

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, 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.

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

**ITEM 4  
BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

**ITEM 5  
INITIAL FEES**

The initial franchise fee ("Initial Franchise Fee") for your *La Diperie* restaurant is \$25,000.

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.

The initial fees to be paid to us and/or our affiliate(s) before the franchisee's *La Diperie* business opens are indicated on the chart below and in the notes to the chart. The initial fees to be paid to us and/or our affiliate(s) before the franchisee's business opens are the total of the Initial Franchise Fee, Grand Opening Marketing, lease review fee (if any). These amounts do not include the Document Administration Fee.

For the 2024 fiscal year, the formula used to calculate the range of initial fees paid to us and/or our affiliate(s) before the franchisee's business opened was: the total of the initial franchise fee, Grand Opening Marketing, and lease review fee (if any). The factors that determined these amounts were: (i) if the Initial Franchise Fee was discounted or waived; (ii) the lease review fee if the franchisee requested a full lease review, (iii) and the lease guarantee fee if the franchisee requested we guarantee their lease and MTY USA, or its affiliate agreed to be a guarantor on their lease.

There are no refunds of the Initial Franchise Fee under any circumstances. We may periodically reduce the Initial Franchise Fee in connection with limited time promotions, new concepts and/or operational programs. We may vary the terms of our franchises in connection with testing new marketing, branding and/or operational programs. These tests are generally conducted with experienced, existing franchisees and may include incentives and other rights which are not available to all franchisees. If you sign the Franchise Agreement in connection with a transfer or renewal, you will not pay the Initial Franchise Fee.

We may offer you the option to purchase a license to sell additional signature products in your *La Diperie* restaurant and to use the signature products trademark(s) as signature products are developed. The signature products that would be available for *La Diperie* franchisees to sell in their restaurants are currently under development. We estimate that the fees associated with acquiring license(s) to sell additional products will be between \$2,500 and \$5,000 although these license fees may be modified from time to time.

| CATEGORY                          | AMOUNT  | METHOD OF PAYMENT | DUUE DATE   | TO WHOM PMT IS MADE                               | REFUNDABILITY |
|-----------------------------------|---|-------------------|---|---|---------------|
| Initial Franchise Fee             | \$25,000<br>(reduced to \$20,000 for Eligible Military and 501(c)(3))       | Lump Sum          | Signing of the Franchise Agreement  | MTY USA   | See Note (1)  |
| Grand Opening Marketing           | \$10,000  | Lump Sum          | Earlier of: prior to execution of a lease or prior to construction of premise | MTY USA or its affiliate                          | See Note (1)  |
| Lease Guarantee Fee<br>(optional) | 10% of the total amount guaranteed, up to a maximum payment of \$10,000 (if | Lump Sum          | Signing of the lease guarantee agreement (if applicable)                      | MTY USA or its affiliate who guarantees the lease | See Note (1)  |

| CATEGORY                       | AMOUNT                     | METHOD OF PAYMENT | DUUE DATE   | TO WHOM PMT IS MADE | REFUNDABILITY |
|--------------------------------|----------------------------|-------------------|---|---------------------|---------------|
|                                | applicable)<br>(Note 2)    |                   |   |                     |               |
| Lease Review Fee<br>(optional) | \$0 to \$2,500<br>(Note 3) | Lump Sum          | When you request review by Kahala Management's real estate department | MTY USA             | See Note (1)  |

Notes:

(1) There are no refunds under any circumstances. MTY USA, or its affiliates does not offer any financing of the Initial Franchise Fee. We may periodically reduce the Initial Franchise Fee in connection with limited time promotions, new concepts and/or operational programs.

(2) If, after a request by you, MTY USA or any of its affiliates agree, in their sole and absolute discretion, to guarantee your lease with the applicable third party landlord for the *La Diperie* restaurant you are developing, you will pay MTY USA or its affiliate a lease guarantee fee in the amount of 10% of the total amount of the rental obligations being guaranteed under the lease upon the execution of the lease and associated guarantee with the third party landlord, up to a maximum payment of \$10,000. This fee is not refundable (See Exhibit M: Lease Guaranty Acknowledgement).

(3) If, prior to executing the lease, you request MTY or its affiliate real estate department review your lease and provide suggested changes to you, a \$2,500 lease review fee shall be paid by you to MTY USA or its affiliate ("Lease Review Fee") upon your request to MTY USA or its affiliate real estate department. The Lease Review Fee is non-refundable. This is an optional service, with the determination of whether to utilize MTY USA or its affiliate real estate department to be made in your sole discretion.

(4) Certain of your equipment, furniture, menu boards, wall graphics and smallwares may be purchased from Neptune Equipment, an affiliate of MTY USA..

