

guaranty in the amount of \$148,450; (iv) interest on the sums; (v) attorney's fees; and (vi) any other relief the court deems fit. On September 24, 2021, the parties entered into a settlement agreement, in which a mutual release of all claims was agreed to, and Respondent/Counter Claimant paid Claimant/Counter Respondent the sum of \$125,000. The matter was subsequently dismissed with prejudice.

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

DTD Pizza LLC, Brian Watson, Alton Spears, LMP Enterprises LLC, Pizza Enterprises LLC, Alan and Denise Barnett, DOB Enterprises, Inc., Douglas and Lesia Billing, Rob & Bud's Pizza, Robert J. Dickerson Trust UA, Rob Dickerson, 4LM Enterprises, Inc., Jana and Randell Liles, Ben and Kim Mayfield, SEAMS Holdings LLC, Scott and Erica Shelby, Robert Hoersting, PM Savannah LLC, James and Mona King, Hans King, Pizza For 4 Kings Corp, Alamo Quality Pizza I, LLC., Quality Pizza III, LLC., Gerardo Torres, George Knost, Arkel Food Services, LLC., Reece Alexander Overcash, III, Angelo S. Chantilis, Jr., Double AA Partners, LLC., Jeffrey L Comish, John Stalker, and Papa's of Tennessee, LLC. v. Papa Murphy's International LLC, Papa Murphy's Company Stores, Inc., PMI Holdings Inc., Papa Murphy's Intermediate Inc., Papa Murphy's Holdings, Inc., Lee Equity Partners LLC, John D. Barr, Ken Calwell, Thomas H. Lee, Yoo Jin Kim, Benjamin Hochberg, John D. Schafer, Achi Yaffe, Janet Pirus, Victoria Blackwell, Gail Lawson, Dan Harmon, Scott Mullen, Jayson Tipp, Kevin King, Stephen Maeker, Steve Millard, Steve Figiola; Washington Superior Court, Clark County, Case No. 14-2-00904-0.

and

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

These two related actions were commenced in April 2014 and June 2014, respectively, by separate groups of current and former franchisees against us, certain members of our board of managers and executive team, and others in Washington Superior Court (Clark County), alleging misrepresentations involving financial performance representations in ITEM 19 of 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, LLC v. Papa Murphy’s International, Inc. and Papa Murphy’s International, LLC; United States District Court for the Western District of Washington, Case No. 5:15-cv-05090-TLB.

In spring 2015, Papa Murphy’s sent a notice of default to plaintiff for alleged defaults under the plaintiff’s franchise agreements. In response, on April 17, 2015, the plaintiff brought an action seeking a declaratory judgment and injunction preventing Papa Murphy’s from terminating the franchises. The plaintiff subsequently added claims in the case alleging that Papa Murphy’s tortiously interfered with the plaintiff’s employees and negligence in how Papa Murphy’s handled the plaintiff’s customer database, and sought compensatory damages, punitive damages and costs in an unspecified amount. The plaintiff was also a plaintiff in the LMP case described above. The case 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 SweetFrog, 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, 2024 through November 30, 2025

Suit for Breach of Contract

Kahala Franchising, L.L.C. v. Golden Enterprises, Inc.; DBH Associates, LP, Deseret Sales, Inc., Randy Herzog, Laurie Herzog, Amy Wilson, Rob Wilson, Clare Hunter, Deobrah Hunter; United States District Court in and for the Eastern District of Washington; Case No.: 2:25-cv-00426.

Kahala Franchising, L.L.C. v. Mid Valley Foods, Inc., Candyce Dilbeck, Steve Hopkins, Gegory M. Hopkins; United States District Court in and for the District of Arizona; Case No.: 2:25-cv-04166-KML.

Suit for Federal Trademark Infringement, Lanham Act, 15 U.S.C. §1124; Common Law Trademark Infringement; Federal Unfair Competition, Lanham Act, 15 U.S. C. §1125; Common Law Unfair Competition; Breach of Contract; Unjust Enrichment; Audit Demand/Accounting

Kahala Franchising, L.L.C. v. Byron Washington and Bram Berg; United States District Court for the Southern District of New York; Case No.: 1:25-cv-06392.

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.

Opening Team Expenses

You will reimburse Village Inn for the Travel Expenses and the prorated Salaries and Benefits for the Opening Team members who assist you with the opening of your Restaurant (see Item 11). These expenses are nonrefundable and will typically range between \$10,000 and \$50,000 but may be lower or higher depending upon the service model and the location of your Restaurant. You will pay to Village Inn 50% of the estimated Opening Team expenses for your Restaurant, which Village Inn will determine based on the size of the Opening Team, distance traveled, and other factors, before the date that the Opening Team arrives at your Restaurant. Upon completion of the Opening Team's assistance, Village Inn will send you an invoice for the actual amount of remaining Opening Team costs. You must pay this invoice within 30 days.

Site Review Report Fee (if requested)

You will pay to Village Inn the then-current Site Review Report Fee after Village Inn prepares a site review report and issue a "no objection" letter for the proposed site of your

Restaurant. The current Site Review Report Fee is \$1,000 to \$5,000 and may increase if a site visit is required. The Site Review Report Fee is nonrefundable.

