without providing Plaintiff Alekozai with an opportunity to cure; (ii) violation of the California Franchise Investment Law (California Corporations Code §§31000-31516); (iii) deceit (as defined in California Civil Code §§1709-1710); (iv) violation of the California Unfair Competition Law (Bus & P C §§17200-17210); (v) fraud; (vi) breach of an express contract provision; (vii) breach of fiduciary duty; and (viii) breach of the implied covenant of good faith and fair dealing.

Plaintiff Alekozai sought monetary and punitive damages in an unspecified amount and restitution. Defendant Cold Stone filed a Motion to Dismiss and to Stay Proceedings Pending Arbitration. On June 25, 2010, the United States District Court entered an Order Granting Defendant Cold Stone's Motion to Dismiss as to certain causes of action and Motion to Stay Pending Arbitration as to other causes of action. The order dismissed with prejudice Plaintiff Alekozai's causes of action regarding violation of the California Franchise Relations Act and California Franchise Investment Law. The remaining claims against Defendant Cold Stone were stayed pending arbitration of the dispute in Arizona. On or around August 13, 2010, Cold Stone Creamery Leasing Company, Inc. and Cold Stone Creamery, Inc. (collectively "Petitioner Cold Stone") filed a Petition to Compel Arbitration in the United States District Court for the District of Arizona, Case No. CV 10-1762-PHX-JAT, against Alekozai. On December 21, 2010, the Court entered an Order Granting Petitioner Cold Stone's Motion for Default Judgment, and further Order Granting the Petition to Compel Arbitration. On March 12, 2012, Alekozai filed a separate Demand for Arbitration, Case No. 76-114-J00048-12 02 NOLG-R, with the American Arbitration Association against Cold Stone alleging that Alekozai's Franchise Agreement was wrongfully terminated in 2009. In the demand, Alekozai failed to properly identify any existing Cold Stone entity against which relief was to be sought. It was not determinable from the demand whether the Arbitration was filed pursuant to the Order Granting the Petition to Compel Arbitration issued by the United States District Court for the District of Arizona, Case No. CV 10-1762-PHX-JAT. In the Arbitration, Alekozai sought: (i) damages in the amount of \$830,000; (ii) attorneys' fees; (iii) interest; (iv) arbitration costs; (v) punitive/exemplary damages; and (vi) lost wages. Although it was indeterminable from the demand which Cold Stone entity Alekozai sought relief from, Respondent Cold Stone filed its Answer and Counterclaim on April 9, 2012, in which it sought recovery of \$12,000 in landlord fees paid by Respondent Cold Stone. In August 2012, the parties settled Case No. CV 10-1762 PHX-JAT and American Arbitration Association Case No. 76-114-J00048-12 02 NOLG-R in mediation. Respondent Cold Stone agreed to pay Alekozai \$75,000 in settlement of all claims. The amount was paid in full in August 2012.

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.

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. ("MWF"), the predecessor franchisor of the Maui Wowi brand, entered into a Consent Order with the Securities Commissioner of Maryland ("Commissioner") resulting from MWF inadvertently entering into four franchise agreements with Maryland residents ("Maryland Franchisees") after its registration in Maryland expired on June 9, 2004. The Consent Order required MWF to (i) cease and desist from the offer and sale of unregistered franchises in Maryland; (ii) to diligently pursue the completion of its then pending application; (iii) to register its Offering Circular in Maryland; (iv) to develop and implement new franchise law compliance procedures to ensure future compliance with the registration and disclosure provisions of Maryland Franchise Law; and (v) 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.

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

On September 12, 2007, Maui Wowi Franchising, Inc. ("MWF"), the predecessor franchisor of the Maui Wowi brand, 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 inadvertently delivered to them the Offering Circular that did not contain the Maryland-specific information. MWF subsequently reported these mistakes to the Commissioner. The Consent Order required MWF to: (i) cease and desist from the offer and sale of franchises in Maryland in violation of the Maryland Franchise Law; (ii) to diligently pursue the completion of its then pending application to register its Offering Circular in Maryland; (iii) to implement additional compliance measures to ensure future compliance with the Maryland Franchise Law; (iv) to employ an approved franchise law compliance training program or trainer to monitor MWF's franchise activities in Maryland for two years; and (v) 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.

Lawsuits Filed by Franchisor BF Acquisition, L.L.C. Against Franchisees During Fiscal Year December 1, 2020 through November 30, 2021

Lawsuit filed for Breach of Contract (Franchise Agreement); Breach of Contract (Sublease) and Breach of Contract (Renovation Agreement)

BF Acquisition Holdings, LLC v. ARZ Partners, Inc., Syed Zafar Raza; and Does 1 through 25; Superior Court of California, County of Los Angeles; Case No.: 21STCV12606.

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.

Fresh Enterprises v. Ledang Investment Group, LLC, Vincent Tienn Le, Ho Tien Le and Hue Thi 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 Ledang 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.

Other than these actions, no litigation is required to be disclosed in this Item

ITEM 4 BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

ITEM 5 INITIAL FEES

All fees and payments described in this ITEM 5 are not refundable unless otherwise noted.

You must pay us a \$30,000 initial franchise fee (“**Initial Franchise Fee**”) when you sign your Franchise Agreement. The Initial Franchise Fee is not refundable except, as described below in this ITEM 5, if we terminate the Franchise Agreement because you do not successfully complete our Initial Training (as defined in ITEM 11 D). We expect that these fees will be uniformly applied in the coming year.

The Initial Franchise Fee is not refundable unless we terminate your Franchise Agreement because you or your Manager fail two attempts to successfully complete Initial Training, you comply with the refund conditions in the Franchise Agreement, and the parties have signed a termination agreement that will include mutual releases. Under these circumstances, we will refund your Initial Franchise Fee, less \$10,000 plus the out-of-pocket expenses (estimated to be between \$2,000-\$4,000) that we incurred in performing our obligations under the Franchise Agreement (including costs associated with training and the leasing and development of your Manchu WOK[®] Restaurant).

When you sign your Franchise Agreement, you must also pay us a \$10,000 Grand Opening Marketing and Promotion Fee as defined in your Franchise Agreement. This money will be used to conduct a marketing and promotional campaign for your grand opening. The payment is not refundable.

When you sign the Franchise Agreement with us for the premises at which you will operate your Manchu WOK[®] Restaurant (“**Premises**”), you must pay us a \$8,000 lease administration fee (“**Lease Administration Fee**”) if we get involved in the premises lease negotiation (whether you lease the premises directly or from us). This Lease Administration Fee is not refundable for any reason.

If the landlord requires Manchu WOK or you to enter into a lease that has an initial term of greater than 10 years, then, at our option, we may require you to extend the original term of your Franchise Agreement accordingly and, in such case, your Initial Franchise Fee will be increased by an amount equal to \$3,000 for each year (or part year) in excess of 10 years.

We will supervise project management services related to the construction and improvement of the Premises for your Manchu WOK Restaurant. You will pay us for all expenses associated with this task and we, in turn, will pay the contractors and suppliers that perform the work. We estimate that the cost to construct the leasehold improvements, including the purchase and installation of equipment, fixtures and furnishings, will range from \$303,000 to \$454,000. This estimate assumes that you build your Manchu WOK Restaurant according to our standard design guidelines under normal market conditions. You also must pay us a development and construction fee (“**Development Construction Fee**”) equal to the greater of \$2,500 or 3% of the total cost of the development of the Premises for Manchu WOK store construction projects in North America (up to a maximum of \$15,000); this fee is payable when the construction is completed.

You will pay us the Architect Fee ranging from \$18,000 to \$20,000 based on our past two years' experience. This includes engineering drawings that may be purchased from us, you landlord, or an architect. These fees are non-refundable.

If you would like to hire your own architect, a written approval must be obtained from us and all drawings must be prepared in conformance with our specifications and submitted to us for review and approval. You will pay us a \$2,000 Plan Review Fee for the reviewing process.

We reserve the right to require you to make a \$30,000 lump sum deposit for your construction of Manchu WOK® Restaurant ("**Construction Deposit**"). If required, the Construction Deposit will be paid to us by you upon signing the Franchise Agreement and will be deductible on the final payment you make to your contractor.

Additional Fees if You Sublease the Premises from Us

We have the option to require that you either: (1) lease the space for your Premises directly from the landlord and sign a Lease Addendum (Note 1) with us and the landlord; or (2) sublet the space from us after we have obtained the prime lease.

If you sublease the Premises from us, the below additional fees will be applied when you sign the Franchise Agreement and sublease agreement:

Fee	Amount
Security Deposit (three months) (Note 2)	\$15,000 to \$75,000
Sublease Fee (Note 3)	\$500 to \$2,500

Note 1 – Our Lease Addendum is attached as **Schedule D** to your Franchise Agreement.

Note 2 - You will also have to pay us a security deposit equal to three month's rent under the sublease ("**Security Deposit**") when you sign the Franchise Agreement (unless our prime lease requires a higher security deposit, in which case you will have pay the higher amount and your costs will be higher).

Note 3 - You must also pay us or landlord a one-time fee ("**Sublease Fee**") ranging from \$500 to \$2,500 when you sign the sublease agreement.

**ITEM 6
OTHER FEES**

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty	Traditional 7% of weekly gross sales Non-Traditional: 6% of weekly gross sales	Payable on Thursday each week based upon the seven day period ending on the immediately preceding Sunday night	Gross sales includes all the revenues from your Restaurant but not any sales tax you pay.
Marketing Fee	1% of weekly gross sales	Payable at the same time as the Royalty	You must contribute this amount to our advertising fund.
Regional Cooperative Marketing Contribution	Your proportionate share of regional and local advertising and public relations programs will not exceed an amount that, when added to the amount you pay for your Marketing Fee, is greater than 5% of your gross sales over any 12 month period.	Monthly as required by your regional cooperative.	Payable only if a cooperative is formed in your area.
Successor Franchise Fee	\$15,000	Upon signing the Successor Franchise Agreement (if offered)	This fee is only payable if you are offered the opportunity to sign a Successor Franchise Agreement. The Successor Franchise Term is for 5 years.
Transfer Fee	\$10,000	When you apply for our consent to the transfer of your franchise	One of the conditions to transferring your franchise is paying us this transfer fee
Security Deposit on Lease or Sublease (if applicable) (as also noted in Item 5, above)	Equal to three month's gross rent on the Premises unless the primary lease requires a higher amount.	When you sign the lease or sublease	We estimate that the Security Deposit will range from \$15,000 to \$75,000.
Lease Administration Fee (if applicable) (as also noted in Item 5 above)	\$8,000	When you enter into, modify or renew your Lease or Sublease	

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Rent	\$5,000 to \$25,000 per month	Per the lease or sublease	
Sublease Fee (if applicable) (as noted in Item 5 above)	\$500 to \$2,500	At the time you sign a sublease agreement with us.	If you sublease the Premises from us.
Special Assistance Fee	\$500 a day per person providing assistance plus all associated costs and expenses.	When invoiced	If you require special assistance and we think it appropriate to render it and we can accommodate your request, we will provide you with the assistance.
Transfer Escrow Fee	As charged by third-party escrow agent.	As agreed with escrow agent.	Payable at closing when you transfer your franchisee.
Development Construction Fees	The greater of: \$2,500 or 3% of the total development cost for Manchu WOK store construction projects in North America, up to a maximum of \$15,000.	When Invoiced (when the construction is completed).	Every 5 years, you must renovate, alter, and/or upgrade your premises, fixtures, and equipment as may be required by the landlord or as we may require, so your Restaurant reflects the then-current image of the Manchu WOK system. This may entail the complete remodeling and upgrading of your Restaurant. For any renovation, alteration or upgrading, you must pay us a Renovation Development and Construction Fee.
Training for Replacement Manager	\$3,000 plus attendees' travel, lodging and food expenses, as well as all other expenses.	Before training	All attendees must satisfactorily complete Initial Training.
Relocation Charge	\$500	At signing of relocation amendment to Franchise	Payable if we approve the relocation of your store.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
		Agreement	
Administration Fee for Franchisee Programs	Up to 15% of gross costs	Upon demand	You must participate in any programs we establish to benefit the franchisees such as, for example, lease and rental payment administration, insurance plan(s), realty tax payment administration, etc. You must pay us a reasonable administration fee not to exceed 15% of the gross amount of the payments we receive for these programs.
Supplemental or Refresher Training	\$3,000 plus attendees' travel, lodging and food expenses, as well as all other expenses.	Before training	We may provide additional training, including assistance with any new system developments. If we make Supplemental or Refresher Training mandatory, you must attend.
Interest	Charged on all outstanding amounts from due date at a rate of the lesser of: (i) bank prime plus 5% per year; or (ii) the highest rate permitted by law	When default of any payment due to us or any affiliate. Payable upon demand.	You pay interest calculated per this section on any and all monies due to us from time to time and which are not paid when due.
Supplier Inspection	Varies	On demand	If you propose a new supplier, and we inspect the supplier or test the supplier's products, we may charge you or the supplier an amount up to the reasonable cost of inspection and the actual cost of the test.
Digital Menu Software	\$49 to \$60	Monthly	Payable to the system provider at

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Monthly Service Fee			the beginning of each month
POS System Software Subscription	\$50 to \$70 / POS	Monthly	Payable to the system provider at the beginning of each month
Optional for POS System Maintenance Warranty	Terminal \$250 to \$300 for 3 years; Printer \$110 to \$150 for 3 years	When incurred	Amount incurred will depend on the number of terminals and printers in your POS System
Audit	Amounts due by reason of revenue understatement, plus interest at the rate of the lesser of 18% a year (or the highest rate permitted by law) computed from the date payment was due to the date payment is received), as well as the full cost of the inspection or audit, including the charges of any independent accountant or other professionals we retained for the audit or inspection and the travel expenses, room, board and compensation of our employees and those of any independent	Within 10 days after receipt of the inspection or audit report.	We can inspect and audit your books and records. If we discover an understatement of gross sales for any period, you must pay us the Royalty and other sums due on account of the understatement. Further, if the inspection or audit is made necessary because you failed to furnish reports, financial statements, tax returns or schedules or any other documentation required, or if an understatement of gross sales for any period is determined to be greater than 2%, you must pay us these amounts.
Indemnification	An amount equal to our damages, losses or expenses	On demand	You must indemnify us if we incur any losses, damages, or expenses as a result of your ownership or operation of your franchised restaurant, any violation of your Franchise Agreement, or any of

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
			your acts or omission.
Dishonored Check Fee	\$25 for each check or draft returned for non-sufficient funds	On demand	This fee is charged for each dishonored payment and/or dishonored electronic funds transfer.
Damages for Breach of Non-Compete Obligations under the Franchise Agreement	Will vary under the circumstances.	As incurred	Payable to Franchisor
Non-participation Fee	\$100 per day if you fail or refuse to participate in any required national, local, regional, seasonal, promotional or other program, initiative and campaign or in any new or modified product or service test or offering.	Upon failing or refusing to participate	Payable to us.
Document Administration Fee	\$500	As incurred	Applicable if we must prepare an amendment to your franchise documents.
Early Termination Fee	The average monthly Royalty and Advertising Fees paid for any consecutive 12 month period within the preceding 48 month period multiplied by the number of months remaining in the term of the Franchise Agreement, and the product is divided by 2.	30 days prior to the early closing of the restaurant	You must provide us with 90 days prior written notice of the termination of your Franchise Agreement.

(Please review the above table in conjunction with all of the notes that follow.)

Notes:

The fees listed in this ITEM 6 are non-refundable, uniformly imposed by us, and are payable to us unless otherwise stated. None of the above fees are refundable except that the Security Deposit is refundable to the extent that it is not needed to pay any arrearages in lease or sublease payments.

**ITEM 7
ESTIMATED INITIAL INVESTMENT**

YOUR ESTIMATED INITIAL INVESTMENT

Type of expenditure	Amount (low)	Amount (high)	Method of payment	When due	To Whom Payment is to be made
Initial Franchise Fee ⁽¹⁾	\$30,000	\$30,000	Lump sum	When you sign your Franchise Agreement	Us
Leasehold Improvements and Design Costs incl. signage ⁽²⁾	\$210,000	\$320,000	Lump sum	Commonly, 90% before completion	Us
Equipment, Fixtures, and Furnishings ⁽²⁾	\$85,000	\$120,000	Lump sum	Commonly, 90% before completion of construction and 10% upon completion	Us
POS System & Installation ⁽³⁾	\$4,000	\$8,000	Lump sum	Upon Ordering	Vendor
Construction Deposit ⁽⁴⁾	\$30,000	\$30,000	Lump sum	When you sign your Franchise Agreement	Us
Development Construction Fee ⁽⁵⁾	\$2,500	\$15,000	Lump sum	Commonly, 100% upon completion	Us
Lease Administration Fee	\$8,000	\$8,000	Lump sum	When you sign your lease or sublease	Us
Security Deposit ⁽⁶⁾	\$15,000	\$75,000	Lump sum	When you sign your lease or sublease	Us
Sublease Fee ⁽⁶⁾	\$500	\$2,500	Lump sum	If you sign your sublease, at the time when you sign	Us or landlord

Type of expenditure	Amount (low)	Amount (high)	Method of payment	When due	To Whom Payment is to be made
Rent ⁽⁷⁾	\$15,000	\$75,000	Lump sum	Monthly	Us or landlord
Nonfood, Inventory and Supplies	\$15,000	\$20,000	Lump sum	Commonly, 50% before construction and 50% upon completion	Contractors and vendors
Initial Food, Inventory and Other Costs ⁽⁸⁾	\$8,000	\$10,000	Lump sum	As incurred	Suppliers
Grand Opening, Marketing and Promotion Fee ⁽⁹⁾	\$10,000	\$10,000	Lump sum	When you sign your lease or sublease	Us
Initial Training Expenses ⁽¹⁰⁾	\$5,900	\$7,500	Lump sum	As incurred	Vendors, hotels, and restaurants
Architect Fees	\$18,000	\$20,000	Lump sum	When you sign your Franchise Agreement	Us
Business License, and Permits ⁽¹¹⁾	\$150	\$500	Lump sum	Upon issuance	Local government
Additional Funds, (incl. insurance and Initial phase of 3 months) ⁽¹²⁾	\$15,000	\$30,000	As incurred	As incurred	Us, landlord, vendors, contractors, and suppliers
Digital Menu System ⁽¹³⁾	\$4,000	\$6,000	Lump Sum	Upon Ordering	Vendor
Total ⁽¹⁴⁾	\$476,050	\$787,500			

Notes:

Please note that we do not offer direct or indirect financing to you for any items. The availability and terms of financing from other sources will likely depend on factors such as the availability of financing generally, your creditworthiness, and the policies of lending institutions. These fees are not refundable (except as discussed in Note 1 below).

- (1) INITIAL FRANCHISE FEE. The Initial Franchise Fee is not refundable unless we terminate your Franchise Agreement because you or your Manager fail two attempts to

successfully complete Initial Training and the parties have signed a termination agreement that will include mutual releases. Under these circumstances, we will refund your Initial Franchise Fee, less \$10,000 plus the out-of-pocket expenses (estimated to be between \$2,000-\$4,000) that we incurred in performing our obligations under the Franchise Agreement (including costs associated with training and the leasing and development of your Manchu WOK® Restaurant).

- (2) LEASEHOLD IMPROVEMENTS AND EQUIPMENT. The estimate is for the leasehold improvements and equipment you will need to operate the Store, such as proper wiring and plumbing, floor covering, wall covering, partitions, ventilation, heat, lighting, storefront counter, painting, refrigerators, wok ranges, steam tables, fryers, sinks, walk-in freezer, steamers, signage, menuboard, smallwares and miscellaneous other items. You will need to obtain the exact equipment we specify and we may specify specific suppliers from which you may be required to purchase the equipment. The amount spent for equipment, fixtures, trade fixtures, and other fixed assets will vary for each Store depending upon the Store's size, style, and the volume of products to be offered in the Store. The amounts noted on the chart are for stores that range in size from 535 to 1,127 square feet. These costs also assume that the landlord provides you with a standard "Vanilla Shell" prior to the date you begin your leasehold improvements. The costs to complete your leasehold improvements will vary widely and may be significantly higher than projected in this table, depending on such factors as the city or town in which you propose to operate, property location, population density, economic climate, prevailing interest rates and other financing costs, the conditions of the property, current building code requirements, current permit requirements, implementation and enforcement of the Americans With Disabilities Act in particular jurisdictions, and the extent of alterations required for the property. You should investigate all of these costs in the area where you wish to establish your Manchu Wok Restaurant and the costs associated with modifying the specific property in which you choose to locate your Manchu Wok Restaurant. In some limited cases, these costs have added more than \$300,000 to the cost of opening a Manchu Wok Restaurant. Your costs will also be higher if your landlord does not provide you with a Vanilla Shell finish or if you select a larger location. We will procure the equipment, fixtures, trade fixtures, and other fixed assets used in the Store, and you will pay us the cost of equipment.
- (3) POS. We require our franchisees to purchase a –Vivonet Point of Sale (POS) system consisting of a computer hardware and software platform (including peripheral hardware devices such as touch screen terminals, printers, card readers, cash drawers, router, battery back-up, etc.). The cost for the POS system and the requisite high speed Internet service will vary based on the size of your Store and the number of POS stations required for the Store.
- (4) CONSTRUCTION DEPOSIT. The Construction Deposit will be paid by you to us for any new Manchu WOK construction projects. We reserve the right to waive or reduce the Construction Deposit for any upgrade refurbishment or renovation at existing Manchu WOK Restaurants.
- (5) DEVELOPMENT CONSTRUCTION FEE. You will need to construct improvements, or "build out," the premises at which you will operate the Store. Generally, you will take the premises in "vanilla box" condition (e.g., primed drywall ready to be painted, but without improvements). We will supervise the construction/development/improvement of your Manchu WOK Restaurant. You will pay us all of the costs associated with this task and

we, in turn, will pay the contractors, architects, designers and other vendors. As we disclose in Item 8, once you sign the lease for your Manchu Wok restaurant, you must retain certain professionals with whom you will enter into an engagement agreement directly, including: a) our designated architectural firm, or another approved architect, at our discretion, to prepare your construction documents; b) our designated kitchen design and installation specialist, or a kitchen design and installation specialist approved by us, c) our designated kitchen equipment supplier and installer, or a kitchen equipment supplier and installer approved by us, and d) our designated millwork company or a millwork company approved by us to provide a design services proposal as well as a proposal for millwork and interior finish elements fabrication and installation.

The low estimate assumes that you have the requisite expertise to handle bidding and construction administration on your own. The high estimate assumes that you retain the services of a third party to handle bidding and construction administration. We can recommend service providers who can provide these services, but we do not require you to retain a specific firm. You must obtain our prior approval before hiring a construction manager who is not a firm that we currently recommend.

You will also pay a Development Construction Fee equal to the greater of \$2,500 or 3% of the total development costs for Manchu WOK store construction projects in North America, up to a maximum of \$15,000. Costs are likely to vary, and may be much higher if you wish to establish your Store in an area special requirements apply (for example, architectural requirements). The table reflects a range for this fee based on our estimate of the fees that you are likely to incur, given the estimated costs for leasehold improvements and equipment that are provided in Note 2 above. The development construction fee will not exceed \$15,000.

- (6) SECURITY DEPOSIT AND SUBLEASE FEE. If you lease the Premises from us: (a) a Security Deposit equal to three months' Gross Rent will be paid to us by you; and (b) a Sublease Fee ranging from \$500 to \$2,500.
- (7) RENT. The rent estimate is for three months, as explained below. If you do not own a location for your Store, you must purchase or lease a space. Store locations and sizes vary by shopping centers, office towers, airports, casinos, etc. Manchu WOK Traditional stores vary in size from 535-825 square feet, with approx. 675 square feet as the average (excluding some atypical locations). The figures in the estimate are calculated on the following assumptions: (a) you will have to pay three months' rent; (b) for space in the range of 535-825 sq. ft.; (c) at \$7.75 to \$21.40 per square foot per year. This estimate also assumes that the landlord will abate pre-opening rent (if that is not the case, then your costs will be higher). If the site you choose is larger or has a higher rental cost, then your costs will be higher than those in the chart. Rent varies considerably from market to market, and from location to location within each market. Rents may vary beyond the range that we have provided, based on factors such as market conditions in the relevant area, the type and nature of improvements needed to the premises, the size of the Store, the terms of the lease, and the desirability of the location.
- (8) INVENTORY. Items of inventory which you are required to obtain from us or from our distributors are paid for at standard prices and terms. All items of inventory which you obtain from sources of your own choosing are paid for directly to the supplier of those inventory items at prices agreed upon by you and the supplier. Start-up inventory of

products and supplies will vary based on expected volume of business and size of storage areas in the building. This estimate is for the initial inventory only.

- (9) GRAND OPENING MARKETING AND PROMOTION FEE. With this money, we will prepare, coordinate and conduct a Grand Opening Marketing and Promotion/Advertising Program for your Manchu WOK Restaurant.
- (10) INITIAL TRAINING EXPENSES. The amount represents the estimated reasonable travel, lodging, meals, and auto for 24 days of training for two individuals. The cost you incur will vary depending upon factors such as the distance traveled, mode of transportation, per diem expenses actually incurred, and the number of persons who will attend training. If you send more than two persons to attend training, we estimate that the additional cost, on a per person basis, will range from \$2,500 to \$3,000.
- (11) BUSINESS LICENSES AND PERMITS. Local, municipal, county, and state regulations vary on what licenses and permits are required by you to operate. These fees are paid to governmental authorities before starting business.
- (12) ADDITIONAL FUNDS. This estimates your initial start-up expenses such as payroll cost, utilities, high speed Internet access fees, digital menu-board maintenance fees, POS polling fees, etc. to the extent that these costs are not covered by sales revenue. This does not include a draw or salary for any owner including you. New businesses often generate a negative cash flow. These numbers are estimates only and are not guaranteed in any manner by us and there is no assurance that additional working capital will not be necessary during this start-up phase or after. Your costs may vary depending on factors including: to what degree you follow Manchu WOK's suggested methods and procedures, your management skill, experience and business acumen, local economic conditions, local market for products and services, competition and your financing costs (if any) for your Manchu WOK Restaurant. The initial start-up phase is generally three months but can be a longer period. We relied on our and our franchisees' experience in opening franchisee-owned Manchu WOK Restaurants when making this estimate.

This estimate also includes legal, accounting and miscellaneous other professional fees that you may incur before you open for business, including (among other things) to assist you in reviewing the Franchise Agreement. Your actual costs may vary, for example, depending on the degree to which you rely upon your advisors, type of financing, and the permitting process in your city.

Your credit history could impact the amount (and cost) of funds needed during the start-up phase. If you have no credit history or a weak credit history suppliers may give you less favorable lending and payment terms, which might increase the amount of funds you will need during this period.

You will need to have staff on-hand before opening to prepare the Store for opening, training, orientation, and related purposes. We estimate that you will need approximately 250 hours of staff time over three days, at \$10 per hour, to get ready for your opening. If prevailing wage rates in your area change (for example, if the local, state, or federal minimum wage is raised), your costs may be higher.

- (13) MENU SYSTEM. We require our franchisees to use Digital Menu System provided by our approved vendor- UNOApp in Canada. The system consisting of digital screens, media player, mounting brackets, HDMI cables, etc. The cost for the POS system and the requisite high-speed Internet service will vary based on the size of your Store and the number of digital screens required for the Store.
- (14) TOTAL. All amounts exclude federal, state and local taxes. We relied on our own experience and information provided to us by our franchisees when preparing these figures. You should review these estimates on your own, preferably with a business advisor of your own choosing.

The figures in the chart and the explanatory notes are only estimates. Your actual costs may vary considerably, depending, for example, on factors such as: local economic conditions; the local market for the store; timing of your Store opening; the prevailing wage rate; competition; the sales level achieved during the initial period of operation; and your management and training experience, skill, and business acumen. You should review these figures carefully with a business advisor, accountant or attorney before making any decision to purchase a franchise.

You should take into account the cash outlays and probable losses that you may incur while you are trying to get established. Extensive start-up costs may be involved, depending upon your circumstances.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To ensure that high and uniform standards of quality and service are maintained, you must operate your Manchu WOK® Restaurant in strict conformity with our methods, standards and specifications we may periodically designate in the Confidential Manual (as defined in Item 11 below) or otherwise in writing. We do not provide material benefits to franchisees based on their purchase of particular products or services. We strictly regulate the sale of edible and non-edible products which may be sold in your Manchu WOK® Restaurant. You may not make or offer or sell any products (whether edible or non-edible) or services that we have not approved in writing.

You must buy all Approved Products used or offered for sale at your Manchu WOK Restaurant only from suppliers that we have approved in writing. **“Approved Products”** means all food and beverage ingredients and products, packaging and serving materials, paper goods, utensils, supplies, and other items of inventory, uniforms, marketing or promotional materials, Fixtures, Equipment, as well as all other items required for or used in any manner in the operation of your Manchu WOK Restaurant, both in inventory and as finished goods for sale.

Additionally, you must buy all Proprietary Products as well as Approved Products and packaging bearing our trademarks only from us, our affiliates, or our approved suppliers. Our Proprietary Products include certain menu items that are produced according to the secret recipes, standards, and specifications owned by us or by our affiliates. We (or our affiliates) will derive revenue from your purchases of the Approved Products and Proprietary Products. Although we, nor any of our affiliates are not currently an approved supplier of any Approved Products or Proprietary Products as of the date of this Franchise Disclosure Document, we reserve the right to do so in the future.

For some products we may instead of approving or designating suppliers, provide specifications and approve specific items, rather than the supplier of those items. In this case you may buy the approved item from any source you choose.

You must maintain in sufficient supply, and may offer for sale only the items, products, and services that we have approved in writing for sale at your Manchu WOK® Restaurant. You must offer all types of items and products that we designate, and you may not change the items at your Manchu WOK® Restaurant unless we have given our prior written approval. You must use only the ingredients, preparation methods, and techniques that we specify. You may not deviate from our standards (for example, standards relating to approved products, food preparation, ingredients and recipes) without our prior written consent. If we disapprove of any items, products, or services, in our discretion, you must stop selling and offering those items and services for sale, and remove them from your store.

You must buy only approved food items, ingredients, supplies, packaging, materials, and other (edible and non-edible) products used or offered for sale at your Manchu WOK® Restaurant. In some cases these products may be purchased only from suppliers (including manufacturers, distributors, and other sources) who we have approved in writing as meeting our then-current standards. Our approval of suppliers is conditioned on factors such as their adequate quality controls and capacity to supply your needs promptly and reliably, and whose approval will enable the Manchu WOK® Restaurant system, in our sole opinion, to take advantage of marketplace efficiencies. We will have the right to revoke our approval at any time. We also have the right to appoint only one supplier for any particular item (which may be us or one of our affiliates).

In some cases where specific approved products are available from more than one source, we will not designate an approved supplier of that approved item. We will instead designate the approved item and you must buy only the approved item, with no substitutions, but you may buy that approved item from any supplier of your choosing.

We estimate that your purchases or leases from designated or approved suppliers will represent 80% of the total cost to you of opening your Manchu WOK® Restaurant and 80% of the total purchases and leases for the continuing operation of your Manchu WOK® Restaurant. We estimate that your total purchases/leases in accordance with our specifications where we have not designated or approved a supplier will represent 20% of your total costs of establishing your Manchu WOK® Restaurant and 20% of the total cost of the continuing operations of your Manchu WOK® Restaurant. All designated or approved suppliers are subject to change at any time.

If you want to buy products (other than Proprietary Products) from an unapproved supplier, you must submit to us a written request asking for our approval of the proposed supplier. You may not buy from any supplier unless we have given our prior written approval of that supplier. Before we will approve a supplier, we will have the right to inspect the supplier's facilities, and ask that samples from the supplier be delivered to us or to an independent laboratory that we designated for testing. Either you or the supplier may have to pay a charge not to exceed the reasonable cost of the inspection and the actual cost of the test. We may also require that the supplier comply with other requirements that we may deem appropriate, such as payment of licensing fees, as well as reasonable continuing inspection fees and administrative costs. We reserve the right, at our option, to periodically re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier fails to continue to meet any of our criteria. Nothing in the Franchise Agreement may be construed to require us to approve any

particular supplier, nor to require us to make available to prospective suppliers, standards and specifications for formulas that we, in our sole discretion, deem confidential. We formulate criteria in order to maintain the highest level of quality and may revise our criteria periodically. Depending upon the type of product for which approval is sought, or for which a new approved supplier is proposed, we anticipate providing our response to the request within one to three months after receipt of the request and the accompanying information.

Our criteria for supplier approval are set out in our internal specifications and are not communicated to our franchisees.

If you want to have an unapproved edible product, unapproved non-edible product, or unapproved packaging, approved for sale in your Manchu WOK® Restaurant, you must submit to us a written request asking for our approval using our defined processes. You may not buy or make any additional products unless we have given you our prior written approval to make or sell that product. Our process and criteria for product approval is set out in the Confidential Manual.

You must allow us to enter your Manchu WOK® Restaurant to conduct inspections. We may conduct these inspections at any time. On notice from us you must immediately take the actions needed to correct any deficiencies found during the inspection.

You must purchase or lease the goods, services, fixtures and equipment, and inventory needed to operate your Manchu WOK® Restaurant in accordance with specifications we set and/or from the suppliers as we may designate. These specifications may include the quality and appearance of the product. Except as described below with respect to the build-out of your Premises, neither we nor any of our affiliates is presently an approved or exclusive supplier. We may, however, designate ourselves or any affiliates as approved or exclusive suppliers of any required goods or services at any time in the future.

You must purchase all the furniture, equipment and fixtures and your opening inventory for your Manchu WOK® Restaurant from suppliers we designate. If we or our designated suppliers cannot furnish any equipment or fixtures, then you may purchase the item from another supplier approved by us in writing. In such event, our approval will not be unreasonably withheld.

In addition, we also will supervise the construction for your Manchu WOK Restaurant, and we reserve the right to approve or designate the contractors and suppliers who will perform the construction work. You will pay us for all expenses associated with this task and we, in turn, will pay the contractors and suppliers that perform the work. You also must pay us a Development Construction Fee equal to the greater of \$2,500 or 3% of the total cost of construction for construction projects for "Manchu WOK" store construction projects in North America, up to a maximum of \$15,000.

You must, at your own cost and expense, use our designated and approved third party design architect, as detailed in the Confidential Manual, to prepare the initial design drawings for your Franchised Business. Except for the design architect designated and approved by us, no other architect may be used by you for the design of your restaurant. You must also, at your own cost and expense, retain a licensed architect of record to prepare the permitted construction set of drawings.

Specifications for food and paper items are contained in the Manchu WOK® “Recipe Manual”. Certain products and supplies must be purchased from our approved distributors. Soft drink syrup and bottled beverages must be purchased through Pepsi Cola. Certain other products, including without limitation MW uniforms, MW breaded chicken, MW 3-compartment paper plate, MW 20 oz & 32 oz cold drink cups, MW printed napkins, MW marinated beef, MW marinated chicken, MW veggie & chicken eggrolls, MW soup mix, MW fortune cookies, MW Battered Pork, MW Lo Mein Noodle, MW Premade Honey garlic Sauce, MW Premade Orange Sauce, MW Premade Base Sauce, MW Premade Sweet and Sour Sauce and MW 20 oz food pail, must be purchased from a distributor or supplier we designate or authorize. The list of these products may be revised by us periodically by adding, substituting or removing products. We expect to receive cash rebates from the suppliers and/or distributors of these products based on the volume of your purchases. During our most recent fiscal year which ended on November 30, 2021, these rebates averaged approximately 1% to 2% of franchisees’ purchases. We expect to negotiate purchase arrangements with suppliers (including price terms) for the benefit of all MANCHU WOK® Restaurants, including those owned by franchisees. We do not provide material benefits (e.g., renewal or additional franchises) to a franchisee based on the use of designated or approved suppliers. Failure to buy from approved suppliers is, however, an act of default under your Franchise Agreement.

We will conduct a grand opening marketing campaign on your behalf, including providing various marketing materials and services.

MTY USA and our subsidiaries are approved suppliers of goods and services, including lease review services, leasehold improvements, equipment, furniture, freight services, signage, engineering drawings and architectural layout drawings. Neptune Equipment, an affiliate of Kahala Franchising is currently one of the approved suppliers of certain equipment, menu boards, furniture, wall graphics, computer hardware and smallwares. You are not required to purchase from them and they are not the only approved supplier. MTY USA is not a supplier of any products or services. Kahala Management, an affiliate of MTY USA, is currently the only approved service provider of phone support maintenance for the software and hardware of the POS system (“POS Help Desk Phone Support Maintenance”). You are required to purchase the POS Help Desk Phone Support Maintenance from Kahala Management. Kahala Management is also an approved service provider of real estate services, including negotiating a term sheet, negotiating the lease terms, and locating a site for a franchisee upon request from a franchisee. You may, but are not required, to use Kahala Management for real estate services.

We also receive periodic rebates or other consideration (“**Rebates**”) from our designated or approved suppliers. We retain these payments to partially compensate us for our ongoing efforts in establishing and maintaining quality sources of supply, in evaluating potential new suppliers, and in monitoring and evaluating approved suppliers and upstream manufacturers to insure that those suppliers and manufacturers meet our quality and performance standards. We do not presently participate in any purchasing or distribution cooperatives, but we reserve the right to do so in the future.

Pursuant to the merger as described in Item 1, MTY USA’s total revenues and expenses have been consolidated with our subsidiaries since July 26, 2016, as reflected in the audited consolidated financial statements presented in this disclosure document. For the year ending November 30, 2021, MTY USA and its subsidiaries derived revenues from the sales of these products, services, and product allowances to MTY USA and subsidiaries’ franchisees in the

amount of \$30,329,806, which was approximately 14% of MTY USA and its affiliates total recognized revenue in the amount of \$216,655,000.

During our last fiscal year, our consolidated revenue received \$20,632,205 in Rebates which represents approximately 9.5% of our total recognized revenue during such time. Other received revenues in the amount of \$3,395,704 are not applicable to your franchise.

During our last fiscal year, Neptune Equipment earned a total of \$862,172 of the \$30,329,806 from required franchisee purchases and Kahala Management earned a total of \$556,694 of the \$30,329,806 from POS Help Desk Phone Support Maintenance fees.

We may, in our sole discretion, establish one or more strategic alliances or preferred vendor programs with one or more suppliers who are willing to supply all or some Restaurants with some or all of the products and/or services that Restaurants are authorized to offer to customers. If we do so, it may limit and/or require you to use suppliers other than those that you would otherwise use, and/or limit the number of approved suppliers with whom you may do business.

None of our officers owns an interest in any companies that are vendors or suppliers to the Manchu WOK System.

You must lease (or otherwise acquire) the premises for your MANCHU WOK® Restaurant and build-out your restaurant in accordance with our specifications and guidelines. Accordingly, the exterior and interior design and construction of your restaurant and all your signage, menuboards (including digital menuboards) fixtures, and equipment (including your POS System) must conform to our specifications.

We must approve the site for your Restaurant. You must acquire or enter a lease for the site that we have approved containing certain provisions that we require. If you lease the space for the Premises, we may require you either to: (a) lease the space for your Premises directly and sign a lease as well as a Lease Addendum; or (b) sign a lease directly with us. If the landlord refuses to enter a lease with you despite your best efforts to have it do so, and will only sign a primary lease with us, we will exercise reasonable commercial efforts to enter a lease on terms satisfactory to us. If we are successful, we will sublease the premises to you under a net lease, which will pass-through all the expenses under the primary lease to you. The form of Sublease Agreement we will require you to sign is attached as **Exhibit D** to this Franchise Disclosure Document. However, in certain circumstances, a landlord may require you to sign a different form of sublease agreement.

You must acquire an approved Point of Sale and Electronic Cash Register System (POS System), and Digital Menu System from a vendor approved by us. Depending on the size of your Manchu WOK® Restaurant and/or your anticipated volume of business, additional terminals or hardware might be required. We will also require you to obtain and maintain high-speed Internet connectivity for your MANCHU WOK® Restaurant.

You must join our pre-approved electronic funds transfer program called ACH to pay your weekly royalties and any other amounts you authorize via electronic funds transfer. We pay all bank charges for the ACH program.

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. Before you may open your Manchu WOK restaurant, at the time you sign your lease, annually at least 10 days prior to renewal of your insurance coverage, and at any other time upon our request, you must provide a copy of your certificate of insurance to us which meets our requirements.

Our minimum insurance coverage requirements (subject to change, including to increase) are below. 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 will pay your insurance premiums directly to your insurance broker or to the insurance company issuing the policy.

TYPE OF COVERAGE	LIMITS/SPECIFICATIONS
General Liability	\$1,000,000 Bodily Injury/Property Damage Per Occurrence / \$2,000,000 Aggregate
Building Improvements and Betterments	100% of Full Replacement Cost – No Coinsurance (minimum of \$100,000)
Business Personal Property	100% of Full Replacement Cost – No Coinsurance – Special Form or equivalent (minimum of \$100,000)
Spoilage	\$5,000
Flood, Earthquake and Volcanic Eruption	Subject to Territory Limitations – required if in a designated Flood Zone
Workers' Compensation and Employer's Liability Insurance	As required by law
Employment Practices Liability Insurance with Franchisor Defense coverage	\$1,000,000
Hired and Non-Owned Automobile Liability	\$1,000,000 Combined Single Limit per accident

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.

We must approve all your marketing materials before you use them; in addition all of your computer hardware and software must conform to our specifications and be acquired from an approved vendor.

We consider a variety of factors when determining whether to renew or grant additional franchises. Among the factors considered are compliance with the requirements described above.

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.

Franchise Agreement and Sublease

OBLIGATION		SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a.	Site selection and acquisition/lease	Sections 4.1 and 4.2	Items 6, 7, 8 and 11
b.	Pre-opening purchases/leases	SECTION 4 and Section 6.8	Items 5, 7, 8, 10, and 11
c.	Site development and other preopening requirements	SECTION 4	Items 7, 8 and 11
d.	Initial and ongoing training	Sections 5.2 and 6.20	Items 5, 6, 7 and 11
e.	Opening	Section 4.5	Item 11
f.	Fees	SECTION 3; Sublease Sections III and V	Items 5, 6, 7 and 8
g.	Compliance with standards and policies/Confidential Manual	Sections 2.4, 2.5, and SECTION 6	Item 11
h.	Trademarks and proprietary information	SECTION 9 and Section 11.1	Items 13 and 14
i.	Restrictions on products/services offered	Section 6.4	Items 8 and 16
j.	Warranty and customer service requirements	Section 6.1	Not Applicable

OBLIGATION		SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
k.	Territorial development and sales quotas	Not Applicable	Not Applicable
l.	Ongoing product/service purchases	Section 6.4	Item 8
m.	Maintenance, appearance and remodeling	Section 6.6; Sublease Section IV	Item 6
n.	Insurance	SECTION 7; Sublease Section IV	Items 6 and 8
o.	Marketing	Sections 3.5, 5.5, 5.6 and 6.13	Items 5, 6 and 11
p.	Indemnification	Section 13.2; Sublease Section IX	Item 6
q.	Owner's participation/management/staffing	Section 6.2	Items 11 and 15
r.	Records/reports	SECTION 8; Sublease Section VI	Items 6 and 11
s.	Inspections/audits	Sections 6.7 and 8.3; Sublease Section IV	Items 6 and 11
t.	Transfer	SECTION 12; Sublease Section VII	Items 6 and 17
u.	Renewal	Section 2.2	Items 6 and 17
v.	Post-termination obligations	Sections 10.2, 10.3, 10.4, 10.5, 10.6, 10.7, 10.8, 10.9, 10.10 and 10.12	Item 17
w.	Non-competition covenants	SECTION 11	Item 17
x.	Dispute resolution	SECTION 14	Item 17
y.	Personal guarantee	SECTION 15	Item 15
z.	Cross defaults	SECTION 10; Section 10.1(j)	Not Applicable

ITEM 10 FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or other obligations.

ITEM 11
FRANCHISOR'S ASSISTANCE, ADVERTISING,
COMPUTER SYSTEMS, AND TRAINING

Except as listed below, MTY USA is not required to provide you with any assistance.

A. Pre Opening Obligations

We will assist you in the building and opening of your Manchu WOK® Restaurant as follows: (all section numbers refer to the Franchise Agreement)

- We will review and approve the site you have selected; *Sec 4.1 and 4.2*
- We will provide building plans, a finish schedule and a contact list for approved or designated suppliers of furniture fixtures, equipment and inventory; *Sec 4.4*
- We will designate suppliers who will sell to you the furniture, fixtures, equipment and opening inventory; *Sec 4.8*
- If required by the landlord of the site you select, we will enter into a head lease and sublease the leased premises to you; *Sec 4.3*
- We will conduct a Grand Opening Marketing campaign and Promotional program for you using the \$10,000 Grand Opening Marketing and promotion fee you pay to us; *Secs 3.5.d and 5.5*
- We will provide you with a loan only of copies of our Confidential Operations Manual, Recipe Manual and Local Store Marketing Manual (collectively, the “**Confidential Manual**”); *Sec 5.1*
- We will provide an Initial Training Program for you and one of your employees as designated by you. One of your trainees must be your store Manager who will be responsible for the operation and management of your Manchu WOK® Restaurant. *Sec 5.2*

B. Continuing Obligations

We will assist you in the ongoing operations of your Manchu WOK® Restaurant as follows:

- We will provide updates and revisions to the Confidential Manual periodically as we deem necessary or advisable; *Sec 5.1*
- We will provide ongoing training in methods and techniques both in your Manchu WOK Restaurant and /or at locations we designate; *Sec 5.2*
- We will provide ongoing operational advice and guidance to you concerning the use of the Manchu WOK Restaurant System; *Sec 5.3*

- At your request and expense, we will provide special assistance to you as we deem necessary or advisable in the circumstances. Sec 5.4

We have the right to delegate to others the performance of any pre-opening or continuing obligations to franchisees.

C. Site Selection and Construction

i) You must choose the location for your Manchu WOK® Restaurant. We must approve such location and will do so if it meets our minimum site-approval criteria. We will notify you of our approval or disapproval of a proposed site within 30 days of receipt of your proposal. Our approval of any location means only that it meets our minimum criteria for a Manchu WOK® Restaurant. Franchisees generally will select a site that we have approved before they sign their Franchise Agreements. If, however, you do not, you must select an acceptable site and enter a lease that we have approved within 30 days after all parties have signed your Franchise Agreement. The consequences of your failure to comply with your development obligations (for example, by failing to timely select an acceptable site) is that it is an Event of Default under your Franchise Agreement, for which we may terminate your Franchise Agreement.

ii) We will review and must approve the site you have selected for your Manchu WOK® Restaurant. Although we devote significant time and research to identifying prospective locations, we do not represent or guarantee that your approved location will be successful, make a profit, or attain any level of revenues. We have developed specific criteria to evaluate each prospective location. Manchu WOK® Restaurants are generally located in Shopping Mall Food Courts or in non-traditional locations. non-traditional locations include highway facilities, airport concourses, professional sports facilities, recreational and entertainment facilities, casinos, college campuses, military installations, governmental or institutional locations, supermarkets and department stores. In addition to analyzing demographic information for each prospective location, we consider factors such as location, parking, population density, traffic patterns, accessibility and visibility. We also consider rental rates, lease duration and other lease terms in analyzing prospective locations.

iii) If the landlord of the approved site refuses to enter into a lease with you despite your best efforts to have it do so, and will only sign a primary lease with us, we will exercise reasonable commercial efforts to enter into a head lease with the landlord on terms acceptable to us, and if we do, we will sublease the site to you under our standard sublease agreement. We will supervise constructing and improving the premises, in return for which you must pay us the Development Construction Fee.

iv) We will supervise the construction of leasehold improvements and, typically, will select the contractors and suppliers who do the work.

v) You must open your Restaurant within 180 days of the date of the Franchise Agreement. The opening of your Restaurant may be affected by the weather, finding of a location, negotiation of a lease, the location and condition of the proposed store, delays in obtaining construction and food-related permits, the construction schedule for the Restaurant, and the construction schedule of the landlord to build or renovate the base building. The consequences of your failure to do so is that it is an Event of Default under your Franchise Agreement, for which we may terminate your Franchise Agreement. The typical length of time between the signing of the Franchise Agreement or the first payment of any consideration for a Manchu

WOK® Restaurant and the opening for business of a new Manchu WOK® Restaurant is 180 days.

vi) Every 5 years, you must renovate, alter, and/or upgrade your premises, fixtures, and equipment as may be required by the landlord or as we may require, so your Restaurant reflects the then-current image of the Manchu WOK system. This may entail the complete remodeling and upgrading of your Restaurant. For any renovation, alteration or upgrading, you must pay us a Renovation Development and Construction Fee.

D. Training – Initial, Refresher, Supplemental and Other Ongoing

i) We will provide a mandatory pre-opening training course in the Manchu WOK® restaurant system (“**Initial Training**”) for two (2) of the employees of your Manchu WOK Restaurant who you designate. Your Manager must be one of the trainees. You must be the Manager if you are an individual; if you are a corporation, one of the shareholders who owns at least a 10% equity interest must be the Manager. The consequences of your or your Manager’s failure to successfully complete Initial Training after two attempts is that it is an Event of Default under your Franchise Agreement, for which we may terminate your Franchise Agreement. If you previously operated a Manchu WOK Restaurant, then, before opening your Restaurant, we will provide refresher training in food preparation techniques and other aspects of the physical operation of a Manchu WOK Restaurant (“**Refresher Training**”) to two persons you designate (one of whom must be your Manager for this location). We may provide further training assistance as we consider necessary (“**Supplemental Training**”), including assistance with any new developments in the Manchu WOK Restaurant System such as store generation upgrades or matters that may be described in revisions made to the Confidential Manual. All persons attending the training must complete it to our satisfaction. Initial Training, including all requisite materials, are provided to you; the cost of this Initial Training is included in your Initial Franchise Fee. For Refresher Training, Supplemental Training and any training other than Initial Training, or training required on a transfer, you will pay \$3,000 for all persons attending the training. In addition, you shall pay for all personal expenses incurred by the persons attending any training (including, travel, lodging, and meal expenses). Only one Initial Training is included in the Initial Franchise Fee. In the event you or your Manager fails to pass the Initial Training, you shall be required to pay \$3,000 for subsequent Initial Training. Your Manager must attend and satisfactorily complete all training. The consequences of your Manager’s failure to do so is that it is an Event of Default under your Franchise Agreement, for which we may terminate your Franchise Agreement. If at any time or times we designate any Supplemental Training to be mandatory, you or your Manager must attend the training.

ii) Initial Training is usually for 20 working days and averages 8 hours per day. Typically, you must complete training approximately one month before opening your Manchu WOK® Restaurant.

Our training programs are under the general supervision of Mr. Tony Lei, Regional Manager of USA. Mr. Lei has been employed by us or predecessor/affiliated companies in the food service business since 1992. Mr. Lei will be assisted by other corporate employees to conduct the paperwork training and for subjects related to the employees’ specialized knowledge. These employees’ experience in their specific areas ranges from 5 - 20 years. On the job training currently is supervised by Mr. William Tung. Mr. Tung has been employed by us or predecessor/affiliated companies since 1999 and was a District Manager for Province of Ontario in Canada for five years before assuming his current responsibilities as corporate trainer in 2020. On the job training will be held at an assigned Manchu WOK® restaurant, under the

guidance of the restaurant's store manager. Training includes the review of the Confidential Manual and the management of a MANCHU WOK® Restaurant. Your Manager and your designated employee must complete Initial Training to our satisfaction through their demonstrated knowledge and understanding of both the Confidential Manual and the bookkeeping and inventory control system. The subjects covered and approximate hours of classroom and on-the-job training are described below:

TRAINING PROGRAM

Column 1 Subject	Column 2 Hours of Paperwork Training	Column 3 Hours of on-the-job training	Column 4 Location
In-Store Training	---	120	Training restaurant or other location as designated by us
New Owner Training	40	---	Training restaurant, KTEC (Kahala Training & Education Center) in Scottsdale, AZ, virtually, or other location designated by us

Instructional materials consist of the Confidential Manual, Training Manual and standard forms. We reserve the right to select an alternative trainers and training location, in Canada or the United States, at any time.

