

## FRANCHISE DISCLOSURE DOCUMENT



### **Mutabak Karak Global Inc.**

*a Canadian corporation*  
2332 Guildstone Crescent  
Oakville, Ontario L6M 3Y8  
Canada

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A Mutabak Karak franchisee will own and operate a business providing a distinctive menu featuring a variety of specialty mutabak, chapati, karak tea, desserts such as date bread pudding and puffs, and coffee, and other related products and approved merchandise, as well as other limited time offerings (a “**Mutabak Karak Restaurant**” or “**Restaurant**”).

If you sign a franchise agreement, then your total initial investment necessary to begin operation of a Mutabak Karak Restaurant will range from \$427,900 to \$699,400 for a traditional Restaurant. This includes \$30,000 that must be paid to the franchisor or one of our 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 Salem Al-Wuhaishi at [franchise@mutabakkarak.com](mailto:franchise@mutabakkarak.com) or telephone 905-606-2226.

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](http://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 June 10, 2025, as amended August 20, 2025.

## 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:**

<b>QUESTION</b>	<b>WHERE TO FIND INFORMATION</b>
<b>How much can I earn?</b>	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 and Exhibits D and E.
<b>How much will I need to invest?</b>	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.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 and Exhibit F include financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only "Mutabak Karak" business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a "Mutabak Karak" franchisee?</b>	Item 20 and Exhibits D and E list current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	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 B.

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:

**Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with us by mediation and litigation in New York. Out of state mediation and litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate and litigate in New York than in your own state.

**Unregistered trademark.** The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.

**Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

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.

Mutabak Karak Global Inc.

FRANCHISE DISCLOSURE DOCUMENT

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A	Franchise Agreement and Related Exhibits	F	Financial Statements
B	List of Administrators	G	Table of Contents - Brand Standards Manual
C	Agents for Service of Process	H	State-specific Disclosures
D	List of Current and Former Franchisees	I	General Release
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## **Item 1 The Franchisor, and Any Parents, Predecessors, and Affiliates**

### **The Franchisor**

The franchisor is Mutabak Karak Global Inc. ("**us**," "**our**," or "**we**"). We are an Ontario corporation that was organized on December 5, 2024 and maintain our principal place of business at 2332 Guildstone Crescent, Oakville, Ontario L6M 3Y8 Canada. We do not maintain other sales offices. We conduct business only under the name and mark "Mutabak Karak". We do not engage in business activities other than offering franchises for Mutabak Karak Restaurants.

We began offering "Mutabak Karak" franchises when we issued this disclosure document. We have never offered franchises in any other lines of business.

Our agents for service of process are disclosed in Exhibit C to this disclosure document.

### **Our Parent, Predecessor, and Affiliates**

Mutabak Karak Holdings Inc., an Ontario corporation organized on March 7, 2024.	Our corporate parent and the owner of our trademarks in Canada and the US. Mutabak Karak Holdings Inc. is owned by 1000344901 Ontario Incorporated, an Ontario corporation organized on October 21, 2022, and 14962231 Canada Incorporated, a federal (Canadian) organized on April 24, 2023.
Mutabak Karak Franchise Inc., an Ontario corporation organized on March 20, 2024.	The Canadian franchisor of the "Mutabak Karak" concept. Mutabak Karak Franchise Inc. has offered franchises for "Mutabak Karak" Restaurants in Canada since March 2024.
1000357968 Ontario Inc., an Ontario corporation organized on January 20, 2024.	Owns and operates a company-owned "Mutabak Karak" restaurant. 1000357968 Ontario Inc. is owned by 1000344901 Ontario Incorporated, an Ontario corporation organized on October 21, 2022, and 14962231 Canada Incorporated, a federal (Canadian) organized on April 24, 2023.
11151886 Canada Inc., a federal (Canadian) corporation organized on December 18, 2018.	Owns and operates a "3Cents" coffee café in Ottawa, Ontario.

Except as follows, all of our affiliates also maintain their principal place of business with us at 2332 Guildstone Crescent, Oakville, Ontario L6M 3Y8 Canada. Our affiliate Mutabak Karak Franchise Inc. maintains its offices at 2145 Redstone Crescent, Oakville, Ontario L6M 5B2 Canada. As of December 31, 2024, there was one franchised and one company-owned unit in Canada.