**ITEM 6
Other Fees**

Name of Fee	Amount	Due Date	Remarks
Royalty ^{1,2, 5,7}	4.0% of Gross Sales as described in the footnotes below.	Each Tuesday with an option to annually prepay after operating the Restaurant for at least one full year ⁶	“Gross Sales” include all sales conducted by or through the Restaurant, or from the franchised location at the actual price charged by the Franchisee. However, “Gross Sales” do not include tips for employees and sales tax and loyalty redemptions, ‘Free Pie Wednesdays discounts, senior discounts, delivery fees, and other customary promotions or discounts
Marketing Fee ^{1,3, 5}	Currently 1% of Gross Sales	Each Tuesday	Paid at the same time and in the same manner as Royalty
Local Marketing ³	1% of Gross Sales; may be increased by Village Inn at any time to a combined maximum with local marketing of 3%	Upon invoicing	Local marketing payable to third-party vendors as required
Extension Fee ¹	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 ¹	From \$12 to \$110 per manual	Upon invoicing	Cost of manuals, training materials, etc.; the first set of manuals/materials is loaned to you without charge
Training Costs and Opening Assistance Costs	\$65,000 to \$160,000	Upon invoicing	Payable to us or third parties in connection with your initial training and our opening assistance.
Additional Training Fees and Costs	A reasonable fee we determine based on the additional training to be provided.	Upon invoicing	Payable to us or third parties in connection with any additional training you undertake. You are responsible for the expenses you or your trainees incur in connection with such additional training.

Name of Fee	Amount	Due Date	Remarks
Extraordinary Operating Assistance ¹	Actual costs incurred by Village Inn	Upon invoicing	Costs include transportation, meals, lodging, and gross wages of Village Inn employees rendering assistance
Transfer Fee ¹	\$5,000	Upon completion of transfer	Payable in connection with the transfer of your franchise to a third party
Audit Fee ¹	Cost of audit	Upon invoicing	Due only if audit shows an understatement of more than 2% of the Gross Sales previously reported
Interest ¹	3% greater than publicly announced prime rate of Village Inn's prime lender	Upon invoicing	Amount adjusted, if necessary, on January 1 each year
Late Charge ¹	5% of amount past due	Upon invoicing	Assessed 5 days after payment is due
Lease ^{1,4}	Varies	Monthly	Payable to Village Inn only if you lease land, building, or equipment from Village Inn
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	
Remodeling Costs	The amount you incur to remodel your Franchised Location. These costs may range from \$50,000 to \$350,000 each time you remodel.	Payable to suppliers as incurred	You must remodel your Franchised Location in accordance with Village Inn requirements. Village Inn can require that you extensively remodel your Restaurant once every five to ten years. This does not include routine maintenance costs.
Third-Party Performance Measurement Evaluations	Up to one-half of the cost of set programs, estimated to range from \$250 to \$500 per inspection	Within 30 days after receipt of an invoice	Village Inn can utilize feedback and inspection programs to evaluate your operations, quality, compliance and food safety. Village Inn (in its sole discretion) may share the cost for these services upon the audit or inspection of your location if passing feedback is obtained.
Network Infrastructure Equipment and Security	\$3,500 to \$4,500	Upon invoicing	Payable to Village Inn

Name of Fee	Amount	Due Date	Remarks
Technology Support Fees	\$200 to \$325 per month	As incurred	Payable to Village Inn for ongoing technology support
Costs, Expenses, and Attorneys' Fees	Variable	Upon demand	Payable only if Village Inn prevails in any action it commences or defends to enforce the Franchise Agreement (including injunction proceedings), which may arise from your indemnification obligations.
Document Administration Fee	\$500	As incurred	Applicable if an amendment must be prepared, including for an affiliate transfer.
Lease Guarantee Fee (optional)	10% of the total amount guaranteed, up to a maximum payment of \$10,000 (if applicable) (Note 15)	Signing of the lease guarantee agreement (if applicable)	See Note 8
Sublease Late Charge	5% of the late or unpaid amount plus any late charges and interest incurred under the Master Lease as a result of the late payment (where applicable).	As incurred	Payable to our affiliate if you are subleasing your restaurant space from our affiliate.
Reimbursement of Taxes	We may seek reimbursement from you the cost of all taxes, assessments and similar charges we incur arising from your operation of the Franchised Business or our licensing of intellectual property to you in the state where your Franchised Business is located.	Payable monthly by electronic funds transfer at same time as royalty and service fee.	Only imposed if government authority collects these taxes or assessments

¹Franchisees 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.

² Village Inn collects all royalties by automatic bank transfer through an automated clearinghouse. The royalty is calculated at 4.0% of Gross Sales. "Gross Sales" is defined as the total amount of sales made by you from all business activities taking place by or through the Restaurant, or at the franchised location, in the form of cash, check, credit, or otherwise (without reserve or deduction for inability or failure to collect the same), and includes, without limitation, the sale of food,

beverages, goods and services, whether sold for consumption on or off the premises, receipts from food catering, and sales from vending, amusement, or entertainment machines. Additionally, Gross Sales are based on the actual price you would charge. Gross Sales do not include tips and gratuities for employees or sales taxes actually collected and paid to a governmental agency. Furthermore, for the avoidance of doubt, loyalty redemptions, “Free Pie Wednesdays” discounts, senior discounts, delivery fees, and other customary promotions or discounts shall not be included in Gross Sales.

³ Village Inn can increase the percentage of your Gross Sales payable for the Marketing Fee by up to 1/2% per year after giving you at least 60 days prior notice of the increase. Although the maximum amount Village Inn may require you to spend on marketing and advertising described above is 3% of Gross Sales, Village Inn does not represent that such maximum percentage or current rates will be adequate for the success of your operations. All strategies and productions for local marketing shall require Village Inn’s prior approval (which shall not be unreasonably withheld) except for promotions or materials already initiated, implemented, or approved by Village Inn.

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

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

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

⁷ Franchisor has the absolute right to increase the Royalty to up to eighteen percent (18%) of Gross Sales with respect to any period during which Franchisee is in breach or default of its/his/her obligations under this Agreement without providing Franchisee advance notice or right to cure. The Royalties paid or owing to Franchisor with respect to the period during which Franchisee is