You and anyone taking in-store Training (including employees of franchisees) must sign the In-Store Training Release and Waiver of Liability Agreement which is attached to this Franchise Disclosure Document as **Exhibit E-1**.

iii) You, your Manager and any other employees we designate must attend and participate in (at your expense) management seminars and training and refresher courses and Manchu WOK® and/or industry conventions, including the Annual Franchisee Convention (or regional meetings in any year in which the Annual Franchisee Convention is not held), and participate in ongoing aptitude testing that we conduct. We will not compel you, your Manager, and your other employees to attend more than two seminars, conventions or other courses in any calendar quarter. This restriction does not apply to Initial Training or any other training that we may require your Manager or any replacement Manager to attend. Please note, at our sole discretion, the Training Program for a non-traditional Manchu WOK may differ slightly from the Training Program outlined above.

iv) To the extent we consider it appropriate or reasonably necessary, we will provide continuing advice and guidance to you concerning how to use the Manchu WOK® Restaurant System and in the operation of your restaurant business including advice and guidance regarding formulating and implementing local marketing and promotional programs, purchasing goods and other supplies, establishing and maintaining our administrative, bookkeeping,

accounting and general operating procedures, hiring and training employees and providing results of research on market trends, where practicable.

v) To the extent that we consider it appropriate and necessary and have available personnel and can otherwise accommodate your request, we will furnish additional or special assistance to you (in addition to the assistance referred to above) to resolve any specific problems you encounter when operating your Manchu WOK Restaurant. If we send our personnel to your Manchu WOK Restaurant, you must pay us \$500 per day (or part of each day) for each person we provide to render these additional or special services, together with all reasonable costs we incur on account of travel, lodging and meals for all personnel provided.

E. Manuals

We will provide you (paper, electronic or other format) with a loan only of copies of our Operations Manual, which consists of our confidential Operations Manual, Recipe Manual and Local Store Marketing Manual. The Table of Contents of the Operations Manual is attached to this Franchise Disclosure Document as **Exhibit E**. This Operations Manual is confidential and remains our property. We may periodically modify the Operations Manual or change the format in which the Operations Manual is presented. Currently, the Operations Manual has a total of 259 pages.

F. Marketing – Initial/Ongoing/Local/Regional/National

i) We will conduct a Grand Opening Marketing campaign and Promotional program for you using the \$10,000 Grand Opening Marketing and Promotion Fee you pay to us. For the Grand Opening Marketing and Promotional Program, we furnish merchandising material, including “Now Open” signs, “directional” signs and a grand opening banner. We also give you various coupons and marketing fortune cookies that contain a promotional offer in lieu of the traditional fortune. The costs associated with any discount attributable to any coupons used by your customers or any free food and beverages that you provide your customers are your responsibility.

ii) At our option, we will provide ongoing marketing and promotional programs and suggestions/guidance for marketing to assist you in the marketing and promotion of your Manchu WOK restaurant.

iii) All Franchisees must contribute a Marketing Fee equal to 1% of weekly gross sales to the marketing and sales promotion fund (the “**Fund**”) (gross sales includes all the revenues from your Restaurant but not any sales tax you pay). We may co-mingle Marketing Fees contributed to the Fund with marketing funds established by our affiliates, principally those affiliates operating in the United States. We will use the Fund for formulating, developing, and conducting programs and policies for marketing, sales promotional matters, and marketing research, communication, and development; purchasing advertising or marketing rights or services in any media; administrating any media-buying co-operative we may establish; and developing and administering marketing and promotional activities for the Manchu WOK[®] System. We may retain and use the Fund monies in the manner as we consider appropriate.

iv) Through the Fund, we will provide you with marketing materials, including ad slicks, promotional materials, customer programs and logo art work. The Fund may disseminate advertising in electronic, print, and other media, including newspapers, magazines, handbills and flyers. The Fund may advertise in national, regional, and local media.

v) We administer the Fund. We use our in-house marketing department (which is employed to work on marketing and promotional materials for the Manchu WOK® restaurant concept, including Mall and non-traditional locations) to create and place marketing programs. We may administratively aggregate the monies in the Fund and pay ourselves out of the Fund an annual administration fee of 15% of the total amounts paid to the Fund. Monies expended by the Marketing Fund shall be used to promote the Manchu WOK® restaurant concept and not to sell additional franchises.

vi) Fund expenditures during our most recent fiscal year ending November 30, 2021 fell into the following categories:

Production	0%
Media Placement	69.3%
Administrative	0.8%
Other	29.8%
TOTAL	Approximately 100%

The “other” expenses included public relations, research, concept development and communications. None of the Fund was used for the solicitation of franchises.

vii) You may develop and use your own marketing materials; however, we must approve all the materials, in writing, before you use them. We will approve or disapprove of your proposed marketing materials within 10 working days after you submit them for evaluation. Any marketing materials or programs which you may develop become our property without requirement of payment to you.

viii) The Fund will collect marketing fees from all franchisee and company-owned Manchu WOK® Restaurants. All Company-owned outlets contribute to the Fund on the same basis as franchisees. Some non-traditional locations are exempt from payment of marketing contributions. The Fund is not required to spend any amount on marketing in the area where your Manchu WOK® Restaurant is located.

ix) We have no fiduciary responsibility to you on our management of the Fund. The Fund is not audited, and the financial statements for the Fund and accounting of the Fund are not available to franchisees.

x) Any funds not spent in the year in which they are collected will be spent in the next year.

xi) There is presently no marketing council. However we and our affiliates intend to establish a Franchisee Advisory Council comprising initially of appointed Franchisee representatives representing all Manchu WOK® restaurants to discuss matters of common interest and make recommendations concerning Manchu WOK® restaurant operations, procedures, marketing etc. to us. It is anticipated that this Franchisee Advisory Council will eventually become a body whose representatives will be elected annually by all Manchu WOK® Franchisees. We and our affiliates will carefully consider any and all recommendations made by the Franchisee Advisory Council but we are not bound to accept or institute any recommendation(s) or proposal(s) made by the Franchisee Advisory Council.

xii) In addition to contributing to the Fund and fulfilling any marketing obligations under your Lease or Sublease, you must use and display all marketing and promotional materials (including

banners, signs and point-of-purchase materials) as we may provide. Any marketing program you may conceive or develop becomes our sole property.

xiii) We and our affiliates have the exclusive right to use our trademarks (both registered and unregistered) and licensed items for e-commerce purposes and for use on the World Wide Web (or in any other electronic medium, including for example social media and social networking sites). You may not use the licensed items or our trademarks on the World Wide Web. You must not operate or advertise, market, or otherwise promote your Manchu WOK® Restaurant on the Internet. You may not register any domain name containing the words “*Manchu WOK*” or any similar words, or establish, operate, or participate in a Web site on which the words appear.

xiv) We reserve the right to create a regional marketing cooperative in any Designated Market Area (“**DMA**”) (DMAs are local television market areas designated by the Nielsen division of the Television Bureau of Advertising, Inc.) and to establish its rules and regulations. If and when we request, you must become a member of the cooperative for the DMA in which some or all of your Trade Area is located. In no event will your Manchu WOK® Restaurant be required to be a member of more than one cooperative. The cooperative must be organized, governed, and operated in the manner we prescribe. The cooperative will have the right to require you contribute to the cooperative as well as determine the amount of your contribution, but the contribution, when combined with the amount you must contribute to the Fund, will not exceed, in any 12 month period, 5% of your gross sales. The cooperative need not operate from written governing documents nor need it prepare annual or periodic financial statements available for your review. You may obtain an accounting of advertising expenditures during the prior fiscal year by making a written request for it.

xv) The Fund is not a trust fund. We have no fiduciary duty to any franchisee in connection with the collection or expenditure of Fund monies or any other aspect of the Fund’s operations.

xvi) You must obtain and maintain at your expense a white pages and yellow pages listing(s) in the telephone directories serving the location of the Restaurant in those directory categories as we may periodically specify.

xvii) You must display pamphlets and other promotional/advertising materials as we may specify and including materials that solicit new franchisees that we may provide to you.

xviii) At our request and at your expense, you must participate in our System marketing and Restaurant monitoring programs including Internet-based programs, such as various e-mail programs (such as e-mail list building), messaging, newsletters, customer retention and acquisition programs, social media campaigns and tracking surveys, campaign tracking, mystery shopper programs, and health and safety monitoring services. We reserve the right to periodically add, delete or modify System marketing and Restaurant programs.

G. POS System

You must purchase and use Vivonet cash register system (“**POS System**”) inclusive of necessary software. The POS System includes devices that (i) record cumulative sales and provide sequential customer count recording on a daily and cumulative basis and that cannot be turned back or reset; and (ii) permit electronic polling of all cash register information. We have the right to poll (i.e., take copies of information from) the POS System at any time we choose and use it for any purpose whatsoever. All required hardware and software associated with this

system must be obtained from Vivonet Acquisition Ltd., 1188 W Georgia St. #1790, Vancouver, BC V6E 4A2.

For your POS System, you must acquire and maintain high-speed Internet connectivity. We estimate that the cost of purchasing required hardware and software, including installation, will range from \$4,000 to \$8,000, and the cost of optional maintenance warranty is range from \$250 to \$300 for three years per screen terminal and \$110 to \$150 for 3 years per Printer. You would also need to pay for a monthly software subscription fee range from \$50 to \$70 per POS.

Neither we nor any of our affiliates is obligated to provide ongoing maintenance, repairs, upgrades or updates to your POS System.

H. **Menu System**

You must purchase and use the Digital Menu System inclusive of necessary hardware provided by our approved vendor- UNOApp, 670 Caledonia Road, 2nd Floor, Toronto, Ontario, M6E 4V9.

To maintain Manchu Wok brand standards, we shall have sole control over the displayed contents including, but not limited to, National menu offerings, pricing, advertising, promotions and videos. All other content specific to your location (Local advertising, Mangers Specials, etc.) must be obtain approval from Marketing department and will be uploaded directly from UNOApp. In order to run and sustain the UNOApp menu board system, you must acquire and maintain high –speed Internet connectivity. As of the date of this Franchise Disclosure Document, we are currently using 4 X 49” LG screen system as our standard menu displays. We estimate that the cost of purchasing this system with required software & hardware including initial content set up, will range from \$4,000 to \$6,000 depending on the size and number of screens in your menu system. In addition to the cost of hardware, a monthly fee of \$49 to \$60 will be applicable. This is a software licensing and servicing fee.

ITEM 12 TERRITORY

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.

The Franchise is granted for a specific location, and you must operate your Manchu WOK® Restaurant only at the location that we have approved (“**Approved Location**”) within the territory; you may not operate at any other location and which will be described in the Franchise Agreement, and you may not use other channels or methods of distribution, including the Internet (or any existing or future form of electronic commerce), to conduct sales outside of your Franchise Territory. In some instances, the Approved Location will be described to include a portion of a facility at which the Restaurant premises is located, such as a specific terminal at an airport or an entire shopping mall. You may not move or otherwise change the location of your Manchu WOK® Restaurant without our approval of the proposed new site. If your relocation is caused because your lease or sublease terminates or expires, or if the Restaurant premises are destroyed, condemned or otherwise rendered unusable, we will consent to the relocation but only if (a) we approve the new site; (b) the relocation is at your expense; (c) you reimburse us and/or affiliates for all reasonable costs and expenses which we incur that are associated with your relocation; and (d) you agree to indemnify us and our affiliates against, and

reimburse us or them for, all loss, liability, costs and expenses incurred in connection with your relocation. We have the right to terminate your franchise if you do not find an acceptable new site within 30 days or do not open your Restaurant at the new location within 3 months. For relocations based on any other reason, (a) we have the absolute right to withhold our consent; and (b) if we do consent, you must pay us all fees that a new franchisee would pay us, including the then-current initial franchise fee.

So long as you are not in default of your Franchise Agreement, neither we nor our affiliates will open or operate, or grant a third party the right to operate, another Manchu WOK Restaurant at your Approved Location.

If the Lease for your Restaurant contains provisions respecting geographic restrictions on development of additional Restaurants, we and our affiliates will respect such Lease provisions.

- We and our affiliates reserve all rights not expressly granted in your Franchise Agreement, including the right – other than within your Restaurant premises – to:
- establish, acquire, develop, and license or franchise other systems different from the Manchu WOK® System licensed by your Franchise Agreement, within or outside the Approved Location, without offering or providing you any rights in, to, or under the other systems;
- establish other franchises and company or affiliate-owned outlets or other channels of distribution selling or leasing similar products or services under different trademarks; and
- sell, through dissimilar channels of distribution, such as retail grocery stores, the Internet, catalogue sales, telemarketing, or other direct marketing sales, under any terms that we consider appropriate, Manchu WOK® products and services similar or identical to those authorized for your Manchu WOK® Restaurant and using the trademarks we permit you to use.

Except as discussed above, neither we nor our affiliates have as at the date of this Franchise Disclosure Document any specific plan or intention to operate, or franchise the operation of, any business similar to or competitive with, the Manchu WOK® Restaurant franchise being offered in this Franchise Disclosure Document, but it is possible that we or an affiliate may do so within the next year. Your Franchise Agreement does not and will not grant to you any options, right of first refusal, or similar rights to acquire additional franchises within or outside of the Approved Location.

Your territorial rights, if any, do not depend on achieving a certain sales volume, market penetration, or other contingency (provided however that you must not be in default of any provision contained in your Franchise Agreement).

Except as described above, we have no contractual right to modify any territorial right that we grant.

We are not restricted from soliciting or accepting orders from, or selling products or services using any trademarks, to, consumers located at any location (other than your Restaurant premises), including orders, products or services offered from other distribution

channels, such as the Internet, catalogues, telemarketing, or other direct marketing sales. If we do so, we will not pay any compensation to you.

You may only serve retail customers at your Restaurant premises. You are not restricted from soliciting customers or accepting orders from customers residing at any location; however, you are prohibited from providing off-premises sales or services such as off-site delivery. In other words, all products sold by your Restaurant must be sold at your Restaurant premises, and to customers who are physically present at the Restaurant premises. You also may not solicit customers at or from any location through use of any other channels of distribution.

On May 25, 2016, MTY entered into an agreement with Kahala Brands, whereby Kahala Brands agreed to merge with a wholly-owned subsidiary of MTY. The transaction closed on July 26, 2016. As of the date of this Franchise Disclosure Document, Kahala Brands or one or more of its subsidiaries has franchised or currently operates eighteen (18) different restaurant concepts and is also the master franchisee for two (2) of those restaurant concepts in various countries.

Certain of the restaurant concepts franchised or sub-franchised by us or our affiliates offer goods or services that are the same or similar to those that you will offer under the Manchu Wok brand. Our affiliate offers the same or similar goods or services under the *Samurai Sam's* trademark. The *Samurai Sam's* concept is franchised in the United States by Kahala Brands subsidiary Kahala Franchising, LLC. Since you will not be granted an exclusive territory, any conflicts that may arise between you and a *Samurai Sam's* franchisee regarding territory or Franchisor support that cannot be resolved through negotiation between the parties shall be resolved through arbitration.

ITEM 13 TRADEMARKS

Franchisees receive the right to operate their MANCHU WOK® Restaurant(s) under the federally registered trademark MANCHU WOK®. You will also be permitted to operate your MANCHU WOK® Restaurant under any other registered or unregistered trade names, trademarks, service marks, logotypes and other commercial symbols (collectively with MANCHU WOK®, the “Marks”), that Manchu WOK, now or in the future, considers appropriate to use for your MANCHU WOK® Restaurant. The terms “**Marks**” or “**Trademarks**” apply to unregistered trademarks of MANCHU WOK® as well as to registered Trademarks. We own the Marks that will be licensed to you through the Franchise Agreement.

The following Marks are registered with the United States Patent and Trademark Office on the Principal Register.

TRADEMARK	REGISTRATION NUMBER	REGISTRATION DATE
MANCHU WOK	1,279,286	May 22, 1984

All required affidavits have been filed with the U.S. Patent and Trademark Office and the registrations for these marks have become incontestable.

There are no applications pending with the United States Patent and Trademark Office at this time.

You must use all trade names, trademarks, service marks, logotypes and commercial symbols in full compliance with rules established by us. You are prohibited from using any name or mark as part of your corporate name or with a prefix, suffix or from modifying words, terms, designs or symbols which may form a part of any of our Marks. In addition, you may not use any of our Marks for the sale of any unauthorized products or services or in any other manner not explicitly authorized by us in writing in our sole discretion. Should you develop any marketing material(s) or program(s) for the use in your Manchu WOK® Restaurant at any time, we shall be deemed for all purposes to be the owner of such material or program and shall have the right to license the use of such new material/program to others.

There are no presently effective determinations of the United States Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor are there any pending infringement, opposition or cancellation proceedings or any pending material litigation involving the use or ownership of the Marks. No currently effective litigation affects our use or ownership rights in any mark. No currently effective agreement limits our right to use or license the use of our Marks.

If you become aware of any infringement of, or challenge to, using any of the Marks, you must promptly notify us and we will take action as we deem appropriate in our sole discretion.

We or our affiliate will defend you against all claims of trademark infringement for use of the Marks and hold you harmless from any of the claims if you have complied with your Franchise Agreement, promptly given us written notice of any claim, grant us complete authority to defend against the claim, and otherwise cooperate with us in accordance with our instructions. We reserve the right to control any litigation related to the Marks and we have the sole right to decide to pursue or settle any infringement actions related to the Marks. We may conduct the legal action (or settle same) on the terms as we consider appropriate, in our sole discretion and we shall bear all costs of defense of any of the claim or suit, provided that you have satisfied the conditions described in this paragraph.

If, at any time, we consider it advisable to modify or discontinue the use of any of the Marks and/or use one or more additional or substitute names or marks for reasons including the rejection of any pending registration or revocation of any existing registration of any of the Marks, or the superior rights of senior users you must do so at your sole expense within 30 days of our request. We are liable solely to reimburse you for your reasonable direct printing and signage expenses incurred to modify or discontinue the use of the Mark and substitute a different Mark. The reimbursable expenses do not include any expenditures you make to promote a modified or substitute Mark.

You must not directly or indirectly contest our right to use the Marks, trade secrets or techniques that are part of the Manchu WOK® System.

We know of no infringing uses of any of the Marks that could materially affect your use of the Marks.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You do not receive the right to use any item covered by a patent or copyright, but you will become licensed only to use the proprietary information contained in the Confidential Manual. We have not filed an application for copyright registration of the Confidential Manual. However, we claim a copyright and assert that the information described in the Confidential Manual is proprietary. You must tell us when you learn of unauthorized use of this proprietary information. We are not obligated to take any action, but will respond to this information as we think appropriate.

Our affiliate, Manchu WOK Holdings, Inc., has licensed to us the right to use the proprietary information for the franchise system. The term of this license agreement is indefinite but is terminable by either party if the other party i) commits a material breach which remains uncured for 30 days; ii) commits an act of insolvency; or iii) repeatedly commits defaults. If the license agreement is terminated, the trademark licensor will assume all of our obligations under your Franchise Agreement with respect to the proprietary information for the franchise system with respect to the proprietary information which they licensed to us. Neither the license agreement nor any other agreement currently in effect significantly limits our right to use, or license the use of, the proprietary information in the Confidential Manual in any manner material to the franchise.

You may use the trade secrets and confidential information we reveal to you solely for the purpose of conducting the Business in accordance with the provisions of your Franchise Agreement. You may divulge the trade secrets and confidential information to your employees, but only on a “need-to-know” basis and in circumstances that will maintain its confidentiality. You must have your directors, officers, members, managers, shareholders, employees and agents maintain the confidentiality of the confidential information and trade secrets, and must obtain from them written agreements to maintain the confidentiality, in a form we prescribe.

ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

i.) You must have at least two people who have successfully completed Initial Training operate your Manchu WOK® Restaurant. One of them must be your Manager.

ii.) If you are an individual, you must be the Manager.

iii.) If you are a corporation, you must designate one of your shareholders who owns at least 10% of your equity in the corporation to be the Manager.

iv.) Your Manager must devote his or her full-time efforts to on-premises supervision of your Restaurant.

v.) Your Manager must have the authority to receive and implement all directions we give him or her and have the authority to represent you in all dealings with us.

vi.) Before his or her appointment as Manager, you must submit in writing the name and qualifications of any proposed Manager, or replacement Manager, together with any other pertinent information that we request for our review and written approval of the proposed Manager.

vii.) Without our written approval, you may not appoint any person a Manager.

viii.) We reserve the right to withhold our consent to the appointment of any person as manager until that person shall have successfully completed all training we deem necessary.

ix.) The Manager and all other employees who operate your Manchu WOK® Restaurant shall be required to enter our standard Confidentiality and Non-competition Agreement.

x.) We require that all shareholders, members, managers, or other owners of a corporate franchisee personally guarantee the franchisee's payments and observance and performance to us and our affiliates of all of your obligations. All the Franchisee's legal and beneficial owners must sign the guarantee in the form attached as Schedule H to the Franchise Agreement.

**ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You may sell and provide only products and services that conform to our standards and specifications. You also will have certain obligations to offer for sale particular items. You may only offer and sell products at your Manchu WOK® Restaurant that we have approved in writing for sale at your Manchu WOK® Restaurant. We have the right, without limit, to change the types of authorized products and services.

You may only serve retail customers at your Restaurant premises, for personal carry-out consumption, and for delivery service in a manner that complies with our standards. You are not restricted from soliciting customers, or accepting orders from customers, residing at any location; however, you are prohibited from providing off-premises sales or services, such as, for example, catering or off-site delivery. In other words, all products sold by your Restaurant must be sold at your Restaurant premises and to customers who are physically present at your Restaurant premises. You also may not solicit customers at or from any location through use of other channels of distribution, such as the Internet, catalogues, telemarketing, or other direct marketing.

Except as described above, you are not restricted by the Franchise Agreement or any other custom or practice of ours or of our affiliates with respect to products or services which you may offer or sell or with respect to customers to whom you may sell.

**ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION**

THE FRANCHISE RELATIONSHIP

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

PROVISION		SECTION IN FRANCHISE AGREEMENT	SUMMARY *
a.	Length of the franchise term	Section 2.1	<u>If you are purchasing a new or existing non-operating Manchu Wok Restaurant,</u> the term is (i) 10 years from the date the restaurant opens to the public if you own

PROVISION		SECTION IN FRANCHISE AGREEMENT	SUMMARY *
			the property, or enter into a lease directly with the landlord or other third party, or (ii) the term of the sublease if you enter into a sublease with MTY affiliate, excluding any extensions and renewal options. <u>If you are purchasing an existing and operating Manchu Wok Restaurant</u> , the term is (i) 10 years from the effective date of the franchise agreement if you own the property, or enter into a lease directly with the landlord or other third party, or (ii) the term of the sublease if you enter into a sublease with a MTY affiliate, excluding any extensions or renewal options. <u>If you are purchasing a Manchu Wok restaurant that will be co-branded into another MTY or MTY affiliate brand Restaurant</u> , the term of your franchise agreement for this brand will equal the remaining term of the existing franchise agreement for the store which this brand will be co-branded into, so both franchise agreements will expire concurrently
b.	Renewal of the term.	Section 2.2	You do not have any rights to operate the franchised business beyond the Term, subject to any state laws to the contrary; Franchisor reserves the right to offer a successor term as provided for in the Franchise Agreement and below
c.	Requirements for you to renew.	Section 2.2	If the Term of the Franchise Agreement expires, we reserve the right to offer you the opportunity to extend your rights to operate the franchised business by entering into a successor franchise agreement (“ Successor Franchise Agreement ”) upon such terms as we are offering new franchisees when your Term is expired. Any such Successor Franchise Agreement may have materially different terms and conditions from the original Franchise Agreement.
d.	Termination by you	Not Applicable	None.
e.	Termination by us without cause	Not Applicable	None.
f.	Termination by us with	Sections 10.1,	We may terminate only if you default

PROVISION		SECTION IN FRANCHISE AGREEMENT	SUMMARY *
	cause	10.2	under your Franchise Agreement.
g.	“Cause” defined- curable defaults	Section 10.2	Including, but not limited to, failing to successfully complete initial training after two attempts; failing to pursue or successfully complete development obligations, if any; failing to commence operations; failing to pay amounts owed to Franchisor; defaulting under the lease or sublease; failing to furnish reports or other documents pursuant to the Franchise Agreement; engaging in conduct that is detrimental to the Franchisor, marks, or similar including failing to pay trade creditors or misusing the marks; breaching any obligation to Franchisor under the Franchise Agreement or other contract.
h.	“Cause” defined- non-curable defaults	Section 10.1	Including, but not limited to, losing the right to the premises; underreporting gross sales; improperly assigning or encumbering the business; breaching the Franchise Agreement’s restrictive covenants; receiving 3 or more notices of default from Franchisor during any consecutive 12 month period; intentionally misrepresenting information in connection with the application; becoming insolvent, committing an act of bankruptcy, or similar acts; abandoning the business; failing to cure default under any agreement with Franchisor; creating an imminent public health or safety risk; misappropriating funds withheld from employee wages; violating or having assets, property, or interests blocked under anti-terrorism laws.
i.	Your obligations on termination/non-renewal	Sections 2.4, 10.2-10.10, 10.12	Obligations include, rescinding contracts as necessary, ceasing use of our trademarks, de-identifying premises, paying amounts due, including for an early termination caused by your default, future royalty fees that would have been paid throughout the remainder of the term, returning manuals and other operations materials, assigning telephone numbers and if Manchu WOK requests,

PROVISION		SECTION IN FRANCHISE AGREEMENT	SUMMARY *
			assigning your Lease and/or selling us any of your equipment or fixtures at the price described in your Franchise Agreement (also see "r", below), providing an accounting, complying with confidentiality and non-compete requirements.
j.	Assignment of contract by us	Section 12.1	No restriction on our right to assign.
k.	"Transfer" by you- defined	Section 12.2	You need our prior written consent to transfer of your Franchise Agreement, assets, or stock or ownership interests. Transfers include selling, assigning, charging, or granting a security interest in or otherwise encumbering those items as well as certain actions that may result in change of control if you are a legal entity.
l.	Our approval of transfer by you	Section 12.2	We have the right to approve all transfers, but will not unreasonably withhold approval
m.	Conditions for our approval of transfer	Section 12.2	Transfer fee of \$10,000 paid, new franchisee/transferee satisfactorily completes training, you sign release and settle all accounts with us and trade creditors, no default exists under the current agreement, and bulk-sales laws complied with and updating/refurbishing of your Manchu WOK Restaurant to our then current standards, and, at our option, transferee will sign our then-current form of franchise agreement (and guarantee) for new franchisees or you will assign existing franchise agreement to transferee plus new guarantees). If you leased the Premises directly from a third party, then the transferee must sign and deliver to us a new Lease Addendum. We reserve the right to require transferring franchisees to use and pay for the services of a third-party escrow agent designated or approved by us.
n.	Our right of first refusal to acquire your business	Section 12.8	We can match any offer for an interest in the Franchise Agreement or your Manchu WOK Restaurant assets, or stock within 30 days of receiving notice of the offer.

PROVISION		SECTION IN FRANCHISE AGREEMENT	SUMMARY *
o.	Our option to purchase your business	Section 10.6 and	We have the option to purchase your equipment, fixtures, and other assets when your franchise expires or terminates.
p.	Your death or disability	Sections 12.4, 12.6, 12.7	Within 30 days of the death or permanent disability of the franchisee or franchise owner (anyone holding 25% or greater voting share or interest in your Manchu WOK restaurant), that individual's representative must hire a satisfactory replacement; Within six months of the permanent disability or death of the franchisee or franchise owner as defined above, that individual's estate must transfer his or her interests in your Manchu WOK Restaurant (or shares of any corporate owner) or in the Franchise Agreement in accordance with the terms of Section 12. If a satisfactory replacement is not hired within 30 days, Franchisor has the option but not obligation to operate and manage the business for the account of the Franchisee. If a transfer does not occur within six months, or a replacement is not hired, Franchisor may terminate the Agreement upon 10 days' notice.
q.	Non-competition covenants during the term of the franchise	Sections 11.2, and 11.3	No involvement in any restaurant business or retail food outlet that specializes in the sale of Chinese and Asian-style food or that we reasonably consider similar in nature, style or otherwise to any Manchu WOK® restaurant or using the Manchu WOK Restaurant System. This also applies to Guarantors and other related parties.
r.	Non-competition covenants after the franchise is terminated or expires	Sections 11.4 and 11.5	For a period of 18 months, no involvement in any restaurant business or retail food outlet located at the Premises, or the premises at which any restaurant or outlet using the Manchu WOK Restaurant System (whether franchisee- or company-owned, or street-front or mall-based) or within 3 miles of the exterior boundaries of any building in which (i) the Premises are located or (ii)

PROVISION		SECTION IN FRANCHISE AGREEMENT	SUMMARY *
			any premises at which any restaurant or outlet utilizing the Manchu WOK Restaurant System (whether franchisee- or company-owned, or street-front or mall-based) is then being operated, or is then being constructed or then under contract to be constructed. This also applies to Guarantors and other related parties.
s.	Modification of the agreement	Sections 2.6 and 17.2	Amendments only effective if in writing; but we may change the Manchu WOK Restaurant System, including the Confidential Manual.
t.	Integration/merger clause	Section 17.3 and 17.7	Only the terms of the Franchise Agreement are binding, subject to state law. Any representations or promises made outside of the disclosure document and the franchise agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Section 14	All controversies or disputes arising out of, or relating to the business or the Franchise Agreement, with certain exceptions, must be arbitrated and disputes will be resolved by a single arbitrator.*
v.	Choice of forum	Section 14.1	Phoenix, Arizona.*
w.	Choice of law	Section 17.13	Arizona law applies.*

Notes:

* Applicable state law may require additional disclosures related to the information in this item. These additional disclosures, if any, appear in an addendum. See **Exhibit H** of this disclosure document.

Sublease

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

Provision	Section in Sublease	Summary
a. Term of the Sublease	1.1 and 14.2	Ends one day before expiration of the Lease.
b. Renewal or extension of the term		
c. Requirements for you to renew or extend		
d. Termination by you	Not Applicable	You have no right to terminate the Sublease.
e. Termination by us without cause	11.1 and 12.1	The Sublease will terminate if our Leasing Affiliate cannot obtain necessary written consent of Landlord or if the Lease is terminated
f. Termination by us with cause	10.1 and 14.1	Our Leasing Affiliate may terminate the Sublease for cause.
g. "Cause" defined – curable defaults	10.1.1 – 10.1.2	Curable defaults include: (i) failure to pay any amounts due; (ii) failure to comply with any non-monetary covenants, agreements, provisions, or conditions of the Sublease, except for those which have no cure period.
h. "Cause" defined – defaults that cannot be cured	10.1.3 – 10.1.11	Non-curable defaults include: (i) bankruptcy, insolvency, or similar acts or events; (ii) removal, sale or disposal of goods, merchandise, and/or chattels outside of the ordinary course of business; (iii) failure to continually operate the business pursuant to the Sublease and Franchise Agreement; (iv) seizure of goods or chattels; (v) a receiving order is made or a receiver is appointed; (vi) improper subleasing, assignment, transfer, or encumbrance of the premises or Sublease; (vii) intentional falsification of reports required by the Sublease or Franchise Agreement; (viii) termination of the Franchise Agreement; (ix) uncured default of the Franchise Agreement or other applicable agreement; (x) three or more defaults within a 12-consecutive-month period, whether or not cured.

Provision	Section in Sublease	Summary
i. Your obligations on termination/ nonrenewal	4.1.6 and 10.1.11	Our Leasing Affiliate may enter and take possession of the Premises and remove all persons or property from the Premises; you are not relieved of certain obligations under the Sublease.
j. Assignment of agreement by us		
k. "Transfer" by you – defined	7.1	Approval of Leasing Affiliate is required to assign, transfer, sublet, permit others to use or occupy, mortgage, or encumber the Sublease, Premises, or any equipment, fixture, or furniture. If an entity, any change in ownership or control is an assignment.
l. Our approval of transfer by you	7.1 and 14.5.12	Prior written consent of Leasing Affiliate, at its sole discretion, is required. Approval of landlord may be required.
m. Conditions for our approval of transfer	7.1	Conditions include: (i) proposed transferee must fully comply with all requirements and conditions of the Franchise Agreement; (ii) You, and Guarantor, must remain jointly and severally liable for all obligations of the Sublease and Franchise Agreement; (iii) proposed transferee must enter into agreement to be bound to the terms and conditions of the Sublease and Franchise Agreement; and (iv) You, Guarantor, and the proposed transferee must jointly and severally indemnify and hold our Leasing Affiliate harmless for related costs. Subject to applicable law, our Leasing Affiliate has arbitrary discretion to approve a proposed transfer.
n. Our right of first refusal to acquire your business	Not Applicable	None.
o. Our option to purchase your business	Not Applicable	None.
p. Your death or disability	Not Applicable	None
q. Non-competition covenants during the term of the franchise	Not Applicable	None
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	None

Provision	Section in Sublease	Summary
s. Modification of the agreement	14.5.2	No amendment or modification is valid or binding unless it is in writing, refers specifically to the Sublease, and is signed by the party as to whom enforcement is sought.
t. Integration/merger clause	14.2 and 14.4	The Sublease and Franchise Agreement, including any contemplated or referenced agreements, contain the entire agreement of the parties. The Lease is incorporated into the Sublease <i>mutatis mutandis</i> .
u. Dispute resolution by arbitration or mediation	Not Applicable	None
v. Choice of forum	Not Applicable	None
w. Choice of law	Not Applicable	None

**ITEM 18
PUBLIC FIGURES**

We and our affiliates do not use any public figure to promote our 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.

We do not make any representations about a Franchisee’s future financial performance or the past financial performance of company-owned 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 income, you should report it to franchisor’s management by contacting Bob Cook at 1-800-563-6688 or (905) 764-7066, Ext. 604, 9311 East Via de Ventura, Scottsdale, AZ 85258, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1
Systemwide Outlet Summary
For fiscal years 2019-2021**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2019	27	25	-2
	2020	25	22	-3
	2021	22	21	-1
Company-Owned	2019	1	1	0
	2020	1	0	-1
	2021	0	0	0
Total Outlets	2019	28	26	-2
	2020	26	22	-4
	2021	22	21	-1

**Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For fiscal years 2019 to 2021**

State	Year	Number of Transfers
Total	2019	0

	2020	0
	2021	0

**Table No. 3
Status of Franchised Outlets
For fiscal years 2019-2021**

State	Year	Outlets at Start of the Year	Outlets Added	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at the End of the Year
Alabama	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
California	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Florida	2019	4	0	0	0	0	1	3
	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
Georgia	2019	1	0	0	1	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Illinois	2019	4	0	0	0	0	0	4
	2020	4	0	0	1	0	0	3
	2021	3	0	0	0	0	0	3

Kansas	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Missouri	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Nevada	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
New Jersey	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
New York	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
North Carolina	2019	2	0	0	1	0	0	1
	2020	1	0	0	1	0	0	0
	2021	0	0	0	0	0	0	0
Ohio	2019	1	0	0	0	0	1	0
	2020	1	0	0	1	0	0	0
	2021	0	0	0	0	0	0	0
Texas	2019	5	0	0	0	0	0	5
	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	1	4
Utah	2019	1	0	0	0	0	0	1

	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
Washington	2019	4	1	0	0	0	0	5
	2020	5	0	0	0	0	1	4
	2021	4	0	0	0	0	0	4
Totals	2019	27	2	0	2	0	2	25
	2020	25	1	0	2	0	2	22
	2021	22	0	0	0	0	1	21

Table No. 4
Status of Company-Owned Outlets
For fiscal years 2019-2021

State	Year	Outlets at the Start of the Year	Outlets Opened*	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at the End of the Year
Minnesota	2019	1	0	0	0	0	1
	2020	1	0	0	1	0	0
	2021	0	0	0	0	0	0
Total	2019	1	0	0	0	0	1
	2020	1	0	0	1	0	0
	2021	0	0	0	0	0	0

Table No. 5
Projected Openings as of November 30, 2021

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlet in Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year	Total
Total	0	0	0	0

The name, address, and telephone number of all of our franchisees as of November 30, 2021 is set forth in **Exhibit F**.

The name and last known address and telephone number of every franchisee who has left our Manchu WOK® system for any reason including, without limitation, termination, cancellation, non-renewal or otherwise voluntarily or involuntarily ceased to do business under a Manchu WOK Franchise Agreement, during our most recently completed fiscal year or has not communicated with us within 10 weeks of the date of this Franchise Disclosure Document appears at **Exhibit G**.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the franchise system. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

As of November 30, 2021 there are no Manchu WOK franchisee associations in existence regardless of whether or not they use our trademark.

ITEM 21

FINANCIAL STATEMENTS

Attached as **Exhibit B** are our audited consolidated financial statements for the years ended November 30, 2021 and November 30, 2020, along with the independent auditor's reports for years ended November 30, 2021 and November 30, 2020.

ITEM 22 CONTRACTS

A copy of MTY Franchising USA, Inc.'s current mall food court and non-traditional Franchise Agreement and Sublease Agreement (Sublease subject to amendment to accommodate local laws) are attached as **Exhibits C** and **D**, respectively. A copy of the In-Store Training Release and Waiver of Liability Agreement is attached to this Franchise Disclosure Document as **Exhibit E-1**. A copy of the Franchisor's Compliance Certification which will be required from the Franchisee and its Guarantors before any franchise transaction is completed, is attached as **Exhibit I**.

ITEM 23 RECEIPT

Exhibit K contains two detachable pages acknowledging the receipt of the Franchise Disclosure Document by you. One copy is for your records, and one copy must be signed and dated by you and returned to us.



EXHIBIT A

Manchu WOK

**LIST OF STATE REGULATORS /
AGENTS FOR SERVICE OF PROCESS**

EXHIBIT A

**LIST OF STATE ADMINISTRATORS
AND AGENTS FOR SERVICE OF PROCESS**

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	Department of Business Oversight One Sansome Street, Suite 600 San Francisco, CA 94104 415-972-8559 1-866-275-2677	Commissioner of Business Oversight 320 West 4th Street, Suite 750 Los Angeles 90013-2344 1-866-275-2677
CONNECTICUT	Securities and Business Investment Division Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 860-240-8230	Connecticut Banking Commissioner Same Address
FLORIDA	Department of Agriculture & Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, FL 32399-0800 850-245-6000	Same
GEORGIA	Office of Consumer Affairs 2 Martin Luther King Drive, S.E. Plaza Level, East Tower Atlanta, GA 30334 404-656-3790	Same
HAWAII	State of Hawaii Business Registration Division Securities Compliance Branch Dept. of Commerce and Consumer Affairs 335 Merchant Street, Room 205 Honolulu, HI 96813 808-586-2722	Hawaii Commissioner of Securities Same Address
ILLINOIS	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 217-782-4465	Illinois Attorney General Same Address
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E 111 Indianapolis, IN 46204 317-232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
IOWA	Iowa Securities Bureau Second Floor Lucas State Office Building Des Moines, IA 50319 515-281-4441	Same

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
KENTUCKY	Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40602 502-696-5389	Same
LOUISIANA	Department of Urban & Community Affairs Consumer Protection Office 301 Main Street, 6th Floor One America Place Baton Rouge, LA 70801 504-342-7013 (gen. info.) 504-342-7900	Same
MAINE	Department of Business Regulations State House - Station 35 Augusta, ME 04333 207-298-3671	Same
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 410-576-6360	Maryland Securities Commissioner Same Address
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 525 W. Ottawa Street G. Mennen Williams Building, 1 st Floor Lansing, MI 48913 517-373-7117	Michigan Department of Commerce Corporations and Securities Bureau Same Address
MINNESOTA	Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101 651-539-1500	Minnesota Commissioner of Commerce Same Address
NEBRASKA	Department of Banking and Finance 1526 K Street, Suite 300 Lincoln, NE 68508 P.O. Box 95006 Lincoln, Nebraska 68509-5006 Tele: 402-471-2171	Same
NEW HAMPSHIRE	Attorney General Consumer Protection and Antitrust Bureau State House Annex Concord, NH 03301 603-271-3641	Same

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
NEW YORK	Office of the New York State Attorney General Investor Protection Bureau Franchise Section 28 Liberty Street New York, NY 10005 212-416-8236 Phone 212-416-6042 Fax	New York Department of State One Commerce Plaza 99 Washington Avenue, 6 th Floor Albany, NY 12231-0001 518-473-2492
NORTH CAROLINA	Secretary of State's Office/Securities Division 2 South Salisbury Street Raleigh, NC 27601 919-733-3924	Secretary of State Secretary of State's Office Same Address
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fifth Floor Bismarck, ND 58505-0510 701-328-4712; Fax: 701-328-0140	North Dakota Securities Commissioner Same Address
OHIO	Attorney General Consumer Fraud & Crime Section State Office Tower 30 East Broad Street, 15th Floor Columbus, OH 43215 614-466-8831 or 800-282-0515	Same
OKLAHOMA	Oklahoma Securities Commission 2915 Lincoln Blvd. Oklahoma City, OK 73105 405-521-2451	Same
OREGON	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 96310 503-378-4387	Director Department of Insurance and Finance Same Address
RHODE ISLAND	Rhode Island Department of Business Regulation Securities Division John O. Pastore Center – Building 69-1 1511 Pontiac Avenue Cranston, RI 02920 401-222-3048	Director, Rhode Island Department of Business Regulation Same address
SOUTH CAROLINA	Secretary of State P.O. Box 11350 Columbia, SC 29211 803-734-2166	Same
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, SD 57501 605-773-4823	Director of the South Dakota Division of Securities Same Address

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
TEXAS	Secretary of State Statutory Documents Section P.O. Box 12887 Austin, TX 78711-2887 512-475-1769	Same
UTAH	Utah Department of Commerce Consumer Protection Division 160 East 300 South (P.O. Box 45804) Salt Lake City, UT 84145-0804 TELE: 801-530-6601 FAX:801-530-6001	Same
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising Tyler Building, 9 th Floor 1300 E. Main Street Richmond, VA 23219 804-371-9051	Clerk of the State Corporation Commission Tyler Building, 1st Floor 1300 E. Main Street Richmond, VA 23219 804-371-9733
WASHINGTON	Department of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501 360-902-8762	Director, Dept. of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501
WISCONSIN	Wisconsin Dept. of Financial Institutions Division of Securities 345 W. Washington Avenue, 4th Floor Madison, WI 53703 608-266-8557	Wisconsin Commissioner of Securities Same Address



EXHIBIT B

Manchu WOK

FINANCIAL STATEMENTS

Consolidated financial statements of MTY Franchising USA, Inc.

For the years ended November 30, 2021 and 2020

Independent auditor's report	1-2
Consolidated statements of operations and comprehensive income (loss)	3
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Consolidated balance sheets	5-6
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Notes to the consolidated financial statements	9-37



Report of Independent Auditors

To the Stockholder of MTY Franchising USA, Inc.

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, 2021 and November 30, 2020, and the related consolidated statements of operations and comprehensive income (loss), changes in stockholder's equity and cash flows for the years then ended.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502*



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of November 30, 2021 and November 30, 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.

/s/PricewaterhouseCoopers LLP¹

Montréal, Quebec, Canada
January 31, 2022

¹ CPA auditor, CA, public accountancy permit No. A123475

MTY Franchising USA, Inc.**Consolidated statements of operations and comprehensive income (loss)**

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

	Notes	2021	2020
		\$	\$
Revenue	19	216,655	192,657
Costs and expenses			
Operating expenses	20	142,077	141,443
Depreciation - property, plant and equipment	6	1,057	1,415
Amortization - intangible assets	8	13,888	14,174
Impairment charge - property, plant and equipment	6 & 10	27	579
Impairment charge - intangible assets and goodwill	8, 9 & 10	2,862	62,143
Interest expense	21	16,264	16,764
Management fees charged by parent company	25	1,733	1,830
		177,908	238,348
Other income (expenses)			
Interest income		1,536	683
Gain (loss) on disposal of property, plant and equipment and assets held for sale		1,986	(276)
Gain on extinguishment of holdback		27	—
		3,549	407
Income (loss) before income taxes		42,296	(45,284)
Income tax expense (recovery)	23		
Current		12,727	3,076
Deferred		(399)	(11,133)
		12,328	(8,057)
Net income (loss) and comprehensive income (loss)		29,968	(37,227)

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, 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
		\$	\$	\$
Balance as at November 30, 2019	15	179,154	45,152	224,306
Net loss and comprehensive loss	—	—	(37,227)	(37,227)
Balance as at November 30, 2020	15	179,154	7,925	187,079
Net income and comprehensive income	—	—	29,968	29,968
Balance as at November 30, 2021	15	179,154	37,893	217,047

The accompanying notes are an integral part of these consolidated financial statements.

MTY Franchising USA, Inc.

Consolidated balance sheets

As at November 30, 2021 and 2020

(In thousands of US dollars)

		2021	2020
	Notes	\$	\$
Assets			
Current assets			
Cash		17,868	16,017
Restricted cash		361	361
Accounts receivable	4	17,207	19,559
Inventories		2,462	2,296
Current portion of loans receivable	5	551	690
Receivable from company under common control	13	3	11
Receivable from ultimate parent	13 & 25	100,926	58,895
Prepaid expenses and deposits		5,463	3,585
Other current assets		1,918	1,030
Income taxes receivable		2,367	—
		149,126	102,444
Loans receivable	5	561	919
Contract cost asset		2,749	2,291
Property, plant and equipment	6	2,989	2,741
Intangible assets	8	409,147	425,894
Goodwill	9	185,576	185,576
		750,148	719,865
Liabilities			
Current liabilities			
Accounts payable		9,980	12,225
Accrued liabilities		19,293	23,270
Gift card liability	11	76,097	70,571
Promotional funds payable		16,521	10,589
Current portion of deferred revenue and deposits	12	6,358	5,894
Income taxes payable	23	—	11,904
Advance from parent company	13 & 25	1,733	1,830
Advances from companies under common control	13 & 25	184	184
Current portion of holdback payable	15	7,076	3,810
		137,242	140,277
Long-term loan from company under common control	14	299,850	299,850
Other liabilities		804	—
Deferred revenue and deposits	12	21,669	18,725
Deferred income taxes	23	73,536	73,934
		533,101	532,786

MTY Franchising USA, Inc.**Consolidated balance sheets (continued)**

As at November 30, 2021 and 2020

(In thousands of US dollars)

		2021	2020
	Notes	\$	\$
Stockholder's equity			
Common stock	17	179,154	179,154
Retained earnings		37,893	7,925
		217,047	187,079
		750,148	719,865

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board on January 31, 2022

_____, Director

MTY Franchising USA, Inc.
Consolidated statements of cash flows

Years ended November 30, 2021 and 2020
(In thousands of US dollars)

	2021	2020
Notes	\$	\$
Operating activities		
Net income (loss)	29,968	(37,227)
Items not affecting cash, restricted cash:		
Depreciation - property, plant and equipment	1,057	1,415
Amortization - intangible assets	13,888	14,174
Interest expense	16,264	16,764
(Gain) loss on disposal of property, plant, and equipment and assets held for sale	(1,986)	276
Impairment charge - property, plant and equipment	27	579
Impairment charge - intangible assets and goodwill	2,862	62,143
Gain on extinguishment of holdback	(27)	—
Deferred income tax recovery	(399)	(11,133)
	61,654	46,991
Interest paid	(16,192)	(16,192)
Changes in non-cash working capital items		
Accounts receivable	450	(4,344)
Inventories	(166)	(1,006)
Prepaid expenses and deposits	(2,336)	1,487
Loans receivable	497	(236)
Other current assets	(888)	(1,030)
Income taxes	(5,276)	25
Accounts payable	(2,245)	3,080
Accrued liabilities	(4,075)	(2,662)
Promotional funds payable	5,932	6,297
Gift card liability	5,526	2,474
Deferred revenue and deposits	3,408	5,009
Other	(445)	(703)
Net cash provided from operating activities	45,844	39,190

MTY Franchising USA, Inc.**Consolidated statements of cash flows (continued)**

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

	2021	2020
Notes	\$	\$
Investing activities		
Additions to property, plant and equipment	(2,338)	(1,273)
Additions to intangible assets	(3)	(68)
Proceeds on disposal of property, plant and equipment	4,339	300
Proceeds on disposal of assets held for sale	—	8,405
Net cash provided from investing activities	1,998	7,364
Financing activities		
Net advance to ultimate parent	(42,128)	(53,125)
Net advance from (to) companies under common control	8	(105)
Repayment of holdback payable	(3,871)	(1,433)
Net cash used in financing activities	(45,991)	(54,663)
Net increase (decrease) in cash, restricted cash	1,851	(8,109)
Cash, restricted cash, beginning of year	16,378	24,487
Cash, restricted cash, end of year	18,229	16,378

Supplemental cash flow information

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The accompanying notes are an integral part of these consolidated financial statements.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

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 “U.S.”).

2. Significant accounting policies

Basis of presentation

The accounting policies of the Company are in accordance with accounting principles generally accepted in the U.S. (“U.S. GAAP”). The Company uses the U.S. 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 U.S. 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:

<u>Principal subsidiaries</u>	<u>Percentage of equity interest</u>
	%
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

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.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

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 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.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

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.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

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 transaction fees for purchase made through one of the Company’s brands’ e-commerce platform. 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 pick 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

Leases are classified as capital leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

2. Significant accounting policies (continued)

Income taxes (continued)

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

Allowance for doubtful accounts is calculated based on historical experience, customer credit risk and application of the specific identification method.

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

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:

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

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

2. Significant accounting policies (continued)

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.

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, which are being amortized over their expected useful life on a straight-line basis.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

2. Significant accounting policies (continued)

Intangible assets (continued)

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, 2021, goodwill is allocated as follows:

	Reporting unit description
U.S. excluding Papa Murphy's goodwill	A group of units comprised of acquired brands in the U.S., excluding the Papa Murphy's brand
Papa Murphy's goodwill	One unit comprised of the Papa Murphy's brand

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, 2021, cash and restricted cash included \$361 of restricted cash (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.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

2. Significant accounting policies (continued)

Inventories (continued)

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

Contingencies for the expected cost of litigation, disputes and the cost of settling leases for closed stores 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 loans from company under common control and long-term debt. 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 ultimate parent, accounts payable, accrued liabilities, promotional funds payable, advance from ultimate parent, 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. Long-term loans from company under common control and long-term debt 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 fund. 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, 2021, promotional funds were in a net liability position amounting to \$14,603 (2020 – net liability position of \$9,559).

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

2. Significant accounting policies (continued)

Subsequent events

Subsequent events were evaluated through the date that the consolidated financial statements were issued, which was January 31, 2022.