We do not have any other parents, predecessors, or affiliates that must be included in this Item.

### **The Franchise Rights Offered**

Each Mutabak Karak Restaurant is operated in a building that bears our trade dress (interior, exterior, or both) and offers a distinctive menu, featuring a variety of specialty mutabak, chapati,

karak tea, desserts such as date bread pudding and puffs, and coffee, and other related products and approved merchandise (the “**Products**”).

Among the distinguishing characteristics of a Mutabak Karak Restaurant are that it operates under our “**System**.” Our System includes (among other things): the Products; signage; distinctive interior and exterior design and accessories; opening hours; operational procedures; standards and specifications; quality and uniformity of products and services offered; recipes and preparation techniques; management and inventory control procedures; software; training and assistance; business format, layouts and floor plans, methods, equipment lists and layouts, menus, the Proprietary Marks (defined below), as well as advertising and promotional programs.

We offer to enter into franchise agreements (“**Franchise Agreements**”) with qualified corporations and persons (“**you**”) that wish to establish and operate a Mutabak Karak Restaurant. (In this disclosure document, “you” means the person or legal entity with whom we enter into an agreement. The term “you” also refers to the direct and indirect owners of an entity – such as a corporation, partnership, limited liability company, or limited liability partnership that signs a Franchise Agreement as the “franchisee.”)

Under a Franchise Agreement, we will grant you the right (and you will accept the obligation) to operate a single Mutabak Karak Restaurant (a “**Restaurant**” or the “**Franchised Business**”) at an agreed-upon location (the “**Accepted Location**”) that will be specified in the Franchise Agreement.

We identify the System by means of certain trade names (for example, the “MUTABAK KARAK” mark and logo), service marks, logos, emblems, and indicia of origin, as well as other trade names, service marks, and trademarks that we may periodically specify (all of these are referred to as our “**Proprietary Marks**”). We continue to develop, use, and control the use of the Proprietary Marks in order to identify for the public the source of services and products marketed under those marks and under the System, and to represent the System’s high standards of quality, appearance, and service. Mutabak Karak Restaurants must operate according to our standards and procedures, as set out in our confidential brand standards manual and other written instructions relating to the operation of a Mutabak Karak Restaurant (the “**Brand Standards Manual**”).

Restaurants will be operated from an indoor structure that need not be free-standing, in approximately 1,200 to 1,800 square feet in size and decorated to meet our specifications (including the use of our trade dress, trademark, and design). Restaurants are typically stand-alone units. We may also offer franchises for more limited format Restaurants that are not operated as stand-alone units or carry-out only locations (“**Non-Traditional Restaurants**”).

Our affiliate 11151886 Canada Inc. operates a coffee café under the name “3Cents” in Ottawa. Your franchise agreement will not include rights to the “3Cents” concept, name, or system.

### Industry-Specific Regulations

You must comply with all local, state, and federal laws that apply to your Franchised Business operations, including, for example, zoning, building code, health, sanitation, no-smoking, EEOC, OSHA, discrimination, employment, sexual harassment, and tax laws. The Americans with Disability Act of 1990 and state equivalents require readily accessible accommodation for disabled persons and therefore may affect your building construction, site elements, entrance ramps, doors, seating, bathrooms, drinking facilities, etc. For example, you must obtain permits

for your building, construction, outdoor patio, zoning, alcohol service, as well as operational licenses. There are also regulations that pertain to sanitation, food and menu labeling (such as nutritional and caloric information), food preparation, food handling, food content (such as on trans fats), and food service. You must comply with all applicable federal, state, and local laws and regulations during the operation of your Franchised Business. You should consult with your attorney concerning those and other local laws and ordinances that may affect your Franchised Business' operation.