**ITEM 6  
OTHER FEES**

| Column 1<br><b>Type of Fee</b>                       | Column 2<br><b>Amount</b>   | Column 3<br><b>Due Date</b>  | Column 4<br><b>Remarks</b>  |
|--|---|--|---|
| Royalty Fee and Surcharge (Notes 1 and 9)            | 6% of total weekly Gross Sales. Surcharge is a maximum of \$10 per week in addition to the Royalty Fee. (Note 2)  | Withdrawn electronically from your Depository Account the 15 <sup>th</sup> day of the month (Note 3) | “Gross Sales” include all revenue from the Franchised Business excluding sales tax and authorized refunds, credits and allowances.  |
| Advertising Fees (Note 1)                            | Up to 4% of weekly Gross Sales  | Same as Royalty Fee (Note 3)   | Currently, Advertising Fee is 2.5% of weekly Gross Sales, which goes to the Advertising Fund (Note 4).  |
| Additional Persons Training Fee (Note 1)             | \$1,250 per person (\$500 per person for the In-Store portion of the Training Program, and \$750 per person for the New Owner Training portion of the Training Program) | 2 weeks prior to beginning of training   | The training of two individuals is included in the Initial Franchise Fee. The Additional Persons Training Fee is for any additional persons who attend the Training Program.                                      |
| Additional Training Fee (Note 1)                     | \$300 per person per day  | At time of training  | Payable if we require or you request additional training after attending the Training Program.  |
| Annual Meeting Registration Fee (Notes 1 and 5)      | Up to \$1,000 plus incidental costs to attend   | 60-90 days prior to the Meeting  | We will debit your Depository Account for this fee, which is non-refundable. This fee is charged to all franchisees whether or not they attend the Meeting.   |
| Depository Account                                   | \$3,000 (must be replenished on a regular basis)  | Signing of Franchise Agreement   | (Note 3)  |
| Data Fees (Notes 1 and 6)                            | Up to \$75 per month (Subject to reasonable annual and/or service enhancement increases)  | Same as Royalty  | Fee for collecting or polling data from your POS System.  |
| POS Help Desk Phone Support Maintenance Contract Fee | \$55 per month  | Last Thursday of each month  | We will debit your Depository Account for this fee.   |
| Renewal Franchise Fee (Note 1)                       | 50% of the then-current Initial Franchise Fee not including any discounts or reductions   | Signing of new Franchise Agreement at renewal  | Applicable if you are renewing your Franchise Agreement.  |
| Transfer Franchise Fee (Note 1)                      | \$10,000  | Prior to completion of transfer  | Payable if you are purchasing your Franchised Business as a result of a full transfer from another franchisee. A full transfer is, including, but not limited to, a transfer of 50% or more ownership or control. |

| Column 1<br><b>Type of Fee</b>       | Column 2<br><b>Amount</b>  | Column 3<br><b>Due Date</b>                               | Column 4<br><b>Remarks</b>   |
|--------------------------------------|--|---|--|
| Relocation Fee<br>(Note 1)           | \$500  | At signing of relocation amendment to Franchise Agreement | Payable if we approve the relocation of your store.  |
| Transfer Training Fee<br>(Note 1)    | \$2,500 for two individuals (\$500 for each additional individual)   | Prior to consummation of transfer                         | Payable if you purchase your Franchised Business as a result of a full transfer from another franchisee.   |
| Document Administration Fee          | \$500 (Note 7)   | As incurred   | Applicable if an amendment must be prepared, including for an affiliate transfer.  |
| Default Interest<br>(Notes 1 and 8)  | \$50 plus interest at 1-1/2% per month or maximum legal rate, if less ("Default Rate")   | Payable upon assessment                                   | Payable on all overdue amounts.  |
| Late Report Fee (Note 1)             | \$100 per report   | Payable upon assessment                                   | Payable if any required financial statement or report is delinquent.   |
| 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.   |
| Collection Costs<br>(Note 1)         | All collection costs including, but not limited to, reasonable attorneys' fees   | Payable upon assessment                                   | Payable only if we are required to retain an attorney or collection agency to collect delinquent payments from you. We will also collect as damages any attorneys' fees and costs incurred by us in defending claims that arise due to your actions as a <i>La Diperie</i> franchisee. |
| Non-Sufficient Funds Fee<br>(Note 1) | \$50 for each electronic funds transfer returned for non-sufficient funds; \$25 for each check or draft returned for non-sufficient funds              | Payable upon assessment                                   | Payable only if your electronic funds transfer from your Depository Account or any check you remit to us is returned for non-sufficient funds.   |
| Audit<br>(Note 1)                    | Cost of Audit plus interest at Default Rate on underpayments or the maximum rate permissible by law (Note 9)   | Payable upon assessment                                   | Payable only if audit is caused by your failure to furnish reports or if audit reveals an understatement of fees or assessment of 5% or more.  |