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 statement of financial position 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, 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.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

2. Significant accounting policies (continued)

Estimates and assumptions (continued)

Impact of COVID-19

During the year ended November 30, 2021, the COVID-19 pandemic continued to impact the markets in which MTY USA, its franchise partners and suppliers operate. Certain parts of the United States (“US”) continued to be impacted by the continuation of government-imposed restrictions including restrictions on dine-in guests, reduced operating hours and/or temporary closures. The year ended November 30, 2021, saw the ramp-up of the global vaccination campaign, which led to the gradual lifting of restrictions in some territories, including the resumption of indoor and outdoor dining, and the reopening of a number of restaurants. However, the end of the year saw the rise of a fourth wave driven by the Delta variant, resulting in more infections and certain additional public health measures, including indoor masks and proof of vaccination for seated dining in restaurants in some territories. The disruptions are expected to persist into 2022 with uncertainty surrounding the rollout of the vaccine boosters and the spread of the Omicron variant, as well as the longer-term impact on the economy and the rules that will apply to MTY USA’s restaurants as more sheltering measures are gradually reduced. The impact of the virus and the efforts to stop it continue to impact MTY USA and many of its franchisees materially.

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, 2021, the Company determined that there was no indication of impairment attributable to COVID-19. Accordingly, the Company did not record impairment charges on its property, plant and equipment, intangible assets, and goodwill attributable to COVID-19. These estimates, judgments and assumptions are subject to change.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

3. Changes in accounting policies

New accounting pronouncements adopted during the year

Standard	Issue date	Effective date for the Company	Impact
ASU 2021-03 - Accounting Alternative for Evaluating Triggering Events	March 2021	December 1, 2020	No impact

Incoming new standards affecting the Company not yet adopted

ASU 2016-02 – Leases (Topic 842) (“ASU 2016-02”)

In February 2016, the FASB issued new guidance on leases. The new guidance requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by finance and operating leases with lease terms of more than 12 months, amends various other aspects of accounting for leases by lessees and lessors, and requires enhanced disclosures. The new guidance requires a modified retrospective transition approach with application in all comparative periods presented (the “comparative method”), or alternatively, as of the effective date as the date of initial application without restating comparative period financial statements (the “effective date method”). The new guidance also provides several practical expedients and policies that companies may elect under either transition method.

In June 2020, as a result of the adverse impact of the COVID-19 pandemic on the global economy, causing significant and widespread business and capital market disruptions, the FASB issued ASU 2020-05 as a limited deferral of the effective date of ASU 2016-02 to provide immediate, near-term relief for certain entities for whom this update was either currently or imminently effective. Under ASU 2020-05, the FASB deferred the effective date for (a) public not-for-profit entities that have not yet issued (or made available for issuance) financial statements to annual reporting periods beginning after December 15, 2019 (including interim periods therein); and (b) private entities to annual reporting periods beginning after December 15, 2021 and interim periods within annual reporting periods beginning after December 15, 2022. Earlier application is permitted for all entities. The Company intends to defer its adoption of ASU 2016-02 to the fiscal year beginning after December 1, 2022.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

3. Changes in accounting policies (continued)

Incoming new standards affecting the Company not yet adopted (continued)

ASU 2016-02 – Leases (Topic 842) (“ASU 2016-02”) (continued)

The Company elected to apply the effective date method and the package of practical expedients under which it will not reassess the classification of our existing leases, re-evaluate whether any expired or existing contracts are or contain leases or reassess 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 performed a preliminary analysis of the impact of the new lease guidance and is in the process of completing the final phase of a comprehensive plan for its implementation of the new guidance, including implementation of a new lease accounting system. Upon its transition to the new guidance, the Company anticipates a lease liability to be recorded that is in line with lease commitments identified in note 23, adjusted for discount rates, options and as well the Company will be recording a corresponding lease receivable or right-of-use asset. MTY USA is still determining the key estimates surrounding the implementation of this standard.

ASU 2016-13 – Financial Instruments (“ASU 2016-13”)

In June 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-13 "Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments."

ASU 2016-13 requires an entity to utilize a new impairment model known as the current expected credit loss ("CECL") model to estimate its lifetime "expected credit loss" and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. The CECL model is expected to result in more timely recognition of credit losses. ASU 2016-13 also requires new disclosures for financial assets measured at amortized cost, loans and available-for-sale debt securities. ASU 2016-13 is effective for the Company beginning after December 1, 2021.

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.

For its loans receivable balance carried at amortized cost, the Company currently uses the general ECL model. Unlike the simplified approach, the general ECL model depends on whether there has been a significant increase in credit risk. The Company considers the probability of default upon initial recognition of the financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition of the financial asset.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

3. Changes in accounting policies (continued)

Incoming new standards affecting the Company not yet adopted (continued)

ASU 2016-13 – Financial Instruments (“ASU 2016-13”) (continued)

A significant increase in credit risk is assessed based on changes in the probability of default since initial recognition along with borrower-specific qualitative information, or when loans are more than 30 days past due. Loans are considered impaired and in default when they are 90 days past due or there is sufficient doubt regarding the ultimate collectability of principal and/or interest. Loans that are 180 days past due are written down to the present value of the expected future cash flows. Impairment under the general ECL model is assessed on an individual basis. In assessing the risk of default, the Company also incorporates available reasonable and supportive forward-looking information.

When credit risk is assessed as being low or when there has not been a significant increase in credit risk since initial recognition, the ECL is based on a 12-month ECL which represents the portion of lifetime ECL expected to occur from default events that are possible within 12 months after the reporting date. If a significant increase in credit risk has occurred throughout a reporting period, impairment is based on lifetime ECL.

The adoption of ASU 2016-13 is not expected to result in a material change to the Company's allowance for trade receivables and loans receivable. Furthermore, pursuant to Accounting Standards Update 2019-10 – Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842) the Company will defer adoption to December 1, 2023.

ASU 2017-04 – Intangibles - Goodwill and other (topic 350): simplifying the test for goodwill impairment (“ASU 2017-04”)

In January 2017, the FASB issued guidance that simplifies the measurement of goodwill impairment. Under this new guidance, an impairment charge, if triggered, is calculated as the difference between a reporting unit's carrying value and fair value, but it is limited to the carrying value of goodwill. The ASU will be effective for the Company for the fiscal years beginning after December 1, 2023. Early adoption is permitted. The adoption of ASU 2017-04 is not expected to result in a material change to the Company's consolidated financial statements

ASU 2019-12 – Simplifying accounting for income taxes (“ASU 2019-12”)

In December 2019, the FASB issued guidance to simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The ASU will be effective for the Company for fiscal years beginning after December 1, 2022. Early adoption of the amendments is permitted. The Company is in the process of evaluating the impact of the amendments on its consolidated financial statements.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

3. Changes in accounting policies (continued)

Incoming new standards affecting the Company not yet adopted (continued)

ASU 2021-08 – Business Combinations (Topic 805) – Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (“ASU 2021-08”)

In October 2021, the FASB issued new guidance on how to measure contract assets and liabilities acquired in a business combination. The amendments in this Update require that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. At the acquisition date, an acquirer should account for the related revenue contracts in accordance with Topic 606 as if it had originated the contracts. To achieve this, an acquirer may assess how the acquiree applied Topic 606 to determine what to record for the acquired revenue contracts. Generally, this should result in an acquirer recognizing and measuring the acquired contract assets and contract liabilities consistent with how they were recognized and measured in the acquiree’s financial statements (if the acquiree prepared financial statements in accordance with generally accepted accounting principles [GAAP]).

For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The amendments in this Update should be applied prospectively to business combinations occurring on or after the effective date of the amendments. Early adoption of the amendments is permitted, including adoption in an interim period.

The ASU will be effective for the Company for fiscal years beginning after December 1, 2024.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

4. Accounts receivable

Details of accounts receivable are as follows:

	2021	2020
	\$	\$
Total accounts receivable	19,270	23,330
Less: Allowance for credit losses	(2,063)	(3,771)
Total accounts receivable, net	17,207	19,559
Of which:		
Not past due	12,835	13,483
Past due for more than one day but no more than 30 days	793	841
Past due for more than 31 days but no more than 60 days	358	707
Past due for more than 61 days	3,221	4,528
Total accounts receivable, net	17,207	19,559

	2021	2020
	\$	\$
Allowance for credit losses, beginning of year	(3,771)	(1,507)
Current period recovery (provision)	829	(2,547)
Reversal of amounts previously written off	(1)	(10)
Write-offs	880	293
Allowance for credit losses, end of year	(2,063)	(3,771)

5. Loans receivable

Loans receivable generally result from the sales of franchises and of various advances to certain franchisees and consist of the following:

	2021	2020
	\$	\$
Loans receivable bearing interest between 0% and 8% per annum, receivable in monthly instalments of \$98 in aggregate, including principal and interest, ending in 2026	1,112	1,609
Current portion	(551)	(690)
	561	919

The total allowance for uncollectible amounts on loans receivable amounted to \$826 as at November 30, 2021 (2020 – \$1,383).

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

5. Loans receivable (continued)

The capital repayments in subsequent years will be:

	\$
2022	551
2023	177
2024	76
2025	64
2026	244
	<u>1,112</u>

6. Property, plant and equipment

Cost	Equipment	Leasehold improve- ments	Rolling stock	Computer Hardware ⁽¹⁾	Total
	\$	\$	\$	\$	\$
Balance as at November 30, 2019	3,208	1,901	64	271	5,444
Additions ⁽¹⁾	884	190	—	199	1,273
Dispositions	(844)	—	—	—	(844)
Impairment (note 11)	(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 11)	(27)	—	—	—	(27)
Balance as at November 30, 2021	3,117	642	40	1,147	4,946

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

6. Property, plant and equipment (continued)

Accumulated depreciation	Equipment	Leasehold improve- ments	Rolling stock	Computer Hardware ⁽¹⁾	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

Carrying amounts	Equipment	Leasehold improve- ments	Rolling stock	Computer Hardware ⁽¹⁾	Total
	\$	\$	\$	\$	\$
November 30, 2020	1,336	1,086	27	292	2,741
November 30, 2021	1,736	410	20	823	2,989

(1) Prior year amounts have been restated to reflect a reclassification between equipment and computer hardware.

7. Divestitures

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. The Company received a total consideration of \$3,343 (2020 – \$8,405) for both portfolios and recorded a gain on disposal of \$1,093 (2020 – loss of \$93), presented in Gain (loss) on disposal of property, plant, equipment and asset held for sale in its consolidated statement of income (loss). The Company recorded a liability for marketing and material defect expenditures of \$260 as accrued liabilities on the Company's Consolidated Balance Sheets. These dispositions did not meet the criteria for accounting as a discontinued operation.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

8. Intangible assets

Cost	Franchise	Trademark	Other	Total
	rights	s		
	\$	\$	\$	\$
Balance as at November 30, 2019	179,881	311,630	987	492,498
Additions	8	—	60	68
Impairment (note 11)	(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 11)	(530)	(2,332)	—	(2,862)
Balance as at November 30, 2021	174,870	300,297	1,050	476,217
Accumulated amortization	Franchise	Trademark	Other	Total
	rights	s		
	\$	\$	\$	\$
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
Carrying amounts	Franchise	Trademark	Other	Total
	rights	s		
	\$	\$	\$	\$
November 30, 2020	122,616	302,629	649	425,894
November 30, 2021	108,356	300,297	494	409,147

9. Goodwill

The changes in the carrying amount of goodwill are as follows:

	2021	2020
	\$	\$
Goodwill, beginning of year	234,229	233,743
Purchase price allocation adjustments	—	486
Goodwill, end of year	234,229	234,229
Accumulated impairment, beginning of year	(48,653)	—
Impairment (note 11)	—	(48,653)
Accumulated impairment, end of year	(48,653)	(48,653)
Carrying amount	185,576	185,576

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

10. Impairment

The Company performed its annual impairment test as at August 31, 2021, which resulted in the recognition of \$2,862 of impairment losses on its intangible assets for three of its brands, following indicators of impairment that were noted.

Additionally, the Company recorded \$27 of impairment losses on its property, plant and equipment, for a total of \$2,889 of impairment charges on its property, plant and equipment and intangible assets for the year ended November 30, 2021, which have recognized in the consolidated statement of operations.

Impairment charges were based on the amount by which the carrying values of the assets exceeded fair value, determined using expected discounted future cash flows for trademarks and franchise rights.

Impairment by reporting unit for the year ended November 30, 2021:

	Property plant and equipment	Intangibles			Total
		Franchise rights	Trademarks	Goodwill	
	\$	\$	\$	\$	\$
U.S. 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:

	Property plant and equipment	Intangibles			Total
		Franchise rights	Trademarks	Goodwill	
	\$	\$	\$	\$	\$
U.S. 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 uncertainties around the impact of COVID-19 on projected sales, as well as the discount rate. 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.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(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, 2021 and 2020:

(\$, except percentage data)	2021		2020	
	U.S. excluding Papa Murphy's	Papa Murphy's	U.S. excluding Papa Murphy's	Papa Murphy's
Long-term growth rates	0% to 2%	1.50%	0% to 2%	1.50%
Discount rates after tax	8.0%	8.0%	8.3%	8.3%
Discount rates pre-tax	10.1%	10.2%	10.5%	10.5%
Recoverable amounts	695,525	305,133	431,609	323,543

A change of 100 basis points in discount rates in the US excluding Papa Murphy's would result in additional impairment charges on intangible assets of three brands (2020 – 11 brands) representing less than 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 would not result in additional impairment charges on goodwill (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 reporting unit, an increase of 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 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, 2021 and 2020. For the Papa Murphy's reporting unit, an increase of 230 basis points (2020 – 300 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:

	2021	2020
	\$	\$
Gift card liability, beginning of year	70,571	68,097
Activations during the year	31,827	26,186
Redemptions during the year	(21,976)	(19,930)
Deferred program fees and other	(708)	(434)
Gift card breakage recorded	(3,617)	(3,348)
Gift card liability, end of year	76,097	70,571

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

12. Deferred revenue and deposits

	2021	2020
	\$	\$
Franchise fee deposits	22,188	17,628
Unearned rent	1,931	1,926
Supplier contributions and other allowances	3,908	5,065
	28,027	24,619
Current portion	(6,358)	(5,894)
	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.

\$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.

The following table provides estimated revenues expected to be recognized in future years related to performance obligations that are unsatisfied as at November 30, 2021:

Estimate for fiscal year:	\$
2022	6,358
2023	3,630
2024	3,227
2025	2,041
2026	1,494
Thereafter	11,277
	<u>28,027</u>

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 \$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 U.S. 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 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.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

14. Long-term loan from company under common control

	2021	2020
	\$	\$
Interest-bearing loan at 5.4%, repayable by November 27, 2026 ⁽¹⁾	299,850	299,850
Balance, end of year	299,850	299,850

⁽¹⁾ The loan is subject to a maximum debt to EBITDA ratio of 6.00 to 1 starting on November 27, 2019 and a minimum EBITDA interest coverage ratio of 2.00 to 1 to be calculated in conjunction with interest payments based on the past 12 months.

15. Holdback payable

	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 holdback 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 will be repaid within the next 12 months.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

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; the timing of the settlement of these contingencies is unknown given their nature, as the Company does not control the litigation timelines.

The provision related to closed stores mainly represents 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 contingencies. The provisions for litigations, disputes and closed stores are recorded in accrued liabilities.

	2021	2020
	\$	\$
Provision for litigation, disputes, closed stores and other contingencies, beginning of year	2,909	9,300
Reversals	(522)	(779)
Purchase price allocation adjustment	—	196
Amounts used	(200)	(7,165)
Additions	360	1,357
Provision for litigation, disputes, closed stores and other contingencies, end of year	2,547	2,909

17. Common stock

	2021		2020	
	Shares issued	\$	Shares issued	\$
Balance, beginning of year	15	179,154	15	179,154
Balance, end of year	15	179,154	15	179,154

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(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, 2021 and November 30, 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.

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
Loans receivable	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, advances 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, 2021.

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 U.S., 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.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

The credit risk on cash is limited because the Company invests its excess liquidity in high-quality financial instruments and with credit-worthy counterparties.

18. Financial instruments (continued)

Risk management policies (continued)

Credit risk (continued)

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 as well as its long-term debt have fixed interest rates.

19. Revenues

Revenues are broken down as follows:

	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 ⁽¹⁾	6,633	—	6,633
	158,104	34,553	192,657

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

- (1) Prior year amounts have been restated to reflect a reclassification between revenue and other income.

20. Operating expenses

Operating expenses are broken down as follows:

	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	3,872	4,077	7,949
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 expense (recovery)	(1,139)	7	(1,132)
	107,192	34,885	142,077

	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	4,520	4,734	9,254
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
	103,782	37,661	141,443

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.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

21. Interest expense

Interest expense is broken down as follows:

	2021	2020
	\$	\$
Interest charged by companies under common control (note 26)	16,192	16,192
Accreted interest expense on interest-bearing holdbacks	72	572
Interest expense	16,264	16,764

22. Operating lease arrangements

Operating leases as lessee relate to leases of premises in relation to the Company's operations. Leases typically have terms ranging between five and 10 years at inception. The Company does not have options to purchase the premises on any of its operating leases.

The Company has entered into various long-term leases and has sub-leased substantially all of the premises based on the same terms and conditions as the original lease to unrelated franchisees. The minimum rentals, exclusive of occupancy and escalation charges, and additional rent paid on a percentage of sales basis, payable under the leases are as follows:

	Lease commitments	Sub-leases	Net commitments
	\$	\$	\$
2022	31,759	25,471	6,288
2023	27,404	21,867	5,537
2024	21,240	16,451	4,789
2025	15,337	11,737	3,600
2026	11,426	8,357	3,069
Thereafter	16,718	10,451	6,267
	123,884	94,334	29,550

Operating leases as lessor relate to the properties leased or owned by the Company, with lease terms ranging between five to 10 years. Some have options to extend the duration of the agreements, for periods ranging between one and 15 years. None of the agreements contain clauses that would enable the lessee or sub-lessee to acquire the property.

The Company has recognized a liability of \$861 (November 30, 2020 – \$1,166) for the leases of premises in which it no longer has operations but retains the obligations contained in the lease agreement (note 17).

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

23. 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.

	2021	2020
Income tax expense (recovery)	\$	\$
Current tax expense	12,727	3,076
Deferred tax recovery	(399)	(11,133)
Total tax expense (recovery)	12,328	(8,057)

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% (2020 – 21%) to the income for the period as follows:

	2021	2020
	\$	\$
Income (loss) before income taxes	42,296	(45,284)
Income tax expense (recovery) at federal statutory rate	8,882	(9,510)
State and local income taxes net of federal tax benefit	2,130	50
Non-deductible/non-taxable items	(2)	7,666
True up of prior year tax provision	(144)	293
Rate variation on deferred income tax	1,219	(2,429)
Revision of estimates for tax exposures	—	(4,173)
Other	243	46
Income tax expense (recovery)	12,328	(8,057)

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2021 and 2020

(In thousands of US dollars)

23. Income taxes (continued)

Components of the net deferred tax asset or liability:

	2021	2020
	\$	\$
Inventory	45	77
Allowance for doubtful accounts	451	401
Deferred revenue	4,018	2,770
Gift cards	14,181	13,042
Accrued liabilities	8,009	6,309
Non-capital losses and other tax credits	28	657
Total deferred tax assets	26,732	23,256
Deferred costs	(486)	(422)
Property, plant and equipment	(4,078)	(2,511)
Intangible assets	(95,623)	(94,153)
Long-term debt	(81)	(104)
Total deferred tax liabilities	(100,268)	(97,190)
Net deferred tax liability	(73,536)	(73,934)

24. Supplemental cash flow information

During the year, the Company paid \$13,660 (2020 – \$2,732) in income taxes. Furthermore, there are non-cash item included in the proceeds on disposition amounting to \$1,370. The change in income taxes in operating activities in the consolidated statement of cash flows includes the reclassification of a holdback payable.

25. 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, 2020 and 2019

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February 5, 2021

Report of Independent Auditors

**To the Stockholder of
MTY Franchising USA, Inc.**

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, 2020 and November 30, 2019, and the related consolidated statements of operations and comprehensive income, changes in stockholder's equity and cash flows for the years then ended.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of November 30, 2020 and November 30, 2019, 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.

PricewaterhouseCoopers LLP¹

¹ CPA auditor, CA, public accountancy permit No. A123475

MTY Franchising USA, Inc.**Consolidated statements of operations and comprehensive income**

Years ended November 30, 2020 and 2019

(In thousands of US dollars)

	Notes	November 30, 2020	November 30, 2019
		\$	\$
Revenue	20	193,340	179,562
Cost and expenses			
Operating expenses	21	141,443	133,100
Depreciation – property, plant and equipment	8	1,415	886
Amortization – intangible assets	9	14,174	13,147
Impairment charge of property, plant and equipment	8 & 11	579	—
Impairment charge of intangible assets and goodwill	9, 10 & 11	62,143	1,249
Interest expense	22	16,764	15,296
Management fees charged by parent company	26	1,830	1,155
		238,348	164,833
Other (loss) income			
(Loss) gain on disposal of property, plant and equipment		(276)	69
		(276)	69
(Loss) income before income taxes		(45,284)	14,798
Income tax expense (recovery)	24		
Current		3,076	2,481
Deferred		(11,133)	868
		(8,057)	3,349
Net (loss) income and comprehensive (loss) income		(37,227)	11,449

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, 2020 and 2019

(In thousands of US dollars)

	Common stock issued	Common stock value	Retained earnings	Total stockholder's equity
		\$	\$	\$
Balance as at November 30, 2018	5	89,154	33,703	122,857
Share issuance (note 18)	10	90,000	—	90,000
Net income and comprehensive income	—	—	11,449	11,449
Balance as at November 30, 2019	15	179,154	45,152	224,306
Net loss and comprehensive loss	—	—	(37,227)	(37,227)
Balance as at November 30, 2020	15	179,154	7,925	187,079

The accompanying notes are an integral part of these consolidated financial statements.

MTY Franchising USA, Inc.

Consolidated balance sheets

As at November 30, 2020 and 2019

(In thousands of US dollars)

	Notes	November 30, 2020	November 30, 2019
		\$	\$
Assets			
Current assets			
Cash		16,017	24,126
Restricted cash		361	361
Accounts receivable	5	19,559	15,557
Inventories		2,296	1,290
Assets held for sale	6	—	8,338
Current portion of loans receivable	7	690	727
Receivable from company under common control	14	11	—
Receivable from ultimate parent	14 and 26	58,895	5,215
Prepaid expenses and deposits		3,585	5,210
Other current assets		1,030	—
		102,444	60,824
Loans receivable	7	919	646
Contract cost asset		2,291	2,153
Property, plant and equipment	8	2,741	3,889
Intangible assets	9	425,894	453,490
Goodwill	10	185,576	233,743
		617,421	693,921
		719,865	754,745
Liabilities			
Current liabilities			
Accounts payable		12,225	9,145
Accrued liabilities		23,270	25,932
Gift card liability	12	70,571	68,097
Promotional funds payable		10,589	4,292
Current portion of deferred revenue and deposits	13	5,894	6,148
Income taxes payable	24	11,904	11,712
Advance from parent company	14 and 26	1,830	1,275
Advances from companies under common control	14 and 26	184	278
Current portion of long-term debt	16	3,810	2,834
		140,277	129,713
Long-term loan from company under common control	15	299,850	299,850
Long-term debt	16	—	2,180
Deferred revenue and deposits	13	18,725	13,462
Deferred income taxes	24	73,934	85,234
		532,786	530,439

MTY Franchising USA, Inc.**Consolidated balance sheets (continued)**

As at November 30, 2020 and 2019

(In thousands of US dollars)

	Notes	November 30, 2020	November 30, 2019
		\$	\$
Stockholder's equity			
Common stock	18	179,154	179,154
Retained earnings		7,925	45,152
		187,079	224,306
		719,865	754,745

Contingencies

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The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board on February 5, 2021

_____, Director

MTY Franchising USA, Inc.
Consolidated statements of cash flows

Years ended November 30, 2020 and 2019
(In thousands of US dollars)

Notes	November 30, 2020	November 30, 2019
	\$	\$
Operating activities		
Net (loss) income	(37,227)	11,449
Items not affecting cash, restricted cash		
Depreciation – property, plant and equipment	1,415	886
Amortization – intangible assets	14,174	13,147
Interest expense	16,764	15,296
Loss (gain) on disposal of property, plant and equipment	276	(69)
Impairment charge of property, plant and equipment	579	—
Impairment charge of intangible assets and goodwill	62,143	1,249
Deferred income tax (recovery) expense	(11,133)	868
	46,991	42,826
Interest paid	(16,192)	(14,365)
Changes in non-cash working capital items		
Accounts receivable	(4,344)	167
Inventories	(1,006)	10
Prepaid expenses and deposits	1,487	518
Loans receivable	(236)	869
Other current assets	(1,030)	—
Income taxes	25	(2,959)
Accounts payable	3,080	(1,233)
Accrued liabilities	(2,662)	(742)
Promotional funds payable	6,297	(163)
Gift card liability	2,474	3,019
Deferred revenue and deposits	5,009	1,645
Other	(703)	—
Net cash provided from operating activities	39,190	29,592

MTY Franchising USA, Inc.**Consolidated statements of cash flows (continued)**

Years ended November 30, 2020 and 2019

(In thousands of US dollars)

	Notes	November 30, 2020	November 30, 2019
		\$	\$
Investing activities			
Net cash outflow on acquisitions, net of cash acquired		—	(190,291)
Additions to property, plant and equipment		(1,273)	(1,075)
Additions to intangible assets		(68)	(35)
Proceeds on disposal of property, plant and equipment and assets held for sale		8,705	5,632
Net cash provided from (used in) investing activities		7,364	(185,769)
Financing activities			
Net advance to ultimate parent		(53,125)	(13,423)
Net advance (to) from companies under common control		(105)	100,034
Issuance of shares to parent company		—	90,000
Repayment of long-term debt		(1,433)	(6,277)
Net cash (used in) provided from financing activities		(54,663)	170,334
Net (decrease) increase in cash, restricted cash		(8,109)	14,157
Cash, restricted cash, beginning of year		24,487	10,330
Cash, restricted cash, end of year		16,378	24,487

Supplemental cash flow information

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The accompanying notes are an integral part of these consolidated financial statements.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2020 and 2019

(In thousands of US dollars)

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 “U.S.”).

2. Significant accounting policies

Basis of presentation

The accounting policies of the Company are in accordance with accounting principles generally accepted in the U.S. (“U.S. GAAP”). The Company uses the U.S. 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 U.S. 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:

<u>Principal subsidiaries</u>	<u>Percentage of equity interest</u>
	%
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

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.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2020 and 2019

(In thousands of US dollars)

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 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.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2020 and 2019

(In thousands of US dollars)

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.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2020 and 2019

(In thousands of US dollars)

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 transaction fees for purchase made through one of the Company’s brands’ e-commerce platform. 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 pick 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

Leases are classified as capital leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2020 and 2019

(In thousands of US dollars)

2. Significant accounting policies (continued)

Income taxes (continued)

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

Allowance for doubtful accounts is calculated based on historical experience, customer credit risk and application of the specific identification method.

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

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:

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

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2020 and 2019

(In thousands of US dollars)

2. Significant accounting policies (continued)

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.

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, which are being amortized over their expected useful life on a straight-line basis.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2020 and 2019

(In thousands of US dollars)

2. Significant accounting policies (continued)

Intangible assets (continued)

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, 2020, goodwill is allocated as follows:

	Reporting unit description
U.S. excluding Papa Murphy's goodwill	A group of units comprised of acquired brands in the U.S., excluding the Papa Murphy's brand
Papa Murphy's goodwill	One unit comprised of the Papa Murphy's brand

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, 2020, cash and restricted cash included \$361 of restricted cash (2019 - \$361) 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.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2020 and 2019

(In thousands of US dollars)

2. Significant accounting policies (continued)

Inventories (continued)

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

Contingencies for the expected cost of litigation, disputes and the cost of settling leases for closed stores 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 loans from company under common control and long-term debt. 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 ultimate parent, accounts payable, accrued liabilities, promotional funds payable, advance from ultimate parent, 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. Long-term loans from company under common control and long-term debt 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 fund. 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. Promotional funds are currently in a net liability position amounting to \$9,559 (2019 – \$4,292).

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2020 and 2019

(In thousands of US dollars)

2. Significant accounting policies (continued)

Subsequent events

Subsequent events were evaluated through the date that the consolidated financial statements were issued, which was February 5, 2021.

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 statement of financial position 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, 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.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2020 and 2019

(In thousands of US dollars)

2. Significant accounting policies (continued)

Estimates and assumptions (continued)

Impact of COVID-19

In December 2019, a novel strain of coronavirus was reported to have surfaced, later to be renamed COVID-19. The spread of this virus caused business disruption beginning in March 2020, due to the closure or modified operating hours in certain restaurants, and traffic decline in the U.S.

Further while the disruption is currently expected to come in waves, there is uncertainty around the duration of the pandemic, its medium to longer term impact on the economy and the rules that will apply to MTY USA's restaurants as sheltering measures are gradually reduced. The impact of the virus and the efforts to stop it impact MTY USA and many of its franchisees materially.

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 consolidated financial statements. These estimates, judgments and assumptions are subject to change.

The consolidated financial statements have been impacted with respect to the following as a result of COVID-19:

- Additional expected credit losses on accounts receivable and loans receivable were taken;
- Impairment testing on property, plant and equipment was carried out, resulting in impairments;
- Impairment testing on franchise rights, trademarks and goodwill was carried out and material impairments were recorded; and
- Provisions for closed stores, and related litigations and disputes were increased to reflect new risks.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2020 and 2019

(In thousands of US dollars)

3. Changes in accounting policies

New accounting pronouncements adopted during the year

Standard	Issue date	Effective date for the Company	Impact
ASU 2016-16 – Income taxes (topic 740) Intra-entity transfer of assets other than inventory	October 2016	December 1, 2019	No material impact
ASU 2016-01 – Recognition and Measurement of Financial Assets and Financial Liabilities	January 2016	December 1, 2019	No impact
ASU 2017-01 – Clarifying the definition of a business	January 2017	December 1, 2019	No impact

Incoming new standards affecting the Company not yet adopted

ASU 2016-02 – Leases (Topic 842) (“ASU 2016-02”) and ASU 2020-05 – Revenue from contracts with customers (Topic 606) and Leases (Topic 842): Effective dates for certain entities (“ASU 2020-05”)

In February 2016, the FASB issued new guidance on leases. The new guidance requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by finance and operating leases with lease terms of more than 12 months, amends various other aspects of accounting for leases by lessees and lessors, and requires enhanced disclosures. The new guidance requires a modified retrospective transition approach with application in all comparative periods presented (the “comparative method”), or alternatively, as of the effective date as the date of initial application without restating comparative period financial statements (the “effective date method”). The new guidance also provides several practical expedients and policies that companies may elect under either transition method.

In June 2020, as a result of the adverse impact of the COVID-19 pandemic on the global economy, causing significant and widespread business and capital market disruptions, the FASB issued ASU 2020-05 as a limited deferral of the effective date of ASU 2016-02 to provide immediate, near-term relief for certain entities for whom this update was either currently or imminently effective. Under ASU 2020-05, the FASB deferred the effective date for (a) public not-for-profit entities that have not yet issued (or made available for issuance) financial statements to annual reporting periods beginning after December 15, 2019 (including interim periods therein); and (b) private entities to annual reporting periods beginning after December 15, 2021 and interim periods within annual reporting periods beginning after December 15, 2022. Earlier application is permitted for all entities. The Company intends to defer its adoption of ASU 2016-02 to the fiscal year beginning after December 1, 2022.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2020 and 2019

(In thousands of US dollars)

3. Changes in accounting policies (continued)

Incoming new standards affecting the Company not yet adopted (continued)

ASU 2016-02 – Leases (Topic 842) (“ASU 2016-02”) and ASU 2020-05 – Revenue from contracts with customers (Topic 606) and Leases (Topic 842): Effective dates for certain entities (“ASU 2020-05”) (continued)

The Company elected to apply the effective date method and the package of practical expedients under which it will not reassess the classification of our existing leases, re-evaluate whether any expired or existing contracts are or contain leases or reassess 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 performed a preliminary analysis of the impact of the new lease guidance and is in the process of completing the final phase of a comprehensive plan for its implementation of the new guidance, including implementation of a new lease accounting system. Upon its transition to the new guidance, the Company anticipates a lease liability to be recorded that is in line with lease commitments identified in note 23, adjusted for discount rates, options and as well the Company will be recording a corresponding lease receivable or right-of-use asset. MTY USA is still determining the key estimates surrounding the implementation of this standard.

ASU 2016-13 – Financial Instruments (“ASU 2016-13”)

In June 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-13 "Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments."

ASU 2016-13 requires an entity to utilize a new impairment model known as the current expected credit loss ("CECL") model to estimate its lifetime "expected credit loss" and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. The CECL model is expected to result in more timely recognition of credit losses. ASU 2016-13 also requires new disclosures for financial assets measured at amortized cost, loans and available-for-sale debt securities. ASU 2016-13 is effective for the Company beginning after December 1, 2021.

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.

For its loans receivable balance carried at amortized cost, the Company currently uses the general ECL model. Unlike the simplified approach, the general ECL model depends on whether there has been a significant increase in credit risk. The Company considers the probability of default upon initial recognition of the financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition of the financial asset.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2020 and 2019

(In thousands of US dollars)

3. Changes in accounting policies (continued)

Incoming new standards affecting the Company not yet adopted (continued)

ASU 2016-13 – Financial Instruments (“ASU 2016-13”) (continued)

A significant increase in credit risk is assessed based on changes in the probability of default since initial recognition along with borrower-specific qualitative information, or when loans are more than 30 days past due. Loans are considered impaired and in default when they are 90 days past due or there is sufficient doubt regarding the ultimate collectability of principal and/or interest. Loans that are 180 days past due are written down to the present value of the expected future cash flows. Impairment under the general ECL model is assessed on an individual basis. In assessing the risk of default, the Company also incorporates available reasonable and supportive forward-looking information.

When credit risk is assessed as being low or when there has not been a significant increase in credit risk since initial recognition, the ECL is based on a 12-month ECL which represents the portion of lifetime ECL expected to occur from default events that are possible within 12 months after the reporting date. If a significant increase in credit risk has occurred throughout a reporting period, impairment is based on lifetime ECL.

The adoption of ASU 2016-13 is not expected to result in a material change to the Company’s allowance for trade receivables and loans receivable.

ASU 2017-04 – Intangibles - Goodwill and other (topic 350): simplifying the test for goodwill impairment (“ASU 2017-04”)

In January 2017, the FASB issued guidance that simplifies the measurement of goodwill impairment. Under this new guidance, an impairment charge, if triggered, is calculated as the difference between a reporting unit’s carrying value and fair value, but it is limited to the carrying value of goodwill. The ASU will be effective for the Company for the fiscal years beginning after December 1, 2021. Early adoption is permitted. The adoption of ASU 2017-04 is not expected to result in a material change to the Company’s consolidated financial statements.

ASU 2019-12 – Simplifying accounting for income taxes (“ASU 2019-12”)

In December 2019, the FASB issued guidance to simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The ASU will be effective for the Company for fiscal years beginning after December 1, 2022. Early adoption of the amendments is permitted. The Company is in the process of evaluating the impact of the amendments on its consolidated financial statements.

MTY Franchising USA, Inc.

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(In thousands of US dollars)

4. Business acquisitions

Papa Murphy's (2019)

On May 23, 2019, the Company acquired all the outstanding shares of Papa Murphy's Holdings Inc. The purpose of the transaction was to diversify the Company's range of offering in the US with a new concept offering take-and-bake freshly made pizza.

	2019
	\$
Consideration paid:	
Cash and amount paid for early settlement of options	192,107
Less: cash acquired	(1,816)
Net consideration paid/cash outflow	<u>190,291</u>

The final purchase price allocation is as follows:

	2019		
	As previously reported	Adjustments	Final purchase price allocation
	\$	\$	\$
Net assets acquired:			
Current assets			
Cash	1,816	—	1,816
Accounts receivable	2,888	—	2,888
Inventory	891	—	891
Prepaid expenses and deposits	1,748	—	1,748
Assets held for sale ⁽²⁾	15,188	(467)	14,721
	<u>22,531</u>	<u>(467)</u>	<u>22,064</u>
Property, plant and equipment	786	—	786
Other intangible assets	952	—	952
Franchise rights	33,753	—	33,753
Trademark	98,106	—	98,106
Goodwill ^(1 & 2)	94,448	486	94,934
	<u>250,576</u>	<u>19</u>	<u>250,595</u>
Current liabilities			
Accounts payable	5,926	—	5,926
Accrued liabilities ⁽²⁾	19,853	196	20,049
Gift card liability	2,117	—	2,117
	<u>27,896</u>	<u>196</u>	<u>28,092</u>
Deferred income taxes ⁽²⁾	30,573	(177)	30,396
	<u>58,469</u>	<u>19</u>	<u>58,488</u>
Net purchase price	<u>192,107</u>	<u>—</u>	<u>192,107</u>

(1) Goodwill is not deductible for tax purposes.

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4. Business acquisitions (continued)

Papa Murphy's (2019) (continued)

(2) The Company has recorded adjustments to its previously reported preliminary purchase price allocation reported as at November 30, 2019 for accrued liabilities and assets held for sale.

The purchase price allocation is final.

Total expenses incurred related to acquisition costs amounted to \$3,200.

5. Accounts receivable

Details of accounts receivable are as follows:

	2020	2019
	\$	\$
Total accounts receivable	23,330	17,064
Less: Allowance for doubtful accounts	(3,771)	(1,507)
Total accounts receivable, net	19,559	15,557
Of which:		
Not past due	13,483	12,283
Past due for more than one day but no more than 30 days	841	681
Past due for more than 31 day but no more than 60 days	707	469
Past due for more than 61 days	4,528	2,124
Total accounts receivable, net	19,559	15,557
	2020	2019
	\$	\$
Allowance for doubtful accounts, beginning of year	(1,507)	(2,009)
Current period (provision) recovery	(2,547)	269
Additions through acquisition (note 4)	—	(74)
Reversals amounts previously written off	(10)	—
Write-off	293	307
Allowance for doubtful accounts, end of year	(3,771)	(1,507)

6. Assets held for sale

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. The Company received a total consideration of \$8,405 (2019 – nil) for both portfolios and recorded a loss on disposal of \$93 (2019 – nil).

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7. Loans receivable

Loans receivable generally result from the sales of franchises and of various advances to certain franchisees and consist of the following:

	2020	2019
	\$	\$
Loans receivable bearing interest between 0% and 8% per annum, receivable in monthly instalments of \$114 in aggregate, including principal and interest, ending in 2026	1,609	1,373
Current portion	(690)	(727)
	919	646

The total allowance for uncollectible amounts on loans receivable amounted to \$1,383 as at November 30, 2020 (2019 - \$1,363).

The capital repayments in subsequent years will be:

	\$
2021	690
2022	340
2023	177
2024	75
2025	61
Thereafter	266
	<u>1,609</u>

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8. Property, plant and equipment

Cost	Equipment	Leasehold improvements	Rolling stock	Computer hardware	Total
	\$	\$	\$	\$	\$
Balance as at November 30, 2018	1,772	79	71	145	2,067
Additions	1,054	9	4	8	1,075
Transfer from assets held for sale ⁽¹⁾	410	1,640	—	—	2,050
Additions through business combinations (note 4)	613	173	—	—	786
Dispositions	(523)	—	(11)	—	(534)
Balance as at November 30, 2019	3,326	1,901	64	153	5,444
Additions	1,083	190	—	—	1,273
Dispositions	(844)	—	—	—	(844)
Impairment (note 11)	(579)	—	—	—	(579)
Balance as at November 30, 2020	2,986	2,091	64	153	5,294

⁽¹⁾ As part of the acquisition of Papa Murphy's Holdings Inc., the Company identified several portfolios of corporate stores that were deemed to be assets held for sale. During the year ended November 30, 2019 a change in facts and circumstances led one portfolio to no longer meet the definition of assets held for sale and the carrying amount was transferred to property, plant and equipment. The Company recorded depreciation expense to reflect as though the asset was recorded initially to property, plant and equipment on acquisition.

Accumulated depreciation	Equipment	Leasehold improvements	Rolling stock	Computer hardware	Total
	\$	\$	\$	\$	\$
Balance as at November 30, 2018	750	14	30	80	874
Depreciation expense	489	359	9	29	886
Dispositions	(196)	—	(9)	—	(205)
Balance as at November 30, 2019	1,043	373	30	109	1,555
Depreciation expense	756	632	7	20	1,415
Dispositions	(417)	—	—	—	(417)
Balance as at November 30, 2020	1,382	1,005	37	129	2,553

Carrying amounts	Equipment	Leasehold improvements	Rolling stock	Computer hardware	Total
	\$	\$	\$	\$	\$
November 30, 2019	2,283	1,528	34	44	3,889
November 30, 2020	1,604	1,086	27	24	2,741

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(In thousands of US dollars)

9. Intangible assets

Cost	Franchise	Trademarks	Other	Total
	rights			
	\$	\$	\$	\$
Balance as at November 30, 2018	139,786	202,683	—	342,469
Additions	—	—	35	35
Adjustment for prior year acquisitions	7,378	11,054		18,432
Acquisition through business combinations (note 4)	33,753	98,106	952	132,811
Impairment (note 11)	(1,036)	(213)	—	(1,249)
Balance as at November 30, 2019	179,881	311,630	987	492,498
Additions	8	—	60	68
Impairment (note 11)	(4,489)	(9,001)	—	(13,490)
Balance as at November 30, 2020	175,400	302,629	1,047	479,076

Accumulated amortization	Franchise	Trademarks	Other	Total
	rights			
	\$	\$	\$	\$
Balance as at November 30, 2018	25,861	—	—	25,861
Amortization expense	12,941	—	206	13,147
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

Carrying amounts	Franchise	Trademarks	Other	Total
	rights			
	\$	\$	\$	\$
November 30, 2019	141,079	311,630	781	453,490
November 30, 2020	122,616	302,629	649	425,894

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10. Goodwill

The changes in the carrying amount of goodwill are as follows:

	2020	2019
	\$	\$
Balance, beginning of year	233,743	157,727
Additional amounts recognized from business acquisitions (note 4)	—	76,016
Purchase price allocation adjustments (note 4)	486	—
Impairment (note 11)	(48,653)	—
Balance, end of year	185,576	233,743

11. Impairment

During the year ended November 30, 2020, impairment indicators were identified due to the adverse impact of COVID-19, which resulted in temporary store closures and reduction in sales at franchised and corporately-owned locations. Accordingly, the Company performed impairment testing during the year, in addition to its annual impairment test as at August 31, 2020, which resulted in the recognition of \$62,722 of impairment losses. Impairment charges were based on the amount by which the carrying values of the assets exceeded fair value, determined using expected discounted future cash flows for trademarks and multi-period excess earnings for franchise rights.

Impairment by reporting unit for the year ended November 30, 2020:

	Property plant and equipment	Intangible assets ⁽¹⁾	Goodwill	Total
	\$	\$	\$	\$
U.S. excluding Papa Murphy's	579	13,490	48,653	62,722
Papa Murphy's	—	—	—	—
	579	13,490	48,653	62,722

⁽¹⁾ Comprised of \$4,489 and \$9,001 of impairment of franchise rights and trademarks, respectively.

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11. Impairment (continued)

Impairment by reporting unit for the year ended November 30, 2019:

	Property plant and equipment	Intangible assets ⁽¹⁾	Goodwill	Total
	\$	\$	\$	\$
U.S. excluding Papa Murphy's	—	1,249	—	1,249
Papa Murphy's	—	—	—	—
	—	1,249	—	1,249

⁽¹⁾ Comprised of \$1,036 and \$213 of impairment of franchise rights and trademarks, respectively.

The key assumptions used in the Company's impairment tests, where the recoverable amount was measured as a reporting unit's value in use, are those related to uncertainties around the impact of COVID-19 on projected sales, as well as the discount rate. The sales forecasts for cash flows considered the weighted average impact of multiple scenarios based on operating results and internal forecasts prepared by management.

The following table presents the key assumptions used in the Company's impairment tests, as well as the recoverable amounts measured at value in use:

	2020		2019	
<i>(\$, except percentage data)</i>	U.S. excluding Papa Murphy's	Papa Murphy's	U.S. excluding Papa Murphy's	Papa Murphy's
Long-term growth rates	0% to 2%	0% to 2%	0% to 2%	0% to 2%
Discount rates after tax	8.3% to 9.2%	8.3% to 9.2%	8.3%	8.3%
Discount rates pre-tax	10.5% to 11.8%	10.5% to 11.8%	10.5%	10.5%
Recoverable amounts	431,609	323,543	519,482	307,425

A change of 1% in discount rates in the U.S. excluding Papa Murphy's would result in additional impairment charges on intangible assets of 11 brands (2019 – one brand) representing 2.9% (2019 – 0.7%) of the total carrying value of the franchise rights and trademarks in that unit, and additional impairment charges on goodwill representing 5.3% (2019 – nil) of the total carrying value of goodwill in that unit. A change of 1% in discount rates in the U.S. excluding Papa Murphy's would not result in additional impairment charges on property, plant and equipment for the years ended November 30, 2020 and 2019.

A change of 1% in discount rates in Papa Murphy's would not result in additional impairment charges on property, plant and equipment, intangible assets or goodwill for the years ended November 30, 2020 and 2019.

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(In thousands of US dollars)

12. Gift card liability

The changes in the carrying amount of the gift card liability are as follows:

	2020	2019
	\$	\$
Gift card liability, beginning of year	68,097	62,961
Activations during the period	26,186	33,921
Redemptions during the period	(19,930)	(25,518)
Gift card liability acquired (note 4)	—	2,117
Deferred program fees and other	(434)	(806)
Gift card breakage recorded	(3,348)	(4,578)
Gift card liability, end of year	70,571	68,097

13. Deferred revenue and deposits

	2020	2019
	\$	\$
Franchise fee deposits	17,628	15,286
Unearned rent	1,926	2,528
Supplier contributions and other allowances	5,065	1,796
	24,619	19,610
Current portion	(5,894)	(6,148)
	18,725	13,462

MTY Franchising USA, Inc.

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13. Deferred revenue and deposits (continued)

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.

\$6,248 (2019 – \$5,903) 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, 2020:

Estimate for fiscal year:	\$
2021	5,894
2022	3,306
2023	2,962
2024	2,507
2025	4,015
Thereafter	5,935
	<u>24,619</u>

14. 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 \$58,497. The term loan is unsecured and bears interest at the rate set at the Applicable Federal Rates as issued by the U.S. 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 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.

15. Long-term loan from company under common control

	2020	2019
	\$	\$
Interest-bearing loan at 5.4%, repayable by November 27, 2026 ⁽¹⁾	299,850	299,850
Balance, end of year	<u>299,850</u>	<u>299,850</u>

MTY Franchising USA, Inc.

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15. Long-term loan from company under common control (continued)

⁽¹⁾ The loan is subject to a maximum debt to EBITDA ratio of 6.00 to 1 starting on November 27, 2019 and a minimum EBITDA interest coverage ratio of 2.00 to 1 to be calculated in conjunction with interest payments based on the past 12 months.

The Company is currently in breach of its debt covenants on its long-term loan. The Company has obtained a waiver from the company under common control that is valid until February 28, 2022.

16. Long-term debt

	2020	2019
	\$	\$
Non-interest-bearing holdback acquired on acquisition of The Counter repayable in December 2020	1,542	1,414
Non-interest-bearing holdback acquired on acquisition of Grabbagreen	—	264
Non-interest-bearing holdback acquired on acquisition of SweetFrog repayable in September 2021	2,268	3,336
	3,810	5,014
Current portion	(3,810)	(2,834)
	—	2,180

The Company has contractual cash flows of \$7,092 (2019 – \$7,092) on non-interest-bearing holdbacks acquired on acquisition of Kahala Brands Ltd., that are currently being applied to an income tax payable related to the acquisition of Kahala Brands Ltd. An amount of \$1,901 (2019 – \$2,244) has been transferred to accounts receivable as it relates to an indemnification receivable also related to the acquisition of Kahala Brands Ltd.

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17. 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 sheets. These contingencies are made 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 provision related to closed stores mainly represents 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 contingencies. The provisions for litigations, disputes and closed stores are recorded in accrued liabilities.

	November 30, 2020	November 30, 2019
	\$	\$
Provision for litigation, disputes, closed stores and other contingencies, beginning balance	9,300	1,211
Reversals	(779)	(302)
Acquired through our business acquisitions (note 4)	—	9,514
Purchase price allocation adjustment (note 4)	196	—
Amounts used	(7,165)	(1,690)
Additions	1,357	567
Provision for litigation, disputes, closed stores and other contingencies, ending balance	2,909	9,300

18. Common stock

	2020		2019	
	Shares issued	\$	Shares issued	\$
Balance, beginning of year	15	179,154	5	89,154
Share issuance related to Papa Murphy's acquisition	—	—	10	90,000
Balance, end of year	15	179,154	15	179,154

On May 23, 2019, the Company issued 10 common shares to its parent company in exchange for its parent company assuming debt of \$90,000 in conjunction with the acquisition of Papa Murphy's Holdings Inc.

MTY Franchising USA, Inc.

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19. 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, 2020 and November 30, 2019. 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.

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	\$	\$	\$	\$
Loans receivable	1,609	1,609	1,373	1,373

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, advances from parent company, advances from companies under common control – The carrying amounts approximate fair values due to the short maturity of these financial instruments.

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19. Financial instruments (continued)

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, 2020.

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 U.S., 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 as well as its long-term debt have fixed interest rates.

MTY Franchising USA, Inc.

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20. Revenues

Revenues are broken down as follows:

	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 revenue	7,316	—	7,316
	158,787	34,553	193,340

	Franchising	Corporate	2019 Total
	\$	\$	\$
Corporate store revenues	—	37,514	37,514
Royalties	73,023	—	73,023
Franchise fees, transfer fees and master license fees	2,616	—	2,616
Promotional funds	33,542	—	33,542
Program allowances	19,647	—	19,647
Breakage income	4,578	—	4,578
Resale material and retail sales	4,479	—	4,479
Other revenue	4,163	—	4,163
	142,048	37,514	179,562

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21. Operating expenses

Operating expenses are broken down as follows:

	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	4,520	4,734	9,254
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	3,658	1,965	5,623
	103,782	37,661	141,443

	Franchising	Corporate	2019 Total
	\$	\$	\$
Cost of goods sold	1,120	12,879	13,999
Wages and benefits	30,904	14,232	45,136
Advertising, marketing and promotion	644	3,297	3,941
Rent	3,353	5,069	8,422
Professional & consulting fees and commission	9,378	—	9,378
Office travel, meals & entertainment and utilities	4,859	3,051	7,910
Promotional funds	33,542	—	33,542
Gift card program, costs	6,838	—	6,838
Other	1,708	2,226	3,934
	92,346	40,754	133,100

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(In thousands of US dollars)

21. Operating expenses (continued)

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.

22. Interest expense

Interest expense is broken down as follows:

	2020	2019
	\$	\$
Interest charged by ultimate parent company (note 26)	—	20
Interest charged by companies under common control (note 26)	16,192	14,365
Accreted interest expense on interest-bearing holdbacks	572	911
Interest expense	16,764	15,296

23. Operating lease arrangements

Operating leases as lessee relate to leases of premises in relation to the Company's operations. Leases typically have terms ranging between five and 10 years at inception. The Company does not have options to purchase the premises on any of its operating leases.