### Competition

You can expect to compete in your market with locally-owned businesses, as well as with national and regional chains that offer various kinds of foodservice, including mutabak and related products, and that may compete with the products offered at a Mutabak Karak Restaurant. The restaurant market is well-established and highly competitive. Restaurants such as a Mutabak Karak Restaurant compete on the basis of many factors, such as price, service, location, product offerings and quality, speed of service, hospitality, customer experience, and store promotions and marketing programs. These businesses are often affected by other factors as well, such as changes in consumer taste, economic conditions, seasonal population fluctuation, and traffic patterns

## **Item 2**

## **Business Experience**

### Mohammed Al-Udayni

CEO

Mr. Mohammed Al-Udayni has served as our CEO since March 2024 in Oakville, Ontario. Since August 2022, he has worked as a Regional Sales Manager at Siemens Canada Limited in Oakville, Ontario. From July 2015 to July 2022, he worked as a Field Application Engineer at Siemens Canada Limited.

### Salem Al-Wuhaishi

Franchise Developer

Mr. Salem Al-Wuhaishi has been our Franchise Developer since March 2024 in Oakville, Ontario. Since March 2018, he has worked as the Owner and Operator of Willowbrae Childcare Academy Brampton in Toronto, Ontario.

### Abdullah Alfurais

Marketing Director

Mr. Abdullah Alfurais has been our Marketing Director since March 2024 in Oakville, Ontario. He also serves as a Managing Director at IMEX International Trading Incorporated, position he has held since January 2013, in Toronto, Ontario.

### Kamal Al-Kabodi

Vice President of Finance

Mr. Kamal Al-Kabodi has been our Finance Officer since March 2024 in Oakville, Ontario. He also works as a Senior Site Reliability Engineer for Broadridge Financial Services in Markham, Ontario, since September 2021. From April 2020 to August 2021, he worked as a Senior Server Engineer for IBM in Markham, Ontario.

### Magdi Bazara

Operations Manager

Mr. Magdi Bazara has been our Operations Manager since March 2024 in Oakville, Ontario. Since April 2023, he has served as the Managing Director for 14962231 Canada Incorporated in Ottawa, Ontario. From August 2019 to December 2023, he served as Managing Director for 11422880 Canada Incorporated in Ottawa, Ontario. From August 2018 to December 2023, he served as

Managing Director for the “3Cents” coffee café concept operated by 3Cents Incorporated in Ottawa, Ontario.

**Item 3**

**Litigation**

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

**Item 4**

**Bankruptcy**

In the Matter of the Bankruptcy of 3Cents2 Inc. 3Cents2 Inc., a federal (Canadian) corporation owned an unrelated restaurant in Ottawa, Ontario. 3Cents2 Inc. filed bankruptcy on Jan. 18, 2024 in the Superior Court in Bankruptcy and Insolvency of the District of Ontario. Court File Number: 33-3032279. Mr. Magdi Bazara, our Operations Manager, was the director of the bankrupt corporation. On Dec. 2, 2024, the bankruptcy court entered a discharge.

Except for the one matter above, no bankruptcy information is required to be disclosed in this Item.

**Item 5**

**Initial Fees**

Franchise Agreement

When you sign the Franchise Agreement, you must pay us an initial franchise fee of \$30,000.

The initial franchise fee will be fully earned when paid, uniformly applied to new system franchisees, and is non-refundable.

We began to offer franchises in the US when we issued this disclosure document, so we did not collect initial fees last year.

**Item 6**

**Other Fees**

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

Type of Fee (Note 1)	Amount	Due Date	Remarks
Royalty	6% of Gross Sales	Monthly on the fifth day of each Month; calculated on the Gross Sales for the prior Month.	Gross Sales means all revenue related to the Franchised Business (excluding sales taxes collected and remitted to the proper authorities). Payments must be made by 5pm (local time at our offices in Toronto) on the first day of the month and sent to us by bank-to-bank ACH. (Note 1)