| Column 1<br><b>Type of Fee</b>     | Column 2<br><b>Amount</b>  | Column 3<br><b>Due Date</b>                          | Column 4<br><b>Remarks</b>  |
|------------------------------------|--|--|---|
| New Supplier Approval Fee (Note 1) | A charge not to exceed the reasonable cost of the inspection and the actual cost of the test not to exceed \$5,000.  | Payable upon assessment                              | Payable by either you or the proposed supplier if you request our approval of a new or alternative supplier.      |
| Non-Participation Fee (Note 1)     | \$100 per day  | Payable upon assessment                              | For failure to participate in local, regional, seasonal, promotional and other programs, initiative and campaigns |
| Early Termination Damages (Note 1) | 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.             |
| Management Fee                     | 6% of the Franchised Business' Gross Sales (in addition to the Royalty Fee and Advertising Fee) plus our direct out-of-pocket costs and expenses.  | Payable with Royalty and Advertising Fee             | If we assume the management of your Franchised Business for any period of time.                                   |

**NOTES:**

(1) These fees are collected by us, are payable to MTY USA, and are non-refundable. These fees are uniformly imposed MTY USA; however, MTY USA, in its sole discretion, may reduce or waive a one-time fee (*i.e.*, transfer franchise fee, renewal franchise fee, etc.) or may waive or reduce an ongoing fee (*i.e.*, Royalty Fee or Advertising Fees) for a defined period of time.

(2) For *La Diperie* restaurants, the Royalty Fee will be 6% of the total weekly Gross Sales. In our sole discretion, we may charge, in addition to the Royalty Fee, a Surcharge of up to \$10 per week if your Franchised Business is located in a state that imposes additional reporting requirements on a franchisor. Currently, New York is the only state that has imposed the additional reporting requirements.

(3) At the time you sign the Franchise Agreement, you will set up a depository account of a minimum of \$3,000 with your local banking institution. You are required to maintain a minimum balance of \$3,000 in this account at all times. This will mean that you must replenish the depository account to \$3,000 after MTY USA makes any withdrawals. (A Pre-Authorized Electronic Funds Transfer Form by and payable to Franchisor is attached as Exhibit P).

(4) MTY USA directs that Advertising Fees be paid to us, for a national advertising fund ("National Fund") designated by us, and, in our sole discretion, to a designated approved regional advertising fund ("Regional Fund," and together with the National Fund, the "Advertising Fund" or "Fund." Upon thirty (30) days' notice by us to you, we may unilaterally increase the Advertising Fee from its current level not to exceed four percent (4%) of your weekly Gross Sales. We encourage the formation of franchisee cooperative advertising associations (each a "Cooperative"). Currently, there are no *La Diperie* Cooperatives, and therefore; no fees imposed by Cooperatives. MTY USA reserves the right to require Cooperative contributions in the future. If a Cooperative is formed for your region, you must financially contribute to the Cooperative as required by us. Failure to do so will be deemed a breach of the Franchise Agreement and you may also, in Franchisor's sole discretion, lose your right to vote on decisions the Cooperative makes. The membership of the Cooperative is defined by us according to your market area. For each of our company-owned or affiliate-owned restaurants, it's our policy that such restaurants make contributions to the Fund at a rate equal to the lowest rate a franchisee is then-required to contribute. Corporate or affiliate-owned outlets have the same voting power as franchisee-owned outlets.

(5) If we hold an annual meeting ("Meeting"), the Meeting will be held at various locations throughout the United States as we may designate in our sole discretion, and may offer valuable continuing education programs. Because the planning and funding of the Meeting must be done well in advance and requires a substantial financial commitment, we have the right to debit your Depository Account for the Annual Meeting Registration Fee up to \$1,000 at any time 60 to 90 days prior to the first day of the Meeting. This fee is not refundable and will be debited from all franchisees' accounts (even if you do not attend the Meeting). If you do not attend the Meeting, we will make available to you one full set of the substantive materials that were presented at the Meeting.

(6) We may collect a weekly data polling fee for the collection of data from your restaurant sales for the POS System for your restaurant. Currently, the fee is up to \$75 per month, and is subject to reasonable annual and/or service enhancement increases.

(7) The Document Administration Fee in the amount of \$500 will be charged to you if an amendment to your franchise documents must be prepared.

(8) Interest begins from the date of the underpayment.

(9) Franchisor has the absolute right to charge Franchisee the great of: three (3) times the fixed Royalty fee; or, if on a percentage Royalty fee the Royalties may be increased 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 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.