The Company has entered into various long-term leases and has sub-leased substantially all of the premises based on the same terms and conditions as the original lease to unrelated franchisees. The minimum rentals, exclusive of occupancy and escalation charges, and additional rent paid on a percentage of sales basis, payable under the leases are as follows:

	Lease commitments	Sub-leases	Net commitments
	\$	\$	\$
2021	33,644	27,154	6,490
2022	27,698	22,240	5,458
2023	21,562	17,243	4,319
2024	15,842	12,181	3,661
2025	10,196	7,578	2,618
Thereafter	19,279	10,802	8,477
	128,221	97,198	31,023

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23. Operating lease arrangements (continued)

Operating leases as lessor relate to the properties leased or owned by the Company, with lease terms ranging between five to 10 years. Some have options to extend the duration of the agreements, for periods ranging between one and 15 years. None of the agreements contain clauses that would enable the lessee or sub-lessee to acquire the property.

The Company has recognized a liability of \$1,166 (November 30, 2019 – \$1,142) for the leases of premises in which it no longer has operations but retains the obligations contained in the lease agreement (note 17).

24. 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.

	2020	2019
Income tax expense (recovery)	\$	\$
Current tax expense	3,076	2,481
Deferred tax (recovery) expense	(11,133)	868
Total tax (recovery) expense	(8,057)	3,349

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% (2019 – 21%) to the income for the period as follows:

	2020	2019
(Loss) income before income taxes	(45,284)	14,798
Income tax (recovery) expense at federal statutory rate	(9,510)	3,108
State and local income taxes net of federal tax benefit	50	975
Non-deductible/non-taxable items	7,666	(461)
True up of prior year tax provision	293	(187)
Rate variation on deferred income tax	(2,429)	—
Revision of estimates for tax exposures	(4,173)	—
Other	46	(86)
Income tax (recovery) expense	(8,057)	3,349

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2020 and 2019

(In thousands of US dollars)

24. Income taxes (continued)

Components of the net deferred tax asset or liability:

	2020	2019
	\$	\$
Inventory	77	54
Allowance for doubtful accounts	401	50
Deferred revenue	2,770	3,132
Gift cards	13,042	11,297
Accrued liabilities	6,309	4,612
Long-term debt	—	381
Non-capital losses and other tax credits	657	1,652
Total deferred tax assets	23,256	21,178
Deferred costs	(422)	(520)
Property, plant and equipment	(2,511)	(2,969)
Intangible assets	(94,153)	(102,923)
Long-term debt	(104)	—
Total deferred tax liabilities	(97,190)	(106,412)
Net deferred tax liability	(73,934)	(85,234)

25. Supplemental cash flow information

During the year, the Company paid \$2,732 (\$5,046 in 2019) in income taxes.

26. 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.



EXHIBIT C

Manchu WOK

FRANCHISE AGREEMENT



MTY FRANCHISING USA, INC.

EXHIBIT C

FRANCHISE AGREEMENT

Franchise #: _____

Franchisee: _____

Date: _____

Traditional Restaurant (YES or NO): _____

Territory: _____

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FRANCHISE AGREEMENT

This Franchise Agreement is dated this _____, 20____ (the “**Effective Date**”) between **MTY FRANCHISING USA, INC.**, a Tennessee corporation, d.b.a. Manchu Wok (“**Franchisor**”), and _____, a(n) _____ (“**Franchisee**”) and _____ an individual(s) (collectively and individually “**Guarantor**”).

WHEREAS through the expenditure of time, effort and money by the Franchisor and its associated entities, the Franchisor has acquired experience and skill in the development, opening and operating of fast food restaurants utilizing the Manchu WOK Restaurant System (as hereinafter defined) specializing in the preparation, sale and merchandising of Chinese and Asian style food and other related products. These restaurants generally comprise two separate and distinct groups: (i) shopping mall food courts, and non-traditional locations; and (ii) stand-alone street-front locations;

WHEREAS the Manchu WOK Restaurant System, which the Franchisor has developed and continues to develop, includes, without limitation, standards and specifications for buildings, decor, equipment, equipment layouts, supplies and menus, quality and quantity standards, operating procedures for sanitation, maintenance, food and beverage storage, preparation and service, methods and techniques for inventory and cost controls, record keeping and reporting, personnel management, purchasing, sales, promotions and advertising;

WHEREAS The Franchisor is in the business, among other things, of operating restaurants and franchising restaurants that are opened or are to be opened and operated pursuant to franchise agreements and using the Manchu WOK Restaurant System;

WHEREAS the Manchu WOK Restaurant System uses the federally registered Trademarks and the unregistered Trademarks as listed in Schedule A annexed hereto;

WHEREAS the Manchu WOK Restaurant System also uses the trade name “Manchu WOK” and other trade names that include the words “Manchu WOK,” all of which have been adopted and used to identify restaurants using the Manchu WOK Restaurant System and the services, food, beverages and other products sold or used in connection therewith; and

WHEREAS the Franchisee recognizes the benefits to be derived from a franchise issued by The Franchisor to be identified with the name “Manchu WOK” and recognizes the value of the Manchu WOK Restaurant System and the necessity of opening and operating the Business (as hereinafter defined) at the Premises in accordance with the Manchu WOK Restaurant System and pursuant to the covenants, terms and conditions set out in this Agreement; and

WHEREAS (If this Franchise Agreement is entered into under an Area Development Agreement) The Franchisee and the Guarantor have represented to the Franchisor that they are successful multi-unit franchisees of other food-based franchise systems, which representations to the knowledge of the Franchisee and the Guarantor have been relied upon by the Franchisor, and

WHEREAS as an inducement to the Franchisor to grant to the Franchisee the right to operate a Manchu WOK Restaurant at the Premises, the Guarantor has agreed to enter into this

Agreement to, among other things, unconditionally guarantee the performance and observance of the duties and obligations of the Franchisee;

NOW THEREFORE in consideration of the covenants, conditions and provisions herein contained and in consideration of the full and faithful performance by the Franchisee of each and every one of the covenants, terms and conditions herein contained, the parties hereto hereby covenant, warrant and agree as follows:

1. DEFINITIONS

1.1. Definitions

In this Agreement the following terms shall have the following meanings:

“Affiliate” means, with respect to a corporation or other business entity, any person controlling, controlled by, or under common control with that corporation or business entity. With respect to an individual, Affiliate means that individual’s immediate family members, as well as such immediate family members’ spouses, and the corporations or other business entities such individual and his or her family members, directly or indirectly, control.

“Agreement” or **“Franchise Agreement”** means this franchise agreement and all schedules and attachments appended to it and any amendments made to it.

“Approved Products” means all food and beverage ingredients and products, packaging and serving materials, paper goods, utensils, supplies, and other items of inventory, uniforms, marketing or promotional materials, Fixtures, Equipment, as well as all other items required for or used in any manner in the operation of Franchisee’s Manchu WOK Restaurant, both in inventory and as finished goods for sale.

“Area Development Agreement” means the area development agreement, if any, entered by the Franchisee, or an affiliate, and the Franchisor pursuant to which the Franchisee is entering this Agreement.

“Business” means the Manchu WOK Restaurant conducted by Franchisee at the Premises.

“Contracts” means any and all of this Agreement, Lease, Offer to Lease, Sublease, any financing or security agreement, license or other contract, agreement, document or instrument to which Franchisee is party with Franchisor or Franchisor’s Affiliates or any of them (with or without other parties) including, unless otherwise specifically excluded, a contract relating to premises other than the Premises, any Area Development Agreement, or to any right, license or franchise other than this Franchise Agreement relating to any Manchu WOK Restaurant. A **“Contract”** means any of the Contracts.

“Equipment” means all the equipment necessary for the operation of a Manchu WOK Restaurant that is not affixed to the premises.

“Fixtures” means tangible moveable or affixed goods, including equipment, fixtures, furnishings and signs.

“Franchise” is as defined in Section 2.1 below.

“**Franchisee**” means the person, firm or corporation who or which enters into this Agreement with the Franchisor, its or their permitted successors and assigns.

“**Franchisee’s Fixtures**” and “**Franchisee’s Equipment**” means Fixtures and Equipment used in connection with the Business or usually located on the Premises, including, without limitation, until immediately prior to the time of expiration or termination, with or without cause, of the Agreement (at which time there shall then be excluded) anything that is deemed by the Lease to either become part of the Premises or to be owned by the Landlord on expiration or termination (with or without cause) of the Lease.

“**Franchisor**” means MTY Franchising USA Inc., its successors and assigns.

“**Guarantor**” means the person or persons who enter into this Agreement to personally guarantee all of the obligations of the Franchisee and who incur thereby certain personal obligations as set out in this Agreement.

“**Gross Sales**” means all Franchisee’s gross receipts from its Business operations, including, without limitation, sales, charges, fees, orders taken, services, gift certificates, concessions, licenses, business interruption insurance and all other revenues of every kind and nature, in, from, about or by reason of the operation of the Business or the use or occupation of the Premises, whether evidenced by check, cash, credit, charge accounts, exchange or otherwise and whether or not made by means of mechanical or other vending machines or devices in or on the Premises, including, but not limited to, telephones, cigarette or confectionery machines or entertainment game machines but excludes bona fide credits and refunds upon returns of merchandise and any sales or use taxes, goods and services taxes, or other similar taxes imposed by any governmental agency on sales of products or services made or rendered by Franchisee and actually remitted by it to the applicable governmental agency. There shall be no deductions allowed for uncollected or uncollectible credit accounts and no allowances shall be made for bad debts. The revenue derived from the sale of any gift certificate, promotional coupon or other right or option shall be included in Gross Sales at the time it is originally sold and shall not be included again when it is redeemed and the original document evidencing same shall be submitted to Franchisor on request. Payments made upon installment or credit shall be treated as a sale for the full price in the week during which the related charge or sale was made, irrespective of the time when Franchisee shall receive payment (whether full or partial) therefor.

“**Initial Franchise Fee**” is as defined in Section 3.1 below.

“**Landlord**” means the landlord of the Premises as described in **Schedule B** hereto.

“**Lease**” means the documents described in **Schedule B** hereto pursuant to which the Franchisee is the tenant of the Premises and includes an Offer to Lease.

“**Licensed Items**” means: (a) the Trademarks; (b) trademarks, trade names, logo types, trade symbols, emblems, slogans, insignia, designs, logos and other commercial symbols (including, to the extent so used, telephone numbers); (c) Proprietary Products; (d) any and all works in any medium in which Franchisor has right, title or interest by way of copyright, patent, inventor’s rights or other form of intellectual or industrial property, whether registered or not, that are now or in the future designated or provided by Franchisor for use in connection with the operation of the Business; (e) the Confidential Manual; (f) all building plans; (g) advertising and

marketing materials; and (h) all confidential or proprietary information or materials provided by Franchisor for use in connection with operation of the Business.

“Manager” means a person fully trained by or otherwise approved and accepted by the Franchisor and duly appointed by the Franchisee on Notice to the Franchisor to be fully responsible for the day-to-day operations of the Franchisee’s Business.

“Manchu WOK Restaurant System” means a Chinese and Asian, fast-food-restaurant-business system, including, without limitation, the uniform standards, methods, procedures and specifications designated and approved by Franchisor regarding the construction, operation and management of a Manchu WOK restaurant and may be a modification or derivation in whole or in part of or from the Manchu WOK Restaurant System as established by the Franchisor for other Manchu WOK restaurants (such as those operated in street-front locations), including, without limitation, building plans, Fixtures and Equipment, identification schemes and uniforms; menu, products and services; techniques of product preparation, proprietary products and provision of services; business, accounting, supply, management, operations and marketing programs, techniques and systems and Licensed Items. When used in the plural, the term “Manchu WOK Restaurant Systems” shall be deemed to include both the Manchu WOK Restaurant System and the Manchu WOK Street-Front Restaurant System.

“Manchu WOK Street-Front Restaurant” means a fast-food-restaurant business carried on at a street-front location in accordance with the Manchu WOK Restaurant System.

“Marketing Fee” is as defined in Section 3.5 below.

“Offer to Lease” means any offer accepted by or any agreement with, a landlord for the use of Premises as a Manchu WOK Restaurant.

“Confidential Manual” means all operations, administration and managers’ manuals, including but not limited to the operating manual (“Operations Manual”), and all books, computer programs, pamphlets, memoranda, recipes and other publications prepared by or on behalf of Franchisor or its Affiliates and as may be added to, changed, modified, withdrawn or otherwise revised from time to time by Franchisor or its Affiliates setting out the standards, methods, procedures and specifications of the Manchu WOK Restaurant System. All references in the Confidential Manual to a “Manchu WOK Restaurant” or to a “Manchu WOK Outlet” shall be taken to apply, unless specifically directed by the Franchisor or unless the context otherwise requires, to a Manchu WOK Restaurant.

“Payments” all payments to the Franchisor pursuant to this Agreement shall be paid in US Funds.

“POS System” means the point-of-sale system approved, from time to time, for use by the Franchisor and includes, without limitation, the computer, electronic cash register and computer terminals referred to in Section 6.9 below.

“Premises” means the premises more particularly described in **Schedule “B”** annexed hereto.

“Proprietary Products” means products (including, without limitation, specially formulated sauces and menu items) developed by the Franchisor for the Manchu WOK Restaurant System.

“Royalty” is as defined in Section 3.4 below.

“Restaurant” or “Manchu WOK® Restaurant” means the Manchu WOK® restaurant which may be located in a Shopping Mall Food Court or at a Non-Traditional Location; Non Traditional Locations include highway facilities, airport concourses, professional sports facilities, recreational and entertainment facilities, college campuses, military installations, governmental or institutional locations, supermarkets, and department stores.

“Term” has the meaning set out in Section 2.1 below.

“Trademarks” or **“Marks”** means the registered and unregistered trademarks described in **Schedule “A”** annexed hereto and otherwise and referred to in Section 9 hereof.

“Trade Area” (if applicable) means the area described in **Schedule “C”** annexed hereto.

1.2. Table of Contents and Headings

The table of contents, the division of this Agreement into articles and sections and the insertion of articles and section headings are for convenience of reference only and shall not affect the interpretation or construction of this Agreement.

1.3. Number and Gender

In this Agreement the singular number includes the plural and vice versa, the use of any gender includes all genders, and the word “person” includes an individual, a trust, a corporation, a limited liability company, a partnership, an association and any other incorporated or unincorporated organization or entity. Words commencing with “here” (including without limitation “herein” and “herewith” and “hereof” shall, unless the context clearly indicates to the contrary, refer to the whole of this Agreement (including its schedules) and not to any particular article or section. “Including “ means “including, without limitation.” All forms of the verb “include” shall bear that meaning as well.

1.4. Time

Time is of the essence of this Agreement. When calculating the period of time within which or following which any act is to be done or step taken pursuant to this agreement, the day which is the reference date for calculating the period shall be excluded. If the last day of the period is a non-business day, then the period shall end on the next business day.

2. TERM AND GRANT OF FRANCHISE

2.1. This Agreement will commence on the Commencement Date and continue as set forth in either Section 2.1a. or 2.1b. below (**“Term”**):

(a) If you are purchasing a new or existing non-operating Business, the Term will expire on either: (1) the ten (10) year anniversary of the date you open this Business

to the public if you own the property where this Business is located or if you enter into a lease directly with the landlord or other third-party for the property where this Business is located; or (2) if you have entered into a sublease with one of our affiliates, the expiration of the term of the sublease for the property where this Business is located excluding any extensions or renewal options, unless terminated earlier in accordance with Section 9 or any other provisions of this Agreement; a successor franchise agreement is executed in accordance with Section 2.2, or transferred in accordance with Section 12; or

(b) If you are purchasing an existing and operating Business, the Term will expire on either: (1) the ten (10) year anniversary of the Effective Date if you own the property where this Business is located or if you enter into a lease directly with the landlord or other third-party for the property where this Business is located; or (2) if you have entered into a sublease with one of our affiliates, the expiration of the term of the sublease for the property where this Business is located excluding any extensions or renewal options, unless: terminated earlier in accordance with Section 9 or any other provisions of this Agreement; a successor franchise agreement is executed in accordance with Section 2.2; or transferred in accordance with Section 12.

2.2. No Additional Rights Beyond Term. Franchisee does not have any rights to operate the Business beyond the Term, subject to any state laws to the contrary. Notwithstanding the foregoing, Franchisor reserves the right to offer to Franchisee the opportunity to extend its rights to operate the Business by entering into a successor franchise agreement (“**Successor Franchise Agreement**”) for a five-year term and upon such other terms as Franchisor is offering new franchisees when Franchisee’s Term is expired. Franchisee acknowledges and agrees that the terms and conditions of any such Successor Franchise Agreement may differ substantially from those in this Agreement. Franchisee also acknowledges that, should Franchisee be offered the opportunity to sign a Successor Franchise Agreement, Franchisee will be required to pay a Successor Franchise Fee of \$15,000.

2.3. Interim Period. After the expiration of this Agreement, if a period of time transpires before (a) Franchisee’s rights under this Agreement have been fully and finally terminated or (b) Franchisor has offered a Successor Franchise Agreement to Franchisee and Franchisee has not yet signed such Successor Franchise Agreement, and Franchisee continues to accept the benefits of this Agreement, then at the option of Franchisor, this Agreement may be treated either as (a) expired as of the date of expiration with Franchisee then operating without a franchise to do so and in violation of Franchisor’s rights; or (b) continued on a month-to-month basis (“**Interim Period**”) until one party provides the other with written notice of such party’s intent to terminate the Interim Period, in which case the Interim Period will terminate thirty (30) days after receipt of the notice to terminate the Interim Period. In the latter case, all obligations of Franchisee shall remain in full force and effect during the Interim Period as if this Agreement had not expired, and all obligations and restrictions imposed on Franchisee upon expiration of this Agreement shall be deemed to take effect upon termination of the Interim Period.

2.4. Grant of License. On and subject to the terms and conditions contained in this Agreement, the Franchisor grants to the Franchisee the following (collectively, the “**License**”):

(a) an exclusive license to carry on the Business only at the Manchu WOK Restaurant under the name MANCHU WOK® or such other Marks as may be specified from time to time by the Franchisor during the Term or any Interim Period;

(b) a non-exclusive license to use and display the Marks during the Term and any Interim Period in connection with the operation, advertising and promotion of the Business; and

(c) a non-exclusive license to use, in connection with the Manchu WOK Restaurant, the System.

The License shall only remain in effect during the Term and so long as the Franchisee continues to operate the Business and does not commit an Event of Default under this Agreement. Upon Termination, such license shall immediately be at an end and the Franchisee shall immediately cease the use of the Marks and the System and shall not thereafter in any way hold itself out as being associated with the Franchisor or the restaurant operations owned or licensed by the Franchisor.

Notwithstanding the foregoing, the Franchisee expressly acknowledges that the Franchisor expressly reserves the right to:

(i) identify the Territory around the Manchu WOK Restaurant for which Franchisee's franchise rights will be granted;

(ii) establish, operate or license to any other person or entity the right to establish or operate, a restaurant owned or licensed by the Franchisor at any location outside of the Territory;

(iii) develop, market, own, operate or participate in any other business under the Marks or any other trademarks;

(iv) develop, lease and license the use of, at any location inside or outside the Territory, trademarks other than the Marks licensed by Franchisor under this Agreement, in connection with the operation of a system which offers products or services which are the same as or similar to those offered under the System on any terms or conditions which the Franchisor deems advisable;

(v) merge with or be acquired by any other business, including a business that competes with Franchisee's Business, or to acquire and convert to the System operated by the Franchisor any retail stores, including retail stores operated by competitors located inside or outside the Territory or otherwise operated independently or as part of, or in association with, any other system or chain, whether franchised or corporately owned;

(vi) distribute, sell or license other persons to distribute or sell non-System products and System products whether inside or outside the Territory through all other channels. "**Other Channels**" means locations other than traditional restaurants owned or franchised or licensed by the Franchisor and includes sale by or through other channels of trade including, without limitation, kiosks, carts, grocery stores, convenience stores, food chains, electronic mail,

Internet sales, malls, universities, schools, hospitals, military bases, casinos, convention centers, arenas, stadiums, health and fitness facilities, office buildings, theme parks, movie theatres, and amusement facilities; and

(vii) implement multi-area marketing programs (including, without limitation, mail drops and other flyer distribution methods) which may allow Franchisor or others to solicit or sell to customers anywhere, including without limitation inside or outside of the Territory. Franchisor also reserves the right to issue mandatory policies to coordinate such multi-area marketing programs.

Each of the Franchisee and the Guarantor further agree to execute and provide the Franchisor with the acknowledgment in substantially the form attached hereto as **Schedule H**.

Provided that the Franchisee does not commit an Event of Default under this Agreement including, without limitation, the Confidential Manual, the Lease or any other agreement between the Franchisee and the Franchisor, during the Term or any Interim Period, the Franchisor shall not operate a restaurant identified by any of the Marks within the Territory, nor shall the Franchisor authorize any other franchisee to operate a restaurant identified by any of the Marks within the Territory during the Term or any Interim Period.

Franchisee expressly agrees that all right, title and interest in and to the Marks, the System, the goodwill associated with the System and confidential trade secrets are owned by the Franchisor or its affiliates, and shall remain solely owned by Franchisor or its affiliates, and are being revealed to Franchisee solely to enable Franchisee to establish and operate a Manchu WOK franchise only in accordance with the terms and conditions of this Agreement.

2.5. Use of Premises; Trade Area

Franchisee is only permitted to conduct and operate a Manchu WOK Restaurant at the Premises and, except as otherwise may be agreed to in writing by the Franchisor, Franchisee shall not be entitled to operate a Manchu WOK Restaurant at any other location. Franchisee acknowledges that the Franchise is non-exclusive and that Franchisor shall have the absolute and unconditional right in Franchisor's absolute discretion to construct and operate and to permit others to construct and operate, other Manchu WOK Restaurants and Street-Front restaurants outside the Trade Area (or other restaurants or outlets using the Trademarks or the Manchu WOK Restaurant System which are not Restaurants wherever situated both within and outside of the Trade Area) at any other location and to use and permit others to use Licensed Items at any other location, in each case on such terms and conditions as Franchisor deems acceptable. Franchisor retains the unrestricted right on behalf of itself and its affiliates to distribute any and all food products, including, without limitation, Proprietary Products and services, to the public or others using either the Trademarks or trademarks other than the Trademarks. Franchisor shall not be accountable in any way to Franchisee, regardless of the proximity of any other Manchu WOK Restaurant outside the Trade Area or other restaurant using the Trademarks or the Manchu WOK Restaurant System wherever situate (whether operated by Franchisor or by a franchisee or licensee of Franchisor) to the Premises. Notwithstanding anything in this Agreement to the contrary, Franchisor reserves the absolute, unconditional right to operate, or grant third-parties the right to operate, Manchu WOK Street-Front restaurants either within or without the Trade Area. The Franchisee shall not solicit customers residing outside its Trade Area nor provide off-premises services including without limitation home delivery to customers.

Without limiting the generality of the foregoing paragraph, during the Term, for so long as the Franchisee is not in default of any Contract, the Franchisor shall not operate, or grant a third party the right to operate, another Manchu WOK Restaurant within the Trade Area (if applicable) .

The Franchise (including, the license of the Licensed Items) granted to the Franchisee has limited exclusivity. In addition to the Franchisor's right to use and grant others the right to use the Licensed Items outside the Trade Area, all rights not expressly granted in this Agreement to the Franchisee concerning the Licensed Items or any other matters are reserved for the Franchisor, including the right to:

(a) establish, develop, and license or franchise other systems different from the System licensed by this Agreement, within or outside the Trade Area, without offering or providing the Franchisee any rights in, to, or under such other systems;

(b) sell, within or outside the Trade Area, through dissimilar channels of distribution, such as retail grocery stores, under any terms that the Franchisor deems appropriate, Manchu WOK products and services (including Proprietary Products) similar or identical to those authorized for the Business, using the Trademarks; and

(c) the unconditional right to operate, or grant third-parties the right to operate Manchu WOK® Street-Front restaurants either within or without the Trade Area.

2.6. System Changes and Modification

Franchisee acknowledges and agrees that the Manchu WOK Restaurant System may continue to evolve in order to effect improvements therein and also to reflect changing markets and accommodate new or changing consumer demands. Franchisee therefore further agrees that:

(a) Franchisee will, immediately upon receipt of any and all updates and changes to the Confidential Manual, implement the modifications or alterations to the Manchu WOK Restaurant System that are required by such updates and changes;

(b) upon receipt of written notice from Franchisor, Franchisee will promptly proceed to implement, provide for and use, and to fully complete within thirty (30) days following receipt of Franchisor's notice (or such longer period of time as may be specified in such notice) the implementation of any and all other modifications or alterations to the Manchu WOK Restaurant System as Franchisor, in the good faith exercise of its judgment from time to time, designates as necessary or advisable, including, without limitation, the adoption and use of new Licensed Items, products, techniques and Fixtures; and

(c) changes and modifications to and evolutionary developments of the Manchu WOK Restaurant System may be introduced by the Franchisor for testing purposes or otherwise in Manchu WOK Restaurants other than that of the Franchisee. Franchisee shall not be entitled to introduce any such change(s) or modification(s) or evolutionary development(s) in its Manchu WOK Restaurant unless and until Franchisor has directed that it is appropriate for Franchisee so to do; in which event Franchisee

shall introduce any such change or modification to its Manchu WOK Restaurant with thirty (30) days of such notification by the Franchisor.

2.7. Acknowledgement and Importance of Compliance

Franchisee acknowledges that the Manchu WOK Restaurant System is an integrated food service system for the retailing of a limited menu of uniform and quality food products, emphasizing prompt and courteous service in a clean, wholesome atmosphere that is intended to be attractive to persons of all ages. The basis for the valuable goodwill and public acceptance of all restaurants utilizing the Manchu WOK Restaurant System, including Franchisee's Manchu WOK Restaurant, is Franchisee's compliance with the Manchu WOK Restaurant System and the Contracts in conjunction with the use of Licensed Items. The essence of this Agreement is Franchisee's accountability for performance of the obligations contained in this Agreement and Franchisee's adherence to the Manchu WOK Restaurant System, including, but not limited to, serving only designated food and beverage products; strict adherence to designated food and beverage specifications and to Franchisor's prescribed standards of quality, preparation, service and cleanliness; the use of prescribed equipment; and methods of use of equipment. The provisions of this Agreement shall be interpreted to give effect to the intent of the parties stated in this Section 2.5 and so as to ensure that the Business is operated in strict conformity with the Manchu WOK Restaurant System as it now exists or may later be modified as set out in Section 2.4 or otherwise.

2.8. Atypical Arrangements

Franchisee acknowledges and agrees that Franchisor may modify the offer of its franchises to other franchisees or its ongoing relationship with other franchisees in any manner and at any time, which offers, agreements and/or modifications have or may have terms, conditions, and obligations which may differ from the terms, conditions, and obligations in this Agreement. The existence of different forms of agreement and the fact that existing or future franchisees may have different rights and obligations shall not in any manner eliminate, modify, or affect the duties of the parties to the Agreement to comply with the terms of this Agreement.

3. FEES PAYABLE BY THE FRANCHISEE

As consideration for Franchisor entering into this Franchise Agreement and the granting to the Franchisee a franchise for a Manchu WOK Restaurant, the Franchisee agrees to pay to the Franchisor, without notice or demand, the amounts set out in this Section together with any and all other amounts as may be payable by Franchisee from time to time pursuant to this Franchise Agreement. Receipt of any check, draft or other commercial paper shall not constitute payment until Franchisor shall have collected all the funds therefrom.

3.1. Initial Franchise Fee

Franchisee shall pay to Franchisor by certified check or bank draft, an Initial Franchise Fee in the amount of Thirty Thousand (\$30,000) Dollars ("**Initial Franchise Fee**"); provided that in the event that the initial term of the Lease for the Premises is greater than ten (10) years, the Term of this Agreement shall be extended so as to correspond with the initial term of the Lease (less one day) and the Initial Franchise Fee shall be increased by an amount equal to Three Thousand (\$3,000) Dollars for each year or part year of the Term in excess of ten (10) years. The Initial Franchise Fee shall be fully paid not later than the date of execution of this Franchise

Agreement, at which time such payment shall be deemed to have been fully earned by Franchisor. Except as otherwise expressly provided in this Franchise Agreement, Franchisee shall not be entitled to a refund of the whole or any part of the Initial Franchise Fee.

3.2. Development Construction Fees

(a) In connection with the development of the Premises for the Term, if Franchisor supervises the construction and improvement of the Premises, Franchisee shall pay to Franchisor a fee equal to the greater of: (i) Two Thousand Five Hundred Dollars (\$2,500); and (ii) three percent (3%) of the total cost of the development of the Premises for construction projects for “Manchu WOK” store construction projects in North America (but not to exceed \$15,000); this fee is payable when construction is completed.

(b) In connection with any remodeling or general refurbishing or upgrading of the Premises for any reason, including, without limitation, any remodeling carried out as part of the conditions applicable to any Successor Franchise Agreement, if Franchisor supervises such remodeling, Franchisee shall pay to Franchisor a fee equal to the greater of: (i) Two Thousand Five Hundred Dollars (\$2,500); and (ii) three percent (3%) of the total cost of the development of the Premises for construction projects for “Manchu WOK” store construction projects in North America (but not to exceed \$15,000); this fee is payable when renovation is completed.

(c) In connection with the development of the Premises, you will pay us an architect fee (“**Architect Fee**”) ranging from \$18,000 to \$20,000 depending upon the size and scope of the project. The Architect Fee will be due to us before we commence architectural drawings for your Restaurant. If you would like to hire your own architect, a written approval must be obtained from us and all drawings must be prepared in conformance with our specifications and submitted to us for review and approval. You will pay us a \$2,000 Plan Review Fee for the reviewing process.

(d) In connection with the construction of the Premises, you will pay us a construction deposit (“**Construction Deposit**”) equal to \$30,000 to cover our costs in association with assisting you in the construction of your Restaurant. We reserve the right to reduce or waive the Construction Deposit for any upgrade, refurbishment or renovation at an existing Restaurant.

3.3. Training Fee

Franchisee shall pay to Franchisor the training fees described in Section 5.2.

3.4. Royalty Fee

Franchisee shall pay to Franchisor (in such manner as Franchisor may, from time to time, prescribe in the Confidential Manual or otherwise in writing), on or before Thursday of each week during the Term of the Franchise Agreement, as a continuing fee for Franchisee’s right to operate a Traditional Manchu WOK Restaurant at the Premises an amount equal to seven (7%) of the Gross Sales of Franchisee’s Manchu WOK Restaurant for the seven (7) day period ending at the close of business on the Sunday preceding such Thursday or for a Non-Traditional Manchu WOK Restaurant at the Premises an amount equal to six (6%) of the Gross

Sales of Franchisee's Manchu WOK Restaurant for the seven (7) day period ending at the close of business on the Sunday preceding such Thursday ("**Royalty**"); provided that during such period as Franchisee is an Area Developer and continues to operate this Manchu WOK Restaurant pursuant to an Area Development Agreement, the Royalty rate referred to herein shall be reduced to five (5%) percent.

3.5. Marketing Fees

(a) Franchisee shall pay to Franchisor, in the same manner and at the same time as the Royalty is payable, a marketing contribution ("**Marketing Fee**") to Franchisor's marketing and sales promotion fund ("**Fund**") in an amount equal to one per cent (1 %) of Gross Sales for the seven (7) day period ending at the close of business on the Sunday preceding such Thursday;

(b) Franchisee acknowledges and agrees that:

(i) the Fund shall be used by Franchisor, as determined in its sole and absolute discretion, for any one or more of the purposes of: formulating, developing and conducting programs and policies for marketing, sales promotional matters, marketing research and communication and development; purchasing advertising or marketing rights or services in any media; administration of any media-buying co-operative established by Franchisor; and development and administration of the Manchu WOK Restaurant System;

(ii) Franchisor shall administratively aggregate the monies in the Fund;

(iii) Franchisor shall have the right to pay itself out of the Fund (in addition to the payments referred to in Section b.1 above) an annual administration fee of fifteen per cent (15%) of the total amounts paid to the Fund; and

(iv) Franchisor shall be entitled, in its sole and absolute discretion, to retain and use the Fund monies in such manner as Franchisor determines; and

(v) Franchisee acknowledges that Franchisor shall have the right to commingle contributions to the Fund made by Franchisees of Manchu WOK Restaurants with those of Franchisees of other restaurants using the Manchu Wok Restaurant System under Franchise Agreements entered into with Franchisor and/or its affiliates and apply such funds for such marketing activities as the Franchisor shall deem appropriate.

(vi) Franchisee acknowledges the Fund is not a trust fund and Franchisor shall not have any fiduciary duty to Franchisee in connection with the collection or expenditures of Fund monies or any other aspect of their operations.

(c) Franchisee shall at its expense pay all costs for and participate in any and all marketing and/or promotional programs required by the Lease (if any). Franchisee shall use in the Business and display at the Premises all such marketing and promotional materials (including, but not limited to, banners, signs and point-of-purchase

materials) as Franchisor may, in its absolute discretion, provide. All Marketing other than that specified by Franchisor shall be subject to the prior written approval of Franchisor, such approval not to be unreasonably withheld.

(d) Franchisee shall pay to the Franchisor at the same time as the Initial Franchise Fee is payable and in addition thereto, the sum of Ten Thousand Dollars (\$10,000) ("**Grand Opening and Promotion Fee**") to be applied towards the cost of the Grand Opening Marketing and Promotion for the Franchisee's Manchu WOK Restaurant.

(e) Save for the Grand Opening Advertising and Promotion Fee referred to in Section 3.5(d) above, Franchisee shall not be obligated to spend an amount in excess of five per cent (5%) of Franchisee's Gross Sales in any twelve (12) month period for the aggregate costs incurred for the Marketing Fee, the Regional Cooperative Marketing Fee (defined below), and the advertising and promotional requirements under the Lease, and Franchisor shall be entitled to adjust or apportion any or all the fees and contributions referred to in this Section 3.5(e) as it deems fit within such limit.

(f) Notwithstanding the provisions of this Section 3.5 Franchisor shall have the right to direct at all or part of the Marketing Fee be expended by the Franchisee on additional Local Marketing which additional Local Marketing (if directed by the Franchisor) shall be carried out pursuant to the provisions of Section 3.5 (c) above.

(g) The Franchisor reserves the right to create a regional marketing cooperative ("**Cooperative**") in any DMA, and establish the rules and regulations therefor. ("**DMA**" means Designated Market Area, local television market areas designated by the "Nielsen" division of the Television Bureau of Advertising, Inc., or a reasonable substitute that we select if Television Bureau of Advertising, Inc. no longer publishes DMA data.) Immediately upon the Franchisor's request, the Franchisee must become a member of the Cooperative for the DMA in which some or all of the Trade Area is located. In no event shall the Franchisee's Manchu WOK Restaurant be required to be a member of more than one Cooperative. The cooperative must be organized, governed, and operated in the manner the Franchisor prescribes. The Cooperative may require each of its members to make contributions thereto ("**Regional Cooperative Marketing Contribution**") not to exceed the amounts set forth in Section 3.5(e).

(h) At Franchisor's request and at Franchisee's expense, Franchisee shall be required to participate in all of Franchisor's System marketing and Restaurant monitoring programs including Internet-based programs, including, but not limited to, various e-mail programs (such as e-mail list building), messaging, newsletters, customer retention and acquisition programs, social media campaigns and tracking surveys, campaign tracking, mystery shopper programs, and health and safety monitoring services. Franchisor reserves the right from time to time and at any time to add, delete or modify System marketing and Restaurant programs.

3.6. Lease Administration Fee. Upon the execution of any Lease or upon any amendment to or alteration of the Lease (including, without limitation, entering a renewal of or a new Lease in connection with a Successor Franchise Agreement) Franchisee shall

pay to Franchisor a lease administration fee (“**Lease Administration Fee**”) of Eight Thousand Dollars (\$8,000).

3.7. **Document Administration Fee.** A document administration fee of Five Hundred Dollars (\$500) (“**Document Administration Fee**”) is payable to us when we must prepare an amendment to your franchise or other related documents.

3.8. **Non-participation Fee.** You must offer and sell at the Premises of the Business all products designated by us, consistent with our System standards. In addition, you must immediately incorporate into the Business all new products and services designated by us and must fully participate in all local, regional, seasonal, promotional and other programs, initiatives and campaigns adopted by us in which we require you to participate. If you fail or refuse to fully participate in any such program, initiative or campaign, you may, in our sole discretion, be required to pay a non-participation fee of One Hundred Dollars (\$100) per day that you are not in compliance (“**Non-participation Fee**”);

3.9. **Late Report; Interest; Late Charge; Non-Sufficient Funds Fee; Breaching Royalties; Draft Draw Charge.** If you fail to submit to us any financial statements, forms, reports or records required to be provided under this Agreement by its due date, including your weekly Gross Sales report for calculating your Royalty and Marketing Fee, you must pay to us a late report charge of One Hundred Dollars (\$100) per week or part thereof.

If any fees or assessments due under this Agreement, including the Royalty Fee and Advertising Fee, are not paid when due, interest shall accrue on the late payment (from the date payment is due until the date payment is made) at the Default Rate, which amount, plus a late charge of five percent (5%) of the unpaid amount, or One Hundred Dollars (\$100), whichever is greater, shall be added to each late payment. For any payments made by you to us under this Agreement which are returned for non-sufficient funds of a processed check, you shall be charged a non-sufficient funds fee of Twenty-Five Dollars (\$25) per occurrence.

We have the absolute right to charge you the greater of: three (3) times the fixed Royalty; or, if on a percentage Royalty the Royalty will be increased up to eighteen percent (18%) of Gross Sales, with respect to any period during which you are in breach or default of your obligations under this Agreement. The Royalty paid or owing to us with respect to the period during which you are 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.

If you fail to provide us any necessary information or documentation with respect to our practice of drawing drafts against your bank accounts, you must pay us a draft draw charge in the amount of One Hundred Dollars (\$100) per day that that failure continues.

If, as a result of your failure to remit payments required under any provision of this Agreement, we retain an attorney or a collection agency to collect such payments, you must pay all collection costs and expenses, including reasonable attorneys’ fees and expenses, whether or not legal proceedings are initiated. Our rights under this Section are in addition to any other rights or remedies that we may have as a result of your default under this Agreement.

3.10 **Early Termination Fee.** If you stop operating your Business before this Agreement expires, with or without obtaining our prior written consent, or in the event of a termination

arising from or related to your default under this Agreement, you must pay us an early termination fee ("**Early Termination Fee**") for breaching your Agreement. The payment of the Early Termination Fee is not in lieu of other damages and does not constitute a release of the obligations to us. The amount of the Early Termination Fee is calculated as follows:

- (a) Compute the average monthly Royalty and Marketing Fee due for any consecutive twelve (12) month period within the forty-eight (48) months immediately preceding the date we receive notification of the closure, or if you failed to timely notify us of the closure then the date the Business closed, or, if the Business has been open for less than twelve (12) months, the average monthly Royalty and Marketing Fee due since the opening of the Business ("**Monthly Average**");
- (b) Multiply the Monthly Average by the number of months remaining in the Term;
and
- (c) Divide the resulting total computed in b. above by two (2).

For example purposes only: If the average monthly Royalty and Marketing Fee were collectively \$1,000 and there were five years (60 months) remaining in the Term, the Early Termination Fee would be \$30,000, calculated as follows: $\$1,000 \times 60 \text{ months} = \$60,000 \div 2 = \$30,000$.

If you unilaterally terminate this Agreement prior to the end of the Term, you must give us ninety (90) days prior notice of the early termination ("**Early Termination Notice**"). Within ten (10) days after our receipt of your Early Termination Notice, we will calculate the Early Termination Fee, which will be due and payable thirty (30) days prior to the closure of your Business. In the event of a termination arising from or related to your default under this Agreement, or that you do not: (i) provide us with the Early Termination Notice at least ninety (90) days prior to the early termination of your Business and this Agreement; (ii) remain open for at least ninety (90) days after providing us with the Early Termination Notice; and (iii) pay the Early Termination Fee in full at least thirty (30) days prior to closing of the Business, the Early Termination Fee due may, in our sole discretion, be increased as follows: it will be calculated by multiplying the Monthly Average by the number of months remaining in the Term, and will not be divided by two (2).

If you have not paid your Royalty and Marketing Fee for any period(s) within the forty-eight (48) months prior to notifying us of your early termination, or if you have not reported your Gross Sales for any period(s) within the forty-eight (48) months prior to notifying us of your intended early termination, we will estimate the Royalty and Marketing Fee based upon prior reports to calculate the Monthly Average.

4. DEVELOPMENT AND OPENING OF THE PREMISES

4.1. Site Location Period. If the Manchu Wok Restaurant or the Territory is not identified and agreed to by the Franchisor prior to the execution of this Agreement, then the Franchisee will have eighteen (18) months following the Commencement Date of this Agreement ("**Site Location Period**") to use its best efforts to find a suitable location for the Manchu Wok Restaurant acceptable to the Franchisee and the Franchisor in all reasonable respects and to sign a Lease for the Manchu WOK Restaurant. As set forth in

Section 2.1 of this Agreement, the Term of this Agreement will expire if Franchisee is unable to find a suitable location within the Site Location Period, and in such event, Franchisor may retain any and all monies paid to Franchisor, including the Initial Franchise Fee paid pursuant to Section 3.1, as liquidated damages and not as a penalty. Franchisee's failure to sign a Lease for the Manchu Wok Restaurant prior to the expiration of the Site Location Period will constitute abandonment of the Business by Franchisee and entitle the Franchisor to terminate this Agreement without providing Franchisee with notice or the opportunity to cure.

4.2. Site Selection

The location of the Premises must be approved in writing by the Franchisor. The Franchisee understands and acknowledges that the Franchisor's recommendation or acceptance of a location or site for the Premises, or any assistance it may render with respect thereto, does not constitute any assurance that Franchisee's Manchu WOK Restaurant will be profitable at such location or site or more profitable at such location or site in comparison to other locations or sites. Location or site recommendation, acceptance, or assistance merely indicates that such location or site meets the Franchisor's minimum criteria.

4.3. Leasing of Premises

Franchisor shall have the right to require that Franchisee lease the space for the Premises directly and sign a lease (as well as a Lease Addendum, to be signed by Franchisee and the landlord for the Premises, as well as Franchisor) pursuant to Section 4.2(a) below.

(a) Lease of Premises by Franchisee

Within thirty (30) days after (i) execution by all parties of this Franchise Agreement, or (ii) notification of location or site acceptance by the Franchisor, whichever shall first occur, the Franchisee shall enter into a Lease of the Premises with the owner or landlord thereof, in form and terms acceptable to the Franchisor. Such Lease shall contain, among other terms, clauses providing:

(i) that Franchisee and the Landlord for the Premises shall sign a "Lease Addendum" (in the form that is attached to this Agreement as Schedule D) as a condition to giving Franchisor's approval to Franchisee's lease or sublease;

(ii) that no action shall be taken to enforce any term of the Lease without first giving no less than ten (10) days' notice to the Franchisor and permitting the Franchisor a reasonable time to correct or remedy any default;

(iii) for reasonable prior written notice from the Landlord to the Franchisor in the event that the Landlord should elect to cancel or terminate the Lease by reason of any breach or default of the Franchisee in compliance with the terms of the Lease. In the event that the Lease is terminated by the Landlord, the Franchisor may elect to immediately terminate this Franchise Agreement and require the Franchisee to immediately transfer possession of the Premises to the Franchisor or otherwise vacate the Premises in accordance with the Franchisor's written instructions. The Franchisee shall be deemed to have

released the Franchisor and the Landlord from any claims relating the taking of possession of the Premises or the granting of a lease to the Franchisor by the Landlord in such event(s).

In the event of such cancellation or termination and provided that the Franchisor has corrected or remedied or agrees to correct or remedy any default or breach of the Franchisee within thirty (30) days following such notice, cancellation or termination, the Franchisor shall be entitled to take possession of the Premises and to have a lease in its name for the unexpired balance of the initial term of the Lease, plus renewals, on the same terms and conditions as set forth in the Lease.

(iv) for the Franchisor having the right to call for an assignment of the Lease to the Franchisor or, as directed by the Franchisor to an Affiliate or to a franchisee of the Franchisor, or, at the Landlord's option, for a new lease on the same terms and conditions as contained in the Lease, for the unexpired portion of the initial term, plus renewals/option terms, upon producing to the Landlord a certificate from the Franchisor to the effect that that this Franchise Agreement has been terminated and that the Franchisor is entitled to call for such assignment or new lease; for the Franchisee and the Landlord agreeing to transfer possession of the Premises to the Franchisor in such instance and the Franchisee releasing the Franchisor and the Landlord from any claims relating the taking of possession of the premises or the granting of a lease to the Franchisor; for the Landlord agreeing to consent to such assignment or to issue a new lease without regard to any objection by the Franchisee and any dispute between the Franchisee and the Franchisor being dealt with as between themselves; in the event of an assignment of the Lease to the Franchisor, the Franchisor shall covenant to be bound by all the terms and conditions of the Lease in the same manner as if the Franchisor were the original tenant thereunder; provided if Franchisor shall elect not to become an assignee of the Lease as provided for herein, Franchisor shall have the right, at its expense, to enter upon the Premises and remove all Manchu WOK Restaurant signage and identification therefrom;

(v) the Lease not being altered, amended, or modified in any particular, or renewed or extended without the express prior written consent of the Franchisor which consent shall not be unreasonably withheld; and

(vi) the Franchisee effecting and maintaining adequate insurance coverage on the building in which the Premises are located in accordance with the Franchisor's standard provisions in that regard.

All other terms and conditions of the Lease shall be otherwise satisfactory to the Franchisor, acting reasonably.

The Franchisee and the Guarantor covenant and agree not to execute any Lease, or renewed or extended, without the prior written consent of the Franchisor. The Franchisee shall deliver at least one fully executed copy of any such Lease to the Franchisor within fifteen (15) days after its execution.

(b) Deposit and Fee

In the event that the Franchisor is required by the terms of any Lease entered into by the Franchisee to guarantee in whole or in part any of the obligations of the Franchisee in the Lease entered into by the Franchisee, the Franchisee shall pay to the Franchisor:

(i) provided that it is required by the terms of the Lease, a deposit (“**Deposit**”) equal to three months’ gross rent for the Premises (or such greater amount that may be required as security and/or a damage deposit under the Lease) to be held by the Franchisor without interest and, to the extent not applied to amounts due under the Lease, or to offset any other monies owing by the Franchisee to the Franchisor or any Affiliate of the Franchisor under any Contract, returned to the Franchisee; and

(ii) Franchisee shall pay to the Franchisor at such time or times as rent becomes due and payable pursuant to the Lease and in addition thereto, an amount equal to ten (10%) of the base or minimum rent otherwise payable thereunder, for the Franchisor’s own account.

4.4. Development Obligations

The Franchisee’s obligations regarding the construction, renovation or other preparation of the Premises for operation as a Manchu WOK Restaurant including, without limitation, the purchase of opening inventory and supplies and the purchase and installation of Fixtures and Equipment are as set out in Schedule “E” to the Agreement (collectively called the “**Development Obligations**”). Except as otherwise specifically set out in the Agreement, the performance of and payment for all Development Obligations including, without limitation, all training costs as provided in this Agreement, including, without limitation, Section 5.2 hereof, shall be promptly paid for or reimbursed to the Franchisor by Franchisee, whether or not performed in whole or in part by Franchisee or Franchisor or the agents or contractors of either or both of them. Notwithstanding anything in this Agreement to the contrary, if Franchisor requests, it must designate, or review and approve, the contractor who constructs and improves the Premises.

4.5. Opening for Business

The Franchisee shall not open for nor start operating the Business until:

(a) the training described in Section 5.2 below has been completed to the Franchisor’s satisfaction,

(b) the Franchisee’s Manchu WOK Restaurant has:

(i) been completed in all respects to the satisfaction of the Franchisor and

(ii) is in the opinion of the Franchisor (acting reasonably) ready to be opened to the public;

(c) the Franchisee has provided the Franchisor with certificates of all insurance policies required by Section 7 below (and such other evidence of insurance coverage as Franchisor reasonably requests); and

(d) the Franchisee has complied with any other reasonable terms and conditions imposed by the Franchisor.

Notwithstanding anything in this Agreement to the contrary, the Business must open and begin operating no later than 180 days from the date of this Agreement or the required opening date under any Area Development Agreement under which this Agreement has been entered into, whichever first occurs.

4.6. Revocation

Franchisee expressly acknowledges and agrees that Franchisor has the right to revoke the Franchise and terminate the Agreement and all other Contracts relating to the Premises or the Franchise if Franchisee fails for any reason either to fulfill the Development Obligations for the Manchu WOK Restaurant subject of this Franchise Agreement or for other Manchu WOK Restaurant(s) referred to in any Development Agreement entered into with the Franchisor or its affiliates and Franchisee within the time required pursuant to attached Schedule "E" or in Development Schedule attached to any Development Agreement, or if none, within a reasonable time as determined by Franchisor, or to start operating a Manchu WOK Restaurant at the Premises within five (5) days after completion of the Development Obligations (but in no event later than the date set forth in the last sentence of Section 4.4), with the exception that, if local government approval of anything required for the opening of the Business (or other Business referred to in any Development Agreement) is withheld during such period for reasons beyond Franchisee's control, Franchisor shall grant Franchisee such reasonable additional time, up to sixty (60) days, as is necessary to obtain such approval. In the event of such revocation and termination by Franchisor, the parties shall be released and discharged from any and all further obligations under Contracts relating to the Premises or the Franchise or to other Manchu WOK Restaurants to be developed (except for those applicable to, or stated to survive, their termination) and Franchisor shall be entitled to retain for its absolute use, and not be obligated to refund to Franchisee, any and all monies paid under such Contracts.

4.7. Location of Franchisee's Manchu WOK Restaurant

The Franchisee shall operate its Manchu WOK Restaurant only at and from the Premises and may not relocate except with the Franchisor's prior written consent. If, prior to the expiration or sooner termination of this Agreement, the Lease for the Premises expires or terminates without fault of the Franchisee, or if the Premises are destroyed, condemned or otherwise rendered unusable, the Franchisor will grant its consent to the relocation of the Franchised Business to a site acceptable to the Franchisor within the Trade Area, and in accordance with the provisions of Section 4.10 below.

4.8. Equipment and Furnishings

The Franchisee shall use in and about its Manchu WOK Restaurant only such Equipment and Fixtures, which are required by the Franchisor and which strictly conform to the appearance, uniform standards and specifications prescribed by the Franchisor for the Manchu WOK Restaurant System. All Equipment and Fixtures shall be purchased or leased from the

Franchisor or from suppliers designated by it. The Franchisor agrees that the prices charged by it to the Franchisee for items of Equipment and Fixtures purchased from the Franchisor will be competitive with the prices being generally charged in the Franchisee's market area for equivalent items of comparable quality and in similar quantities. If at any time the Franchisor and its designated suppliers are unable to furnish to the Franchisee any item of Equipment and Fixtures then the Franchisee may purchase such item from another supplier approved by the Franchisor in writing, which approval will not be unreasonably withheld.