Type of Fee (Note 1)	Amount	Due Date	Remarks
Marketing Contribution	3.0% of Gross Sales (Note 2)	Same as Royalty	Currently, the Marketing Contribution is allocated as follows: (1) 2.0% to the Marketing Fund; and (2) 1.0% spent on local marketing. See Note 2. You must make these payments by electronic funds transfer (using the ACH network).
Grand Opening Marketing	\$3,000	At time of Opening	You must spend this on your Grand Opening Marketing Program as spelled out in the Franchise Agreement.
Transfer Fee	\$15,000 or 50% of our then-current initial franchise fee, whichever is more.	At time of transfer	Only due if there is a transfer as defined in the Franchise Agreement. If we find you a buyer, you will also have to pay us a fee equal to 3% of the sale price.
Renewal Fee	\$7,500 or 25% of our then-current initial franchise fee, whichever is more.	Before renewal	Payable when you renew the Franchise Agreement (this fee is instead of a new initial franchise fee).
Interest on Overdue Payments	1.5% per month on the underpayment (Note 3)	Upon demand	Only due if there are any past due payments to us, measured from the payment was originally due until it was actually paid. If a limit on interest rates applies to you under state law, then the interest rate under the Franchise Agreement will not exceed that limit.
Costs and Attorneys' Fees	Will vary under circumstances	Upon demand	Only due if you default under the Franchise Agreement, you must reimburse us for our expenses (including reasonable attorneys' fees) in enforcing or terminating the Franchise Agreement.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Audit Costs	Will vary under circumstances	Upon demand	Only due if we audit because you did not submit sales statements, you did not keep books and records, or if you underreport your sales by 2% or more. If this is due, it would include all of our costs and expenses associated with the audit, our reasonable accounting and legal costs; and interest on the underpayment (see Note 3)
Indemnification	Will vary under circumstances	As incurred	Note 4
Securities Offering Fee	\$5,000 or our actual expenses, whichever is greater	Upon demand	Only due if you or an affiliate make a securities offering, in which case you must reimburse us for our reasonable costs and expenses (including legal and accounting fees) to evaluate your proposed offering and you also must indemnify us (see above).
Replacement training	Discounted to \$500 for each additional or replacement personnel to be trained	Before training begins	Training is included in the initial franchise fee; and this is a discounted fee for any additional persons who must be trained during the term of your Franchise Agreement. See Note 5.
Insurance	Will vary under circumstances	As incurred	Only due if you fail to maintain or acquire insurance, and we exercise our right (we have no obligation to do so) to obtain insurance coverage on your behalf, in which case we will invoice you for the insurance premiums plus our reasonable expenses and you must pay us within five days after we invoice you.
Supplier Inspection Fee	Will vary under circumstances	As incurred	Only due if you propose a new supplier that we have to inspect and evaluate. See Item 8 for more detail.
Convention and Meeting Fee	The fee will be determined at the time and will be a proportionate share of the costs. We	As incurred	You must attend the conventions and meetings that we periodically require, and must pay this fee (if we charge a fee) for each person who is required to attend (and, if applicable, additional attendees that

Type of Fee (Note 1)	Amount	Due Date	Remarks
	currently estimate that this will be \$200 to \$300 per person. If you are required to attend but do not do so, you will be required to pay a \$200 fee.		you choose to send as well). You will also be responsible for all of the other costs of attending meetings and conventions, including travel, room and board, and your employees' wages, benefits and other expenses.
Technology Fee	Currently, there is no technology fee, but we have the right as circumstances warrant to start requiring the payment of a technology fee.	Annually	We reserve the right to require you to pay an ongoing fee for access to, and in consideration of our development and delivery of, the Computer System. There is no limit on this fee. You may also incur additional costs directly with third party vendors that provide technology-related services.
Additional On-site evaluation	\$2,500, plus our expenses, such as travel, lodging, and meals for the persons sent to conduct the evaluation.	As incurred	Only due if you ask us to perform more than one on-site evaluation, in which case you must reimburse our expenses for those evaluations. This charge will also be required if you do not pass a quality-control or mystery shopper inspection and we (or the mystery shopper) have to re-evaluate your Restaurant.
Relocation costs	\$7,500 or 25% of our then-current initial franchise fee, whichever is greater, plus our out-of-pocket costs in connection with reviewing and approving a relocation (including our attorneys' fees).	As incurred	Only due if you seek to relocate your Restaurant. You would need our prior written consent to relocate. If we approve a relocation of the Franchised Business, instead of a new franchise fee, you agree to reimburse us for our costs in reviewing and approving the relocation. We may require you to reimburse us for these costs in advance and, if so, we will reconcile our costs and your payments within 30 days after you reopen your Restaurant.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Lost Future Royalties	Varies if due	Upon request	Only due if we terminate the Franchise Agreement as a result of your default or if you abandon the Franchised Business. The amount of this charge would be equal to average of the monthly Royalty Fees due for the previous 24 months, multiplied by 24 or (if fewer) the number of months remaining in the then-current term of your Franchise Agreement.

