

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

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

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

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

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

**Concluded State Administrative Actions Involving SFF, L.L.C., successor in interest to  
SweetFrog Enterprises, L.L.C.**

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

**Concluded State Administrative Actions Involving Predecessor Blimpie Associates, Ltd.**

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

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

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

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

Commissioner, MWF sent to the Maryland Franchisees the registered Offering Circular, a copy of the Consent Order, and a letter notifying the Maryland Franchisees that they could rescind their franchise agreements. At this time, MWF is in full compliance with the Consent Order.

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

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

**Concluded State Administrative Actions, Arbitration, and Litigation Involving BF Acquisition Holdings, L.L.C. and/or its predecessors**

*State of Maryland Determination; Case Number 2012-0073.*

In February 2012, the State of Maryland alleged that during the period January 1, 2009 to November 26, 2009, Triune, LLC (“Triune”): (i) did not retain signed acknowledgements of receipt reflecting the dates that its Franchise Disclosure Document was delivered to certain Maryland residents and non-residents; (ii) sold franchises to certain Maryland residents and non-residents without providing them with a copy of a 2009 Franchise Disclosure Document; (iii) sold franchises to certain Maryland residents and non-residents without providing them with a copy of a 2009 Franchise Disclosure Document that contained its 2008 financial statements with a going concern note from its auditors resulting from the unfavorable financial condition of its parent company; and (iv) sold franchises to certain Maryland residents and non-residents without

including, or abiding with, a deferral condition in their Franchise Agreements that was imposed upon it by the State of Maryland, all as required by the Maryland Franchise Registration and Disclosure Law (the “Maryland Law”) and in violation of the Maryland Law. Without admitting or denying the allegations, in September 2012, Triune voluntarily entered into a Consent Order with the Office of the Attorney General of Maryland and agreed to: (i) not violate the Maryland Law in the future; (ii) pay the Office of the Attorney General the sum of \$50,000 as a civil penalty; (iii) retain copies of all acknowledgments of receipt confirming dates that prospective Maryland franchisees received any Maryland Franchise Disclosure Documents; (iv) comply with the disclosure and antifraud provisions of the Maryland Franchise Law and the record keeping and escrow requirements of the Code of Maryland Regulations; and (v) send a copy of the Consent Order to certain Maryland franchisees.

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

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

**Lawsuits Filed by Franchisor Kahala Franchising, L.L.C. Against Franchisees During Fiscal Year December 1, 2023 through November 30, 2024**

Suit for Breach of Contract

*Kahala Franchising, L.L.C. v. All About Food, Inc. and Chu Yup Lee a/k/a Michale Lee;* In the Circuit Court of the Nineteenth Judicial Circuit Lake County, Illinois; Case No.: 2024LA00000001.

Suit for Forcible Entry and Detainer

*Cold Stone Creamery Leasing Company, Inc. v. JRF, Inc.;* Iowa District Court for Dallas County; Case No.: SCSC050015.

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

## **ITEM 4**

### **Bankruptcy**

#### American Blue Ribbon Holdings, LLC

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

## **ITEM 5**

### **Initial Fees**

The initial franchise fee for a Village Inn Restaurant is \$35,000 for your first restaurant. The Initial Franchise Fee is reduced for your second traditional restaurant to \$25,000. The Initial Franchise Fee is reduced for your third and each subsequent traditional restaurant to \$20,000.

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

If you are currently an active or active reserve member of the U.S. Armed Forces, have been honorably discharged from the U.S. Armed Forces ("Eligible Military"), or are a 501(c)(3) organization ("501(c)(3)"), you will receive a 20% discount on the Initial Franchise Fee.

## **ITEM 6**

### **Other Fees**

<b>Name of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty <sup>1,2, 5</sup>	4.0% of Gross Sales as described in the footnotes below.	Each Tuesday with an option to annually prepay after operating the Restaurant for at least one full year <sup>6</sup>	"Gross Sales" include all sales conducted by or through the Restaurant, or from the franchised location at the actual price charged by the Franchisee. However, "Gross Sales" do not include tips for employees and sales tax and loyalty redemptions, 'Free Pie Wednesdays discounts, senior discounts, delivery fees, and other customary promotions or discounts