4.9. Certification of Performance

After it performs its pre-opening obligations under this Agreement, the Franchisor may request the Franchisee to execute a certification (the "Certification of Performance"), in a form the Franchisor reasonably requests, confirming such performance. If the Franchisor does so request, the Franchisee must execute and deliver the Certification of Performance to the Franchisor within three-business days of the request therefore. If, however, the Franchisee does not reasonably believe that the Franchisor has performed all its pre-opening obligations hereunder, it must, within said three-day period, provide the Franchisor with written notice specifically describing the obligations that the Franchisor has not performed. Not later than three-business days after the Franchisor completes all the obligations specifically described in such notice, the Franchisee must execute and deliver the Certification of Performance to the Franchisor. It must do so even if the Franchisor performed such obligations after the time performance was due under this Agreement. The term "preopening obligations" means such of the Franchisor's obligations to the Franchisee under this Agreement that must be performed before the Opening Date for the Business.

4.10 Relocation.

(a) If you desire to relocate the Business, you may request our consent upon the following conditions:

(i) Not less than sixty (60) days prior to the desired date of relocation (unless prior notice is impractical because of a required relocation, due to a third-party or our request, in which event notice shall be made as soon as possible), you must make a written request for consent to relocate, describing the reasons for the relocation and providing details respecting any proposed new location.

(ii) Within twenty-one (21) days after receiving your written request, we shall advise you in writing if the proposed new location meets our minimum real estate site requirements and if you have our authorization to proceed with the relocation. In the event of our denial to proceed with the relocation, you may request an alternative proposed new location pursuant to the provisions of this Section 4.10.

(iii) The Term will not be extended in connection with the requested relocation.

(b) At the time you request to relocate the Business, you must also meet each of the following requirements:

(i) You must not be in default under this Agreement or any other agreement or note then in effect between us or you and any affiliate of ours, and no event shall have

occurred that, with the giving of notice, the passage of time, or both, would constitute a default under this Agreement;

(ii) You must neither have received more than three (3) notices of default or breach during the Term; nor more than two (2) notices of default or breach during the five (5) years immediately preceding the effective date of the proposed relocation;

(iii) The equipment, fixtures and signage used in connection with the operation of the Business must either meet our then-existing System specifications and System standards, or you must agree, within a timeframe required by us, to replace or refurbish such items, and otherwise modify the methods of operation of the Business at your cost and expense, in order to comply with our System standards then applicable to new franchise owners.

(iv) You shall have paid to us a relocation fee in the amount of Five Hundred Dollars (\$500.00).

(c) If we approve the relocation of your Business, (i) Franchisee and Franchisor must execute an amendment to this Agreement indicating the address for your relocated Business, and (ii) you must open your Business at the new location within ninety (90) days after you close your Business at the current property where the Business is located. During the period of time between the closure of your Business at the current location, and the opening of the Business at the approved relocation address, you will not owe the Royalty (as defined in Section 3.4).

(d) Any such relocation shall be at the Franchisee's sole expense, including payment to the Franchisor and its Affiliates of all reasonable costs and expenses to which the Franchisor or such Affiliate is put or incurs, and the Franchisee agrees to indemnify the Franchisor and its Affiliates against, and reimburse each of them for, all loss, liability, costs and expenses incurred by the Franchisor in connection therewith.

(e) If the Franchisee has not found an acceptable new site for its Manchu WOK Restaurant within the time requirements as set forth above, then the Franchisor may thereafter at its sole option immediately terminate this Agreement, as provided in Section 10.1(a) hereof, by written notice to the Franchisee. Except as specifically referred to in this Section, the Franchisee shall have no right to relocate its Manchu WOK Restaurant to any other location without a) the written consent of the Franchisor which consent the Franchisor shall have the absolute right to withhold, and b) payment to the Franchisor of all fees referable to a new store, including, without limitation, a franchise fee in an amount then charged by the Franchisor to new Manchu WOK Restaurant Franchisees.

5. DUTIES AND RESPONSIBILITIES OF FRANCHISOR

Franchisor shall provide Franchisee with the following assistance during the Term of this Agreement so long as Franchisee has not defaulted under any Contracts relating to the Premises or the Franchise or under this Agreement:

5.1. Operating Manuals

(a) The Operations Manual is available to Franchisee via the Franchisee portal at: <https://portal.kahalamgmt.com>. In the event Franchisee desires to receive a hard copy of the Operations Manual, then Franchisee shall submit such request in writing to training@kahalamgmt.com. Upon such request, a hard copy of the Operations Manual will be mailed to Franchisee via regular mail within approximately forty-five (45) days thereafter. Franchisor may periodically revise and change the contents of the Confidential Manual. Beginning on the 30th day (or such longer time as specified by Franchisor) after delivery of written notice from Franchisor, Franchisee must comply with each new or changed provision. Revisions to the Confidential Manual may be based on what Franchisor, in its sole discretion, deems in the best interests of the System, including, among other things, promoting quality, enhancing good will, increasing efficiency, decreasing administrative burdens, or improving profitability of Franchisor or the Franchisee or Manchu WOK franchisees generally. Because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor may, in its sole discretion and as it may deem in the best interests of all concerned in any specific instance, vary standards for any franchisee based upon the peculiarities of the particular site or circumstances, density of population, business potential, population of trade area, existing business practices, or any condition that Franchisor deems important to the successful operation of such franchisee's Franchised Business. In such event(s) Franchisee is not entitled to require Franchisor to grant to Franchisee a like or similar variation under this Agreement. Franchisee must at all times ensure that its copy of the Confidential Manual contains all updates Franchisor delivers. In the event of any dispute as to the contents of the Confidential Manual, the terms contained in the Master Copy of each of the Confidential Manual that Franchisor maintains at Franchisor's home office are controlling. Any required standards exist to protect Franchisor's interests in the System and the Marks and not for the purpose of establishing any control or duty to take control over those matters that are reserved to Franchisee. The Confidential Manual also will include guidelines or recommendations in addition to required standards. In some instances, the required standards will include recommendations or guidelines to meet the required standards. Franchisee may follow the recommendations or guidelines or some other suitable alternative, provided Franchisee meets and complies with the required standards. In other instances, no suitable alternative may exist. In order to protect Franchisor's interests in the System and Marks, Franchisor reserves the right to determine if Franchisee is meeting a required standard and whether an alternative is suitable to any recommendations or guidelines.

(b) Franchisor shall have the right at its discretion to establish an internet based "extranet" system for use by Manchu WOK Franchisees for dissemination of all information which Franchisor provides to Franchisees. Franchisee shall at all times maintain at its expense such computer hardware and software as may be necessary from time to time inclusive of high speed internet connection, to enable Franchisee to access the Manchu WOK Extranet. When established, the Franchisor shall have the right on appropriate notice to the Franchisee, to use the Manchu WOK Extranet for delivery to Franchisee of all notices and changes to the Manchu WOK System including without limitation, changes or amendments to the Confidential Manual.

5.2. Training

Franchisor shall provide an initial training course regarding the Manchu WOK Restaurant System ("**Initial Training**") for up to two (2) persons - Franchisee and one of the employees as

designated by Franchisee. Initial Training is made up of the "In-Store Training," which is approximately one hundred twenty (120) hours, and "New Owner Training," which is approximately forty (40) hours. One of the trainees shall be Franchisee if Franchisee is an individual or one of Franchisee's designated shareholders (as provided in Section 6.2 hereof) if Franchisee is not an individual and one of the trainees must be the store Manager who will be responsible for the operation and management of your Manchu WOK® Restaurant. If Franchisee has previously operated a Manchu WOK Restaurant then, prior to the opening of the Business, Franchisor shall provide refresher training in food preparation techniques and other aspects of the physical operation of a Manchu WOK Restaurant ("**Refresher Training**") to two (2) persons designated by Franchisee (one of whom shall be Franchisee as Manager if Franchisee is an individual or one of Franchisee's designated shareholders (as provided in Section 6.2 hereof) as Manager if Franchisee is not an individual). Franchisor may from time to time thereafter provide such further training assistance as Franchisor deems necessary ("**Supplemental Training**"), including assistance with any new developments in the Manchu WOK Restaurant System or matters that may be described in revisions made to the Confidential Manual. All training described in this paragraph shall be provided at a place chosen by Franchisor and may include both in-store and classroom training. All persons attending such training shall complete the same to the satisfaction of Franchisor. One Initial Training, including all requisite materials, is included in the Initial Franchise Fee. Any subsequent Initial Training, Refresher Training, Supplemental Training or training required on a Transfer, the Franchisee shall pay to the Franchisor the non-refundable amount of Three Thousand Dollars (\$3,000) for each person attending such training. In addition, in connection with every type of training, Franchisee shall be responsible for all personal expenses incurred by the persons attending such training (including, but not limited to, accommodation and travel expenses) and for any and all injury or damage to person(s) or property occurring to, incurred by or caused by persons attending such courses. No compensation shall be payable to Franchisee or its employees for any services rendered by them during the training courses. Franchisee or at least one of the designated shareholders (as provided in Section 6.2 hereof) of a corporate Franchisee, must attend and satisfactorily complete all training. If the Franchisor designates any Supplemental Training to be mandatory, the Franchisee must attend such training; if it does not, such failure is an Event of Default.

5.3. Advice and Guidance

(a) The Franchisor may make available to the Franchisee such assistance as the Franchisor considers necessary based upon the experience and judgment of the Franchisor in connection with the pre-opening, opening and initial operation of the Business and conforming to the requirements of the Manchu WOK Restaurant System; and

(b) Franchisor, to the extent it deems it appropriate or necessary, may provide continuing advice and guidance to Franchisee concerning the use of the Manchu WOK Restaurant System and the operation of the Business, including advice and guidance regarding formulation and implementation of local advertising and promotional programs, purchasing of goods and other supplies, establishment and maintenance of any administrative, bookkeeping, accounting and general operating procedures required by Franchisor, hiring and training of employees and the provision from time to time of results of research on market trends, where practicable.

(c) Franchisee acknowledges and agrees that any training, support, guidance or tools provided to Franchisor as part of the Franchised Business under this Agreement are for the purpose of protecting the System's brand and Marks and to assist Franchisee in the operation of the Franchised Business and not for the purpose of controlling or in any way intended to exercise or exert control over Franchisee's decisions or day-to-day operations of the Franchised Business. Franchisee further acknowledges and agrees that no employee of Franchisee will be deemed to be an employee of Franchisor for any purpose whatsoever, and nothing in any aspect of the System or the Marks in any way shifts any employee or employment related responsibility from Franchisee to Franchisor.

5.4. Special Assistance

In response to any written request by the Franchisee and to the extent the Franchisor deems it appropriate, necessary or advisable and has personnel available for such purpose, the Franchisor may furnish additional or special assistance to the Franchisee (in addition to the assistance referred to in Section 5.3 above) to rectify any specific problems encountered by Franchisee in the operation of the Franchisee's Manchu WOK Restaurant. In such event, the Franchisee shall promptly pay the Franchisor for each person designated by the Franchisor to provide additional or special services pursuant to the provisions of this Section, the amount of Five Hundred Dollars (\$500) per day or part thereof during which any additional assistance is provided, together with for all reasonable costs incurred by the Franchisor on account of travel, lodging and meals for all personnel so designated by the Franchisor.

5.5. Opening Marketing

The Franchisor, using the amount the Franchisee paid under Section 3.5(d) shall prepare, coordinate, and conduct, on and in the Franchisee's behalf, the Grand Opening Marketing and Promotion program referred to in Section 3.5(d), which is a marketing program to promote the opening of the Business. The nature and scope of such opening promotional marketing program shall be determined by the Franchisor, in its sole and absolute judgment, and the cost of same shall be payable by the Franchisee.

5.6. Promotional Materials

Franchisor shall review and approve prior to any use by Franchisee, all marketing and promotional materials which Franchisee proposes to use in connection with the Business and may, at its option and in its sole and absolute discretion, provide promotional and marketing materials to Franchisee for use in the Business whether pursuant to payments to the Fund or otherwise.

5.7. Conventions and Seminars

Franchisor may invite Franchisee to attend all appropriate conventions, seminars and other franchisee-oriented functions sponsored by Franchisor.

6. FRANCHISEE DUTIES, RESPONSIBILITIES AND OBLIGATIONS

The Franchisee acknowledges that the Franchisor maintains and demands the maintenance of high standards of quality of product and service in restaurants utilizing the

Manchu WOK Restaurant System and that the Franchisor may, in the interest of improving thereon, and enhancing public acceptance of Manchu WOK Restaurants, upgrades its standards from time to time. Therefore, in order to maintain a uniform standard of operation and quality for all Franchisees operating under the name Manchu WOK and to further protect the goodwill of the Franchisor, the Franchisee covenants and agrees to comply with all of the following:

6.1. Conform to Manchu WOK System

Franchisee agrees that it shall operate its Manchu WOK Restaurant in conformity with such uniform methods, standards and specifications as the Franchisor may from time to time prescribe for general application in the Confidential Manual or otherwise in writing to ensure that the highest degree of quality and service is uniformly maintained, refrain from any deviation therefrom and from otherwise operating in any manner that reflects adversely on the Franchisor's name and goodwill, or on the name "*Manchu WOK*" as associated with the Business.

6.2. Management of Business

Franchisee agrees that it shall manage and operate the Business using at all times at least the two (2) employees (one of whom may be the manager of the Business if such Manager is actually involved in the day to day operations of the Business) who have been trained in the operation of a Manchu WOK Restaurant (as set out in Section 5.2 hereof), who have signed a Confidentiality and Non-Competition Agreement in terms similar to the confidentiality and non-competition provisions of this Agreement and who carry out their duties courteously and with a view to complete customer satisfaction. Franchisee (if an individual) shall be the Manager of the Business. If Franchisee is a corporation, or other entity, one shareholder, or owner, shall be designated by Franchisee to be the Manager of the Business and that Manager shall have the authority to receive and implement all directions received from time to time from the Franchisor and to represent the Franchisee in all dealings with the Franchisor. Before his or her appointment as Manager, the Franchisee must submit in writing the name and qualifications of any proposed Manager, or replacement Manager, together with any other information relating thereto the Franchisor requests, to Franchisor for its review and written approval of the proposed Manager. Without such written approval, the Franchisee may not appoint any person a Manager. The Manager shall have, and at all times maintain, at minimum, a ten percent (10%) equity interest in the ownership of the Business. The Manager must devote his or her full-time efforts to on-premises supervision of the Manchu WOK Restaurant. Franchisee shall reimburse Franchisor's reasonable costs and expenses of providing any and all training following the initial training of the Manager or any employees and retraining or training of all Business personnel in new methods, all as deemed necessary or advisable from time to time by the Franchisor.

6.3. Conform to Laws

Franchisee agrees that it shall operate in accordance with, and immediately correct any failure to comply with, all governmental requirements, applicable laws, regulations and orders ("**Laws and Regulations**") of competent authorities (whether federal, state, municipal or otherwise), including, without limitation, Laws and Regulations relating to health, sanitation and safety, employment, human rights, wages, child labor, misleading advertising, and including obtaining all necessary licenses, permits and approvals ("**Licenses**") as may be required to

permit the operation of a Manchu WOK Restaurant at the Premises, and Franchisee shall deliver to Franchisor on a timely basis (i) a copy of each License and (ii) a copy of any and all notices of violation of any Law or Regulation as may be received by Franchisee from time to time (whether or not such violation has been corrected by Franchisee).

6.4. Purchasing and Supply of Approved Products

(a) Approved Products and Supplies. Franchisee agrees that it shall buy all Approved Products, ingredients, supplies, materials (such as packaging), and other products used or offered for sale at Franchisee's Manchu WOK Restaurant only from suppliers that Franchisor has approved in writing (and whom Franchisor has not subsequently disapproved). In determining whether Franchisor will approve any particular supplier, Franchisor will consider various factors, including but not limited to: (1) whether the supplier can demonstrate, to Franchisor's continuing reasonable satisfaction, the ability to meet Franchisor's then-current standards and specifications for such items; (2) whether the supplier has adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; (3) whether approval of the supplier would enable the Manchu WOK Restaurant System, in Franchisor's sole opinion, to take advantage of marketplace efficiencies; and (4) whether the supplier will sign a confidentiality agreement and a license agreement in the form that Franchisor may require (which may include a royalty fee for the right to use Franchisor's Proprietary Marks and any other proprietary rights, recipes, and/or formulae). For the purpose of this Agreement, the term "supplier" is defined to include, without limitation, manufacturers, distributors, resellers, and other vendors. Franchisee also recognizes and agrees that Franchisor has the right to appoint only one supplier for any particular Approved Product or item, which may be the Franchisor or one of its affiliates.

(i) Franchisee agrees to sell only Approved Products (whether edible or non-edible) at Franchisee's Manchu WOK Restaurant. Franchisee shall not sell anything at Franchisee's Manchu WOK Restaurant that is not an Approved Product.

(ii) Notwithstanding anything to the contrary in this Agreement, Franchisee agrees to buy all of Franchisee's requirements for any Proprietary Products only from Franchisor or from its designees, as provided in Section 6.4(b) below (possibly through one or more suppliers that Franchisor designates in writing). Franchisor has the right, but not the obligation, to introduce additional Approved Products.

(iii) If Franchisee wants to buy any Approved Products or any items (other than Proprietary Products) from an unapproved supplier, Franchisee must first submit a written request to Franchisor asking for its prior written approval. Franchisee agrees not to buy from any such supplier unless and until Franchisor has given Franchisee the Franchisor's prior written consent to do so. Franchisor has the right to require that its representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to Franchisor or to an independent laboratory that Franchisor has designated for testing. The supplier) may be required to pay a charge, not to exceed the reasonable cost of the inspection, as well as the actual cost of the test. Franchisor has the right to also require that the supplier comply with such other

requirements that Franchisor has the right to designate, including but not limited to payment of reasonable continuing inspection fees and administrative costs and/or other payment to Franchisor by the supplier on account of their dealings with Franchisee or other franchisees, for use of Franchisor's trademarks, and for services that Franchisor may render to such suppliers. Franchisor also reserves the right, at Franchisor's option, to periodically re-inspect the facilities and products of any such approved supplier and to revoke Franchisor's approval if the supplier does not continue to meet any of Franchisor's then-current criteria. Franchisor is not required to approve any particular supplier, or to make available Franchisor's standards, specifications, or formulas to prospective suppliers, which Franchisor has the right to deem confidential.

(iv) Franchisee acknowledges and agrees that Franchisor has the right to establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers that are willing to supply all or some Manchu WOK Restaurants with some or all of the products and/or services that Franchisor requires for use and/or sale in the development and/or operation of Manchu WOK Restaurants, notwithstanding anything to the contrary contained in this Agreement. In this event, Franchisor may limit the number of approved suppliers with whom Franchisee may deal, designate sources that Franchisee must use for some or all Approved Products and other products and services, and/or refuse any of Franchisee's requests if Franchisor believes that this action is in the best interests of the Manchu WOK Restaurant System or the network of Manchu WOK Restaurants. Franchisor has the right to approve or disapprove of the suppliers who may be permitted to sell Approved Products to Franchisee. Any of Franchisor's affiliates that sell products to Franchisee will do so at Franchisor's direction. If Franchisee is in default of this Agreement, Franchisor reserves the right to direct its affiliates not to sell products to Franchisee, or to withhold certain discounts that may otherwise be available to Franchisee.

(v) Franchisee acknowledges and agrees that Franchisor has the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "Allowances") offered by suppliers to Franchisee or to Franchisor (or our affiliates) based upon Franchisee's purchases of Approved Products and other goods and services. These Allowances include those based on purchases of Approved Products, ingredients, paper goods, beverages, and other items (such as packaging). Franchisee assigns to Franchisor or its designee all of Franchisee's right, title and interest in and to any and all such Allowances and authorizes Franchisor (or its designee) to collect and retain any or all such Allowances without restriction.

(vi) If Franchisor requires Franchisee to use items that bear Franchisor's Marks (for example, plates, cups, napkins, take-out bags, other paperware, etc.), then Franchisee must buy, use, and sell only the items that Franchisor requires, and Franchisee must buy those items only from Franchisor's approved suppliers (or as otherwise required under Section 6.4(b) below).

(b) Proprietary Products. Franchisee acknowledges and agrees that certain menu items offered and sold at Franchisee's Manchu WOK Restaurant are

manufactured in accordance with Franchisor's secret recipes, standards, and specifications and/or those of Franchisor's affiliates, and that all of those items are Franchisor's Proprietary Products. In order to maintain the high standards of quality, taste, and uniformity associated with such menu items, and other Approved Products and packaging bearing the Marks, Franchisee agrees to buy all Proprietary Products, and Approved Products and packaging bearing the Proprietary Marks (and any other products Franchisor may now or in the future designate), only from Franchisor, its affiliates, and/or Franchisor's approved suppliers, and not to offer or sell any other such products at or from Franchisee's Manchu WOK Restaurant.

(c) Quality. Franchisee is solely responsible for the quality of products that Franchisee sells.

(d) Use of the Marks. Franchisee must require all marketing materials, signs, decorations, paper goods (including, without limitation, disposable food and beverage containers, bags, napkins, menus, and all forms and stationery used in Franchisee's Manchu WOK Restaurant), and other items which Franchisor may designate to bear the Marks in the form, color, location, and manner Franchisor prescribes (and subject to Franchisor's prior written approval, for example as provided in Section 3.5(c.) above).

(e) Innovations. All products, services, ingredients, concepts, methods, techniques, and/or new information relevant to Franchisee's operation of Franchisee's Manchu WOK Restaurant (collectively, the, "**Innovations**"), whether or not constituting protectable intellectual property, that Franchisee or its employees create, or that are created on Franchisee's behalf, must be promptly disclosed to Franchisor. All such Innovations will be deemed to be Franchisor's sole and exclusive property and works made-for-hire for Franchisor. Franchisee and each of its Principals and owners agree to: (1) sign the assignment and/or other documents Franchisor requests in order to implement this clause in order to evidence Franchisor's ownership; (2) cause Franchisee's employees and contractors to sign such assignment documents as Franchisor may request for this purpose; and (3) assist Franchisor in securing intellectual property rights in such Innovations.

6.5. Approved Design

Franchisee agrees that it shall use in the operation of the Franchisee's Manchu WOK Restaurant all, but only those, methods of exterior and interior design and construction, and signage as may be prescribed by the Franchisor or which conform to the requirements and specifications of the Manchu WOK Restaurant System, and no others and to make no material alteration or addition to, or replacement of or improvement or change to, the interior or exterior of the Premises or the Fixtures or Equipment without the prior written consent of Franchisor;

6.6. Maintenance and Renovations

Franchisee agrees that it shall maintain the condition and appearance of the Premises, the Fixtures and the Equipment in a manner consistent with the high quality image of the Manchu WOK Restaurant System as an attractive, modern, clean, convenient and efficiently operated Manchu WOK Restaurant offering high quality products and efficient and courteous service. The Franchisee will effect such maintenance of the Premises, the Fixtures and the Equipment as is required by the Lease and as reasonably required from time to time by the

Franchisor and the Landlord and as required by Laws and Regulations to maintain such condition, appearance and efficient operation, including, without limitation, replacement of worn-out or obsolete Fixtures and Equipment, repair of the interior and exterior of the Premises, and periodic cleaning, decorating and redecorating. If, at any time in the Franchisor's reasonable opinion, the general state of repair, appearance or cleanliness of the Premises, the Fixtures or the Equipment or the general state of the Premises does not meet Manchu WOK Restaurant System standards or the requirements of the Lease, the Franchisor may give notice to the Franchisee specifying the action to be taken by the Franchisee to correct such deficiency, and the Franchisee shall initiate such action forthwith upon receipt of such notice. If the Franchisee fails to take such action within three (3) days after receipt of such notice from the Franchisor, the Franchisor may, without prejudice to any other rights or remedies hereunder, cause such repairs or maintenance to be done at the sole cost and expense of the Franchisee. In such event, the Franchisee will reimburse the Franchisor for the amount of such costs and expenses upon demand plus an administrative fee of fifteen percent (15%) of such costs and expenses. Franchisor shall have the right at all times to enter upon the Premises for purposes of enforcing the terms of this paragraph as set out in Section 6.7 below.

In addition, the Franchisee shall, on the fifth (5th) anniversary of the Opening Date make at Franchisee's expense, such renovations, alterations and upgrades to the Premises, Fixtures and Equipment as may be required by Landlord and such renovations, alterations and upgrades to the Premises, Fixtures and Equipment as may be required by Franchisor in order to renovate, upgrade and modernize the Franchisee's Manchu WOK Restaurant so as to reflect the then-current image of the Manchu WOK Restaurant System for Manchu WOK Restaurants. All such work shall be completed (unless otherwise agreed to by Franchisor in writing) within 90 days. Required renovations and alterations may include complete remodeling and upgrading of the Premises and the Fixtures and Equipment. In connection with any renovation, alteration, upgrading, etc., required under this Section 6.6, the Franchisee shall pay the applicable fees specified in Section 3.2(b) hereof.

6.7. Inspection

Franchisee agrees that it shall permit the Franchisor or its authorized representatives to enter and inspect the Premises at reasonable times and to examine and test the Fixtures and Equipment (including, without limitation, the POS System) and the goods and services offered by the Business, for the purpose of ascertaining whether the Franchisee is operating its Manchu WOK Restaurant in accordance with the terms of this Agreement. Inspections may be conducted at any time at the discretion of the Franchisor and without prior notice to the Franchisee. The Franchisor agrees to give notice to the Franchisee of any deficiencies detected during any inspection. The Franchisee will diligently and promptly correct all such deficiencies. If the Franchisee receives notice from the Franchisor that any Fixtures or Equipment or goods or services do not meet the specifications, standards and requirements established by Franchisor for Manchu WOK Restaurants, the Franchisee will immediately refrain from the further use thereof until the same are repaired or replaced to the reasonable satisfaction of the Franchisor.

6.8. Use POS System

Franchisee agrees that it shall give to each customer of the Business a receipt detailing such customer's purchases from the Business and record all sales on an electronic cash register, computer and computer terminals ("**POS System**") approved by Franchisor

containing: (i) devices that will record cumulative sales and provide sequential customer count recording on a daily and cumulative basis and that cannot be turned back or reset; and (ii) such devices permitting the electronic polling of cash register information via high speed Internet connection as may be required by Franchisor. Franchisor shall have the unlimited right to use any information obtained from Franchisee's POS System for any business purpose whatsoever. The Franchisor may, from time to time, require the Franchisee to upgrade, supplement, or replace any or all the components of the POS System. The Franchisor may poll the POS System at any time it elects; to permit such polling, the Franchisee must configure and constitute its POS System so that the Franchisor has complete, continuous, and unfettered access to all information the POS System generates and collects. At the Franchisor's request, the Franchisee must provide any assistance the Franchisor requires to bring the POS System "on-line" with the Franchisor's computer at the Franchisor's headquarters. The Franchisee is exclusively responsible for the telephonic cost of such polling.

You are required to accept debit and credit cards and gift/loyalty cards from consumers at the Business. Prior to the opening of your restaurant, you will be required to acquire an approved debit, credit and gift/loyalty card processing system to use during the operation of the Business. Additionally, you must utilize our approved third-party payment card processor for processing all such debit, credit, rewards, and gift/loyalty card transactions, including entering into any such approved vendor agreements for the gift/loyalty card processing services. The Payment Card Industry ("**PCI**") requires all companies that process, store, or transmit credit card information to protect the cardholders' information by complying with the PCI Data Security Standard ("**PCI DSS**"). Therefore, as a franchisee who accepts credit cards, you are required to be PCI compliant by following and adhering to PCI DSS, which includes ensuring that your point-of-sale system, back office computer (if supplied), and any other device that is plugged into the network is **only** used for business purposes. You are also required to complete an annual questionnaire and quarterly network PCI scans and install a network firewall appliance for logging, tracking, reporting, and security assessment. We require your Business' point-of-sale system, including terminals, computers, and software to be in compliance with the PCI DSS at all times. The PCI DSS is often updated, and you are required to obtain and comply with all updated standards. You must also be PCI compliant in order to obtain cyber liability/data breach insurance coverage.

6.9. Hours of Operation

Franchisee agrees that it shall keep the Business open and in normal operation during such hours of the day and during such days of the year as are directed by the Franchisor and/or as required by the Lease.

6.10. Pay Suppliers

Franchisee agrees that it shall promptly pay when due all trade creditors and vendors (including but not limited to any that are affiliated with us) that supply goods or services to Franchisee and/or the Manchu WOK Restaurant (including but not limited to food and beverage products, packaging and serving materials, paper goods, utensils, supplies and other items of inventory, uniforms, marketing or promotional materials, furniture, Fixtures, Equipment and all other items used in the Business). Franchisee also agrees to promptly pay Franchisor for any expenditures or payments that Franchisor chooses (or is required) to make to trade creditors or vendors on Franchisee's behalf to pay for obligations that Franchisee incurred in connection

with the Manchu WOK Restaurant for example, products and/or services that Franchisee ordered but for which Franchisee did not pay.

6.11. Signage, Notices and Menus

Franchisee agrees that it shall post on the Premises such signs, in size, form, color and location as the Franchisor may require, notifying customers of the Business and others of: (i) Franchisee's identity and status as an independent contractor and operator of the Business as a Franchisee of the Franchisor; (ii) the manner in which to contact Franchisor; (iii) each customer's right to a receipt in respect of goods or services purchased from the Business; (iv) such other matters as Franchisor may, in its absolute discretion, determine necessary or desirable in connection with the operation of the Business and to maintain and display signs (including all or any part of a menu-board, digital menu-board, or store sign) reflecting the then-current image of the Manchu WOK Restaurant System, which are of the color(s), size, design and location as determined and specified by the Franchisor.

6.12. Pay Franchisor

Franchisee agrees that it shall pay to the Franchisor as and when due all monies due the Franchisor pursuant to this Franchise Agreement from time to time, together with the amount, calculated in accordance with the applicable laws, equal to any and all, sales taxes, value added taxes, business transfer taxes or any other taxes imposed on or collectable from Franchisee in respect of any and all amounts payable by Franchisee to Franchisor under the Agreement.

6.13. Marketing Obligations

Franchisee agrees that it shall carry out the marketing obligations set out in Section 3.5 above.

6.14. Banking

Franchisee agrees that it shall open and use one (1) bank account only and deposit all revenues received from the Business in such account and notify Franchisor of such bank and account number and authorize Franchisee's banker to provide to Franchisor such information as may be required by Franchisor. Franchisee shall also, at its own expense and, at the request of Franchisor (whether or not Franchisee is or ever has been in default in any payment to Franchisor), implement an automatic bank transfer or other electronic funds transfer from the said account in connection with the payment of any and all amounts payable to the Franchisor pursuant to this Franchise Agreement or to Franchisor or any Landlord or sub-landlord payable pursuant to any Lease.

6.15. Financial Reporting

Franchisee agrees that it shall provide to Franchisor, without notice or demand, the reports, statements and financial information at the times and in the forms as provided in Section 8.2 hereof.

6.16. Advise Suppliers

Franchisee agrees that it shall advise each supplier and all others with whom the Franchisee deals that the Franchisee is an independent contractor/business person and that all debts incurred by it are for its account only and are not debts of the Franchisor.

6.17. Telephone Listings

Franchisee agrees that it shall obtain and maintain, at its sole cost and expense, a listing for its Manchu WOK Restaurant in the principal regular (white pages) and classified (yellow pages) telephone directories serving the location of the Business, in such directory categories as are specified by the Franchisor from time to time. All such listings will be of such type and size as are specified by the Franchisor from time to time. If the Franchisee does not obtain such listings, as aforesaid, the Franchisor may obtain such listings on behalf of and at the expense of the Franchisee, and the Franchisee shall forthwith reimburse the Franchisor for all the Franchisor's costs and expenses for so doing, upon demand

6.18. Promote Franchise

Franchisee agrees that it shall obtain and maintain an adequate supply of brochures, pamphlets, videotapes and other special promotional materials prescribed by the Franchisor (including, without limitation, materials directed to prospective franchisees of the Manchu WOK Restaurant Systems) at such locations in and about the Premises as the Franchisor may require from time to time for its franchisees generally. All such brochures, pamphlets, videotapes and other special promotional materials (save for those directed to prospective franchisees of the Manchu WOK Restaurant System which shall be provided to the Franchisee without charge) shall be purchased from the Franchisor or from its approved suppliers.

6.19. Administration Programs

Franchisor shall have the right, in its sole and absolute discretion, to inaugurate and administer for the benefit of the franchisees of the Manchu WOK Restaurant System various third-party programs including, without restriction, lease and rental payment administration, insurance plan(s), realty tax payment administration, and the like. In such event, the Franchisor shall be entitled to impose a reasonable administration fee in respect of the conduct of each such program, not to exceed fifteen percent (15%) of the gross amount of the payments received by the Franchisor from time to time in respect thereof, and the Franchisee agrees to participate in and abide by the terms of each such program and to execute all such documents and authorizations as may be required by the Franchisor in connection therewith.

6.20. Seminars, Conventions, Training

As and when required by the Franchisor, the Franchisee, the Manager, and such other employees of the Franchisee's Business as may be from time to time directed by the Franchisor (acting reasonably) shall attend and participate in (at Franchisee's sole cost and expense) management seminars and training and refresher courses and Franchisor and/or industry conventions, including, without limitation, the Alternate Year Convention, and participate in ongoing aptitude testing conducted by or on behalf of the Franchisor from time to time. The Franchisor agrees that the Franchisee, the Manager, and such employees shall not be required to attend more than two (2) such seminars, conventions or other courses in each calendar quarter. The foregoing restriction does not apply to Initial Training or any other training that the Franchisor may require the Franchisee's Manager or any replacement Manager to attend.

6.21. Franchisee Organizations

Franchisee shall actively participate in any and all franchisee and franchisee/Franchisor committees and organizations (Bodies) (including without limitation a Franchisee Council) as may be established from time to time by the Franchisor and which may at Franchisor's discretion become Bodies elected by the franchisees, all for the benefit of the Franchisee, other franchisees of the Manchu WOK Restaurant System and the Franchisor.

6.22. Employee Attire and Personal Appearance

Franchisee's employees must comply with such dress code or standards as Franchisor may require, which may include use of branded (or other "**uniform**") apparel, and otherwise identify themselves with the Marks at all times in the manner Franchisor specifies (whether in the Confidential Manual or otherwise in writing) while on a job for Franchisee's Manchu WOK Restaurant. Franchisor may also require that Franchisee and its employees comply with personal appearance standards (including but not limited to dress code, shoes, hair color, body art, piercing, sanitation and personal hygiene, foundation garments, personal displays at work stations, etc.).

6.23. Acceptance of Alternative Payment Methods

Franchisee shall, at Franchisor's request, acquire and maintain Internet connectivity and accept debt cards, credit cards, stored value gift cards, or other non-cash systems specified by Franchisor to enable customers to purchase the products offered by the Restaurant. Franchisee shall acquire, at its expense, all necessary Internet connectivity, hardware and/or software used in connection with these non-cash systems.

7. INSURANCE

7.1. Mandatory Insurance Coverage

At all times during the Term, you must maintain in full force and effect at least the minimum types and amounts of insurance coverage that we require, under one (1) or more policies of insurance (each of which shall be primary coverage and shall not be contributory or secondary to any other coverage maintained by us), insured under the particular name of the Franchisee and for the particular address of the Franchised Business.

Such insurance policies must be issued by insurers acceptable to us having an A.M. Best's financial strength rating of at minimum "A-VIII," and grant us authority to obtain copies of your certificate of insurance directly from the carrier or your agent/broker. The particular requirements of our minimum insurance coverage will be made available to you throughout your term. Currently, the general liability insurance required by this Agreement must: (i) name MTY Franchising USA, Inc. as the certificate holder; (ii) name Kahala Franchising, L.L.C. and MTY Franchising USA, Inc. and their parents, subsidiaries, affiliates, officers, directors, and employees as additional insureds; (iii) contain a waiver by the insurance carrier of all subrogation rights against us and our affiliates and our affiliates' respective officers, directors and employees for casualty losses; (iv) indicate the address of the Franchised Business being insured; and (v) provide that we will receive a copy, via an endorsement, thirty (30) days' prior notice of cancellation of any such policy. Additional minimum insurance coverage requirements (subject to increase or otherwise change in our sole discretion) are as follows:

TYPE OF COVERAGE	LIMITS/SPECIFICATIONS
General Liability	\$1,000,000 Bodily Injury/Property Damage Per Occurrence / \$2,000,000 Aggregate
Building Improvements and Betterments	100% of Full Replacement Cost – No Coinsurance (minimum of \$100,000)
Business Personal Property	100% of Full Replacement Cost – No Coinsurance – Special Form or equivalent (minimum of \$100,000)
Spoilage	\$5,000
Flood, Earthquake and Volcanic Eruption	Subject to Territory Limitations – required if in a designated Flood Zone
Workers' Compensation and Employer's Liability Insurance	As required by law
Employment Practices Liability Insurance with Franchisor Defense coverage	\$1,000,000
Hired and Non-Owned Automobile Liability	\$1,000,000 Combined Single Limit per accident

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, 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.

You are responsible for maintaining insurance coverage and limits as required by us, at minimum, pursuant to this *Section 7*, provided, if your landlord requires additional coverage, higher limits, or any other requirements not required by us, then you are responsible for maintaining such additional items as well. You must always keep the required insurance coverage in force at all times during the operation of the Franchised Business, 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.

Subject to *Section 4*, before you may open your restaurant, annually thereafter at least ten (10) days prior to renewal of your insurance coverage, and at any other time on our request, you must provide us with certificates of insurance or copies of insurance policies showing that you are in compliance with our insurance requirements, as well as proof that you have paid the premiums you owe for the insurance we require. You will pay your insurance premiums to your insurance broker or to the insurance company issuing the policy. We or our affiliate may, at our

option and in addition to our other rights and remedies under this Agreement, obtain such insurance coverage on your behalf, and you must promptly execute any applications or other forms or instruments required to obtain any such insurance and pay to us, on demand, any costs, expenses and premiums (in whole or part) incurred by us. Your obligation to obtain and maintain the insurance described above will not be limited in any way by reason of any insurance maintained by us, nor will your performance of such obligations relieve you of any obligations under *Section 13.2*.

8. RECORDS AND REPORTING

8.1. Records

The Franchisee shall at its cost establish a bookkeeping, accounting and record-keeping system conforming to the requirements prescribed from time to time by the Franchisor (including, without, limitation the use of an approved POS System in accordance with Section 6.8 hereof and retention of cash register tapes, invoices, purchase orders, daily inventory records, payroll records, check stubs, bank deposit receipts, sales tax records and returns, cash disbursement journals and general ledgers, together with such further and other records and documents as may from time to time be required by the Franchisor to accommodate any changes in such systems) and shall on request of the Franchisor install and maintain at the Franchisee's expense such microcomputer hardware, bookkeeping and accounting software systems, and telecommunications systems, and to upgrade, supplement, and/or replace any or all of said items as the Franchisor may from time to time require generally for the Manchu WOK Restaurant System. All personnel employed by the Franchisee shall record at the time of sale, in the presence of customers, all receipts from sales or other transactions, on the POS System as designated by the Franchisor and as provided in Section 6.8 hereof. Such POS System shall be sealed in a manner approved by the Franchisor and shall have such other features as may be reasonably required by the Franchisor from time to time.

8.2. Reports and Financial Information

The Franchisee shall furnish to the Franchisor throughout the Term of the Agreement, in respect of the Business, in form from time to time prescribed by the Franchisor but at the sole cost and expense of the Franchisee:

(a) not later than thirty (30) days preceding the scheduled Opening Date (in accordance with Section 2.1 hereof), and not later than thirty (30) days preceding the anniversary of the Opening Date in each year thereafter, a forecast signed and verified by the Franchisee if an individual or if a corporation, by the Franchisee's Chief Financial Officer containing (among other details specified by the Franchisor) a budget of anticipated revenue and expenditure for the ensuing fiscal year of the Business ("**Forecast**");

(b) on or before Thursday of each week, a written statement in the form approved by Franchisor and signed by Franchisee, of the Gross Sales for the seven (7) day period ending at the close of business on the preceding Sunday, together with the Royalty and Marketing Fees;

(c) on or before the twentieth (20th) day following the end of each calendar month, an unaudited balance sheet for the Business as at the close of such period together with an unaudited statement of profit and loss of the Business for such period, in each case signed and verified by the Franchisee if an individual and, if a corporation, by the Franchisee's Chief Financial Officer, together with a report of variance (if any) from the Forecast and accompanied by such other information and supporting records as the Franchisor may from time to time require;

(d) as soon as practicable, and in any event within sixty (60) days after the end of each of Franchisee's fiscal years, audited of the Business prepared in accordance with generally accepted accounting principles consistently applied ("**GAAP**"), as well as generally accepted auditing standards ("**GAAS**"), and consisting at a minimum of (i) a balance sheet as at the close of such fiscal year, and (ii) a statement of income and a statement of cash flows for such fiscal year, setting forth in each case in comparative form the corresponding figures for the previous fiscal year, in each case signed and verified by the Franchisee if an individual or, if a corporation, by the Franchisee's Chief Financial Officer, certified and prepared by an certified public accountant approved by the Franchisor and accompanied by accountant's comments and a report of variance (if any) from forecast. The audit required by this Section shall be carried out at the expense of the Franchisee by a firm of certified public accountants acceptable to the Franchisor and to be accompanied by an unqualified opinion thereon of such firm, all at the Franchisee's sole cost and expense; and when it files such returns with the appropriate tax authorities, the Franchisee must also provide the Franchisor with copies of its federal and state income tax returns; all financial statements and other periodic reports must segregate the Business's income and related expenses from those of any other business that the Franchisee may conduct; and

(e) such other periodic forms and reports (including, without limitation, reports of purchases and sales) as may be required by Franchisor.

The Franchisee shall at its expense provide a modem or other electronic communications device as shall be determined from time to time by the Franchisor and a dedicated high speed communications line so as to enable the Franchisor to gather information from the Franchisee's POS System ("**Franchisee's System**"); this dedicated communications line, which shall be installed and maintained at the expense of the Franchisee, shall be dedicated exclusively to providing the Franchisor with complete and unfettered access to the Franchisee's System so the Franchisor may poll same at such times as it deems appropriate. The Franchisee shall at all times ensure that the Franchisor shall have access to Franchisee's System at Franchisee's ongoing cost and expense, including all polling and maintenance costs. Failure to comply with the provisions of this paragraph shall constitute an Event of Default, entitling the Franchisor to immediately terminate this Agreement, and which may be otherwise dealt with as set out in Section 10.1 and Section 10.2 of this Agreement.

The Franchisee acknowledges that all financial information will be furnished by it solely for the information of the Franchisor, and the Franchisor does not assume nor undertakes any obligation to review such financial information or to advise the Franchisee in connection therewith.

Franchisee acknowledges and agrees that it is Franchisee's responsibility to ensure that Franchisee is in compliance with all laws that are applicable to the proprietary software or other

technology used in the operation of the Franchised Business, including all data protection or security laws as well as payment card industry compliance.

8.3. Franchisor's Right to Audit

The Franchisor shall have the right at reasonable times without prior notice to the Franchisee to inspect and audit the business records, bookkeeping and accounting records, cash register tapes, invoices, purchase orders, payroll records, check stubs and bank deposit receipts of the Business, the periodic reports, financial statements, tax returns and other forms, information and supporting records which the Franchisee is required from time to time to submit to the Franchisor and the books and records of the Franchisee, and the books and records of the Guarantors as the latter relate to the Business. The Franchisee shall fully co-operate with representatives of the Franchisor and independent accountants hired by the Franchisor to conduct any such inspection or audit. If any such inspection or audit discloses an understatement of Gross Sales for any period, the Franchisee shall pay to the Franchisor, within ten (10) days after receipt of the inspection or audit report, the Royalty and other sums due on account of such understatement. Further, if such inspection or audit is made necessary by the failure of the Franchisee to furnish reports, financial statements, tax returns or schedules or any other documentation as herein required, or if an understatement of Gross Sales for any period is determined by any such inspection or audit to be greater than two percent (2%), the Franchisee shall on demand (in addition to payment of amounts due by reason of understatement plus interest on such amount at the rate of Eighteen Percent (18%) per year [or the maximum permitted by law, whichever is the less] computed from the date payment was due to the date payment is received) reimburse the Franchisor for the full cost of such inspection or audit, including, without limitation, the charges of any independent accountant or other professionals retained by the Franchisor in connection with such audit or inspection and the travel expenses, room, board and compensation of employees of the Franchisor and/or such independent accountant. Any evaluation or inspection conducted by Franchisor is not intended to exercise, and does not constitute, control over Franchisee's day-to-day operation of the Franchised Business or to assume any responsibility for Franchisee's obligations under this Agreement.

8.4. Inquiry by Franchisor

By its execution hereof, the Franchisee specifically authorizes the Franchisor to make reasonable inquiry of the Franchisee's bankers, suppliers, landlord and other trade creditors as to their dealings with the Franchisee in relation to the Business, and to discuss the affairs, finances and accounts of the Business with the Franchisee's bankers (and the Franchisee hereby authorizes and directs its bankers and other suppliers to discuss with the Franchisor the affairs, finances and accounts of the Business). In order for the Franchisor to obtain information and copies of invoices relating to sales or other dealings between all such persons and the Franchisee in any way referable to the Business, the provision of a copy of this paragraph duly certified by the Franchisor to the Franchisee's banker or other supplier shall constitute the express and irrevocable direction of the Franchisee to such banker or other supplier to supply the requested information to the Franchisor. The Franchisee shall on request of the Franchisor, promptly execute such other directions and other documents as the Franchisor may require, in furtherance of this Section. Neither the Franchisor nor any person, firm, or corporation to whom Franchisor may make inquiry shall be deemed in breach of any privacy laws from time to time enacted in any jurisdiction with authority over this Agreement or the parties by reason only of making or answering inquiries as provided for in this Section or otherwise in this Franchise Agreement.

9. LICENSED ITEMS AND TRADEMARKS

9.1. Marks

The Franchisee acknowledges and agrees that “Manchu WOK” is a registered trademark, that the Trademarks and Licensed Items (both registered and unregistered and as presently developed or as may be developed in the future) constitute part of the Manchu WOK Restaurant Systems and further acknowledges the existence and validity of the Licensed Items, including, without limitation, the Trademarks and that the Franchisor has the exclusive right to use the Licensed Items and Marks and to license others to use the Licensed Items and Marks. The Franchisee shall not, in any way, do anything to infringe upon, harm or contest the rights of the Franchisor (or of the owner of the Licensed Items and Marks if not the Franchisor) in and to the Licensed Items and Marks. The Franchisee shall not use any Licensed Items or Mark other than as herein permitted in connection with the business of the Franchisee’s Manchu WOK Restaurant. Any materials or products which Franchisee develops in whole or in part for use in its Manchu WOK Restaurant shall become the exclusive property of the Franchisor and the Franchisee does hereby assign and transfer all right, title and interest in any such materials or products to the Franchisor. The Franchisee shall not place any Licensed Items or Mark, other than the Licensed Items or Marks originally appearing thereon, on any products, packages or other materials which the Franchisee obtains from the Franchisor or an approved supplier or with the Franchisor’s written permission from third parties. The Franchisee agrees not to add any other names or words to the Licensed Items or Marks, or to make any variations in the use of the Licensed Items or Marks, unless the Franchisee has received prior written approval from the Franchisor.

9.2. Corporate Name

The Franchisee shall not use the name “Manchu WOK” or any derivation or contraction thereof in its corporate name, nor as part of any e-mail address, domain name, and/or other identification of Franchisee in any electronic medium (except with our prior written consent).

9.3. Goodwill

The Franchisee recognizes that the use of the Licensed Items and Marks, or of any mark or name that incorporates the mark “Manchu WOK” and all other Marks or other trademarks which may be developed by the Franchisor inures solely to the benefit of the Franchisor and that all goodwill arising from such use by the Franchisee shall belong and revert to the Franchisor upon the termination or expiration of this Agreement.

9.4. e-Commerce and the Web

The Franchisor retains unto itself the exclusive right to utilize the Licensed Items and Marks for e-commerce purposes and for use on the “**world wide web**” or “**Internet**”. The Franchisee shall not use the Licensed Items or Marks on the world wide web (or in any other electronic medium, including but not limited to social media and social networking sites) without the express written consent of the Franchisor, which consent the Franchisor shall have the absolute right to withhold. Without limiting the generality of the foregoing, without the Franchisor’s prior written consent, Franchisee shall not operate or advertise, market, or otherwise promote the Business on the “Internet” nor shall Franchisee register any domain name containing the words **MANCHU WOK**, or any variation thereof, or establish, operate, or participate in a Web site on

which such words appear. With respect to any aspect of the Manchu WOK Restaurant Systems, the Manchu WOK chain, or the Business (including, without limitation, the use of the Marks), Franchisor retains the sole right to advertise on the Internet, create or operate a Web site or sites, and use **MANCHU WOK** as part of any domain name. Franchisee acknowledges and agrees that the Franchisor exclusively owns all rights in such domain names and such other domain names as Franchisor shall designate, acquire or from time to time establish, to the absolute exclusion of the Franchisee. The parties agree that as used in this Agreement, the term "Internet" includes, but is not limited to, the world wide web, Social Media Sites (as defined in Section 9.5 below), social networking sites, mobile applications, and all other electronic media, whether created or invented now or in the future.

9.5. Social Media. Franchisee acknowledges that the use of any social networking websites or webpages, including but not limited to Facebook, YouTube, LinkedIn, and Twitter, which exploits, utilizes, displays, or otherwise makes use of any of the Marks or Franchisor's intellectual property ("**Social Media Sites**") is Franchisor's sole property, and Franchisee shall promptly submit to Franchisor all passwords for such Social Media Site(s) and any changes to a password shall be submitted to Franchisor within three (3) days of the change. Franchisor shall be granted full access to any Social Media Sites. Franchisee shall have no right, title or interest to any webpage on any of Franchisee's Social Media Sites including, but not limited to, all "fans", "followers", "friends" and "contacts" associated therewith which mentions, uses or refers in any way to the Proprietary Marks or Franchisor's intellectual property even if such webpage is established by Franchisee or otherwise held in Franchisee's name or by any guarantor. Franchisee acknowledges it is responsible for paying all expenses associated with such Social Media Sites.

Upon expiration, transfer or termination of this Agreement, Franchisee shall immediately take whatever steps are necessary to cancel or dismantle any such social networking account or webpage or transfer the account or webpage and all related information, including all "fans", "followers", "friends" and "contacts" associated with such accounts or webpages, to Franchisor or as Franchisor may otherwise direct. Franchisor reserves the right to hyperlink any Social Media Sites used by Franchisee to any other Internet site related to the System that Franchisor designates. Franchisor also reserves the rights to modify or use any of the content on such Social Media Sites and to authorize third parties to modify or use any of the content on such Social Media Sites, subject to the requirements of the social network service that hosts the applicable Social Media Sites, without payment of any compensation to Franchisee. Franchisee must keep Franchisor advised at all times of the addresses and domain names of any Social Media Sites used by Franchisee. Franchisee acknowledges and agrees that Franchisor has sole ownership of all domain names related to the Social Media Sites used by Franchisee, subject to the requirements of the social network service that hosts the applicable Social Media Sites.

9.6. Infringement; Discontinuing Use of the Marks

(a) The Franchisor retains the sole and discretionary right to assert infringement of the Marks against any person or concern who may use such name or marks without permission, license or authority of the Franchisor. The Franchisee shall promptly notify the Franchisor of any infringement, actual or suspected, of which the Franchisee becomes aware, and shall co-operate at the Franchisor's expense (unless caused or contributed to by the Franchisee's negligence or misconduct) in doing such

acts and things as may be asked of the Franchisee by the Franchisor or the Franchisor's counsel in the furtherance of any such proceedings.