Notes to Item 6 table:

1. General:

- We impose and collect all fees, except for certain local marketing expenses that you will incur directly (see Item 11 for details). All fees are payable to us, uniformly applied to new system franchisees, and are non-refundable (however, in instances that we consider appropriate, we may waive some or all of these fees for one or more franchisees).
- For all fees and charges, you must use the payment method we designate. We have the right to require that you make these payments to us by EFT (electronic fund transfer), including ACH.
- We have the right to adjust, for inflation, all fixed dollar amounts under the Franchise Agreement for changes to the Index from the year when you sign your Franchise Agreement. The term “**Index**” means the U.S. Consumer Price Index (1982-84=100; all items; CPI-U; all urban consumers) as published by the U.S. Bureau of Labor Statistics (“**BLS**”). If the BLS no longer publishes the Index, then we will designate a reasonable substitute measure.
- All figures indicated in the Franchise Agreement and this FDD are expressed in US Dollars, and all payments must be made in US Dollars to the bank account that we periodically designate in writing.

2. We have the right to periodically allocate the Marketing Contribution among the Marketing Fund, Regional Funds and on local marketing and promotion in the proportions that we designate.

3. Interest on overdue amounts will accrue from the date the unpaid amount was due until paid, at the rate of one and one-half percent per month (but if there is a legal maximum interest rate that applies to you in your jurisdiction, then not more than that maximum rate).

4. You must indemnify us, and reimburse us for our costs (including our attorneys’ fees), if we are sued or held liable in cases: (a) having anything to do with any securities offering you or your affiliates make relating to the Franchised Business; (b) any unauthorized use

of our trademarks and service marks; or (c) having to do with a third party that asserts a claim relating to or arising out of the operation of your Franchised Business.

5. If any of the Specially Trained Management Personnel (as explained in Item 11 below) stops their active management of (or employment at) the Franchised Business, then you must enroll a qualified replacement in our initial training program within thirty days. If you wish for additional employees to be trained, you must pay this discounted training fee for each additional employee to be trained. A

**Item 7**

**Estimated Initial Investment**

**YOUR ESTIMATED INITIAL INVESTMENT**

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is Made	Refundability
	From	To				
Initial franchise fee (Note 1)	\$30,000	\$30,000	Lump Sum	When you sign Franchise Agreement	Us	Nonrefundable
Lease/rent (Note 2)	\$21,000	\$40,500	As Arranged	Monthly; due when you sign lease	Landlord	As Negotiated
Construction (includes permits) (Note 3)	\$199,200	\$374,400	As Arranged	As Arranged	Contractors	As Negotiated
Equipment (Note 4)	\$60,000	\$80,000	As Incurred	Before Opening	Vendors, Approved Suppliers	As Negotiated
POS System	\$200	\$3,500	As Incurred	Before Opening	Vendors, Approved Suppliers	As Negotiated
Signage	\$8,000	\$15,000	As Arranged	As Arranged	Vendors, Approved Suppliers	As Negotiated
Opening Advertising (Note 5)	\$3,000	\$5,000	As Arranged	Before Opening	Vendors	As Negotiated
Inventory and Start-up Supplies (Note 6)	\$10,000	\$15,000	Lump sum	Before Opening	Us, Vendors, Approved Suppliers	As Negotiated

## YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is Made	Refundability
	From	To				
Insurance (Note 7)	\$3,000	\$5,000	As Arranged	As Arranged	Insurance Providers	As Negotiated
Training Expenses (Note 8)	\$3,000	\$5,000	As Incurred	As Incurred	Airlines, hotels, Restaurants	Nonrefundable
Business Licenses (Note 9)	\$500	\$1,000	As Incurred	As Incurred	Gov't agencies, providers	As Negotiated
Architect and Professional Fees (Note 10)	\$10,000	\$15,000	As Incurred	As Arranged	Service Providers	Nonrefundable
Additional Funds (3 Months) (Note 11)	\$75,000	\$100,000	As Incurred	As Incurred	Employees, vendors, utilities	Nonrefundable
Security / Utility Deposits (Note 12)	\$5,000	\$10,000	As Arranged	As Arranged	Lender, Approved Suppliers	As Negotiated
<b>Total (Note 13)</b>	<b>\$427,900</b>	<b>\$699,400</b>				

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**Notes:**

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 many factors (including the availability of financing generally, your creditworthiness, and the policies of lending institutions).

1. The Initial Franchise Fee is \$30,000, as discussed in Item 5.
2. Lease/Rent. If you do not own a location for your Franchised Business, you must purchase or lease a space. You will probably need to lease a space at least one month in advance; however, you may attempt to negotiate a pre-opening abatement from the landlord. The estimate represented in the table reflects businesses that are within the preferred target of 1,200 to 1,800 square feet.

The figures in the table are calculated on the following assumptions: (a) you will have to pay six months' rent (made up of three months' rent after you open, two months' rent before you open, and one month's rent as a security deposit); (b) for space in the range of 1,200 to 1,800 square feet (c) at \$35 to \$45 per sq. ft., per year.

If the site you choose is larger, has a higher rental cost, or if you have to pay a larger deposit or rent for more months in the pre-opening period, then your costs will be higher than those in the table.

Rental rates vary 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 and competition in the relevant area, the type and nature of improvements needed to the premises, the size of the Franchised Business, the terms of the lease, and the desirability of the location. If you decide to purchase the property for the location of your Franchised Business, you will incur additional costs that we cannot estimate.

3. Construction. You will need to construct improvements, or "build out" the premises at which you will operate the Franchised Business. The estimate represented in the table reflects a cost of about \$166 to \$208 per sq. ft. to build-out . Occasionally, you will take the premises in "vanilla box" condition (for ex., primed drywall ready to be painted, but without improvements). Among other things, you will need to arrange for proper wiring and plumbing, floor covering, wall covering, partitions, heat, air conditioning, lighting, painting, bathroom facilities, signage and the like. You will need to hire a licensed architect and a licensed builder. Costs are likely to vary, and may be much higher, if you wish to establish your Franchised Business in an area where special requirements of any kind (for ex., historical, architectural, or preservation requirements) will apply.
4. Equipment. We require franchisees to purchase equipment needed to operate the Franchised Business (such as walk-in refrigerator, freezers, fryers, toaster, sinks, shelving and racks, tables, umbrellas, radio, cameras, speakers, and office supplies) as well as other miscellaneous items. You will need to obtain the exact equipment we specify and in some cases from the vendor we specify. The amount spent on equipment will vary for each Mutabak Karak Restaurant depending upon the Mutabak Karak Restaurant's size, style and local zoning requirements.
5. Opening Advertising. You must spend at least \$3,000 for initial opening marketing and promotional programs in conjunction with the Franchised Business's soft opening and grand opening.
6. Start-Up Supplies and Inventory. Items of inventory which you are required to obtain from us or from our affiliate are paid at standard prices and terms. All items of inventory which you obtain from sources of your own choosing (subject to our approval rights) are paid for directly to the supplier of those inventory items at prices agreed upon by you and the supplier. Start-up supplies and inventory of products will vary based on expected volume of business and size of storage areas in the building.
7. Insurance. The estimate is for the quarterly premium for the policies required under the Franchise Agreement. Insurance costs will vary depending upon factors such as the size and location of the Franchised Business, business income level to be insured, payroll totals for workers' compensation, flood zoning, and lease requirements. See Item 8 below.