Name of Fee	Amount	Due Date	Remarks
Marketing Fee <sup>1,3,5</sup>	Currently 1% of Gross Sales	Each Tuesday	Paid at the same time and in the same manner as Royalty
Local Marketing <sup>3</sup>	1% of Gross Sales; may be increased by Village Inn at any time to a combined maximum with local marketing of 2%	Upon invoicing	Local marketing payable to third-party vendors as required
Extension Fee <sup>1</sup>	50% of the then-current Initial Franchise Fee not including any discounts or reductions	30 days prior to expiration of the term or the first extension term	Paid to Village Inn upon execution of a new Franchise Agreement for the first or second extension term
Extra Manuals <sup>1</sup>	From \$12 to \$110 per manual	Upon invoicing	Cost of manuals, training materials, etc.; the first set of manuals/materials is loaned to you without charge
Training Costs and Opening Assistance Costs	\$65,000 to \$160,000	Upon invoicing	Payable to us or third parties in connection with your initial training and our opening assistance.
Additional Training Fees and Costs	A reasonable fee we determine based on the additional training to be provided.	Upon invoicing	Payable to us or third parties in connection with any additional training you undertake. You are responsible for the expenses you or your trainees incur in connection with such additional training.
Extraordinary Operating Assistance <sup>1</sup>	Actual costs incurred by Village Inn	Upon invoicing	Costs include transportation, meals, lodging, and gross wages of Village Inn employees rendering assistance
Transfer Fee <sup>1</sup>	\$5,000	Upon completion of transfer	Payable in connection with the transfer of your franchise to a third party
Audit Fee <sup>1</sup>	Cost of audit	Upon invoicing	Due only if audit shows an understatement of more than 3% of the Gross Sales previously reported
Interest <sup>1</sup>	3% greater than publicly announced prime rate of Village Inn's prime lender	Upon invoicing	Amount adjusted, if necessary, on January 1 each year
Late Charge <sup>1</sup>	5% of amount past due	Upon invoicing	Assessed 5 days after payment is due
Operational Management Fee <sup>1</sup>	7% of Gross Sales plus Village Inn Expenses	Each Tuesday while Village Inn	See discussion of "Gross Sales" under the heading "Royalty," above

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

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

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

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

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

<sup>5</sup>Village Inn uses fiscal year ending starting December 1<sup>st</sup> and ending November 30th for financial reporting purposes.

<sup>6</sup>After operating the Restaurant for at least one full fiscal year, Franchisee is granted the option to annually prepay the Royalty for that year and thereby receive a ten percent (10%) discount on the Royalty due by paying to Franchisor on or before February 1 an amount equal to ninety percent (90%) of that year's projected royalty ("Prepaid Royalty"). The projected royalty is equal to four percent (4%) of the Gross Sales from the Franchisee's preceding fiscal year ("Projected Royalty"). In making the calculation of the Projected Royalty, the beginning date for the preceding fiscal year shall be based on the Franchisor's fiscal period with fiscal year being a 52-week fiscal year consisting of twelve (12) fiscal periods ending on the last business day of the fiscal year of the Franchisor. Franchisor and Franchisee agree to, on or before February 1, reconcile the difference between the Prepaid Royalty and the Royalty due based upon Franchisee's actual Gross Sales (while still subject to the 10% discount) during the preceding fiscal year. For example, if Franchisee's Projected Royalty was \$50,000 (based on Gross Sales of \$1,250,000), and thus the Prepaid Royalty was \$45,000, but Franchisee's actual Gross Sales during the fiscal year were equal to \$1,500,000, Franchisee would owe Franchisor an additional \$9,000. (\$1,500,000 x 4% = \$60,000 Royalties owed x 10% discount = \$54,000 less \$45,000 prepaid = a remaining owed balance of \$9,000).

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

## **ITEM 7** **Estimated Initial Investment**

<b>Description</b>	<b>Low Amount</b>	<b>High Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment Is To Be Made</b>
Initial Franchise Fee (1)	\$16,000	\$35,000	Lump Sum	At signing of Franchise Agreement	Village Inn
Real Estate Occupancy (2)	\$120,000	\$160,000	As negotiated	At time of Purchase, or monthly if lease	Seller/Lessor
Furniture, Fixtures, Equipment, and Signage	\$200,000	\$585,000	As incurred	Upon delivery	Suppliers
POS, Back Office Computers	\$25,000	\$35,000	As incurred	Upon delivery	Suppliers
Construction Costs (3)	\$450,000	\$1,485,000	As negotiated	During construction	General Contractor
Pre-Opening Costs (4)(5)	\$80,000	\$120,000	As incurred	As incurred	Suppliers and Employees
Inventory	\$10,000	\$20,000	As incurred	As incurred	Suppliers
Smallwares	\$19,000	\$35,000	As incurred	As incurred	Suppliers
Insurance (Annual Premiums) (A) Liability Insurance \$1,000,000 in Coverage	\$15,000 annually per restaurant Note 6	\$25,000 annually per restaurant Note 6	Note 6	Upon binding of coverage and payment terms provided by the insurance carrier	Insurance Company
(B) All Risk Property Insurance; a Minimum of \$850,000 Combined Limit for Building and Contents Plus Business Income Coverage	Note 7	Note 7	Note 7	Upon binding of coverage and payment terms provided by insurance carrier	Insurance Company
(C) Workers Compensation and Employer's Liability Insurance	Note 8	Note 8	Note 8	Note 8	Insurance Provider
Training Costs and Opening Assistance Costs (9)	\$65,000	\$110,000	As incurred	As incurred	Suppliers and Employees

Cash or Cash Equivalent Reserve	\$25,000	\$30,000		Upon signing the Franchise Agreement	Franchisee's Bank Account
Average Per Month of Additional Funds for the First Three Months (10)	\$50,000	\$100,000	As incurred	As incurred	Employees, Suppliers, Utilities
<b>TOTAL FOR</b>	<b>\$1,075,000</b> See Notes 11, 12, and 13	<b>\$2,740,000</b> See Notes 11, 12, and 13			

Notes:

(1) The initial franchise fee is \$35,000 for the first Village Inn restaurant, the initial franchise fee is reduced for your second traditional restaurant to \$25,000, and for your third and each subsequent traditional restaurant to \$20,000.

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

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

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