(b) The Franchisor shall defend the Franchisee from any and all claims of trademark infringement for use of the Marks and hold the Franchisee harmless from any such claims, provided that the Franchisee has at all times complied with the terms of this Agreement, promptly gives written notice to the Franchisor of any such claim, action or suit and grants the Franchisor complete authority to defend against same, and otherwise cooperates with the Franchisor in accordance with its instructions in the conduct thereof. The Franchisor shall conduct such legal action (or settle same) on such terms as it considers appropriate, in its sole discretion, shall bear all costs of defense of any such claim or suit, provided the Franchisee has satisfied the conditions set forth above.

(c) Notwithstanding anything in this Agreement to the contrary, if, at any time, in the Franchisor's sole and absolute discretion, it becomes advisable to modify or discontinue the use of any of the Marks and/or use one or more additional or substitute names or marks for reasons including, but not limited to, the rejection of any pending registration or revocation of any existing registration of any of the Marks, or the superior rights of senior users, the Franchisee shall do so at its sole expense within 30 days of the Franchisor's request. In such event, the Franchisor is liable solely to reimburse the Franchisee for its reasonable direct printing and signage expenses incurred to modify or discontinue the use of the Mark(s) and substitute a different Mark(s). Such reimbursable expenses shall not include any expenditures the Franchisee makes to promote or market a modified or substitute Mark.

10. DEFAULT AND TERMINATION OF FRANCHISE

10.1. Events of Default - With Notice and No Opportunity to Cure. - Except as provided in Section 13.8, this Agreement and the rights conferred upon the Franchisee hereunder shall, at the option of the Franchisor, be terminated upon the occurrence of any of the following events or conditions, each of which shall be an "**Event of Default**" and which cumulatively may be referred to as "**Events of Default,**" such termination is effective immediately upon the receipt by the Franchisee of notice to that effect:

(a) if the Franchisee loses the right to possession of the Premises and does not relocate and open for business as contemplated in Section 4.10 within the time periods specified therein, or if the Franchisee otherwise forfeits the right to conduct the Business at the Premises;

(b) if the Franchisee understates Gross Sales for any period by more than two percent (2%) or knowingly maintains false books and records or submits any false reports or statements to the Franchisor;

(c) if the Franchisee or, if it is a corporation or other entity, any shareholder or other owner, assigns or encumbers any interest in this Agreement, any interest in the assets of the Business, or any interest in the Franchisee, without fully complying with the requirements of Section 12;

(d) if the Franchisee or, if it is a corporation or other entity, a shareholder or other owner, breaches the provisions of Sections 11.1, 11.2, 11.3 or if section 11.4 is violated, whether by Franchisee or by Guarantor or any individual associated with either of them, or otherwise as set out in section 11.4;

(e) if the Franchisor during any consecutive twelve (12) month period gives to the Franchisee or Guarantor three (3) or more notices of any Event of Default (whether such notices relate to the same or different Events of Default and whether or not such Events of Default have been remedied by the Franchisee);

(f) if there has been any intentional misrepresentation of any information supplied to the Franchisor by the Franchisee or the Guarantor in connection with the Franchisee's application for this franchise;

(g) if the Franchisee or a Guarantor commits or suffers any act of bankruptcy or is adjudicated a bankrupt, or becomes an insolvent person, or if a petition in bankruptcy is filed against the Franchisee or a Guarantor, or if the Franchisee or a Guarantor takes or attempts to take advantage of any federal or state law now or hereafter in effect for the relief of debtors;

(h) if any proceedings are brought with respect to the Franchisee seeking any reorganization, arrangement, composition, liquidation or dissolution or similar relief under any relevant statute or law;

(i) if a receiver or other custodian (permanent or temporary) of any assets of the Business or of any shares in the capital of the Franchisee is appointed or a petition seeking same is filed, or if execution, attachment or similar process is levied against any such assets or shares, or if distress or other analogous process is made against any of the assets of the Business;

(j) if the Franchisee ceases the operation of the Business or otherwise abandons it; if the Franchisee does not, for any reason, open the Business to the public for three consecutive days, or 14 days in any 12-consecutive-month period, it is deemed to have abandoned the Business;

(k) if the Franchisee or any affiliated entity or any other entity to which the Guarantor is a party in favor of the Franchisor or an Affiliate is in default under any other Agreement with the Franchisor including without limitation any Franchise Agreement and/or Area Development Agreement and such default is not fully remedied within the time therein set out;

(l) If an imminent threat or danger to public health or safety results from the operation of the Restaurant;

(m) If Franchisee takes, withholds, misdirects or appropriates for Franchisee's own use any funds withheld from Franchisee's employees' wages for employee taxes, FICA, insurance or benefits or generally fails to deal fairly and honestly with Franchisee's employees and/or customers; or

(n) If Franchisee's assets, property or interests are "blocked" under any Anti-Terrorism Law or if Franchisee is otherwise in violation of such law.

10.2. Events of Default - With Notice and With Opportunity to Cure. The Franchisor may, at its sole option, terminate this Agreement and all rights hereunder, after affording Franchisee an opportunity to cure the default as set forth below, effective immediately, unless otherwise specified herein or in the notice of termination, upon delivery of notice of termination if the Franchisee and/or Guarantor or any corporation to which the Franchisee and/or Guarantor have assigned this Agreement:

(a) if the Franchisee or the Manager or any replacement Manager does not after two (2) attempts successfully complete his/her Initial Training within ten (10) days after the Franchisor delivers notice of such Event of Default;

(b) if the Franchisee fails to pursue or to successfully complete the Development Obligations in this Agreement or any other franchise agreement or Area Development Agreement to which Franchisee is a party, on a timely basis or does not commence the operation of the Business as required by Sections 4.3 and 4.4 and fails to remedy such default within ten (10) days after the Franchisor delivers notice of such Event of Default;

(c) if the Franchisee fails to pay any amount owing to the Franchisor (whether or not under this Agreement) or any Affiliate of the Franchisor and fails to remedy such default within five (5) days after receiving notice of such Event of Default from the Franchisor (or such shorter period of time as may be provided to cure such default, if any);

(d) if a default occurs under the Lease or sublease of the Premises and Franchisee fails to cure such default as provided in the Lease or sublease;

(e) if the Franchisee fails to furnish reports, financial statements, tax returns or schedules or any other documentation required by the provisions of this Agreement or to provide electronic access to its records and its system, or fails to furnish the same at the times herein specified and Franchisee does not correct such failure within five (5) days, (or such longer period of time as the Franchisor in its sole discretion deems appropriate,) after written notice from the Franchisor (which shall describe the action that the Franchisee must take) is delivered to the Franchisee;

(f) if the Franchisee or the Guarantor or if either is a corporation or other entity, a shareholder or other owner, engages in any conduct that, in the reasonable opinion of the Franchisor, reflects unfavorably upon or is detrimental to the Licensed Items or Marks, to the good name, goodwill or reputation of the Franchisor or any Affiliate of the Franchisor, or the Manchu WOK Restaurant System, or to the business, reputation or goodwill of its franchisees (such conduct to include - by way of example only and without limitation - the failure to pay on a timely basis any amount owing to a trade creditor of the Franchisee or the misuse of any of the Licensed Items or Marks) and the Franchisee or the shareholder, as applicable, fails to remedy or cease such conduct within ten (10) days after the Franchisor delivers notice of such Event of Default;
or

(g) except as otherwise provided in this Section 10.2, if the Franchisee breaches any of its other obligations from time to time to the Franchisor (whether under this Agreement or any other Contract) or any Affiliate of the Franchisor, including, without limitation, Franchisee's obligations as set out in Article 6 and fails to cure such breach within five (5) days after the Franchisor delivers notice of same (or such shorter period of time as may be provided to cure such breach, if any); or if the Franchisor, or any of its Affiliates, terminates any contract.

Franchisor's waiver of any Franchisee's defaults will not constitute a waiver of any other default and will not prevent Franchisor from requiring Franchisee to strictly comply with this Agreement and/or any other agreement with the Franchisor and/or its affiliates.

10.3. Termination Pursuant to Section 10.2(a)

If the Franchisor terminates this Agreement pursuant to Subsection 10.2(a), then the Franchisor, the Franchisee and the Guarantor shall each execute such documents as may be required to fully rescind all Contracts between them in respect of the franchise herein granted, except for the provisions of Section 11 of this Agreement, and the Franchisee shall promptly return to the Franchisor the Confidential Manual and other documents, including any copies thereof, furnished to or otherwise obtained by the Franchisee in connection with the Franchise herein granted. In the event that the Franchisee shall fail to execute such documents as and when required by this Section, Franchisor shall have the right so to do in Franchisee's name on behalf of the Franchisee and this shall constitute Franchisor's complete authority so to do. Upon compliance with the foregoing, the Franchisor shall refund to the Franchisee all amounts received by the Franchisor in respect of the Initial Franchise Fee referred to in Section 3.1, less i) the sum of Ten Thousand Dollars (\$10,000) and ii) any out of pocket costs or expenses as Franchisor may have incurred pursuant to this Agreement, including, without limitation, any and all costs associated with training or the leasing and/or development of the Premises, which amounts are acknowledged by the Franchisee and the Guarantor to be Franchisor's reasonable costs and expenses incurred to date of termination in connection with this Agreement (and not a penalty).

10.4. Cease Use of Marks and Licensed Items

Upon the expiration or sooner termination of this Agreement for any reason, all rights of the Franchisee hereunder shall be at an end and the Franchisee shall immediately cease to use the Licensed Items and Marks, by advertising or otherwise, and shall remove the Licensed Items and Marks from all signs, slogans, symbols, letterheads, stationery and from all documents, instruments or forms of whatever character which use of any of the Licensed Items and Marks. The Franchisee shall further execute such documents and take such action as the Franchisor may, in its sole and absolute discretion, deem necessary or advisable to evidence the fact that the Franchisee has ceased such use and has no further interest or right therein. Without limiting the generality of the foregoing, the Franchisee shall, at the request of the Franchisor, take all such action as may be necessary to cancel any trade name or assumed name registration with respect to any of the Marks. The Franchisee shall furnish to the Franchisor evidence satisfactory to the Franchisor of compliance with its obligations hereunder within thirty (30) days after expiration or sooner termination of this Agreement. Unless the Franchisor has entered into possession of the Premises pursuant to a conditional lease assignment clause in the Franchisee's lease of the Premises, the Franchisee shall immediately upon the expiration or sooner termination of this Agreement for any reason, make such

removals or changes in signs and decor of the Premises as the Franchisor shall request, so as to effectively distinguish the Premises from their former appearance as a Manchu WOK Restaurant. If the Franchisor relinquishes possession of the Premises to the Franchisee following a re-entry pursuant to Section 10.8 hereof, then unless otherwise agreed by the Franchisor, the Franchisee shall immediately de-identify the Premises as aforesaid. Neither the Franchisee nor any Guarantor shall at any time following expiration or sooner termination of this Agreement identify itself or himself in any manner as having been at any time involved in a business relationship with the Franchisor; nor may the Franchisor nor any of its owners or any Guarantor disparage the Franchisor or the Manchu WOK Restaurant System.

10.5. Return of Manuals

Immediately following the expiration or sooner termination of this Agreement, the Franchisee shall return to the Franchisor all copies of the Confidential Manual (which are provided to the Franchisee on a "loan basis" only and shall not at any time become the property of the Franchisee in any event) and all bulletins and advertising matter used by or in the possession of the Franchisee or the Guarantor relating to the Business, together with all materials bearing any of the Marks.

10.6. Option to Purchase

The Franchisor shall have the option, for a period of thirty (30) days following the expiration or sooner termination of this Agreement, to purchase any or all Equipment and Fixtures, leasehold improvements that are not the property of the Landlord, signage, inventory and supplies other than items of a personal nature (the "Franchise Assets") owned and used by the Franchisee in connection with the Business, for a purchase price equal to their then current value determined on an asset-by-asset liquidation-sale basis (rather than on a going-concern basis). Without limiting the generality of the foregoing, the then current value of the Franchise Assets shall not contain any factor or increment for goodwill and other intangibles, and the Franchisor may exclude from the Franchise Assets purchased hereunder any items which, in the reasonable opinion of the Franchisor, are obsolete, shop-worn, damaged or otherwise not in marketable or useable condition. If the parties cannot agree upon the value of the Franchise Assets within a period of ten (10) business days following the exercise of such option by the Franchisor, an independent appraiser shall be designated by the Franchisor to do so, and his determination shall be final and binding on all parties, and no appeal shall lie therefrom. If the Franchisor elects to exercise its option to purchase, it shall be entitled to set off against the purchase price for the assets all amounts owing to it from the Franchisee (whether or not under this Agreement) and the cost of the appraisal, if any. If the Franchisor exercises its purchase option, the transaction of purchase and sale shall be closed on a date to be determined by the Franchisor, within five (5) days of the date that the purchase price is finally determined. The transaction of purchase and sale shall be completed in accordance with all applicable legislation, and without limiting the generality of the foregoing, the Franchisee shall comply with applicable bulk sales legislation in such manner as will permit the Franchisor to pay the entire purchase price to the Franchisee at closing. The Franchisee shall deliver against payment for the Franchise Assets being purchased a bill of sale with full covenants and warranties as to title (including, without limitation, that all items are being sold free and clear of all liens, claims, and encumbrances), together with such other documents as may be necessary or desirable to complete the transaction of purchase and sale. If the Franchisor exercises its purchase option, it may, in addition to the right of set-off provided above, pay from monies otherwise payable to the Franchisee any debts which the Franchisee owes to any Affiliate of the Franchisor or to any

trade creditor (including without limitation any designated or approved supplier) of the Business and remit the balance of the purchase price then remaining, if any, to the Franchisee.

10.7. Removal of Equipment

If following the expiration or sooner termination of this Agreement the Franchisor enters into possession of the Premises and elects not to exercise any of its purchase options under Section 10.6 then the Franchisee shall have five (5) days within which to remove its Franchise Assets from the Premises, failing which the Franchisor may cause the same to be removed at the cost of the Franchisee. In such event, the Franchisor may dispose of the Franchise Assets in whole or in part, in such manner as it, in its sole and absolute discretion, deems appropriate. The proceeds of such disposition shall be applied first in payment of all expenses incurred by the Franchisor in connection with the removal and disposition of such property, then in payment of any amounts owing by the Franchisee to the Franchisor or its Affiliates (whether under this agreement or otherwise) and the balance, if any, shall be paid to the Franchisee. Ownership of any Franchise Assets not so removed by the Franchisee shall be deemed to have passed to the Franchisor and may be used by the Franchisor free of charge for the purpose of carrying on the business of a Manchu WOK Restaurant or otherwise at the Premises or elsewhere as the Franchisor may from time to time determine.

10.8. Right of Re-entry

Forthwith upon expiration or sooner termination of this Agreement or upon the occurrence of an Event of Default under this Agreement, and whether or not this Agreement shall have been terminated as a result thereof, the Franchisor may enter upon, occupy and use all or any part of the Premises, and any Equipment and Fixtures, leasehold improvements and other assets located in, on or about the Premises and used in connection with the Business (including, without limitation, all telephone numbers and telephone listings used in connection with the Business). The Franchisor shall pay a reasonable use charge to the Franchisee for its use of such assets if it does not elect to purchase same pursuant to the terms of this Agreement. The Franchisor shall not be liable for any trespass, tort, or neglect in so doing or in respect of any depreciation or damages in connection with such action. All revenues, monies, profits, benefits and advantages derived from the operation of the Premises throughout such period of occupation shall be for the exclusive account of the Franchisor, and the Franchisor shall pay and discharge all debts and liabilities incurred by it in connection with its operation of the Premises. In addition, the Franchisor shall have the option, but not the obligation, to pay all amounts owing by the Franchisee to any creditor of the Business and any amount so paid shall be charged to and repaid by the Franchisee to the Franchisor upon demand (or deducted by Franchisor from any monies otherwise due Franchisee) and until so repaid shall bear interest as provided in this Agreement for overdue amounts. The Franchisor shall have no obligation to retain any employees of the Business nor to honor any contractual commitments previously made by the Franchisee in connection therewith. Any liability with respect thereto shall be exclusively borne and paid for by the Franchisee. If the Franchisor elects to retain any such employee, such employment shall be pursuant to a new employment agreement between the Franchisor and such employee and shall commence on the first business day on which the Franchisor commences operating the Premises. Any claim of such employee for unpaid salary, vacation or other benefits arising from his employment with the Franchisee shall be the exclusive responsibility of and be paid solely by the Franchisee. The Franchisee and the Guarantor specifically indemnify and save the Franchisor harmless from any and all claims by employees or by government agencies pursuant to any federal or state employment or labor law

in respect of past or continuing employees. The right of the Franchisor to use the Premises and the assets of the Business as aforesaid shall continue until the expiration of the option period in Section 10.6, but if the Franchisor elects to exercise such option, such right shall continue throughout the period preceding and including the closing of the transaction of purchase and sale.

10.9. Transfer of Telephone Numbers

The Franchisee agrees that upon the expiration or sooner termination of this Agreement all interest in and right to use all telephone numbers and all listings applicable to the Business (other than listings of a personal nature placed by the Franchisee) in use at the time of such expiration or sooner termination shall, upon request by the Franchisor, be transferred to and vested in the Franchisor. The Franchisee acknowledges that its execution of this Agreement shall, upon the expiration or sooner termination of this Agreement constitute its assignment of all its rights in all telephone numbers and listings applicable to the Business; notwithstanding the foregoing, Franchisee shall execute such additional documentation as may be reasonably required by the Franchisor from time to time to enable the Franchisor to obtain an assignment of the telephone number and listings applicable to the Franchise business. The Franchisor shall thereupon have the exclusive right to use such numbers and listings and to authorize the use thereof by any other person. To facilitate the completion of any such transfer, the Franchisee further agrees that upon the request of the Franchisor, the Franchisee shall pay to the telephone company all charges and other amounts which may be payable in connection with the telephone numbers being so transferred up to and including the date of transfer. The Franchisee agrees to reimburse the Franchisor upon demand for all amounts paid by the Franchisor on account of any such charges as a result of the Franchisee's failure to pay same, together with interest thereon as provided in this Agreement for overdue amounts or to deduct such amounts from any monies otherwise due Franchisor by Franchisee.

10.10. Payment of Monies Due

Franchisee shall promptly pay all sums owing to Franchisor and its affiliates. In the event of termination for any Event of Default of Franchisee, such sums shall include all damages, (including future royalty fees that otherwise likely would have been paid from the termination date through the end of the initial term but for the early termination of the Agreement), costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the Event of Default, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory owned by Franchisee and on any and all premises operated hereunder at the time of default.

10.11. Settlement of Accounts

Upon the earlier of sixty (60) days after the expiration or sooner termination of this Agreement and the closing of the transaction of purchase and sale contemplated in Section 10.6, there shall be an accounting among the parties with respect to the monies due by each to the others. Each of the parties agrees promptly to pay to the others, by certified check, whatever money shall be found to be owing to the others pursuant to such accounting.

10.12. Power of Attorney

If at any time the Franchisee does not execute any document reasonably requested by the Franchisor in connection with any of the Franchisor's rights under this Section 10.12 or elsewhere in this Agreement, the Franchisor may do so on behalf of the Franchisee and the Franchisee does hereby constitute the Franchisor as its true and lawful attorney to execute any such document(s) on its behalf.

10.13. Assignment of Lease

Notwithstanding anything in this Agreement to the contrary, upon the expiration or sooner termination of this Agreement, if the Franchisee has directly entered a Lease with the Landlord, the Franchisee shall assign the Lease to the Franchisor if the Franchisor so requests (irrespective of whether the Franchisor exercises any of its purchase options under Section 10.6).

11. RESTRICTIVE COVENANTS

11.1. Secrecy and Confidentiality

The Franchisee and the Guarantor for itself/himself/themselves and its/their officers directors, shareholders, employees, executors, administrators and permitted assigns acknowledge that in connection with the operation of the Business the Franchisor will be disclosing to them confidential information and trade secrets of the Franchisor, including, without limitation, information in the Confidential Manual. For the purposes of this Agreement, confidential information includes all information that the Franchisor specifically designates as confidential, as well as all information of a non-public nature, whether or not so designated. The Franchisee and the Guarantor each jointly and severally agree that none of them will use or divulge to any person any such trade secrets or confidential information, except that during the Term of this Agreement the Franchisee may use such trade secrets and confidential information solely for the purpose of conducting the Business in accordance with the provisions of this Agreement and may divulge such trade secrets and confidential information to its employees, but only on a "need-to-know" basis and in circumstances that will maintain its confidentiality. The Franchisee must cause its employees and agents to maintain the confidentiality of such confidential information and trade secrets, and shall obtain from the foregoing persons, and deliver copies thereof to the Franchisor, written covenants to maintain such confidentiality, in form prescribed by the Franchisor. A breach of any of the provisions of this Section 11.1 by any of the Franchisee's employees or agents is considered a direct breach by the Franchisee thereof.

11.2. In Term Competition: Franchisee

The Franchisee agrees that it will not directly or indirectly (without the prior written consent of the Franchisor, which consent may be unreasonably withheld) during the Term, as owner, officer, director, employee, agent, lender, broker, consultant, franchisee, or in any other similar capacity whatsoever, be connected in any manner with the ownership, management, operation or control, or conduct of any restaurant business or retail food outlet that specializes in the sale of Chinese and Asian-style food or that is reasonably deemed by the Franchisor to be similar in nature, style or otherwise to any Manchu WOK Restaurant or Street-Front restaurant or using the Manchu WOK Restaurant Systems or any part or parts thereof.

11.3. In Term Competition: Guarantor

The Guarantor agrees that he or she will not directly or indirectly (without the prior written consent of the Franchisor, which consent may be arbitrarily withheld) during the Term, as owner, officer, director, employee, agent, lender, broker, consultant, franchisee, or in any other similar capacity whatsoever, be connected in any manner with the ownership, management, operation or control, or conduct of any restaurant business or retail food outlet that specializes in the sale of Chinese and Asian-style food or that is reasonably deemed by the Franchisor to be similar in nature, style or otherwise to a Manchu WOK Restaurant or Street-Front restaurant or using the Manchu WOK Restaurant System or any part or parts thereof.

11.4. Post Term Competition

The Franchisee and the Guarantor acknowledge that the Licensed Items, Marks, the business reputation and goodwill associated therewith, the methods and techniques employed by the Franchisor, the training and instruction and confidential information to be provided hereunder, the knowledge of the services and the operational, sales, promotional and marketing methods and techniques of the Franchisor and the opportunities, associations and experiences established and acquired by them hereunder are of considerable value, as well as is the location of the Business and Trade Area pertinent thereto, and constitute legitimate business interests of the Franchisor and as a result the Franchisee and Guarantor agree to reasonably protect such legitimate business interests as follows:

The Franchisee and the Guarantor agree that he/she/it/they will not directly or indirectly (without the prior written consent of the Franchisor which consent may be arbitrarily withheld) at any time during the period of eighteen (18) months from the latest date of termination of this Agreement, whether as owner, shareholder, officer, director, employee, agent, lender, broker, consultant, franchisee, or in any other similar capacity whatsoever, be connected in any manner with the ownership, management, operation or control, or conduct of any restaurant business or retail food outlet located at the Premises, or the premises at which any restaurant or outlet utilizing the Manchu WOK Restaurant Systems (whether franchised or company or affiliate owned) within three (3) miles of the exterior boundaries of any building in which (i) the Premises are located or (ii) any premises at which any restaurant utilizing the Manchu WOK Restaurant Systems is then being operated, or is then being constructed or then under contract to be constructed.

11.5. Contravention by Related Persons

Franchisee and Guarantor acknowledge and agree that they or any of them will be deemed to be in contravention of any of the provisions of Section 11 if any restaurant business or retail food outlet be opened or operated (or intended to be opened or operated) in any manner that if carried out by the Franchisee or Guarantor, would violate any of the provisions of this Section by or on behalf of a spouse, child, shareholder or other owner, director, or officer of Franchisee or Guarantor or by a person, firm, corporation, association, or other business or legal entity in which such spouse, child, shareholder or other owner, etc., has any interest (legal, beneficial, economic, or otherwise) whatsoever, whether or not Franchisee or Guarantor has any legal or beneficial interest in such restaurant business. All such parties must enter a written agreement, in form and substance satisfactory to the Franchisor, under which they agree, jointly and severally, to be bound by the provisions of this Section, as well as the confidentiality provisions contained in this Agreement.

11.6. Solicitation

(a) The Franchisee and Guarantor jointly and severally covenant agree that during the Term and for a period of eighteen (18) months thereafter:

(i) Not applicable;

(ii) they nor either of them will not divert or attempt to divert any business or any customers of the Business to any other competitive establishment, by direct or indirect inducement or otherwise; and

(iii) they nor either of them will not counsel or induce any franchisee of the Franchisor to leave the Manchu WOK Restaurant System.

(b) The parties agree that each of the covenants contained in Subsections (i), (ii) and (iii) of this Section 11.6(a) are independent of each other and are severable.

11.7. Acknowledgement

(a) The Franchisee and the Guarantor acknowledge, confirm, covenant and agree that the restrictions contained in this Section are reasonable in order to protect the legitimate business interests of the Franchisor, its Affiliates, and the franchisees of the Franchisor, and all defenses to the strict enforcement of such restrictions by the Franchisor are hereby waived.

(b) The Franchisee and Guarantor acknowledge, confirm, covenant and agree that the scope of activities prohibited in this Section, as well as the length of the term and geographical restrictions contained therein, are necessary to protect the Franchisor's legitimate business interests and are fair and reasonable and not the result of overreaching, duress, or coercion of any kind. The Franchisee's and Guarantor's full, uninhibited, and faithful observance of each of the covenants contained in this Section will not cause any undue hardship, financial or otherwise. Enforcement of each of the covenants contained in this Section will not impair the Franchisee's or the Guarantor's ability to obtain employment commensurate with its abilities and on terms fully acceptable to it or otherwise to obtain income required for the comfortable support of itself and its family, and the satisfaction of the needs of its creditors. The Franchisee's and Guarantor's special knowledge of the business of a Manchu WOK Restaurant (and anyone acquiring such knowledge through the Franchisee or Guarantor) is such as would cause the Franchisor and its franchisees serious injury and loss if it (or anyone acquiring such knowledge through the Franchisee or Guarantor) were to use such knowledge to the benefit of a competitor or were to compete with the Franchisor or any of its franchisees.

(c) If any court of final jurisdiction finally holds that the time or territory for or to which this Section applies or the scope of activities prohibited thereunder—or that any provision stated in this Section—constitutes an unreasonable restriction upon the Franchisee or any Guarantor, the provisions of this Agreement are not thereby rendered void, but shall apply as to time and territory or to such other extent as such court finally concludes or indicates is a reasonable restriction under the circumstances. The time periods set forth in this Section are suspended during any period in which the Franchisee or Guarantor is breaching any of its terms or involved in a legal action or proceeding challenging the validity or enforceability thereof.

(d) Without the Franchisee's or Guarantor's consent, the Franchisor, in its sole discretion, may at any time or times unilaterally reduce or limit the scope of any covenants set forth in this Section. Any such reduction is effective immediately upon the Franchisor's delivery of written notice to either of them. The Franchisee and Guarantor shall comply immediately with any covenant as so modified. Such modified covenant is fully enforceable to the extent permitted by applicable law and shall be subject to the provisions of Section (c) above.

(e) The covenants in this Section shall be construed as independent of any other covenant or provision of this Agreement. The existence of any claim the Franchisee or Guarantor may have against the Franchisor or any of its affiliates (whether or not arising from this Agreement) shall not be deemed to be a defense to the enforcement of such covenant(s) against the Franchisee or Guarantor.

(f) The Franchisee and the Guarantor further agree that their failure to fully comply with the restrictions contained in this Section will constitute, among other things, unfair competition with the Franchisor. The Franchisee and the Guarantor acknowledge that the Franchisor would suffer irreparable injuries if the Franchisee or any person referred to in this Section breaches any of these restrictions and, accordingly, agree (in addition to any other remedies available to Franchisor whether pursuant to this Agreement or otherwise) to the granting without prior notice (to the extent that applicable notice requirements may be waived) of temporary and permanent injunctions restraining any such breach, or any other manner of equitable relief. Such injunctive relief may be granted without the need for the Franchisor demonstrating irreparable injury or posting any bond or other security (or if such posting of security may not be waived, by posting the sum of \$1,000 as security). The Franchisee and the Guarantor further jointly and severally agree to indemnify and save the Franchisor harmless in respect of all costs and expenses (including legal fees) incurred by the Franchisor in seeking to obtain any such injunction(s) and in pursuing any such other remedies.

12. ASSIGNMENT AND TRANSFER

12.1. Assignment or Transfer by Franchisor

The Franchisor may assign or delegate all or any part of its rights or duties, arising from this Agreement, provided that any assignee, or delegate, shall agree in writing to assume all obligations undertaken by the Franchisor herein relating to the rights so assigned, or the obligations delegated. Upon such assignment or delegation and assumption, the Franchisor shall be released from and under no further obligation with respect to any obligations so assumed. The Franchisee and the Guarantor agree that any such assignment or delegation shall not affect any of their responsibilities under this Agreement to and under which they remain jointly and severally subject and bound.

12.2. Assignment or Transfer by Franchisee

During the Term of this Agreement, the Franchisee and the Guarantor shall not sell, assign, charge, grant a security interest in or otherwise transfer or encumber in whole or in part in any manner, including, without limitation, by operation of law, any interest in this Agreement, the lease for the Premises, the property and assets of the Business or any ownership interest in the Franchisee, nor may the Franchisee issue any further shares in its capital or redeem or

purchase any of its issued shares, nor may the Franchisee merge, amalgamate, re-organize or engage in any other similar proceeding, (collectively, “**Transfer**”) without in each case obtaining the prior written consent of the Franchisor which consent shall not be unreasonably or arbitrarily withheld. Any proposed or actual transfer of a direct or indirect ownership interest in Franchisee shall also be considered as a “Transfer” for all purposes under this Agreement. Any actual or purported Transfer without the Franchisor’s prior written consent shall constitute a material default of this Agreement and shall be null and void. In considering any request for its consent to any such Transfer the Franchisor may consider, among other things, the qualifications, background, apparent ability and credit standing of the proposed transferee (“**Transferee**”), as well as the probable post-closing operational viability of the Manchu WOK Restaurant should the intended Transfer be completed in accordance with the proposed terms of the Transfer. In addition, it is required as a condition precedent to the granting of the Franchisor’s consent that:

(a) there shall be no existing default in the performance or observance of any of the Franchisee’s or the Guarantor’ obligations pursuant to any Contract or with any supplier or other trade creditor of the Business, the Franchisor or its Affiliates;

(b) the Franchisee shall have settled all outstanding accounts with the Franchisor, its Affiliates and all other trade creditors of the Business;

(c) the Franchisee (and all of its owners, including the Guarantor) shall have delivered to the Franchisor a general release of its/their claims against the Franchisor, its Affiliates and their respective directors and officers, in form and substance satisfactory to the Franchisor;

(d) the Transferee and, if it is a corporation, limited liability company, or partnership, its shareholders, members or partners as the case may be, shall have entered into a written assignment and guarantee in form and substance prescribed by the Franchisor, assuming and agreeing to discharge all of the Franchisee’s obligations under this Agreement or, at the option of the Franchisor, shall have executed a new franchise agreement, for no less than the unexpired portion of the Term of the Agreement, in the standard form then being used by the Franchisor for the grant of franchises for Manchu WOK Restaurants for new single-unit franchisees. Such franchise agreement shall not provide for payment of any Initial Franchise Fee, but may otherwise contain financial, legal and other terms and conditions substantially different from, and more onerous than, those in this Agreement, including, without limitation, different terms and conditions regarding: royalties, advertising obligations and contributions, rent or other payments or expenditures (any of which may be higher) and the methods of computing same. In addition, the Transferee and its shareholders or partners, as the case may be, shall have executed such other documents and agreements as are then customarily used by the Franchisor in the granting of franchises for Manchu WOK Restaurants;

(e) the Transferee and/or its proposed Managers (one or both of whom will be responsible for the ongoing operations of the Business and any other persons required by the Franchisor shall have satisfactorily completed at his/her own expense the Franchisor’s training program then in effect for all new franchisees of Manchu WOK Restaurants and shall have paid the Training Fee applicable thereto; If Transferee or any of its employees or representatives cancel or reschedule participation in any training course or program which Transferee schedules with Franchisor, Transferee or

Franchisee must reimburse Franchisor for all of its employee's travel expenses, wages and other expenses incurred as a result of such cancellation or rescheduling;

(f) unless the Franchisor otherwise agrees in writing, any transfer of assets shall be effected in compliance with all applicable bulk sales legislation;

(g) a transfer fee shall, upon application for the consent of the Franchisor to the Transfer, have been paid to the Franchisor by the Franchisee in the amount of Ten Thousand Dollars (\$10,000), which transfer fee shall be refundable, less the Franchisor's reasonable costs and expenses, together with any professional and related expenses incurred in connection therewith, including, without limitation, those expenses relating to investigations of the proposed transferee, if the proposed transfer is not approved by the Franchisor;

(h) if the Franchisee leased the Premises pursuant to Section 4.2(a), then the Transferee and Landlord must sign and deliver to Franchisor a new Lease Addendum; and

(i) if required by the Franchisor, the Franchisee must use and pay for the services of a third-party escrow agent, approved in advance by the Franchisor, to facilitate the transfer process and ensure all debts and other payments are properly made.

(j) the assignee, at its own cost, agrees to make all capital expenditures requested by the Franchisor to renovate, refurbish, remodel and modernize the Store so as to reflect the then-current image for the Franchisor prior to the transfer or within a timeframe specified by Franchisor;

12.3. Additional Documentation

(a) The Franchisee and Guarantor shall cause each person who, from time, to time becomes a shareholder, member, manager or other owner, , director, and/or officer of the Franchisee, before they obtain such status, to execute a written agreement with the Franchisor:

(i) in the case of a director or officer who is not also a shareholder of the Franchisee, undertaking to be bound by all of the restrictions of Section 11, and all the confidentiality provisions in this Agreement, as though he was a Guarantor; and

(ii) in the case of a shareholder, member, manager or other owner of the Franchisee, undertaking to be bound by all obligations of the Guarantor under this Agreement (including the guarantee in Section 15.2) as though he was a Guarantor.

(b) The Franchisee shall furnish to the Franchisor contemporaneously with signing this Agreement, and thereafter annually with the financial statements referred to in Section 8.2 (c) and as well contemporaneously with all transfers or issuances of

shares in its capital, a list of all shareholders having an interest in the Franchisee as currently set out in Schedule 'F' hereto, reflecting the percentage interest of each shareholder and the number and class of shares directly or indirectly owned or controlled by him. In addition, the Franchisee shall furnish to the Franchisor on signing this Agreement and thereafter within five (5) days after any transfer or issue of any of its shares the other documents referred to above in this Section, duly executed by all required parties other than the Franchisor. The Articles of Incorporation and by-laws of the Franchisee shall recite that the issue or transfer of any shares in its capital is restricted by the terms of this Agreement, and copies of such articles of incorporation and by-laws shall be furnished to the Franchisor forthwith upon request. The Franchisee shall maintain stop transfer instructions against the transfer of shares on its records subject to the foregoing restrictions of this Section and shall have all outstanding share certificates endorsed with the following legend printed conspicuously upon the face of each such certificate:

"The transfer of shares represented by this certificate is subject to the terms and conditions of a Franchise Agreement made with MANCHU WOK FRANCHISING USA INC. A copy of that agreement is available for inspection at the Franchisor's principal place of business."

The Franchisor shall have access to the corporate records and minute books of the Franchisee at reasonable times and shall be entitled to make copies thereof for its own purposes.

The Franchisee and the Guarantor jointly and severally represent and warrant to the Franchisor that Schedule "F" is an accurate list of all of the registered and beneficial shareholders of the Franchisee, showing the number and class of shares held by them. The Franchisee will advise the Franchisor of any changes to Schedule "F" which must be in conformity with the provisions of this Section and of this Agreement.

12.4. Death or Permanent Disability

- (a) If any Franchise Owner (defined below):
 - (i) dies; or
 - (ii) becomes permanently disabled as defined in Section 12.5;

then within thirty (30) days after either event, the Franchisee (or its legal representative) must hire and maintain a replacement satisfactory to the Franchisor to perform such obligations.

(b) Within six months of the permanent disability or death of any of the following individuals, such individual's estate must transfer his or her interests in the Franchisee (or in any of the Franchisee's owners) or in this Agreement in accordance with the terms of this Section 12:

- (i) any individual who holds a 25% or greater voting or ownership interest in the Franchisee (or in any of the Franchisee's owners); or
- (ii) any individual who is the Franchisee.

For the purposes of this Section 12.4, “**Franchise Owner**” means the Franchisee if the Franchisee is an individual or the shareholder designated as Manager under Section 6.2

12.5. Deemed Disability

For the purposes of this Section 12, the Franchise Owner shall be deemed to be permanently disabled if his usual day to day participation in the Business (as required by the terms of this Agreement) is for any reason impaired or he is otherwise unable to perform his or her obligations under this Agreement by reason of mental or physical disability for a cumulative period of forty-five (45) days in any twelve (12) month period.

12.6. Right to Manage

Upon the death or permanent disability of the Franchisee or of the Manager, if the Franchisee does not timely comply with Section 12.4(a), the Franchisor shall have the right (but without obligation) to operate and manage the Business for the account of the Franchisee. If the Franchisor so operates and manages the Business, (i) the Franchisor shall make a complete accounting to and return the net income from such operation (being revenues less all applicable expenses and charges incurred in the operation of the Business inclusive of amounts sufficient to reimburse the Franchisor for its reasonable expenses in connection therewith and a reasonable management fee) to the Franchisee; and (ii) in no event shall the Franchisor be liable for other than gross negligence in the operation and management of the Business. Notwithstanding anything in this Section 12.6 to the contrary, the primary obligation to operate and manage the Business shall, at all times be upon the Franchisee, and the Franchisor makes no representation or warranty whatever that the operation or management or any part thereof by or on behalf of the Franchisor shall succeed in returning or maintaining a profit.

12.7. Franchisor’s Right to Terminate

If any disposition of shares or assets required under Section 12.4 has not taken place within six (6) months as required by Section 12.4(b) or if the Manager shall not have been replaced as required by section 12.4(a), the Franchisor shall thereafter have the continuing right, exercisable upon ten (10) days’ notice to the Franchisee, to terminate this Agreement and all the Franchisee’s rights hereunder, including the franchise hereby granted. In such event and if the Franchisor so elects, then the provisions of Sections 10.4 to 10.13 inclusive shall thereupon become applicable.

12.8. Option to Purchase

Without in any way derogating from the Franchisor’s right to reject a Transfer pursuant to Section 12.2, if at any time during the Term of this Agreement the Franchisee or any shareholder or partner, as the case may be, obtains a bona fide offer (“**Offer**”) to acquire the whole or any part of its or his interest in this Agreement, in the Lease for the Premises, in any assets of the Business (other than in the ordinary course of business) or in any ownership interest in the Franchisee which the Franchisee or the shareholder or partner, as the case may be, wishes to accept, then the Franchisee or shareholder or partner, as the case may be, shall promptly deliver to the Franchisor written notice of and a true copy of such Offer. Upon receipt of the notice, the Franchisor shall have the option of purchasing the property forming the subject matter thereof upon the same terms and conditions as those set out in the Offer, except (i) that there shall be deducted from the purchase price the amount of any commission or fee that

would otherwise have been payable to any broker, agent or other intermediary in connection with the sale of such property to the (other) offeree, (ii) the Franchisor shall have the right to substitute cash for any other form of consideration specified in the Offer and if the cash amount cannot be agreed upon within ten (10) days, the question shall be referred to an arbitrator who shall be chosen in accordance with the provisions of Section 14 hereof, (iii) the Franchisor shall have the further right to pay in full the entire purchase price at the time of closing (with an appropriate reduction of the purchase price applicable to the present value of paying in cash should the Franchisor elect so to do) and (iv) any and all monies due the Franchisor or any supplier to the Business shall be deducted from the purchase price and applied or paid by the Franchisor. In the case of a sale of assets to which bulk sales laws apply, the Franchisee shall comply with such laws in a manner which will permit the Franchisor to pay the entire purchase price to the Franchisee at closing. The Franchisor may exercise its option at any time within thirty (30) days after receipt of the notice and copy of the Offer by giving notice of acceptance to the Franchisee or the shareholder or partner, as the case may be. If the Franchisor declines to exercise such option and if such transfer is otherwise approved by the Franchisor, the Franchisee or the shareholder or partner, as the case may be, shall be at liberty to complete the transfer to the third party purchaser in accordance with the terms of the Offer, but always pursuant to the provisions of this Agreement, except that notwithstanding the terms of the Offer such transaction must be completed within thirty (30) days of the date on which the Franchisor notifies the Franchisee or the shareholder or partner, as the case may be, of its approval of such transaction. If the transaction is not completed within such thirty (30) day period then the foregoing provisions of this Section shall apply again in respect of the Transfer and so on from time to time.

12.9. No Security

In the event of a sale of the Business, no interest (including any security interest or lien) in this Agreement, in the Lease of the Premises, in any assets of the Business or in any shares in the capital of the Franchisee may be retained or reserved by the Franchisee or by any Guarantor as security for the payment of any obligations that may arise by reason of any Transfer pursuant to the provisions of this Section.

13. GENERAL CONTRACT PROVISIONS

13.1. Security

As security for all the Franchisee's and its Affiliates' monetary and other obligations to the Franchisor or its Affiliates arising under or relating to this Agreement or any other Contract, the Franchisee grants to the Franchisor a first-priority security interest in all the Franchisee's assets, including all personal and fixture property of every kind and nature wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof, including all goods (including inventory, equipment, and accessions thereto), instruments (including promissory notes), documents, accounts, chattel paper, deposit accounts, letter-of-credit rights, commercial tort claims, securities and all other investment property, supporting obligations, any other contract rights or rights to the payment of money, insurance claims and proceeds, and all general intangibles (including all payment intangibles). The Franchisee shall execute such financing statements, continuation statements, notices of lien, assignments or other documents as may be required in order to perfect and maintain the Franchisor's security interest, including a UCC-1 Financing Statement in substantially the same form attached as Schedule G. The Franchisee authorizes the Franchisor to execute, on behalf of either or both of

the parties, any of the documents described in the prior sentence. The Franchisee shall pay all filing fees and costs for perfecting the Franchisor's security interest. The provisions of this paragraph constitute a security agreement under the Uniform Commercial Code; the parties need not enter any further agreement for the Franchisor's security interest to attach to the collateral described above. Notwithstanding the foregoing sentence, if the Franchisor requests the Franchisee to enter its then standard-form security agreement to more fully document the terms of the security interest granted above, the Franchisee shall immediately do so.

13.2. Indemnity

The Franchisee and the Guarantor agree, during and after the term of this Agreement, to, jointly and severally, indemnify and save the Franchisor and its Affiliates harmless against all liability, losses, damages, costs and expenses (including legal fees whether relating to pre-trial, trial, post-trial, appellate, or bankruptcy proceedings) that may be incurred, suffered or sustained by the Franchisor or any of its Affiliates or any of their respective officers, directors, shareholders or owners, employees, representatives, or agents, as a result of the Franchisee's ownership or operation of the Business, any violation of this Agreement by the Franchisee or the Guarantor, or as a result of any act or omission of the Franchisee or the Guarantor or any of its or their Affiliates or their respective officers, directors, shareholders or owners, employees, representatives, or agents or other persons for whom they are at law or pursuant to this Agreement responsible. The within indemnity obligation shall survive any act of bankruptcy or insolvency of any party and shall be enforceable at the instance of the Franchisor against any party.

13.3. Independent Contractor

The Franchisee acknowledges that it is not an agent or employee of the Franchisor but is an independent contractor completely separate from the Franchisor and any of Franchisor's Affiliates, and that it has no authority to bind or attempt to bind the Franchisor or any of Franchisor's Affiliates in any manner or form whatsoever or to assume or to incur any obligation or responsibility, express or implied, on behalf of or in the name of the Franchisor. This Agreement shall not be construed so as to constitute the Franchisee a partner, joint venturer, agent, employee or representative of the Franchisor for any purpose whatever. The Franchisee shall use its own name in obtaining or executing contracts and making purchases, so that the transaction indicates that the Franchisee is acting on its own behalf and not for the Franchisor. The Franchisee shall prominently display on the Premises, and on any other item the Franchisor may from time to time require (including menus and stationary), a notice indicating that it is an independent business operating as a franchisee of the Manchu WOK Restaurant System.

13.4. Interest

Except as provided in Section 8.3 hereof, all monies due and owing to the Franchisor or its Affiliates from time to time by the Franchisee pursuant to this Agreement shall bear interest after the due date until paid in full at a rate equal to the prime rate of interest charged by the Franchisor's banker to its best commercial customers ("**Bank Prime**") plus five (5%) percent (but in no event higher than the maximum interest rate permitted by law to be charged to Franchisee). The acceptance of any principal or interest payment shall not be construed as a waiver by the Franchisor of its rights in respect of the default giving rise to such payment and shall be without prejudice to the Franchisor's right to terminate this agreement in respect of such default. The failure of the Franchisor to charge interest on any amount due at the time such

payment shall first become due, shall not constitute a waiver of its right to charge interest at the rate set out in this Agreement on any or all outstanding amounts, from the date such amounts first become due and payable to the Franchisor pursuant to this Agreement.

13.5. Dishonored Payment

Should any payment be made to the Franchisor by any check or other financial instrument including electronic funds transfer and such payment be dishonored for any reason, the Franchisee shall pay to the Franchisor, together with the replacement of such dishonored payment, a fee (“**Dishonored Check Fee**”) in the amount of One Hundred Dollars (\$100) or the amount charged to the Franchisor by its banker on account of such dishonored check or financial instrument, whichever shall be the greater amount.

13.6. Taxes

The Franchisee agrees to promptly pay when due all taxes levied or assessed by reason of its performance hereunder or by reason of the operation or ownership of the Franchised Business, including any sales or use tax on Equipment and Furnishings purchased or leased, and including, without limitation, its municipal taxes and/or business taxes and any taxes imposed on Franchisor based upon any payments due from Franchisee to the Franchisor whether levied directly or indirectly. If there is a bona fide dispute as to the liability for any tax assessed against the Franchisee, the Franchisee shall have the right to contest the validity of the assessment or the amount of tax owing in accordance with the procedures of the relevant taxing authority, provided there is no cost or expense to the Franchisor or Landlord as a result of such contesting and provided that the Franchisee shall first have paid to the Franchisor the full amount of any sums in dispute, which monies shall be disbursed by the Franchisor when the dispute is resolved in accordance with the decision of the taxing authority or agreement of all relevant parties. Notwithstanding the foregoing, the Franchisee shall in no event permit a tax sale procedure by levy of execution or otherwise to occur against the Premises, the Business or any of the assets thereof.

13.7. Right of Set-Off

Notwithstanding any other provision of this Agreement, upon the failure of the Franchisee to pay to the Franchisor or any of its Affiliates or any approved supplier as and when due any amount owing to them, the Franchisor may, at its election, deduct such unpaid amount from any monies or credit held by the Franchisor or any of its Affiliates for the account of the Franchisee and pay such amounts to the payee thereof.

13.8. Survival

All covenants, agreements, representations and warranties made in this Agreement by the Franchisee and the Guarantor (including those set forth in Section 13.2 and Sections 10, 11, 14, and 15) shall continue in full force and effect subsequent to and notwithstanding the Agreement’s expiration or sooner termination and until they are satisfied or by their nature expire.

13.9. Waiver of Obligations

The Franchisor’s failure or delay at any time to require performance by the Franchisee or

the Guarantor of any provision of this Agreement, even if known, or of any other franchisee or guarantor, or under any custom or practice of the parties at variance with the terms of this Agreement shall not affect the Franchisor's right to require performance of that provision or to exercise any right, power or remedy hereunder, including without limitation, the Guarantor's personal guarantee of the Franchisee's obligations to the Franchisor. The Franchisor's waiver of any breach of any provision of this Agreement should not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any right, power or remedy under this Agreement. No notice to or demand on any party in any case shall, of itself, entitle such party to any other or further notice or demand in similar or other circumstances. The Franchisor, however, may by written instrument unilaterally waive any obligation of or restriction upon the Franchisee under this Agreement.

13.10. No Withholding

The Franchisee and the Guarantor agree that they will not, on grounds of the alleged non-performance by the Franchisor of any of its obligations hereunder or for any other reason whatsoever, withhold payment of any administration fee or any other fee or amounts due hereunder (including without limitation Royalty or Marketing fee or contribution) or otherwise to the Franchisor or any of its Affiliates.

13.11. Rights Cumulative

The rights of the Franchisor hereunder are cumulative and no exercise or enforcement by the Franchisor of any right or remedy shall preclude the exercise or enforcement by the Franchisor of any other right or remedy, either hereunder or which the Franchisor is otherwise entitled by law to enforce.

13.12. Force Majeure

No party shall be responsible to another for non-performance or delay in performance occasioned by any causes beyond its reasonable control, including, without limitation, acts or omissions of the other party, acts of civil or military authority, labor disputes, strikes, lockouts, unusual delay by common carrier, unavailability of supplies, embargoes, insurrections or acts of God, provided that inability of a party to obtain funds shall be deemed to be a cause within the control of such party. If any such delay occurs, any applicable time period shall be automatically extended for a period equal to the time lost, as long as the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay. Notwithstanding the foregoing, nothing shall excuse late payments, or extend the due date, of amounts owed to the Franchisor.

13.13. Notices

All notices, requests, demands, consents and other communications required or permitted under this Agreement to any party shall be effective only when delivered in writing (including facsimile, telex and telegraphic communication) and must be (as elected by the person giving such notice) hand delivered by messenger or courier service, telecommunicated, faxed or mailed (airmail if other than local) by registered or certified mail (postage prepaid), return receipt requested, addressed to the appropriate party or parties at their respective addresses set forth above (and, if to the Franchisor, must be addressed to its President and

C.E.O.) or to such other address as each such party may designate by notice complying with the terms of this Section. Each such notice is deemed delivered:

- (a) on the date delivered if by personal delivery;
- (b) on the date of transmission, with confirmed answer back if by fax or other telegraphic method; or
- (c) on the date upon which the return receipt is signed or delivery is refused or the notice is designated by the postal authorities or courier service as not deliverable, as the case may be, if mailed or couriered.

The Confidential Manual, any revisions to the Confidential Manual, and/or any written instructions that Franchisor furnishes to Franchisee relating to operational matters shall not be deemed as “Notices” for the purposes of the delivery requirements of this Section 13.13.

13.14 Interpretation of Rights and Obligations. The following provisions apply to and govern the interpretation of this Agreement, the parties’ rights under this Agreement, and the relationship between the parties.

13.4.1 Franchisor’s Rights. Whenever this Agreement provides that Franchisor has a certain right, that right is absolute and the parties intend that Franchisor’s exercise of that right will not be subject to any limitation or review. Franchisor has the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement, although this right does not modify any express limitations set forth in this Agreement.

13.4.2 Franchisor’s Reasonable Business Judgment. Whenever Franchisor reserves discretion in a particular area or where Franchisor agrees to exercise its rights reasonably or in good faith, Franchisor will satisfy its obligations whenever it exercises reasonable business judgment (“**Reasonable Business Judgment**”) in making a decision or exercising a right. Franchisor’s decisions or actions will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if Franchisor’s decisions or actions are intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes Franchisor’s financial or other individual interests. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System.