8. **Training Expenses.** The estimates assume travel, meals and lodging, for three individuals to attend initial training over the course of five days of training. Your cost will vary depending upon factors such as distance, mode of transportation, travel preferences (such as air travel or ground transportation), nature of accommodations, per diem expenses incurred, and how many people will attend training.
9. **Business Licenses.** 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.
10. **Architectural and Professional Fees.** We will provide you, at no charge, with prototype design and image specifications for a Mutabak Karak Restaurant. You must adapt, at your expense, the layout we provide, subject to our approval. The estimate is for legal, accounting, architectural, administrative, traffic studies, demographic studies, 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, lease negotiations, and the permitting process in your city. The hourly rates for advisors, accountants, and legal professionals will also vary.
11. **Additional Funds.** You will need capital to support on-going expenses, such as payroll and utilities, to the extent that these costs are not covered by sales revenue. New businesses often generate a negative cash flow. We estimate that the amount given will be sufficient to cover on-going expenses for the start-up phase of the business, which we calculate to be three months. This is only an estimate, however, and there is no assurance that additional working capital will not be necessary during this start-up phase or after. Our estimate is based on our own experience.

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.

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 Franchised Business; timing of your Franchised Business 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. The estimates also do not (and could not) account for future inflation and other unknown economic factors, such as the effect of possible tariffs.

You should review these figures carefully with a business advisor before making any decision to purchase the franchise. You should consider the cash outlays and probable losses that you may incur while you are trying to get established. Extensive startup costs may be involved, depending upon your circumstances.

Our notes are not meant to (and do not) disclaim any of the details that we have provided. These notes are simply to provide some context in order to make the data understandable and to help you consider some of the factors that you will need to take into consideration.

12. Security / Utility Deposits. The figure is the estimated cost of telephone and utility deposits. The rent security deposit is included in the estimate for rent, above.
13. Total. We relied on our own experience and information when preparing these figures. While the “low amount” total represents the sum of the lowest estimated initial investment expenditures for each category in the table, and the “high amount” total represents the sum of the highest estimated initial investment expenditures for each category in the table, we expect that your overall expenditures will fall somewhere between the low amount and high amount range, as it is not common for each of a franchisee’s initial investment expenditures to match the lowest expected for each category, nor the highest for each category (for example, while rent costs may be close to the estimated low amount, construction costs may be close to the estimated high amount). These are only estimates, however, and there are numerous ways in which your costs may be higher or lower depending on the choices you make in connection with the development of your Franchised Business. You should review these estimates on your own, preferably with a business advisor of your own choosing.

## **Item 8**

## **Restrictions on Sources of Products and Services**

### General

To insure that the highest degree of quality and service is maintained, you must operate the Franchised Business in strict conformity with the methods, standards, and specifications as we may periodically prescribe in the Brand Standards Manual or otherwise in writing.

At all times during the term of the Franchise Agreement, you must:

- sell or offer for sale only those Products and services, using the equipment and other items, that we have approved in writing for you to offer and use at your Franchised Business;
- sell or offer for sale all those Products and services, using the equipment and other items, and employing the techniques that we specify in writing;
- not deviate from our standards and specifications by using or offering any non-conforming items without our specific prior written consent;
- stop using and offering for use any Products or services that we at any time disapprove in writing (recognizing that we have the right to do so at any time).

If you deviate (or propose to deviate) from our standards and specifications, whether or not we have approved, the deviation will become our exclusive property.

You must buy all Products, equipment, ingredients, supplies, materials, and other products used or offered for sale at the Franchised Business only from suppliers (including manufacturers, distributors, and other sources) that we have approved in writing. When considering whether to approve any particular possible supplier, we will consider (among others) the following factors: whether the supplier can show, to our reasonable satisfaction, the ability to meet our then-current standards and specifications; whether the supplier has adequate quality controls and capacity to supply the System’s needs promptly and reliably; and whether the supplier’s approval would

enable the System, in our sole opinion, to take advantage of marketplace efficiencies. You may not buy items from any supplier that we have not yet approved in writing, and you must stop buying items from any supplier who we approve, but later disapprove. We have the right to designate only one supplier for certain items used at the Franchised Business in order to take advantage of marketplace efficiencies.