14. DISPUTE RESOLUTION

14.1. Arbitration

(a) Except as otherwise provided in this Section, any controversy or dispute arising out of, or relating to the franchise or this Agreement including, but not limited to, any claim by the Franchisee, any Guarantor or any person in privity with or claiming through, on behalf of or in the right of the Franchisee, concerning the entry into, performance under, or termination of this Agreement or any other agreement entered

into by the Franchisor, or its subsidiaries or affiliates, and the Franchisee, any claim against a past or present employee, officer, director or agent of the Franchisor, any claim of breach of this Agreement and any claims arising under State or Federal laws, except for claims brought pursuant to the Lanham Act, 15 U.S.C. Sections 1051 *et seq.*, shall be submitted to final and binding arbitration as the sole and exclusive remedy for any such controversy or dispute.

(b) Unless prohibited by applicable law, any claim shall be made by filing a written demand for arbitration within one (1) year following the conduct, act or other event or occurrence first giving rise to the claim; otherwise, the right to any remedy shall be deemed forever waived and lost.

(c) Persons in privity with or claiming through, on behalf of or in the right of the Franchisee include, but are not limited to, spouses and other family members, heirs, executors, representatives, successors and assigns.

(d) Subject to this Section 14, the right and duty of the parties to this Agreement to resolve any disputes by arbitration shall be governed exclusively by the *Federal Arbitration Act*, 9 U.S.C. § 1 *et seq.*, as amended, and arbitration shall take place according to the Commercial Arbitration Rules of the American Arbitration Association in effect as of the date the demand for arbitration is filed.

(e) The arbitration shall be held in Phoenix, Arizona and conducted entirely in the English language. However, arbitration will not be used for any dispute which involves the Franchisee's continued usage of any of the Marks or the System, business concept or any issue involving injunctive relief against the Franchisee, all of which issues will be submitted to a court within the State of Arizona. The parties expressly consent to personal jurisdiction in the State of Arizona and agree that the state and federal court(s) will have exclusive jurisdiction over any such issues not subject to arbitration.

(f) Each party shall agree on one arbitrator selected from a panel of neutral arbitrators provided by the National Franchise Mediation Program of the CPR Institute for Dispute Resolution (located at New York, NY) and the arbitrator shall be chosen by the striking method. The parties each shall bear all of their own costs of arbitration; however, the fees of the arbitrator shall be divided equally between the parties. The arbitrator shall have no authority to amend or modify the terms of this Agreement. Each party further agrees that, unless such a limitation is prohibited by applicable law, the other party shall not be liable for punitive or exemplary damages and the arbitrator shall have no authority to award the same. The prevailing party shall be entitled to actual costs and attorneys' fees incurred in any such arbitration. The award or decision by the arbitrator shall be final and binding on the parties and may be enforced by judgment or order of a court having subject matter jurisdiction in the state of Arizona. The parties consent to the exercise of personal jurisdiction over them by such courts and to the propriety of venue of such courts for the purpose of carrying out this provision; and they waive any objections that they would otherwise have concerning such matters.

(g) Parties to arbitration under this Agreement shall not include, by consolidation, joinder or in any other manner, any person, other than the Franchisee and Guarantor, in privity with or claiming through, in the right of or on behalf of the Franchisee or the Franchisor, unless both parties consent in writing. To the extent

permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration hereunder, except to the extent such issue may have been determined in another proceeding between the Franchisor and the Franchisee or any person in privity with or claiming through, in the right of or on behalf of the Franchisee or the Franchisor.

(h) The parties waive, to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which either party may have against the other arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a claim or other proceeding contemplated by this Agreement, recovery shall be limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

14.2. Waiver of Jury Trial

In the event that any state or federal court asserts jurisdiction over a dispute between Franchisor and Franchisee or any Guarantor of Franchisee, Franchisor, Franchisee, and Guarantor each waive their right to a trial by jury. Franchisee, Guarantor, and Franchisor acknowledge that the parties' waiver of jury trial rights provides the parties with the mutual benefit of uniform interpretation of this Agreement and resolution of any dispute arising out of this Agreement or any aspect of the parties' relationship. Franchisee, Guarantor, and Franchisor further acknowledge the receipt and sufficiency of mutual consideration for such benefit.

14.3. Remedies

The court or arbitrator will have the right to award any relief which it deems proper in the circumstances, including, without limitation, money damages (with interest on unpaid amounts from the date due), lost profits, specific performance, injunctive relief, and attorney's fees and costs. The parties agree that any claim for lost earnings or profits by Franchisee shall be limited to a maximum amount equal to the net profits of the Business for the prior year as shown on Franchisee's federal income tax return. The parties further agree that, in addition to such other damages awarded by the court, if this Agreement is terminated because of Franchisee's default, Franchisee shall be liable to Franchisor for a lump sum amount equal to the net present value of the royalties and Fund contributions that would have become due following termination of this Agreement for the period this Agreement would have remained in effect but for Franchisee's default. Royalties and Marketing Fund Contributions for purposes of this Section shall be calculated based on the Business' average monthly Gross Sales for the twelve (12) months preceding the termination date.

14.4. Legal Fees

If Franchisee is in default under this Agreement, then Franchisee shall pay Franchisor all damages, costs, and expenses (including legal fees) that Franchisor incurs as a result of Franchisee's default under this Agreement or any other agreement between Franchisee (and its affiliates) and Franchisor (and our affiliates).

14.5. Reduced Time Within Which to Commence Actions

ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE RELATIONSHIP OF FRANCHISOR AND FRANCHISEE, OR FRANCHISEE'S OPERATION OF THE RESTAURANT, BROUGHT BY ANY PARTY HERETO AGAINST ANY OTHER SHALL BE COMMENCED WITHIN TWO (2) YEARS FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM OR ACTION, OR SUCH CLAIM OR ACTION SHALL BE FOREVER BARRED.

15. GENERAL PROVISIONS

15.1. Time

All date and time measurements under this Agreement shall refer to the date and time at Franchisor's headquarters in Markham, Ontario.

15.2. Dollars

All payments required under this Agreement shall be made in U.S. Dollars.

15.3. Independent Investigation

The Franchisee and the Guarantor acknowledge that they have conducted an independent investigation of the Business franchised hereunder, recognize that the business venture contemplated by this agreement involves business risks and also recognize that its success will be largely dependent upon the ability of the Franchisee and Guarantor as independent business persons. The Franchisee and the Guarantor acknowledge that the Franchisor has not made, save as may have been set out in the appropriate Disclosure Document if any, any representation as to current or future sales, income, costs, or profits or to Franchisee's proposed business. The Franchisee and the Guarantor acknowledge that they have not received from the Franchisor or any other person on behalf of the Franchisor any representation, warranty or guarantee, express or implied, with respect to the above described matters or as to success of the business venture contemplated by this Agreement.

15.4. Independent Advice

The Franchisee and the Guarantor acknowledge that they have received, have had an ample time to read and have read this Agreement and fully understand its provisions. The Franchisee and the Guarantor further acknowledge that they have had an adequate opportunity to be advised by advisors of their own choosing (including without limitation their own lawyers, accountants, and bankers) regarding all pertinent aspects of this franchise and the franchise relationship created hereby and that they have done so with the full understanding and knowledge of all of the terms hereof.

16. REPRESENTATIONS AND WARRANTIES

16.1. No Reliance

Except as expressly provided to the contrary in this Agreement, the Franchisor makes no representations, warranties, or guarantees upon which the Franchisee may rely. Nor does the Franchisor assume any liability or obligation to the Franchisee by providing any waiver,

approval, consent, or suggestion to the Franchisee in connection with this Agreement; or by reason of any neglect, delay, or denial of any request therefore unless such conduct would otherwise constitute a breach of an express obligation of the Franchisor under this Agreement. However, nothing in this Agreement or in any related agreement is intended, however, to disclaim the representations we made in the franchise disclosure document that we furnished to you.

THE FRANCHISOR MAKES NO WARRANTY AS TO THE FRANCHISEE'S ABILITY TO OPERATE THE FRANCHISED BUSINESS IN THE JURISDICTION IN WHICH THE FRANCHISED BUSINESS IS TO BE OPERATED. THE FRANCHISEE ITSELF MUST SEEK OR OBTAIN ADVICE OF COUNSEL SPECIFICALLY WITH RESPECT TO THIS ISSUE. IF LAWS OR REGULATIONS PROMULGATED, BY ANY GOVERNMENTAL BODY PREVENTS THE FRANCHISEE FROM OPERATING THE FRANCHISED BUSINESS, THE FRANCHISOR SHALL NOT BE LIABLE FOR DAMAGES NOR REQUIRED TO INDEMNIFY THE FRANCHISEE IN ANY MANNER WHATSOEVER NOR TO RETURN ANY MONIES RECEIVED FROM THE FRANCHISEE.

16.2. The Franchisee's Representations

The Franchisee and Guarantor(s) represent and warrant to Franchisor, and agree, that:

(a) The Franchisee is not obtaining this Franchise for speculative or investment purposes. The Franchisee has no present intention to sell or transfer or attempt to sell or transfer this Agreement or the Business in whole or in part.

(b) Copies of all documents the Franchisee, any of its owners, and the Guarantor must furnish to the Franchisor in connection with obtaining the Franchise, and as required in the future, have been and will be true and complete copies of such documents (including all amendments or modifications thereof) and contain no misleading or incorrect statements or material omissions.

(c) The Franchisee has received from the Franchisor a Franchise Disclosure Document ("**FDD**") for the state where the Business will be located and, if different, the state where the Franchisee resides (with all exhibits and supplements thereto), at least 14 calendar days prior to:

(i) executing this Agreement and every other agreement imposing a binding obligation on the Franchisee in connection with the sale of the Franchise; and

(ii) the Franchisee's paying any consideration in connection with the sale, or proposed sale, of the Franchise.

(d) No material changes to the Franchise Agreement or any other agreement that Franchisee is signing with the Franchisor or any affiliate of the Franchisor has been made within the seven calendar days immediately prior to the date that Franchisee executes the Franchise Agreement.

(e) Franchisor expressly disclaims the making of any guarantee, express or implied, and Franchisee acknowledges that it has not received or relied upon any

representations of revenue, as to potential volume profits or success of the business venture contemplated by this Agreement, including any statement regarding the profits or existing franchised or company-owned Manchu WOK Restaurant.

16.3. Acknowledgement of Risk

The Franchisee acknowledges and agrees to the following:

(a) THE FRANCHISEE'S SUCCESS IN OWNING AND OPERATING THE FRANCHISED BUSINESS IS SPECULATIVE AND WILL DEPEND ON MANY FACTORS. SUCH FACTORS INCLUDE, TO A LARGE EXTENT, THE FRANCHISEE'S INDEPENDENT BUSINESS ABILITY. EXCEPT AS SPECIFICALLY INCLUDED IN THIS AGREEMENT, NO REPRESENTATIONS OR PROMISES, EXPRESS OR IMPLIED, HAVE BEEN MADE BY THE FRANCHISOR OR ANY EMPLOYEE, BROKER, OR REPRESENTATIVE OF THE FRANCHISOR, TO INDUCE THE FRANCHISEE TO ENTER INTO THIS AGREEMENT. NO EMPLOYEE, OFFICER, DIRECTOR, BROKER OR REPRESENTATIVE IS AUTHORIZED TO DO OTHERWISE.

(b) IN ALL OF THE FRANCHISEE'S DEALINGS WITH THE FRANCHISOR'S OWNERS, OFFICERS, DIRECTORS, EMPLOYEES, AND REPRESENTATIVES, SUCH INDIVIDUALS ACT ONLY IN THEIR REPRESENTATIVE CAPACITY AND NOT IN AN INDIVIDUAL CAPACITY. THE FRANCHISEE FURTHER ACKNOWLEDGES THAT THIS AGREEMENT AND ALL BUSINESS DEALINGS BETWEEN THE FRANCHISEE AND SUCH INDIVIDUALS AS A RESULT OF THIS AGREEMENT ARE SOLELY BETWEEN THE FRANCHISEE AND THE FRANCHISOR. NOTWITHSTANDING THE FOREGOING, IF FRANCHISOR ENGAGES ANY BROKER, SUCH BROKER SHALL BE SOLELY LIABLE FOR ITS CONDUCT IN CONNECTION WITH THE FRANCHISEE EXCEPT THAT FRANCHISOR SHALL REMAIN LIABLE FOR THE BROKER'S CONDUCT SOLELY TO THE EXTENT OF FRANCHISOR'S OWN CRIMINAL, INTENTIONAL OR GROSSLY NEGLIGENT CONDUCT REGARDING ENGAGING SUCH BROKER.

16.4. Business Opportunity Disclaimers

The Franchisor makes no representation, warranty, or guaranty—express or implied—concerning any of the following matters:

(a) that it will purchase any products made, produced, fabricated, or modified by the Franchisee using supplies or services sold to the Franchisee; or

(b) that the Franchisee will derive income from the Franchise that exceeds the price paid for it; or that the Franchisor will refund all or part of the purchase price for the Franchise, or repurchase any of the products, equipment, or supplies provided by the Franchisor, if the Franchisee is unsatisfied with the Franchise.

17. GENERAL PROVISIONS

17.1. Release of Prior Claims

By executing this Agreement, the Franchisee (and all of its owners, including the Guarantor) and each of its/his/her successors under this Agreement, forever releases and discharges the Franchisor and its affiliates, its designees, franchise sales brokers, if any, and other agents, and their respective officers, directors, representatives, employees and agents, from any and all claims of any kind, in law or in equity, that may exist as of the date of this Agreement relating to this Agreement or any other agreement between the parties, or relating in any other way to the conduct of the Franchisor, its affiliates, its designees, franchise sales brokers, if any, or other agents, and their respective officers, directors, representatives, employees and agents before the date of this Agreement, including any and all claims, whether presently known or unknown, suspected or unsuspected, arising under the franchise, business opportunity, securities, antitrust or other laws of the United States, any state or locality.

17.2. Amendments

The provisions of this Agreement may be amended, supplemented, waived or changed only by a written document signed by the party as to whom enforcement of any such amendment, supplement, waiver, or modification is sought and making specific reference to this Agreement.

17.3. Binding Effect

All of the terms and provisions of this Agreement, whether so expressed or not, are binding upon, inure to the benefit of, and are enforceable by the parties and their respective personal representatives, legal representatives, heirs, successors, and permitted assigns.

17.4. Severability

(a) If any provision of this Agreement, or any other agreement entered into under or in connection with this Agreement, is contrary to, prohibited by, or deemed invalid under applicable law or regulation, such provision is inapplicable and deemed omitted to the extent so contrary, prohibited, or invalid, but the remainder of this Agreement is not invalidated thereby and must be given full force and effect so far as possible. If any provision of this Agreement may be construed in two or more ways, any of which would render the provision invalid or otherwise voidable or unenforceable and another of which would render the provision valid and enforceable, such provision has the meaning that renders it valid and enforceable.

(b) If any applicable law of any jurisdiction requires greater prior notice of termination or non-renewal of this Agreement than is required hereunder or the taking of some action not required under this Agreement, the greater prior notice and/or other action required by such law must be substituted for its counterpart under this Agreement. If, under any applicable law of any appropriate jurisdiction, any provision of this Agreement or any requirement prescribed by the Franchisor is invalid or unenforceable, the Franchisor may, in its sole discretion, modify such invalid or unenforceable requirement to the extent required to be valid and enforceable. Unless the Franchisor elects to give them greater applicability, the foregoing substitutions and modifications to

this Agreement are effective only in the jurisdiction in which they are required. In all other jurisdictions, this Agreement must be enforced as originally made and entered.

17.5. Effectiveness - Counterparts

This Agreement is not effective or binding or enforceable against the Franchisor until it is accepted by the Franchisor at its home office in Markham, Ontario, Canada. This Agreement may be executed in one or more counterparts, each of which is an original, but all of which together constitute one and the same instrument. Confirmation of execution by telecopy or fax transmission (or other mutually-acceptable electronic exchange of signature pages) of a facsimile signature page is binding upon any party to such confirmation.

17.6. Interpretation

Each of the parties has been or has had the opportunity to have been represented by their own counsel throughout the negotiations, as well as at the execution of this Agreement and all the other documents executed incidental to this Agreement. Therefore, either while this Agreement is effective or after its expiration or sooner termination, none of the parties may claim or assert that any provision of this Agreement or of the other documents should be construed against the drafter thereof.

17.7. Entire Agreement

This Agreement (together with its Exhibits, and all other written agreements related to this Agreement that are expressly referenced herein) represents the entire understanding and agreement between the parties with respect to the subject matter of this Agreement, and supersedes all other negotiations, understandings, and representations, if any, made by and between the parties. No representation, inducement, promise, or agreement, oral or otherwise not embodied in this Agreement, its Exhibits, or other written agreement related to this Agreement and expressly referenced herein shall have any force or effect. However, nothing in this Agreement or in any related agreement is intended, however, to disclaim the representations we made in the franchise disclosure document that we furnished to you.

17.8. Liability of Multiple Franchisees

If the Franchisee consists of more than one person, all such persons are jointly and severally liable for the Franchisee's liabilities and obligations under this Agreement.

17.9. Third Parties

Except as expressly provided in this Agreement to the contrary with respect to any affiliates of the Franchisor, nothing in this Agreement whether express or implied, confers any rights or remedies under or by reason of this Agreement on any persons (including other Manchu WOK franchisees) other than the parties and their respective personal or legal representatives, heirs, successors, and permitted assigns.

17.10. Guarantee

All the Franchisee's legal and beneficial owners must sign the guarantee in the form attached as Schedule H to this Agreement. By doing so, each of such owners agrees that he or

she is bound by all the terms of this Agreement as if he or she were the Franchisee thereunder and agrees that he or she is jointly and severally liable with the other owners and the Franchisee for all the Franchisee's obligations under this Agreement.

17.11. Designated Franchisee Spokesperson

Franchisee and Franchisor recognize that more than one individual may have a legal or equitable ownership interest in Franchisee ("Owners"). For this reason, and in order to (i) streamline communications between Franchisor and Franchisee; and (ii) protect and insulate Franchisor from potential claims from or liability to any Owner that may arise as a result of actions or inactions taken by Franchisor after having received conflicting advice and/or instructions from Owners, the parties appoint the individual whose name appears on the signature page of this Agreement as the Designated Spokesperson pursuant to this Section 17.11. The Designated Spokesperson shall have full authority to speak on behalf of, as well as bind and commit, Franchisee with respect to all rights, obligations and performance pursuant to this Agreement. The Designated Spokesperson shall not be changed without the prior written consent of both Franchisor and Franchisee.

17.12. Franchisor's Business Judgment

Whenever Franchisor exercises a right and/or discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make such decision or exercise its right and/or discretion on the basis of its judgment of what is in its best interests. "Best interests" includes what Franchisor believes to be the best interests of the System at the time the decision is made or the right or discretion is exercised even though (a) there may have been other alternative decisions or actions that could have been taken; (b) Franchisor's decision or action taken promotes Franchisor's financial or other individual interest; or (c) Franchisor's decision or the action it takes may apply differently to different franchisees or any company-owned or affiliate-owned Restaurants. In the absence of an applicable statute, Franchisor will have no liability to Franchisee for any such decision or action. The exercise of the right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Franchisee agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions or take/refrain from taking actions not inconsistent with Franchisee's rights and obligations hereunder.

17.13. Governing Law

This Agreement shall be governed by and be construed in accordance with the laws of the State of Arizona.

--- Signatures on following page --

IN WITNESS WHEREOF this Agreement has been executed on the date first above written.

FRANCHISOR:

MTY FRANCHISING USA, INC.

By: _____
[Name, Title]

I have authority to bind the Corporation

FRANCHISEE:

[FRANCHISEE]

By: _____
[Name, Title]

I have authority to bind the legal entity

By: _____
[Name, Title]

I have authority to bind the legal entity

GUARANTOR:

By: _____
[Name], an individual

GUARANTOR:

By: _____
[Name], an individual

GUARANTOR:

By: _____
[Name], an individual

Schedule "A"

Trademarks

Manchu WOK

Manchu WOK Fast & Fresh Chinese Cuisine

Schedule "B"

Premises and Lease Description

The "**Manchu WOK Restaurant**" shall only be the following street address:

The Lease commencement date is _____.

The Lease Expiration Date is _____.

The Designated Manager is _____.

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Schedule "C"

Trade Area
(if applicable)

Schedule "D"

Lease Addendum (Section 4.2(a) (i))

MANCHU WOK LEASE ADDENDUM

THIS LEASE ADDENDUM (the "**Addendum**") has been executed as of _____, 2014, by and between _____ ("**Franchisee**") and ("**Landlord**"), as an addendum to the lease, as modified, amended, supplemented, renewed and/or extended from time to time as contemplated herein ("**Lease**") dated as of _____, 2014 for the premises located at _____, (address) in the State of _____ ("**Premises**").

Franchisee has also entered (or will also enter) into a Franchise Agreement ("Franchise Agreement") with MTY Franchising USA, Inc. ("Franchisor") for the development and operation of a "Manchu WOK" restaurant at the Premises. As a condition to obtaining Franchisor's approval of the Lease, the Lease must contain the provisions of this Addendum.

NOW THEREFORE, in consideration of mutual covenants set forth herein, the execution and delivery of the Lease, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Franchisee hereby agree as follows:

1. The Premises may be used solely for the operation of a "Manchu WOK" business. Franchisee, as the tenant under the Lease, shall have the right to display and use the "Manchu WOK" marks and signs in the manner required by the Franchisor, provided that such signs comply with applicable sign ordinances.
2. Franchisor, along with its successors and assigns, is an intended third party beneficiary of the provisions of this Addendum.
3. Franchisee and Landlord acknowledge and agree that Franchisor shall have no liability or obligation whatsoever under the Lease unless and until Franchisor assumes the Lease in writing pursuant to this Addendum. The parties also agree that by signing this Addendum, Franchisor has not guaranteed Franchisee's obligations to Landlord.
4. Franchisee and Landlord agree that they will not modify, amend, supplement, and/or extend, nor (in the case of Franchisee) assign the Lease rights, without Franchisor's prior written consent, which shall not be unreasonably withheld. (The parties acknowledge that it would be reasonable for Franchisor not to consent to an assignment of Franchisee's rights to another operator specializing in the sale of Chinese and Asian-style food, or another similar competitor.) Landlord and Franchisee acknowledge and agree that under the Franchise Agreement, Franchisee has agreed to assign to Franchisor, its parent, or any of its affiliates, all of Franchisee's rights, title and interests to and under the Lease upon any termination or non-renewal of the Franchise Agreement, but no such assignment shall be effective unless and until: (a) the Franchise Agreement is terminated or expires without renewal; (b) Franchisor has exercised its Option to Purchase under the Franchise Agreement; and (c) Franchisor notifies the Franchisee and Landlord in writing that Franchisor assumes Franchisee's obligations under the Lease.

5. Landlord agrees to deliver to Franchisor a copy of any notice of default or termination of the Lease at the same time such notice is delivered to Franchisee.
6. Franchisor shall have the right, but not the obligation, to cure any breach of the Lease upon giving written notice of its election to Franchisee and Landlord, and, if so stated in the notice, to also succeed to Franchisee's rights, title and interests thereunder. If Franchisor assumes the Lease as provided above, Franchisor may, with Landlord's prior written consent, which shall not be unreasonably withheld, further assign the Lease to another franchisee of Franchisor to operate a "Manchu WOK" restaurant at the Premises. Landlord and Franchisee agree to execute such further documentation to confirm Landlord's consent to the assignment permitted under this Addendum as Franchisor or Landlord may reasonably request for that purpose. Upon such assignment, Franchisor shall be released from any further liability under the terms and conditions of the Lease.
7. Landlord and Franchisee acknowledge that Franchisee has agreed under the Franchise Agreement that Franchisor and its employees or agents shall have the right to enter the Premises for certain purposes. Landlord agrees not to interfere with or prevent such entry. Landlord and Franchisee further acknowledge that if the Franchise Agreement expires (without renewal) or is terminated, then Franchisee has an obligation under the Franchise Agreement to take certain steps to properly de-identify the Premises as a "Manchu WOK" restaurant (unless Franchisor takes an assignment of the lease, as provided above). Landlord agrees to permit Franchisor, its employees or agent, to enter the Premises and remove signs (both interior and exterior), décor and materials displaying any marks, designs or logos owned by Franchisor, provided that Franchisor shall provide at least five (5) days' notice to Landlord before entering the site and shall bear the expense of repairing any damage to the Premises as a result thereof.
8. Landlord and Franchisee agree that the terms in this Addendum shall supersede any terms to the contrary set forth in the Lease.
9. Landlord and Franchisee agree that copies of any and all notices required or permitted under this Addendum, or under the Lease, shall also be sent to Franchisor at MTY Franchising USA, 9311 E. Via De Ventura, Scottsdale, Arizona 85258 (attention Legal Department), or to such other address as Franchisor may specify by giving written notice to Landlord.

--- Signatures on following page --

The parties to this Addendum have signed and delivered this Addendum as of the date(s) noted below.

Landlord:

MTY Franchising USA, Inc. *

Franchisee:

Date:

Date:

Date:

Subscribed and sworn to
before me this ____ day of
_____, 201____.

Subscribed and sworn to
before me this ____ day of
_____, 201____.

Subscribed and sworn to
before me this ____ day
of _____,
201____.

Notary Public

Notary Public

Notary Public

My Commission expires:

My Commission expires:

My Commission expires:

** The Franchisor has signed
this lease addendum only to
acknowledge its terms and not
to accept any obligations
under the lease.*

Franchisee:

Date:

Subscribed and sworn to
before me this ____ day
of _____,
201____.

Notary Public

My Commission expires:

Subscribed and sworn to before me this ____ day of

Schedule "E"

Development Obligations (Section 4.3)

Schedule "F"

**List of Persons With a Legal and/or Beneficial Ownership Interest in Franchisee
(Section 12.3)**

Name of Franchisee: _____

Persons:

<u>Name</u>	<u>Ownership Interest Percentage</u>
1. _____	_____ %
2. _____	_____ %
3. _____	_____ %
4. _____	_____ %

Schedule "G"

UCC-1 and Rider (Section 13.1)

Schedule "H"

Guarantee, Indemnification, and Acknowledgment

As an inducement to MTY Franchising USA, Inc. ("**Franchisor**") to execute and deliver the MTY Franchising USA, Inc. Franchise Agreement between Franchisor and _____ ("**Franchisee**") dated _____, 20__ (the "**Agreement**"), the undersigned, jointly and severally, hereby unconditionally guarantee to Franchisor and Franchisor's successors and assigns that all of Franchisee's monetary obligations under the Agreement will be punctually paid and performed.

Upon demand by Franchisor, the undersigned will immediately make each payment required of Franchisee under the Agreement (including but not limited to payments Franchisee is required to make to Franchisor and its affiliates). The undersigned hereby waive any right to require Franchisor to: **(a)** proceed against Franchisee for any payment required under the Agreement; **(b)** proceed against or exhaust any security from Franchisee; or **(c)** pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee. Without affecting the obligations of the undersigned under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee. The undersigned waive notice of amendment of the Agreement and notice of demand for payment by Franchisee, and agree to be bound by any and all such amendments and changes to the Agreement.

The undersigned hereby agree to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney's fees, reasonable costs of investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement, any amendment thereto, or any other agreement execute and delivered by Franchisee referred to therein.

The undersigned hereby acknowledge and agree to be individually bound by all of the promises contained in the following Sections of the Agreement: Section 9 (with respect to trademarks); Section 10 (with respect to obligations after termination of the Agreement); Section 11 (with respect to confidentiality and covenants against competition); and Section 12 (with respect to transfers of interests in Franchisee).

The undersigned acknowledge and agree that: (a) this Guarantee does not grant the undersigned any right to use any of Franchisor's marks (including but not limited to the "Manchu WOK" marks) or the system licensed to Franchisee under the Agreement; (b) that they have read, in full, and understand, all of the provisions of the Agreement that are referred to above in this paragraph, and that they intend to fully comply with those provisions of the Agreement as if they were printed here; and (c) that they have had the opportunity to consult with a lawyer of their own choosing in deciding whether to sign this Guarantee.

This Guarantee shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be

bound by this Guarantee, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 14 of the Agreement (including but not limited to the waiver of punitive damages, waiver of jury trial, agreement to bring claims within two years, and agreement not to engage in class or common actions). This Guarantee shall be interpreted and construed exclusively under the laws of the State of Arizona. In the event of any conflict of law, the laws of the State of Arizona shall prevail (without regard to, and without giving effect to, the application of Arizona conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Agreement.

_____	_____	_____
(in his/her personal capacity)	(in his/her personal capacity)	(in his/her personal capacity)
Printed Name: _____	Printed Name: _____	Printed Name: _____
Date: _____	Date: _____	Date: _____
Home Address: _____ _____	Home Address: _____ _____	Home Address: _____ _____



EXHIBIT D

Manchu WOK

SUBLEASE AGREEMENT

S U B L E A S E

DATED THIS _____ DAY OF _____, 20__ FOR A TERM COMMENCING THE _____ DAY OF _____, 20__

BETWEEN:

MTY FRANCHISING USA, INC., a corporation incorporated under the laws of the State of Tennessee (hereinafter referred to as the “**Lessee**” or “**Franchisor**”), whose principal offices are located at 9311 East Via de Ventura, Scottsdale, AZ 85258.

AND:

Franchisee Company or Franchisee a corporation incorporated under the laws of the State of _____ (hereinafter referred to as the “Sublessee”), whose principal offices are located at _____

AND:

Guarantors

*both/an individual residing in the State of _____ (hereinafter (collectively) referred to as the “Guarantor”), whose principal residence(s) _____ is/are _____ located _____ at _____

PREAMBLE

WHEREAS by Lease dated the _____ day of _____, 20__, a copy of which has been reviewed by the Sublessee and is attached hereto as **Schedule “A”** (hereinafter referred to as the “**Lease**”) **LANDLORD NAME** (hereinafter referred to as the “**Lessor**”) leased to **MTY FRANCHISING USA, INC.**, (the Lessee or Franchisor) certain premises situated at address of restaurant (hereinafter referred to as the “**Premises**”), for a term of ____ (#) years, the whole as more fully set out and described in the said Lease;

and **WHEREAS MTY FRANCHISING USA, INC.** and the Sublessee have entered into a Franchise Agreement of even date for a term commencing the _____ day of _____, 20__ (hereinafter referred to as the “**Franchise Agreement**”), a copy of which each party hereto acknowledges having received;

and **WHEREAS** the Lessee and Sublessee wish to execute this Sublease (the “**Sublease**”); in respect of the Premises;

NOW, THEREFORE, IN CONSIDERATION OF THE RENTS, COVENANTS AND AGREEMENTS HEREINAFTER SET FORTH AND THE SUM OF TEN DOLLARS (\$10.00) PAID BY EACH OF THE PARTIES HERETO TO THE OTHER, THE RECEIPT AND SUFFICIENCY WHEREOF IS HEREBY ACKNOWLEDGED, THE PARTIES AGREE AS FOLLOWS:

SECTION I - SUBLEASE AND TERM

1.1 The Lessee hereby subleases the Premises to the Sublessee in accordance with and subject to the terms and conditions of this Sublease, for a term commencing on the _____ day of _____, 20__, and terminating, without notice or demand, on the date of expiration of the Lease, less one (1) day. The Lessee excepts from the term of this Sublease the last day of the term of the Lease, each party acknowledging and agreeing this Sublease is, and is intended to be, a Sublease of the Premises and that this Sublease shall not operate as an assignment of the Lease to the Sublessee.

SECTION II - NET SUBLEASE

2.1 It is the express intent of the parties that this Sublease is to be an absolutely net Lease to the Lessee during the term hereof, free and clear of all payments, charges, taxes and obligations of any nature whatsoever with respect to the Premises, the contents thereof or the use or occupancy thereof, except as may be expressly set forth in this Sublease.

SECTION III - MINIMUM AND ADDITIONAL RENT

3.1 The Sublessee covenants to pay minimum or basic rent in accordance with the minimum or basic rent provisions of the Lease.

3.2 The Sublessee covenants to pay all other amounts required to be paid by the Lessee, whether to the Lessor or otherwise, pursuant to the Lease including, if applicable but without limitation, percentage rent, operating expenses, merchant association dues, advertising and promotion fund payments, public utility charges, business taxes in respect of the business carried on in the Premises or the improvements, equipment and facilities thereon, as well as the real estate taxes, rates, duties and assessments as may be levied, charged or assessed against or in respect of the Premises or the building in which they are situated, and any and all taxes, whether of the same nature or not, which may in the future be levied in addition to or in lieu of such taxes, whether any such taxes, rates, duties or assessments are charged by any federal, municipal, state, school or other governmental body; provided that all such amounts payable pursuant to the Lease shall be calculated and payable in accordance with the provisions of the Lease.

3.3 Notwithstanding the provisions of section 3.4 below, Sublessee shall pay to the Lessee a one-time fee equal to \$_____ ("**Lease Administration Fee**") to compensate Lessee for entering into the sublease agreement.

3.4 All payments required to be made by the Sublessee hereunder shall, unless otherwise specified by the Lessee herein or otherwise by notice in writing to the Sublessee, be made by the Sublessee directly to the Lessor. Furthermore, all payments shall be made without the necessity of any demand therefor, without any deduction or abatement and regardless of any claim, set off or compensation which may be asserted by the Sublessee.

3.5 Except as otherwise expressly provided under this Sublease, all amounts required to be paid by the Sublessee hereunder shall be deemed to be rent and collectable by the Lessee as rent, with all rights and remedies as reserved to the Lessee as it has under this Sublease and at law in respect of rent in arrears.

3.6 The Lessee acknowledges receipt from the Sublessee of advance rent in the amount specified in the Schedule forming part of this Sublease, to be held without interest by the Lessee and applied on account of the rent payable for the first complete calendar month of the term hereof.

3.7 If required by the terms of the Lease, the Sublessee shall present to the Lessee at the beginning of each year of the term of this Sublease a series of twelve monthly post-dated checks to cover the payment of minimum or basic rent and all additional rent due and payable hereunder and under the Lease, for each year of the term of the Sublease. The Sublessee agrees to deliver the said post-dated checks to the Lessee not later than ten (10) days prior to the commencement of each year of the term of this Sublease, except with respect to the first year of the term, in which case the Sublessee shall deliver the required post-dated checks on the execution of this Sublease. The Lessee also reserves the right if required by the Lease, to require the Sublessee to make the payments of minimum or basic rent and all additional rent due and payable hereunder by automatic bank transfer on the terms of, and following the procedure provided for in Section 6.15 of the Franchise Agreement.

SECTION IV - SUBLESSEE COVENANTS

4.1 The Sublessee covenants and agrees with the Lessee:

4.1.1 to perform all of the obligations of the tenant/lessee under the Lease and to be bound by the terms of the Lease, as such obligations and/or terms may be qualified by another provision of this Sublease, and in each case as if named therein as tenant/lessee with each reference therein to the Landlord/lessor being deemed to include both the Lessor and Lessee and with each reference therein to the tenant/lessee being deemed to mean the Sublessee;

4.1.2 to maintain and keep in first class order, condition and repair the Premises and all equipment, fixtures, chattels and improvements herein or thereon, and upon notice in writing from the Lessee, to repair the Premises as the Lessee or Lessor may so require;

4.1.3 to use the Premises only as a **MANCHU WOK RESTAURANT** ("Restaurant") (as defined in the Franchise Agreement) and for no other purpose and, from the commencement of the term of this Sublease and thereafter, continuously operate the Restaurant at the times and in the manner required under the provisions of the Lease and the Franchise Agreement;

4.1.4 to take out and maintain at all times during the term hereof in the names of the Sublessee and the Lessee (as an additional insured) the insurance required to be maintained by the tenant/lessee under the Lease and by the Franchisee under the Franchise Agreement, including (notwithstanding the terms of the Lease) business interruption and /or loss of profit insurance in such amounts as Lessee must consent to in writing;

- 4.1.5 not to permit any work, renovation, or alteration to be carried out with respect to the Premises unless any such work, renovation or alteration is in accordance with the terms of the Lease, all applicable governmental by-laws and other legal requirements, moreover, no such work, renovation or alteration shall be commenced without the prior written consent of the Lessee and, if required, the Lessor. All such work shall be subject to inspection by and reasonable supervision of the Lessee (the Lessee's reasonable costs of which shall be paid by the Sublessee on demand) and shall be performed in accordance with any reasonable conditions or regulations imposed by the Lessee; and
- 4.1.6 at the expiration or sooner termination of the term hereof, to peaceably surrender and yield unto the Lessee the Premises with all appurtenances thereto in first class order, repair and condition and to surrender all keys for the Premises to the Lessee at the place then fixed for the payment of rent and to inform the Lessee of all combinations and all locks, safes and bolts, if any, in the Premises. The Sublessee's obligation to observe and perform the provisions of this subsection shall survive the expiration or sooner termination of this Sublease.

SECTION V - SECURITY DEPOSIT

5.1 The Lessee acknowledges receipt of a security deposit in the amount specified in the attached Schedule A, to be held by the Lessee without interest throughout the term hereof as security for the faithful performance by the Sublessee of all of the terms, covenants and conditions of this Sublease and for any lease adjustments made pursuant to this Sublease or the Head Lease subsequent to the end of the term. Provided that the Sublessee has maintained all its obligations under this Sublease, the aforesaid security deposit, or any balance then remaining shall be returned to the Sublessee within 30 days of the receipt of the final lease adjustments by the Lessee. If at any time, the security deposit or any part thereof is applied by the Lessee to remedy any default pursuant to this Sublease, or to repair or maintain the Premises or applied for any other purpose permitted under this Section 5.1 or elsewhere in this Sublease, then the Sublessee shall, upon written demand of the Lessee, forthwith remit to Lessee a sufficient amount to restore the security deposit to the original sum deposited.

SECTION VI - RECORDS AND STATUS STATEMENT

6.1 The Sublessee shall maintain and deliver to the Lessee all statements, reports, financial statements and any other records required to be delivered by: (i) the Franchisee to the Franchisor pursuant to the Franchise Agreement and, (ii) the tenant/Lessee to the Lessor pursuant to the Lease, and shall permit the Lessor and Lessee, their respective officers, agents or auditors to have the same access to the records of the Sublessee as granted to the Lessor by the Lessee in respect of the Lessee's records under the Lease.

6.2 Within ten (10) days after the Lessee requests it from the Sublessee (or such shorter period of time as may be required under the Lease for such statements and/or certificates), the Sublessee will deliver to the Lessee, on a form supplied by the Lessee, a status statement or certificate to the Lessee and/or any proposed mortgagee, purchaser or other transferee of part or all of the Premises stating;

6.2.1 that this Sublease is in full force and effect, except only for any modifications that are set out in the statement of certificate;

- 6.2.2 the commencement and expiration dates of the Sublease;
- 6.2.3 the date to which rent has been paid under the Sublease and the amount of any prepaid rent or any deposits held by the Lessee or Lessor;
- 6.2.4 that there is not any uncured default on the part of the Sublessee, Lessee or Lessor or if there is a default, a certificate which states the particulars of such default; and that no event has occurred, nor does any condition exist, that with notice or the passage of time, or both, would constitute a default hereunder or under the Lease;
- 6.2.5 whether there are any setoffs, defenses or counterclaims against enforcement of the obligations to be performed by the Sublessee or Lessee under this Sublease;
- 6.2.6 with reasonable particularity, details concerning the Sublessee and any indemnitor's financial standing and corporate organization; and
- 6.2.7 any other information or statement that a proposed mortgagee, purchaser, or transferee may reasonably require.

SECTION VII - ASSIGNMENT OR SUBLET

7.1 Notwithstanding anything to the contrary, the Sublessee hereby agrees that it shall not assign or transfer its rights in this Sublease nor sublet the Premises or any part thereof, nor permit the use or occupation of all or any part of the Premises by any other, nor mortgage or encumber this Sublease, the Sublessee's interest herein, the Premises or any equipment, fixtures or furniture therein or thereon, without obtaining, in each instance, the previous written consent of the Lessor (if required under the Lease) as well as the Lessee, and such consent by the Lessee may, notwithstanding any statutory provision to the contrary, be arbitrarily or unreasonably withheld. Without in any way limiting the right of the Lessee to arbitrarily or unreasonably withhold its consent to any assignment or subletting, as aforesaid, the Sublessee acknowledges and agrees that the Lessee, in determining whether to grant its consent, shall be entitled (in addition to any other tests or requirements which the Lessee may consider, at law or otherwise) require the proposed sublessee or assignee to fully comply with all of the requirements and conditions set out in the Franchise Agreement. Notwithstanding any assignment or sublease, the Sublessee and the Guarantor shall remain jointly and severally liable with any assignee or subtenant for all obligation of the Sublessee under this Sublease and shall not be released from performing any of the terms, covenants and conditions of this Sublease or the Franchise Agreement. Further, any consent granted by the Lessee shall be conditional upon and subject to the Sublessee causing any such assignee, sublessee or other occupant of the Premises to enter into an agreement directly with the Lessee in writing whereby such assignee or sublessee or other occupant covenants and agrees (i) to assume and continue to perform and be bound by all of the terms, covenants and conditions contained in this Sublease and the obligations of the Lessee contained in the Lease; and (ii) to assume and continue to perform and be bound by all the terms and conditions contained in the Franchise Agreement. The Sublessee and the Guarantor and any such assignee, sublessee or other occupant shall jointly and severally indemnify the Lessee and save it harmless from any costs including legal and administrative charges incurred by the Lessee in connection with such assignment, sublease or other agreement and in providing consent thereto.

7.2 If the Sublessee is a corporation, any transfer or issue by sale, assignment, bequest, inheritance, operation of law or other disposition, or by subscription from time to time, of all or any part of the legal or beneficial ownership of the corporate shares of the Sublessee or of an affiliate, or by any manner of corporate reorganization, which results in any change from the date hereof in the effective voting control of, or ownership of the economic interests in, the Sublessee shall be deemed to be an assignment hereunder.

SECTION VIII - LESSEE COVENANTS

8.1 Subject to the rights of the Lessor and the due performance by the Sublessee of its obligations under this Sublease and the Franchise Agreement, the Lessee covenants and agrees with the Sublessee as follows:

8.1.1 that the Sublessee shall peaceably and quietly hold and enjoy the Premises during the term hereof without hindrance or interruption by the Lessee, subject nevertheless to the terms and conditions of this Sublease and the Lease;

8.1.2 that if the Lessor shall fail to observe or perform any of the obligations on the part of the Lessor contained in the Lease, then the Lessee shall give such notice to the Lessor and take such reasonable action as may be necessary to enforce such obligations against the Lessor, provided that the Lessee shall not be obligated to give such notice or to take such action unless

- (a) the same has been requested in writing by the Sublessee;
- (b) the Sublessee agrees to reimburse the Lessee for all its costs and expenses in giving such notice or taking such action and, if required by the Lessee, pay to the Lessee in advance an amount equal to the Lessee's reasonable estimate of such costs and expenses; and
- (c) such notice or action shall subject the Lease to risk or forfeiture or termination.

The Lessee's sole obligations under this Sublease are those expressly stated herein. The Lessee shall not be liable for any failure on the part of the Lessor to observe and perform the covenants and agreements contained on the part of the Lessor under the Lease nor shall the Lessee be required to perform any of the Lessor's obligations under the Lease.

SECTION IX - LOSS OR DAMAGE AND INDEMNIFICATION

9.1 The Lessee shall not, for any reason whatsoever, including, without limitation, if same results from the fault, nonfeasance, or negligence of the Lessor, the Lessee, or their respective agents, employees or other persons for whom it may be in law responsible, be responsible for damages suffered by the Sublessee or any other person by reason of the manner of operation of, defect in or want of repair of the Premises or the building in which they are contained or any part thereof. Without restricting the generality of the foregoing, there shall be no abatement or reduction of rent, or any other monies, due hereunder nor shall the Sublessee be entitled to damages or losses from the Lessee on account of partial or total failure or lessening of the supply of air-conditioning, electrical or any other service, nor on account of anything coming through or leaking from the roof, windows or otherwise whereby steam, water, snow, smoke or gas, may leak or flow into the Premises nor on account of any damage or

annoyance occasioned by the condition or any damage or annoyance arising from any acts, omissions or negligence of co-tenants or other occupants of the building wherein the Premises are located, or the owners or occupants of adjacent properties, nor on account of the making of any repairs, alterations, improvements, additions or structural changes to the said building or any part thereof or any property adjacent thereto. Neither shall the Lessee be responsible for any damage to or loss of any property, nor injury to any person or interruption of the Lessee's business, which occurs in, on or about the Premises, howsoever occurring.

9.2 The Sublessee shall indemnify and save the Lessee fully harmless from and against any claim, suit, liability or demand, and from any and all loss, cost, damage or expense arising out of or in respect of any failure by the Sublessee to observe or perform any of the covenants or obligations of the Lessee under this Sublease or the Lease and for all loss, cost, damage, expense and liability caused to or suffered by the Lessee by reason of any act or omission of the Sublessee or any of its employees or agents. Furthermore, the Sublessee shall indemnify and save the Lessee fully harmless from all claims and demands of every kind and nature made by any person to or against the Lessee for all costs, damages or expenses incurred by or injury or damage to such person or his, her or their property, if such claims or demands arise out of, or relate in any manner to, the use and occupation of the Premises by the Sublessee or any such person or from anything occurring in or about the Premises or in connection with this Sublease and from all costs, attorney's fees, expenses and liabilities incurred in connection with any such claims or any action or proceeding brought in respect thereto.

SECTION X - DEFAULT

10.1 In the event:

10.1.1 the Sublessee fails to pay any amounts due hereunder on the day or dates appointed for the payment thereof and fails to remedy such default within five (5) days after Lessee delivers Notice of Default (or such shorter period of time, if any, provided under the Lease to cure such default);

10.1.2 the Sublessee fails to observe or perform any other of the covenants agreements, provisions or conditions of this Sublease to be observed or performed by the Sublessee, (other than the terms, covenants and conditions set out below in subparagraphs 10.1.3 to 10.1.11 inclusive, for which no notice shall be required or, except as expressly provided otherwise in this Section 10.1, opportunity to cure granted) the Sublessee fails to cure such default within ten (10) days' notice thereof (or such shorter period of time, if any, provided under the Lease to cure such default);

10.1.3 the Sublessee commits an act of bankruptcy or becomes insolvent, seeks, consents to or acquiesces in the appointment of any trustee, receiver or liquidator of the Sublessee, or takes or attempts to take the benefit of any act now or hereafter in force for bankrupt or insolvent debtors or files any proposal or makes any assignment for the benefit of creditors or any proceeding for a composition with creditors under any federal or state law is instituted by or against the Sublessee or a petition shall be filed against the Sublessee and not be discharged or bona fide disputed within seven (7) days from the filing thereof. The Sublessee acknowledges and agrees that, to the maximum extent permitted by law, it waives any rights it may have for itself or a trustee in bankruptcy under

any bankruptcy or landlord-tenant law or any other applicable legislation to elect to retain the unexpired term of the Sublease, in the event of any bankruptcy or insolvency by the Sublessee;

- 10.1.4 the Sublessee sells or disposes of the goods, merchandise and/or chattels of the Sublessee or removes them from the Premises other than in the ordinary course of business;
- 10.1.5 the Sublessee abandons the Premises or fails to continually operate its Manchu Wok Restaurant business in the Premises in accordance with the provisions of this Sublease and the Franchise Agreement;
- 10.1.6 the Sublease or any of the goods and chattels of Sublease shall be at any time seized or taken in execution or attachment by any creditor of the Sublessee;
- 10.1.7 a receiving order is made against the Sublessee, or a receiver is appointed by private instrument or by any court of competent jurisdiction for all or a portion of the Sublessee's property;
- 10.1.8 the Sublessee Subleases the Premises or any part thereof to a third party or assigns or transfers this Sublease to a third party or permits a third party the use or occupation of the Premises or grants any security or encumbrance on this Sublease, the Premises or any of its property located on the Premises other than in accordance with Section VII;
- 10.1.9 the Sublessee or any agent of the Sublessee falsifies any report required to be furnished to the Lessee pursuant to the terms of this Sublease or the Franchise Agreement, however, inadvertent or human error is excluded;
- 10.1.10 the Franchise Agreement is terminated or the Sublessee is in default or in breach of any provision contained in the Franchise Agreement and has not cured such default within the time period (if any) specified in the Franchise Agreement to cure such default or is in default or in breach of any other agreement entered into with the Lessee or with any affiliate of the Lessee;
- 10.1.11 the Sublessee, within any twelve-consecutive-month period, commits three or more defaults under this Sublease or the Lease, whether or not such defaults are cured; then, in every such case, at the option of the Lessee, the then current month's and the next ensuing three (3) months' basic or minimum rent hereunder and all additional rent then due and owing hereunder shall immediately become due and payable and the Lessee may, at its option, terminate this Sublease and the term hereof shall then be considered to have reached its conclusion, in which event the Lessee may re-enter the Premises and take possession thereof and upon such re-entry the Lessee may remove all persons or property from the Premises and such property so removed shall be stored in a public warehouse or elsewhere at the cost of and for the account of the Sublessee, all without service of notice or resort to legal process and without the Lessee being deemed guilty of trespass or becoming liable for any loss or damage which may be occasioned thereby.

10.2 If the Lessee at any time terminates this Sublease for any breach, in addition to any of the remedies it may have, it may recover from the Sublessee all damages it incurs by reason of such breach, including the costs of recovering the Premises, attorney's fees and the worth at the time of such termination of the excess, if any, of the rent reserved in this Sublease for the remainder of the stated term hereof over the then reasonable rental value of the Premises for the remainder of the stated term hereof, all of which amounts shall be immediately due and payable by the Sublessee to the Lessee.

10.3 If the Lessee does not exercise its option to terminate this Sublease pursuant to Section 10.1 hereof, the Lessee may at its option, without additional notice to the Sublessee and without effecting the termination, as agent of the Sublessee, take possession of the Premises together with all property therein, and, sublet all or part of the Premises together with all or any of such improvements, fixtures and furnishings located therein on whatever terms the Lessee may deem appropriate. The Sublessee hereby grants the Lessee an irrevocable mandate and power (coupled with an interest) to effect the foregoing (and to undertake all such acts, and make, execute, and deliver all such instruments, documents, and agreements, as it deems appropriate or advisable to consummate such taking of possession and subletting of the Premises), and in addition thereto, to make such alterations or repairs as are necessary in order to sublet the Premises. In such case, the Sublessee shall continue to be liable for the performance of all its obligations under this Sublease, including the payment of rent and all other amounts payable hereunder. The Lessee shall be entitled to enforce all of the obligations of the Sublessee against any such subtenant, to collect and receive all rent and other amounts payable by such subtenant and apply them against all indebtedness of the Sublessee to the Lessee from time to time existing. All deficiencies shall be payable by the Sublessee to the Lessee as and when and from time to time demanded. If the Lessee sublets without terminating as hereinabove provided, it may at any time thereafter elect to terminate this Sublease for any previous default of the Sublessee.

10.4 Without in any way creating an obligation on the Lessee, if the Sublessee shall fail to make any payments required to be made pursuant to the provisions of this Sublease or the Lease, as the case may be, then the Lessee, may, at its option, make all such payments on behalf of the Sublessee who shall forthwith reimburse the Lessee for all costs and expenses so incurred upon demand. If the Sublessee shall fail to observe or perform any of its other obligations under this Sublease, the Lessee may attempt to remedy such default and may enter the Premises for such purpose without thereby terminating this Sublease and the Sublessee shall reimburse the Lessee for its costs and expenses in so doing (plus an administration fee equal to fifteen percent (15%) of such costs and expenses). The Lessee shall not be liable for anything done or omitted to be done by the Lessee in attempting to remedy such default.

10.5 All arrears of rent and other amounts to be paid by the Sublessee to the Lessee shall bear interest from the date due at the rate per annum equal to the lesser of (i) 18% or (ii) the greatest legal rate.

10.6 If the Sublessee shall fail to perform any of its obligations herein, the Lessor shall have, without limiting the foregoing, all of the rights, remedies, privileges, protections and indemnities against the Sublessee which the Lessor has under the Lease for a breach of the obligations of the tenant/lessee thereunder.

10.7 Mention in this Sublease of any particular remedy or remedies of the Lessee in respect of any default by the Sublessee does not preclude the Lessee from exercising any other remedy in respect thereof, whether pursuant to this Sublease, the Lease or pursuant to law. No

remedy shall be exclusive or dependent upon any other remedy, but the Lessee may, from time to time, exercise any one or more remedies independently or in combination, such remedies being cumulative and not alternative.

SECTION XI – LESSOR CONSENT

11.1 If required pursuant to the provisions of the Lease, the parties acknowledge that, this Sublease is subject to the Lessee obtaining the written consent of the Lessor to this Sublease. In the event that the said consent is not obtained, this Sublease shall be null and void and have no further effect, without any recourse one party against the other.

SECTION XII - TERMINATION OF LEASE

12.1 The Sublessee acknowledges and agrees that it has no greater interest in the Premises than the Lessee under the Lease and that, if the Lease is terminated for any reason whatsoever, this Sublease shall thereupon terminate forthwith.

12.2 The Sublessee acknowledges and agrees that it waives for itself and any trustee in bankruptcy, any rights it may have under any applicable state or federal landlord and tenant act, bankruptcy act, or any other applicable legislation, to elect to retain the unexpired term of the Sublease or to obtain any right to enter into any Lease or other agreement directly with the Lessor, if in the event of any bankruptcy or insolvency by the Sublessee, the Lessor terminates the Lease.

SECTION XIII – intentionally deleted

SECTION XIV - GENERAL PROVISIONS

14.1 The Sublessee agrees that it will not register or record this Sublease. Any registration or recording of this Sublease is void ab initio. Breach of this provision shall entitle the Lessee, at its option, to immediately terminate the Sublease.

14.2 Save and except as may be otherwise provided in this Sublease, all of the covenants, terms, agreements and conditions contained in the Lease are hereby incorporated mutatis mutandis into this Sublease as if the Lessee were the Landlord/lessor in the Lease and the Sublessee were the tenant/lessee in the Lease. If any term or condition of this Sublease is inconsistent with or at variance with any term or condition of the Lease, then the term or condition of this Sublease shall prevail.

14.3 The exercise by the Lessor of any of its rights contained in the Lease shall, upon written notice by the Lessor to the Sublessee of such exercise, be binding upon the Sublessee. The Lessee may also exercise its rights under this Sublease and at law notwithstanding the exercise by the Lessor of any of its rights contained in the Lease.

14.4 This Sublease, the Franchise Agreement and any agreements contemplated or referred to herein or thereby, including any schedules annexed, constitute the entire agreement between the parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations, and discussions, whether oral or written, between the parties. There are no warranties, representations or other agreements between the parties in connection with the subject matter hereof except as specifically set forth herein.

- 14.5 The parties acknowledge and agree that:
- 14.5.1 the preamble hereof forms an integral part of this Sublease;
- 14.5.2 no amendment or other modification to this Sublease shall be valid or binding upon the parties unless the same is in writing and signed by the party as to whom enforcement of such amendment or modification is sought and such writing specifically refers to this Sublease;
- 14.5.3 the failure of the Lessee to insist upon the strict performance of any of the terms, covenants and conditions hereof shall not be deemed a waiver of any of the rights or be deemed a waiver of subsequent breach or default of any of such terms, covenants or conditions. The subsequent acceptance of rent or other payments hereunder by the Lessee shall not be deemed to be a waiver of any preceding breach by the Sublessee of any term, covenant or condition of this Sublease, regardless of the Lessee's knowledge of such preceding breach at the time of the acceptance of such rent or other monetary payment;
- 14.5.4 all notices, requests, demands, consents and other communications required or permitted under this Sublease must be in writing (including telex and telegraphic communication) and must be (as elected by the person giving such notice) hand delivered by messenger or courier service, telecommunicated, or mailed (airmail if international) by registered or certified mail (postage prepaid), return receipt requested, addressed to the appropriate party or parties at their respective addresses set forth above (and, if to the Franchisor, must be addressed to its President and C.E.O.) or to such other address as each such party may designate by notice complying with the terms of this Section; each such notice is deemed delivered:
- a. on the date delivered if by personal delivery;
 - b. on the date of transmission, with confirmed answer back if by telefax or other telegraphic method; or
 - c. on the date upon which the return receipt is signed or delivery is refused or the notice is designated by the postal authorities or courier service as not deliverable, as the case may be, if mailed or couriered.
- 14.5.5 if there shall be any inconsistencies or conflicts between the terms of this Sublease and any of the provisions contained in the Franchise Agreement, the parties hereto acknowledge, agree and confirm that the provisions of the Franchise Agreement shall be read in priority to and shall supersede any of the provisions contained in this Sublease;
- 14.5.6 time shall be of the essence of this Sublease and every part hereof;
- 14.5.7 whenever a personal pronoun is used herein, it is understood that such usage shall include both singular and plural, masculine, feminine and neuter, and refer in appropriate cases to corporations or other legal entities as well as individuals;
- 14.5.8 the captions contained herein are for reference only and in no way affect this Sublease;

14.5.9 each obligation of any party hereof, even though not expressed as a covenant, is considered for all purposes to be a covenant;

14.5.10 if any covenant, obligation or agreement or part thereof or the application thereof to any person or circumstances shall be found to be invalid or unenforceable then such covenant, obligation or agreement or part thereof shall be deemed to be severable and shall not affect the validity or enforceability of any other provisions or covenant hereof;

14.5.11 each party shall from time to time hereafter and upon any reasonable request of the other party, execute, make or cause to be made, all such further acts, deeds, assurances, certificates and things as may be required to more effectively implement the true intent of this Sublease;

14.5.12 all rights and liabilities herein given to or imposed upon the respective parties hereto shall extend to and bind the several respective permitted heirs, executors, administrators, successors and assigns of the said parties. No rights, however, shall enure to the benefit of any assignee or subtenant of the Sublessee unless such assignment or subletting has been approved by the Lessee in writing pursuant to the provisions of this Sublease; and

SECTION XV - JOINDER

All the Sublessee's legal and beneficial owners must enter the Joinder agreement set forth below. By doing so, each of such owners agrees that he or she is bound by all the terms of this Sublease as if he or she were the Sublessee thereunder and agrees that he or she is jointly and severally liable with the other owners and the Sublessee for all the Sublessee's obligations under this Sublease.

[signature page follows]

IN WITNESS WHEREOF each of the parties have signed and sealed this Sublease effective as of the day hereinabove indicated.

Date Signed: _____ 20__

Date Signed: _____ 20__

MTY FRANCHISING USA, INC.
("Lessee")

("Sublessee")

per: _____

per _____

per _____

Date Signed: _____ 201__

WITNESS

Name (Guarantor)

WITNESS

Name (Guarantor)

JOINDER

The parties signing below constitute all the Sublessee's beneficial and legal owners. Each of such parties agrees that he or she is jointly and severally liable with the each other and the Sublessee for all the Sublessee's obligations under this Sublease and is bound by all the terms thereof as if he or she were the Sublessee thereunder.

Print Name:

Print Name:

Ownership Percentage: _____ %

Ownership Percentage: _____ %

Print Name:

Print Name:

Ownership Percentage: _____ %

Ownership Percentage: _____ %

SCHEDULE "A"

1. Amount pursuant to Section 3.6
(first month's rent) \$ _____

2. Amount pursuant to Section 5.1
(security deposit) \$ _____

GUARANTEE

In consideration of MTY Franchising USA, Inc. ("**Lessor**") entering into the attached Sublease with _____ (name of Sublessee) ("**Sublessee**") and in consideration of the sum of ten dollars (\$10.00) paid to each of the undersigned, the receipt and sufficiency of which is hereby by each of the undersigned acknowledged, (each of) _____ (and) _____ undersigned, as Guarantor(s) of the provisions of the attached Sublease:

(a.) does hereby jointly and severally, irrevocably and unconditionally guarantee payment, observance and performance to the Lessee of all present and future obligations of any nature at any time owing by the Sublessee to the Lessee under the Sublease, whether direct or indirect, absolute or contingent, matured or unmatured, extended or renewed, wherever and however incurred, and whether the Sublessee is bound alone or with others and whether as principal or as surety (such obligations being herein after called the "**Obligations**"). This guarantee is a continuing guarantee of all of the Obligations and is a guaranty of payment, not collection. The Lessee shall not be bound to exercise or exhaust its recourse against the Sublessee or any other person, or against any other guaranties or any security it may at any time hold, before being entitled to full payment, observance and performance from the Guarantors of the Obligations. The Guarantors' liability to make payment, observance and performance of the Obligations under this guarantee shall arise upon the Lessee making demand in writing of any Guarantor, and such demand shall be deemed to have been effectively made when an envelope containing such demand addressed to a Guarantor at his address last known to the Franchisor is posted, postage prepaid or delivered by prepaid courier otherwise delivered to the Guarantor.

(b.) Without in any way lessening the liability of the under this guarantee, and without obtaining the consent of or giving notice to the Guarantor, the Lessee may discontinue, reduce, increase or otherwise vary the credit of the Sublessee, may grant renewals, extensions, indulgences and releases to, and may accept compromises from or otherwise deal with the Sublessee and others in such manner as the Lessee may see fit, and the Lessee may apply all monies received from the Sublessee or others or from securities or guaranties toward such part of the Obligations as the Lessee may see fit. The Obligations of the Guarantor under this guarantee shall not be released, discharged or in any way be affected by any change, alteration or modification of this or any other agreement, or by the bankruptcy or insolvency of the Sublessee or of any Guarantor, or by any other loss of capacity of the Sublessee or any other Guarantor, or by any other act or proceeding in relation to the Sublessee or this or any other agreement, or by any other thing whereby the Guarantor might otherwise be released.

(c.) Until payment, observance and performance in full of the Obligations, the Guarantor shall not claim any set-off or counterclaim against the Sublessee in respect of any liability of the Sublessee to the Guarantor, nor claim or prove in any bankruptcy or insolvency of the Sublessee in competition with the Lessee, nor have any right to be subrogated to the Lessee. All present and future debts and liabilities of the Sublessee to the Guarantor are hereby postponed to the Obligations, and all monies received by any Guarantor in respect thereof shall be received in trust for the Lessee and shall be paid over to the Lessee upon demand, the whole without in any way lessening or limiting the liability of the Guarantor under this guarantee. This postponement is independent of the guarantee herein and shall remain in full force and effect until payment, observance and

performance in full to the Franchisor of all of the Obligations is made, notwithstanding that the liability of the Guarantor under this guarantee may have been terminated.

(d.) The Lessee is not bound by any representations, warranties, promises or other inducements made by the Sublessee to the Guarantor or any of them and execution of this agreement by the Guarantor shall be conclusive evidence against the Guarantor that this agreement was not delivered in escrow or pursuant to any agreement that it should not be effective until any condition precedent or subsequent has been met. This guarantee shall not be discharged or affected by the death, disability, insolvency, or bankruptcy of any Guarantor.

The undersigned Guarantor(s) acknowledge that they have received, have had an ample time to read and have read this Agreement and fully understand its provisions. The undersigned Guarantor(s) further acknowledge that they have had an adequate opportunity to be advised by advisors of their own choosing (including without limitation their own lawyers, accountants, and bankers) regarding all pertinent aspects of the Sublease and the relationship created by the Sublease and that they have done so with the full understanding and knowledge of all of the terms of the Sublease.

In witness whereof the Guarantors have signed this ___ day of ____, 20__

(witness)

type name **(Guarantor)**

(witness)

type name **(Guarantor)**



EXHIBIT E

Manchu WOK

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EXHIBIT E-1

Manchu WOK

**In-Store Training Release
and Waiver of Liability Agreement**

In-Store Training Release and Waiver of Liability

READ THIS INSTRUMENT FULLY AND CAREFULLY PRIOR TO SIGNING. THIS IS A LEGALLY VALID AND BINDING OBLIGATION TO RELEASE A PARTY FROM ALL KNOWN AND UNKNOWN OBLIGATIONS. THIS DOCUMENT MUST BE SIGNED BEFORE TRAINING CAN BEGIN.

This In-Store Training Release and Waiver of Liability ("Release") executed on this _____ day of _____, 20__ ("Effective Date") by _____ ("Trainee") is in favor of _____, a corporation, a Limited Liability company, or as individual(s), and their respective directors, officers, members, partners, managers, employees, agents, insurers, successors, assigns, representatives, executors and heirs (individually and collectively the "Franchisee") and MTY Franchising USA, Inc., a Tennessee corporation, and its affiliates and each of their respective parents, subsidiaries, directors, officers, members, managers, employees, agents, successors, assigns and insurers (individually and collectively the "Franchisor"). Franchisor and Franchisee shall collectively be referred to herein as the "Hosts."

The Trainee desires to participate in a training program provided by the Hosts, which program involves engaging in activities related to being a restaurant worker ("Activities"), for the purpose of learning to operate a similar business. The Trainee understands that the Activities may take place at various restaurant facilities owned, operated or managed by Franchisor and/or Franchisee, and may include various restaurant activities, including, but not limited to, cooking, cleaning, lifting and climbing, all of which may take place in a facility where there is increased risk of bodily harm or personal injury, including but not limited to, slips, falls, burns, lacerations, exposure to hazardous materials, as well as many other risks. Trainee understands and agrees that no compensation shall be earned by or paid to Trainee in connection with Trainee's participation in the training program. In consideration of the training being provided to Trainee, in the Hosts' location, Trainee agrees that such training constitutes good and valuable consideration and hereby freely, voluntarily, and without duress executes this Release under the following terms:

Release and Waiver. Trainee does hereby release and forever discharge and hold harmless and promise to indemnify and not sue Hosts, both jointly and severally, from any and all liability, claims, actions, damages, judgments, obligations, expenses, including, without limitation, attorneys' fees, expert witness fees and costs, and demands of whatever kind or nature, either in law or in equity, which arise or may hereafter arise, in whole or in part, from Trainee's Activities with Hosts. Trainee understands that this Release discharges Hosts from any liability or claim that the Trainee may have against Hosts with respect to any bodily injury, personal injury, illness, death, or property damage that may result from Trainee's Activities with Hosts, whether caused by the negligence of Trainee or Hosts. Trainee also understands and hereby agrees that it is NOT an employee of Hosts and that Hosts do not assume any responsibility for or obligation to provide financial assistance or other assistance, including, but not limited to, medical, life, health, or disability, or workers' compensation insurance in the event of injury or illness.

Medical Treatment. Trainee does hereby release and forever discharge Hosts from any claim whatsoever which arises or may hereafter arise on account of any first aid, treatment, or service rendered in connection with the Trainee's Activities with Hosts.

Insurance. Trainee understands that, except as otherwise agreed to by Hosts in writing, Hosts do not carry or maintain health, medical, life, workers' compensation, or disability insurance coverage for any Trainee. Each Trainee is expected and encouraged to obtain his or her own medical, health, life, disability and workers' compensation insurance for his or her protection while conducting any Activities with Hosts.

Photographic Release. In consideration of the training provided to Trainee and without further compensation or royalties, Trainee hereby authorizes Hosts to capture and use in any form, format or media, whether now known or later developed for marketing, advertising and other business purposes, Trainee's name, image, likeness, voice and other personal information and hereby grants and conveys unto Hosts all right, title and interest in any and all photographic images and video or audio recordings captured or made by Hosts during the Trainee's Activities with Hosts, including but not limited to, any claims, damages, royalties, proceeds, or other benefits derived from such photographs or recordings.

Prohibition on Hiring. Trainee understands and agrees that during its Activities with Hosts, it will be afforded an opportunity to meet and work with experienced employees of Hosts, who could be of value to Trainee should they be employed by Trainee. Trainee hereby agrees that for a period of two (2) years following the Effective Date of this Release, Trainee shall NOT, directly or indirectly, recruit, solicit, offer, hire, or otherwise entice any employee or agent of Hosts to become a Trainee employee or to otherwise sever his or her employment with Hosts.

Other. Trainee expressly agrees that this Release is intended to be as broad and inclusive as permitted by the laws of the State of Arizona, and that this Release shall be governed by and interpreted in accordance with the laws of the State of Arizona. Trainee agrees for himself/herself and his or her heirs, executors and representatives, that the representations in this Release are contractually binding, and are not mere recitals, and that should Trainee or his/her heirs, executors or representatives assert a claim contrary to what Trainee has agreed to in this Release, the claiming party shall be liable for the expenses (including, without limitation attorneys' fees and costs) incurred by Hosts in defending the claims. This Release may not be modified orally, and a waiver or modification of any provision shall not be construed as a waiver or modification of any other provision herein or as consent to any subsequent waiver or modification. Trainee consents to the release by any third party to Hosts and their insurance carriers of Trainee's name and medical information that may relate solely to any injury or death he or she may suffer arising from the Activities. Trainee agrees that in the event that any clause or provision of this Release shall be held to be invalid by any court of competent jurisdiction, the invalidity of such clause or provision shall not otherwise affect the remaining provisions of this Release which shall continue to be enforceable and Hosts and Trainee agree to promptly negotiate the terms of a substitute clause or provision to replace the severed or unenforceable clause or provision, consistent with the parties' original intent and then-current law.

IN WITNESS WHEREOF, I certify that I am 18 years of age or older. I have carefully read, understand and have freely executed this Release as of the Effective Date.

Trainee Signature _____

Printed Name _____

Address _____

street

city

state

zip

Home Phone _____ **Work Phone** _____

Witness Signature (must be 18 years of age or older) _____

Printed Name _____



EXHIBIT F

Manchu WOK

**List of Current Franchisees of
The Franchisor, MTY Franchising USA, Inc.
As of November 30, 2021**

CURRENT STORE LIST IN USA - MANCHU WOK

(As of November 30,2021)

Address	Franchise Owner	Location Phone
ALABAMA		
2009 Riverchase # D Birmingham, ALABAMA 35244	Dara Bun NickDBun Inc.	205-985-3145
Yreka Truck Stop 787 Montague Road I-5 Exit #776 Yreka CA 96097	Yreka Properties LLC.	530-291-1913
FLORIDA		
2nd Level, Concourse D, Miami International Airport, North Terminal, # D10A Miami , FLORIDA 33123	Global Miami Joint Venture Dale Robinson, VP/Director	305-876-0633
4200 NW 21 Street, Concourse D - 2 level # B104 Miami FLORIDA 33122	Global Miami Joint Venture Dale Robinson, VP/Director	305-876-0630
Airside 3 9702 Jeff Fuqua Blvd. Orlando, FLORIDA 32827	Tony Sirica Pancho's Spanish Bakery & Deli, LLC	407-825-4125
ILLINOIS		
Fast Lane Food Court # T6 Chicago, ILLINOIS 60666	Monte and Taro Kushida O'Hare Venture Limited Partnership	773-686-2713
Rotunda Building, c/o Main Street Food Court # R3 Chicago, ILLINOIS 60666	Monte and Taro Kushida O'Hare Venture Limited Partnership	773-686-2714
H/K Terminal Food Court, Bldg. 6, O'Hare Field Chicago, ILLINOIS 60666	Monte and Taro Kushida O'Hare Venture Limited Partnership	773-686-2715
KANSAS		
Ft. Riley Ft. Riley Food Court 2, Bldg. 2210 Trooper Drive KANSAS 66442	EXCHANGE Karl Witsberger, Rest. Program Planner Patrick Rowlett, Senior Program Planner Contact Phone No. 214-312-3563	785-784-4800

MISSOURI		
Ft. Leonard Wood Replacement Avenue Bldg. 487MISSOURI 65473	EXCHANGE Karl Witsberger, Rest. Program Planner Patrick Rowlett, Senior Program Planner Contact Phone No. 214-312-3563	573-329-2607
NEVADA		
1 South Main Street Las Vegas, NEVADA 89101-6370	Ted Buban Food Courts of Nevada, LLC	702-750-0901
NEW JERSEY		
Terminal A Food Court # A6C Newark, NEW JERSEY 07114	The Grove, Inc. Michelle Dukler, President Contact Phone No. 708-409-3214	973-504-8400
NEW YORK		
Building 125 150th Ave. and 147th Street Jamaica NEW YORK 11430	Jing Dong	718-917-8889
TEXAS		
1500 Harvey Road # 4032 College Station, TEXAS 77840	Li Zhang & Xufan Chen	979-693-5994
Fort Bliss Building 1611 Marshall Road TEXAS 79916	EXCHANGE Karl Witsberger, Rest. Program Planner Patrick Rowlett, Senior Program Planner Contact Phone No. 214-312-3563	915-562-3005
Lackland AFB 2180 Reese Street Bldg. 1385 TEXAS 78236	EXCHANGE Karl Witsberger, Rest. Program Planner Patrick Rowlett, Senior Program Planner Contact Phone No. 214-312-3563	210-884-6959
Love Field Airport Terminal Bldg Space P13-C2186 8008 Cedar Springs Road, # P13-C2186 Dallas TEXAS 75235	The Grove, Inc. Michelle Dukler, President Contact Phone No. 708-409-3214	214-358-8692
WASHINGTON		

Space CA-4A, Concourse - A Seattle WASHINGTON 98168	Sandy Sun, Nancy Lin Sin Sun's Inc. Contact Phone No. 206-484-5888	206-248-2800
Bldg. #504 - A Street McChord AFB WASHINGTON 98438	EXCHANGE Karl Witsberger, Rest. Program Planner Patrick Rowlett, Senior Program Planner Contact Phone No. 214-312-3563	253-582-3110
12885 Casino Drive Anacortes, WASHINGTON 98221	Brian Cladoosby Swinomish Indian Tribal Community dba Swinomish Casino & Lodge	888-288-8883
2402 Auburn Way South Auburn WASHINGTON 98002	Muckleshoot Indian Tribe Corey O'Neil Contact Phone No. (253) 457-3829	1-888-804-4944 Ext. 2405



EXHIBIT G

Manchu WOK

Former Franchisees of the Franchisor

The names and last known addresses and telephone numbers of franchisees of the Franchisor, MTY Franchising USA, Inc., who have left the Manchu WOK® franchise system during the fiscal year ended November 30, 2021 or have not communicated with the Franchisor within 10 weeks of the issuance date of this Franchise Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Address	Former Franchisee	Phone
3852 Irving Mall # VC-17 Irving, TEXAS 75062	Joseph Be	972-570-5681



EXHIBIT H

Manchu WOK

**State-Specific Disclosures
and
State-Specific Agreement Amendments**

California Disclosure Addendum

In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516, and the California Franchise Relations Act, Cal. Bus. & Prof. Code §§ 20000-20043, the Franchise Disclosure Document for MTY Franchising USA, Inc. in connection with the offer and sale of franchises for use in the State of California shall be amended to include the following:

1. Our website, www.manchuwok.com, has not been reviewed or approved by the California Department of Business Oversight. Any complaints concerning the content of the website may be directed to the California Department of Business Oversight at www.dbo.ca.gov.

2. Item 3, "Litigation," shall be amended by the addition of the following paragraphs:

Pursuant to California law, this Item does not include any information regarding the arrest of any person(s) that did not result in a conviction or plea of *nolo contendere*.

Neither we, nor any person identified in Item 2 above, 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, 15 U.S.C. § 78a, et seq.) suspending or expelling such person from membership in such association or exchange.

3. Item 5, "Initial Fees" shall be amended by the addition of the following:

"Payment of all initial fees is postponed until after all of franchisor's initial obligations are complete and franchisee is open for business."

4. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraph(s) at the conclusion of the Item:

The following notice is required to be inserted in this disclosure document by the state of California whenever an applicable provision is included in a Franchise Agreement.

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. § 101, et seq.).

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.

California Corporations Code § 31125, requires the franchisor to give the franchisee a disclosure document, approved by the Department of Business Oversight, before soliciting a proposed material modification of an existing franchise.

The Franchise Agreement requires the application of the laws of the State of New York. This provision may not be enforceable under California law.

5. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

6. Section 3.1 of the Franchise Agreement, "Initial Franchise Fee" shall be amended by the addition of the following:

obligations "Payment of all initial fees is postponed until after all of franchisor's initial are complete and franchisee is open for business.

Illinois Disclosure

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44 and, more generally, Illinois law, the Disclosure Document for MTY Franchising USA, Inc. for use in the State of Illinois shall be amended as follows:

1. The “Summary” section of Item 17 (v), entitled Choice of Forum, is amended by adding the following language:

However, any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside of the State of Illinois is void under section 4 of the current Illinois Franchise Disclosure Act, although the Franchise Agreement may provide for arbitration in a forum outside of the State of Illinois.

2. The “Summary” section of Item 17 (w), entitled Choice of Law, is amended by adding the following language:

However, except for federal law, Illinois law applies if the jurisdiction requirements of the Illinois Franchise Disclosure Act of 1987 (as amended) are met.

3. Each provision of this addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act, and, more generally, Illinois law, are met independently, without reference to this addendum.

Illinois Amendment to the Franchise Agreement

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44, and, more generally, Illinois law, the parties to the attached MTY Franchising USA, Inc. Franchise Agreement (the "Agreement") agree as follows:

1. Section 2.2 of the Agreement, under the heading "Renewal," shall be supplemented by the addition of the following new paragraph, which shall be considered an integral part of the Agreement:

If any of the provisions of this Section 2.2 are inconsistent with Section 20 of the Illinois Franchise Disclosure Act, the provisions of the Act shall apply. If Franchisor refuses to renew this Agreement, Franchisor shall compensate Franchisee if (and to the extent) such compensation is required under Section 20 of the Illinois Franchise Disclosure Act.

2. Section 10 of the Agreement, under the heading "Default and Termination of Franchise," shall be supplemented by the addition of the following new paragraph 10.13, which shall be considered an integral part of the Agreement:

10.13 If any of the provisions of this Section 10 concerning termination are inconsistent with Section 19 of the Illinois Franchise Disclosure Act, then said Illinois law shall apply.

3. Sections 14.1(c) and 14.1(d) of the Agreement are deleted.

4. Section 14.4 of the Agreement, under the heading "Dispute Resolution," shall be deleted in its entirety, and shall have no force or effect; and the following new paragraph shall be substituted in lieu thereof:

14.4 Reduced Time Within Which to Commence Actions

ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE RELATIONSHIP OF FRANCHISOR AND FRANCHISEE, OR FRANCHISEE'S OPERATION OF THE RESTAURANT, BROUGHT BY ANY PARTY HERETO AGAINST ANY OTHER SHALL BE COMMENCED WITHIN THREE (3) YEARS FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM OR ACTION, OR SUCH CLAIM OR ACTION SHALL BE FOREVER BARRED.

5. Section 14 of the Agreement, under the heading "Dispute Resolution," shall be supplemented by the addition of the following new Section 14.5, which shall be considered an integral part of the Agreement:

14.5 Nothing contained in this Section 14 shall constitute a condition, stipulation, or provision purporting to bind any person to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other Illinois law (as long as the jurisdictional requirements of the Illinois Franchise Disclosure Act are met).

6. The Agreement shall be amended by the addition of the following language:

Nothing contained in this Agreement shall constitute a condition, stipulation, or provision purporting to bind any person to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other Illinois law (as long as the jurisdictional requirements of the Illinois Franchise Disclosure Act are met).

7. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to this amendment.

ACKNOWLEDGMENT:

It is agreed that the applicable foregoing state law addendum, if any, supersedes any inconsistent portion of the Multiple Unit Purchase Agreement or Franchise Agreement dated the ____ day of _____, 20__, and of the Franchise Disclosure Document.

MTY FRANCHISING USA, INC.:

By: _____
Name: _____
Title: _____
Date: _____

FRANCHISEE:

By: _____
Date: _____

GUARANTOR:

By: _____
Date: _____

Maryland Addendum to Franchise Disclosure Document and Franchise Agreement

The Franchise Agreement and Compliance Certification are amended to state: “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.”

ITEM 5 of the Franchise Disclosure Document, and the appropriate sections of the Franchise Agreement are amended to state “Based upon our financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed you to us and/or our affiliates shall be deferred until we complete all our pre-opening obligations to you under the Franchise Agreement.”

ITEM 17 of the Franchise Disclosure Document, and the appropriate sections of the Franchise Agreement are amended to provide that the general release required, as a condition of renewal, sale and/or assignment transfer, shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

ITEM 17 of the Franchise Disclosure Document and Franchise Agreement are amended to state that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration & 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.

ITEM 17 of the Franchise Disclosure Document and Franchise Agreement are amended to state that any limitation of claims provision will not act to reduce the amount of time afforded a franchisee for bringing claims under the Maryland Franchise Registration and Disclosure Law.

ITEM 17 of the Franchise Disclosure Document and appropriate sections of the Franchise Agreement provide that certain disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

[SIGNATURE PAGE FOLLOWS]

ACKNOWLEDGMENT:

It is agreed that the applicable foregoing state law addendum, if any, supersedes any inconsistent portion of the Multiple Unit Purchase Agreement or Franchise Agreement dated the _____ day of _____, 20__, and of the Franchise Disclosure Document.

MTY FRANCHISING USA, INC.:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE:

By: _____

Date: _____

GUARANTOR:

By: _____

Date: _____

Michigan Disclosure

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:

1. A PROHIBITION ON THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.
2. 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.
3. 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 PROVISIONS 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.
4. 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 FRANCHISED 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.
5. 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.
6. 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.

7. 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:
 - A. THE FAILURE OF THE PROPOSED FRANCHISEE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATIONS OR STANDARDS.
 - B. THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.
 - C. THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.
 - D. 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.
8. 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).
9. 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.

* * * * *

IF THE FRANCHISOR'S MOST RECENT FINANCIAL STATEMENTS ARE UNAUDITED AND SHOW A NET WORTH OF LESS THAN \$100,000.00, THE FRANCHISOR MUST, AT THE REQUEST OF THE FRANCHISEE, ARRANGE FOR THE ESCROW OF INITIAL INVESTMENT AND OTHER FUNDS PAID BY THE FRANCHISEE UNTIL THE

OBLIGATIONS TO PROVIDE REAL ESTATE, IMPROVEMENTS, EQUIPMENT, INVENTORY, TRAINING, OR OTHER ITEMS INCLUDED IN THE FRANCHISE OFFERING ARE FULFILLED. AT THE OPTION OF THE FRANCHISOR, A SURETY BOND MAY BE PROVIDED IN PLACE OF ESCROW.

* * * * *

THE NAME AND ADDRESS OF THE FRANCHISOR'S AGENT IN THIS STATE AUTHORIZED TO RECEIVE SERVICE OF PROCESS IS: MICHIGAN DEPARTMENT OF COMMERCE, CORPORATION AND SECURITIES BUREAU, 6546 MERCANTILE WAY, P.O. BOX 30222, LANSING, MICHIGAN 48910.

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:

**DEPARTMENT OF THE ATTORNEY GENERAL'S OFFICE
CONSUMER PROTECTION DIVISION
ATTN: FRANCHISE
670 G. MENNEN WILLIAMS BUILDING
LANSING, MICHIGAN 48913**

NOTE: NOTWITHSTANDING PARAGRAPH (F) ABOVE, WE INTEND TO, AND YOU AGREE THAT WE AND YOU WILL, ENFORCE FULLY THE PROVISIONS OF THE ARBITRATION SECTION OF OUR AGREEMENTS. WE BELIEVE THAT PARAGRAPH (F) IS UNCONSTITUTIONAL AND CANNOT PRECLUDE US FROM ENFORCING THE ARBITRATION PROVISIONS.

Minnesota Disclosure

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the Disclosure Document for MTY Franchising USA, Inc. for use in the State of Minnesota shall be amended to include the following:

1. Item 13, "Trademarks," shall be amended by the addition of the following paragraph at the end of the Item:

Pursuant to Minnesota Stat. Sec. 80C.12, Subd. 1(g), we are required to protect any rights which you have to use our proprietary marks.

2. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraphs:

With respect to franchisees governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Franchise Agreement, and that consent to the transfer of the franchise not be unreasonably withheld.

Pursuant to Minn. Rule 2860.4400D, any general release of claims that you or a transferor may have against us or our shareholders, directors, employees and agents, including without limitation claims arising under federal, state, and local laws and regulations shall exclude claims you or a transferor may have under the Minnesota Franchise Law and the Rules and Regulations promulgated thereunder by the Commissioner of Commerce.

Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to jury trial, any procedure, forum, or remedies as may be provided for by the laws of the jurisdiction.

3. Each provision of this addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commission of Commerce are met independently without reference to this addendum to the disclosure document.

Minnesota Amendment to the Franchise Agreement

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the parties to the attached MTY Franchising USA, Inc. Franchise Agreement (the "Agreement") agree as follows:

1. Section 2.2 (g) of the Agreement, under the heading "Renewal," shall be deleted in its entirety and shall have no force or effect, and the following paragraph shall be inserted in lieu thereof:

2.2 (g) Franchisee (and all of its owners, including the Guarantor) shall each have executed a general release, in form and substance satisfactory to Franchisor, of any and all claims, demands, actions and causes of action that they may have or have had against Franchisor, its Affiliates or any of their respective officers, directors, shareholders, employees, agents or legal counsel, in their corporate or individual capacities, arising in connection with the execution or performance of the Agreement or any Contract; excluding only such claims as Franchisee may have that have arisen under the Minnesota Franchises Law and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce.

2. Section 2.2 of the Agreement, under the heading "Renewal," shall be supplemented by the addition of the following new paragraph:

Minnesota law provides franchisees with certain non-renewal rights. In sum, Minn. Stat. § 80C.14 (subd. 4) currently requires, except in certain specified cases, that a franchisee be given 180 days' notice of non-renewal of the Franchise Agreement.

3. Section 9.1 of the Agreement, under the heading "Marks," shall be amended by the addition of the following new paragraph:

Pursuant to Minnesota Stat. Sec. 80C.12, Subd. 1(g), Franchisor is required to protect any rights Franchisee may have to Franchisor Proprietary Marks.

4. Section 12.2 (c) of the Agreement, under the heading "Assignment or Transfer by Franchisee," shall be deleted in its entirety and shall have no force or effect, and the following paragraph shall be inserted in lieu thereof:

12.2 (c) the Franchisee (and all of its owners, including Guarantor) shall have delivered to the Franchisor a complete release of its/their claims against the Franchisor, its Affiliates and their respective directors and officers, in form and substance satisfactory to the Franchisor; excluding only such claims as the Franchisee may have under the Minnesota Franchises Law and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce;

5. Section 12 of the Agreement, under the heading "Assignment and Transfer," shall be supplemented by the addition of the following new paragraph 12.10:

12.10 Minnesota law provides franchisees with certain transfer rights. In sum, Minn. Stat. §80C.14 (subd. 5) currently requires that consent to the transfer of the franchise may not be unreasonably withheld.

6. Section 10 of the Agreement, under the heading “Default and Termination of Franchise,” shall be supplemented by the following new paragraph 10.13:

10.13 Minnesota law provides franchisees with certain termination rights. In sum, Minn. Stat. § 80C.14 (subd. 3) currently requires, except in certain specified cases, that a franchisee be given 90 days’ notice of termination (with 60 days to cure) of the Franchise Agreement.

7. Sections 14.1(f.) and (g.) of the Agreement, under the heading “Dispute Resolution,” shall be deleted in their entirety and shall have no force or effect; and the following paragraphs shall be substituted in lieu thereof:

(f.) Nothing contained in this Agreement may bar or delay Franchisor’s right to seek injunctive relief against threatened or actual conduct that may cause it loss or damages under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions. Franchisor need not prove actual or irreparable damages. No bond or other security is required to be posted (or if required, the sum of one thousand dollars [\$1000.00] is deemed sufficient). Nothing contained in this Agreement may be construed to limit or to preclude Franchisor from joining with any action for injunctive or provisional relief any monetary claims that Franchisor may have against the Franchisee or the Guarantor that arise out of the acts or omissions to act giving rise to the action for injunctive or provisional relief.

(g.) Without limiting the generality of Section 14.1(f) above, the Franchisee and the Guarantor agree that the Franchisor may seek injunctive relief in addition to such other relief as may be available to it at equity or at law for any dispute involving the proprietary marks, termination of this Agreement, or enforcement of the confidentiality provisions set forth in this Agreement, and any dispute involving enforcement of the covenants set out in Section 12 of this Agreement. The Franchisees’ (and Guarantors’) only remedy if an injunction is entered against any or all of them will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by reason of the wrongful issuance of such injunction being expressly waived hereby).

8. Section 14 of the Agreement, under the heading “Dispute Resolution”, shall be amended by the addition of the following paragraph 14.5, which shall be considered an integral part of the Agreement:

14.5 Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit the Franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of the Franchisee’s or Guarantor’s rights as provided for in Minnesota Statutes, Chapter 80C, or any rights to jury trial, any procedure, forum, or remedies provided as may be for by the laws of the jurisdiction.

9. Each provision of this Agreement shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law

or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce are met independently without reference to this addendum to the Agreement.

ACKNOWLEDGMENT:

It is agreed that the applicable foregoing state law addendum, if any, supersedes any inconsistent portion of the Multiple Unit Purchase Agreement or Franchise Agreement dated the _____ day of _____, 20__, and of the Franchise Disclosure Document.

MTY FRANCHISING USA, INC.:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE:

By: _____

Date: _____

GUARANTOR:

By: _____

Date: _____

New York Disclosure

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN **EXHIBIT A** 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, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK, 10271. 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.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge, or within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise securities, antitrust, trade regulation or trade practice law, resulting from 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.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessors, officers, or general partner 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 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, 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 issues thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**:

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of “Summary” section of Item 17(j), titled **“Assignment of contract by franchisor”**:

However, 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.

8. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum”**;, and Item 17(w), titled **“Choice of law”**:

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.

New York Amendment to the Franchise Agreement

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties to the attached MTY Franchising USA, Inc. Franchise Agreement (the "Agreement") agree as follows:

1. Section 2.2 (g) of the Agreement, under the heading "Renewal," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

2.2 (g) the Franchisee (and all of its owners, including Guarantor) shall each have executed a general release, in form and substance satisfactory to Franchisor, of any and all claims, demands, actions and causes of action that they may have or have had against Franchisor, its Affiliates or any of their respective officers, directors, shareholders, employees, agents or legal counsel, in their corporate or individual capacities, arising in connection with the execution or performance of the Agreement or any Contract; provided, however, that all rights enjoyed by Franchisee and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied; and

2. Section 12.2(c) of the Agreement, under the heading "Assignment or Transfer by Franchisee," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

12.2(c) the Franchisee (and all of its owners, including Guarantor) shall have delivered to the Franchisor a complete release of its/their claims against the Franchisor, its Affiliates and their respective directors and officers, in form and substance satisfactory to the Franchisor; provided, however, that all rights enjoyed by the transferor and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied;

3. Sections 14.1(f) and (g) of the Agreement, under the heading "Dispute Resolution," shall be deleted in their entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

(f.) Nothing contained in this Agreement may bar or delay Franchisor's right to seek injunctive relief against threatened or actual conduct that may cause it loss or damages under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions. Franchisor need not prove actual or irreparable damages. No bond or other security is required to be posted (or if required, the sum of one thousand dollars [\$1000.00] is deemed sufficient). Nothing contained in this Agreement may be construed to limit or to preclude Franchisor from joining with any action for injunctive or provisional relief any monetary claims that Franchisor may have against the Franchisee or the Guarantor that arise out of the acts or omissions to act giving rise to the action for injunctive or provisional relief.

(g.) Without limiting the generality of Section 14.1(f) above, the Franchisee and the Guarantor agree that the Franchisor may seek injunctive relief in addition to such other relief as may be available to it at equity or at law for any dispute involving the proprietary marks, termination of this Agreement, or enforcement of the confidentiality provisions set forth in this Agreement, and any dispute involving enforcement of the covenants set out in Section 12 of this Agreement. The Franchisees' (and Guarantors') only remedy if an injunction is entered against any or all of them will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by reason of the wrongful issuance of such injunction being expressly waived hereby).

4. Section 14 of the Agreement, under the heading "Dispute Resolution," shall be supplemented by the addition of Section 14.5:

14.5 Nothing in this Agreement should be considered a waiver of any right conferred upon Franchisee by New York General Business Law, Sections 680-695.

5. There are circumstances in which an offering made by Franchisor would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the state of New York. However, an offer or sale is deemed made in New York if Franchisee is domiciled in or the franchise will be opening in New York. Franchisor is required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

[SIGNATURE PAGE FOLLOWS]

ACKNOWLEDGMENT:

It is agreed that the applicable foregoing state law addendum, if any, supersedes any inconsistent portion of the Multiple Unit Purchase Agreement or Franchise Agreement dated the _____ day of _____, 20__, and of the Franchise Disclosure Document.

MTY FRANCHISING USA, INC.:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE:

By: _____

Date: _____

GUARANTOR:

By: _____

Date: _____

North Dakota Amendment to the FDD and Franchise Agreement

ITEM 5 of the Franchise Disclosure Document and Section 3.1 of the Franchise Agreement are amended by the addition of the following language to the original language:

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee (a) has received all initial training that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

Sections of the Franchise Disclosure Document and Franchise Agreement requiring that you sign a general release, estoppel or waiver as a condition of renewal and or assignment, may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

The Franchise Agreement contains a covenant not to compete which may not be enforceable under North Dakota law.

Sections of the Franchise Disclosure Document and Franchise Agreement requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Franchise Disclosure Document and Franchise Agreement relating to choice of law, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Franchise Disclosure Document and Franchise Agreement requiring you to consent to liquidated damages and/or termination penalties, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Franchise Disclosure Document and Franchise Agreement requiring you to consent to a waiver of trial by jury, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Franchise Disclosure Document and Franchise Agreement requiring you to consent to a waiver of exemplary and punitive damages, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

STATEMENT OF DISCLOSURE DOCUMENT ACCURACY

THE FRANCHISOR REPRESENTS THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

Virginia Disclosure

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for MTY Franchising USA, Inc. for use in the Commonwealth of Virginia shall be amended as follows:

1. Item 17. The following statement is added to Item 17.h. of the table:

Pursuant 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.

Washington Disclosure

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.180, the Franchise Disclosure Document for MTY Franchising USA, Inc. in connection with the offer and sale of franchises for use in the State of Washington shall be amended to include the following:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraphs at the conclusion of the Item:

The state of Washington has a statute, RCW 19.100.180, which 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 involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

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

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act 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, 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.

2. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by deleting "d" and the following new "d." shall be substituted in lieu thereof:

Selection in Franchise

<u>Provision</u>	<u>Agreement</u>	<u>Summary</u>
d. Termination by you	None	Pursuant to Washington State Law, the franchisee may terminate the Agreement upon any grounds available by law.

3. Each provision of this addendum to the disclosure document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the

Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.180, are met independently without reference to this addendum to the disclosure document.

Washington Amendment to the Franchise Agreement

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, the parties to the attached MTY Franchising USA, Inc. Franchise Agreement agree as follows:

The state of Washington has a statute, RCW 19.100.180, which 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 involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

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

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act 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, 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.

Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, are met independently without reference to this amendment.

ITEM 5 of the Franchise Disclosure Document and Section 3.1 of the Franchise Agreement are amended by the addition of the following language to the original language:

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee (a) has received all initial training that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

[SIGNATURE PAGE FOLLOWS]

ACKNOWLEDGMENT:

It is agreed that the applicable foregoing state law addendum, if any, supersedes any inconsistent portion of the Multiple Unit Purchase Agreement or Franchise Agreement dated the _____ day of _____, 20__, and of the Franchise Disclosure Document.

MTY FRANCHISING USA, INC.:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE:

By: _____

Date: _____

GUARANTOR:

By: _____

Date: _____



EXHIBIT I

Manchu WOK

Compliance Certification

EXHIBIT I

MTY FRANCHISING USA, INC.

COMPLIANCE CERTIFICATION

(Mall and non-traditional Restaurants)

As you know, MTY Franchising USA, Inc. ("Manchu WOK") and you are preparing to enter into a business relationship. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate, or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Have you received and personally reviewed all of the agreements that you will be signing today?

Yes _____ No _____

2. Do you understand the rights and obligations you and we will have under these agreements?

Yes _____ No _____

If not, what questions do you have?

3. Have you received and personally reviewed the Manchu WOK Franchise Disclosure Document ("**FDD**")

Yes _____ No _____

4. Did you receive the FDD at least 14 calendar days before today?

Yes _____ No _____

5. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes _____ No _____

If not, what parts of the FDD and/or Addendum do you not understand?

6. Have you discussed with an attorney, accountant, or other professional advisor the benefits and risks of establishing and operating a Manchu WOK Restaurant as well as your rights and obligations under each agreement that you will be signing today?

Yes _____ No _____

If not, do you wish to have more time to do so?

Yes _____ No _____

7. Do you understand that the success or failure of your business will depend in large part upon your own skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes _____ No _____

8. Except for financial performance representations that appear in our FDD, has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits or operating costs of a Restaurant?

Yes _____ No _____

9. Except for financial performance representations that appear in our FDD, has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a Restaurant?

Yes _____ No _____

10. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Restaurant?

Yes _____ No _____

11. Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support, service or assistance that we or any of our affiliates will furnish to you that is contrary to, or different from, the information contained in the FDD?

Yes _____ No _____

12. Have you entered into any binding agreement with or paid money to Manchu WOK concerning the grant of franchise rights prior to today?

Yes _____ No _____

13. Has Manchu WOK made any material change to any agreement you are signing today that you have no yet seen or agreed to at least seven calendar days before today?

Yes _____ No _____

14. With respect to the agreements being signed today, has any employee or other person speaking on behalf of Manchu WOK made a statement or promise or agreement concerning (i) the rights or obligations which either Manchu WOK will have to do or you

will have to do under these agreements; or (ii) any terms of conditions of these agreements, that in either circumstance, are not specifically stated in the agreements?

Yes _____ No _____

15. Do you understand that Manchu WOK has the right to franchise and operate restaurants that use the same trademarks and system, and which can be located adjacent to the Trade Area granted to your Restaurant and, thus, compete with your Restaurant?

Yes _____ No _____

16. Do you understand that other affiliates of Manchu WOK also franchise and/or operate restaurants that offer similar products and that such restaurants can be located in the same geographic area as your Restaurant, and, thus, compete with your Restaurant?

Yes _____ No _____

17. Do you understand that nearly all of the suppliers of your Restaurant's products, supplies, goods, equipment and services will be restricted to Manchu WOK and its affiliates or third parties designated or approved by Manchu WOK, and that Manchu WOK and its affiliates will derive revenues from markups or commissions as a result of these purchases?

Yes _____ No _____

18. Do you understand the fact that Franchise Agreement Sections 14.2, 14.3 and 14.4 provide that both Manchu WOK and you have agreed to (i) waive a jury trial for any dispute, as well as the right to seek punitive or exemplary damages against the other; and (ii) significantly reduce the time within which to assert a claim against the other in any adjudicatory forum?

Yes _____ No _____

19. If you have answered "Yes" to any one of questions 8-14, or "No" to any one of questions 15 - 19, please provide a full explanation of each "Yes" or "No" answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.)

21. During my negotiations and evaluations leading up to my decision to buy a Manchu WOK franchise, I communicated with the following individuals from Manchu WOK or its affiliates:

Name	Address
------	---------

1. _____

2. _____

3. _____

4. _____

[Insert additional names and addresses below if needed]

Please understand that your responses to these questions are important to us and that we will rely on them.

By signing this Compliance Certification, you are representing that you have responded truthfully to all of the above questions.

APPLICANT

DATED: _____, 20__



EXHIBIT J

Manchu WOK

State Effective Dates

Manchu Wok
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:

California	March 28, 2022
Hawaii	Not Registered
Illinois	March 28, 2022
Indiana	March 28, 2022
Maryland	Not Registered
Michigan	Pending
Minnesota	Not Registered
New York	March 28, 2022
North Dakota	Pending
Rhode Island	Not Registered
South Dakota	Not Registered
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.



EXHIBIT K

Manchu WOK

Receipt

**EXHIBIT K
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.

If MTY Franchising USA, Inc. offers you a franchise, it must provide this Disclosure Document to you (a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, or (b) Under New York and Rhode Island law at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale, or (c) Iowa requires that we give you this disclosure document at the earlier of the first personal meeting or 14 days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship, or (d) Michigan requires that we 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 MTY Franchising USA, Inc. does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed in **Exhibit A**.

Issuance date: March 28, 2022

The franchisor is MTY Franchising USA, Inc., located at 9311 E. Via De Ventura, Scottsdale, Arizona 85258. Its telephone number is (480) 362-4800. The franchise seller for this offering is _____, _____, (____) _____. A list of any additional franchise sellers, if any, will be attached to this Receipt at the time of sale.

MTY Franchising USA, Inc. authorizes the respective state agencies identified on **Exhibit A** to receive service of process for it in the particular state.

I received a Franchise Disclosure Document dated (and with effective dates of state registration as listed in the State Effective Dates page) that included the following Exhibits:

A	List of State Regulators/Agents for Service of Process	F	Current Franchisees of MTY Franchising USA, Inc.
B	Financial Statements	G	Former Franchisees of MTY Franchising USA
C	Franchise Agreement	H	State-Specific Disclosure and State-Specific Agreement Amendments
D	Sublease Agreement (subject to amendment to accommodate local laws)	I	Compliance Certification
E	Table of Contents of Operating Manual	J	State Effective Dates
E-1	In-Store Training Release and Waiver of Liability Agreement	K	Receipt

Date Received

Prospective Franchisee

Name (Please print)

Address

(Retain this copy)

**EXHIBIT K
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.

If MTY Franchising USA, Inc. offers you a franchise, it must provide this Disclosure Document to you (a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, or (b) Under New York and Rhode Island law at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale, or (c) Iowa requires that we give you this disclosure document at the earlier of the first personal meeting or 14 days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship, or (d) Michigan requires that we 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 MTY Franchising USA, Inc. does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed in **Exhibit A**.

Issuance date: March 28, 2022

The franchisor is MTY Franchising USA, Inc., located at 9311 E. Via De Ventura, Scottsdale, Arizona 85258. Its telephone number is (480) 362-4800. The franchise seller for this offering is _____, _____, (____) _____. A list of any additional franchise sellers, if any, will be attached to this Receipt at the time of sale.

MTY Franchising USA, Inc. authorizes the respective state agencies identified on **Exhibit A** to receive service of process for it in the particular state.

I received a Franchise Disclosure Document dated (and with effective dates of state registration as listed in the State Effective Dates page) that included the following Exhibits:

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E. Table of Contents of Operating Manual	J State Effective Dates
E-1. In-Store Training Release and Waiver of Liability Agreement	K Receipt

Date Received

Prospective Franchisee

Name (Please print)

Address

(Return to MTY Franchising USA)