If you want to buy any supplies, or any other items, from an unapproved supplier, you first must submit to us a written request asking for our approval to do so. You may not purchase from any proposed new supplier until we have reviewed and, if we think it is appropriate, approved in writing the proposed new supplier. Among other things, we will have the right to require that our representatives be permitted to inspect the proposed new supplier's facilities, and that samples from that supplier be delivered either to us or to an independent laboratory that we designate for testing. Either you or the proposed new supplier must pay us a charge (which will not exceed the reasonable cost of the inspection and the actual cost of the tests). We also may require that the proposed new supplier comply with certain other requirements that we may deem appropriate, including for example payment of reasonable continuing inspection fees and administrative costs, or other payment to us by the supplier on account of their dealings with you or other franchisees, for use, without restriction (unless otherwise instructed by the supplier) and for services that we may render to our suppliers. 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 does not continue to meet any of our then-current criteria.

Although the Franchise Agreement does not require that we notify you of our approval or disapproval of a supplier within a specified time, we estimate that we will usually be able to notify you of approval or disapproval within 30 to 120 days after receipt of your written request. Similarly, we estimate that the charge associated with our approval of a typical proposed supplier will range from \$200 to \$500.

The Franchise Agreement also provides that you may not use any item bearing our trademarks without our prior written approval as to those items.

We have the right, but not the obligation, to periodically introduce proprietary items and if we do so, you must buy all such proprietary items only from us or from our designees (and possibly through one or more distributors that we designate in writing).

When you purchase or lease products and supplies, those will come from one of several sources: (1) approved suppliers; (2) specified (or designated) suppliers; (3) according to our standards and specifications but not from any particular supplies; and (4) from any source of your choosing. We estimate that your purchase from all of these categories (not counting no. 4) will represent approximately 95% of your total product in establishing the Franchised Business, and approximately 95% in the continuing operation of the Franchised Business.

We did not offer franchises before this disclosure document was issued and, in past years, have had no sales made (directly or through affiliates) to franchisees.

You must allow us or our agents, at any reasonable time, to inspect the Franchised Business and to remove samples of items or products, without payment, in amounts reasonably necessary for inspection or testing by us or a third party to determine whether those samples meet our then-current standards and specifications. We may require you to bear the cost of that testing if we did not previously approve in writing the supplier of the item or if the sample that we take from your Franchised Business fails to conform to our specifications.

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products or services to some or all of the Mutabak Karak Restaurant in our System. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all products and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that action would not be in the best interests of the System or the licensed network of Mutabak Karak Restaurants.

We have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments, or benefits (collectively, "**Allowances**") offered by suppliers to you or to us (or our affiliates) based upon your purchases of Products, equipment, and other goods and services. These Allowances include those based on System-wide purchases of Products, equipment and other items. During our last fiscal year, we did not collect Allowances.

Except as described in this Item 8, we do not provide any material benefits to you based on your use of designated or approved suppliers. None of our officers owns any interest (other than possibly through public mutual funds) in companies that are vendors or suppliers to Mutabak Karak franchises.

### Computer System

You must buy (or lease) and maintain a computer system. More detailed information concerning the computer system can be found in Item 11 of this disclosure document under the heading "Electronic Point-Of-Sale and Computer Systems." In general terms, you will be required to obtain a computer system that will consist of certain hardware and software items and peripheral devices (such as printers). Among other things, you will be required to meet our requirements concerning: a) back office and point of sale systems, data, audio, video (including managed video security surveillance), telephone, voice messaging, retrieval, and transmission systems for use at Mutabak Karak Restaurants, between or among Mutabak Karak Restaurants, and between and among the Franchised Business, and you, and us; (b) point-of-sale (POS) and digital menu board systems; (c) physical, electronic, and other security systems and measures; (d) printers and other peripheral devices; (e) archival back-up systems; (f) internet access mode (e.g., form of telecommunications connection) and speed; (g) technology used to enhance and evaluate the customer experience; (h) menu boards and related technology, hardware, software, and firmware; (i) front-of-the-house Wi-Fi and other connectivity service for customers; and (j) in Restaurant music systems.

### Insurance

Under the Franchise Agreement, you must obtain and maintain at least the following insurance (these requirements are specified in greater detail in Section 15 of the Franchise Agreement):

- Commercial General Liability Insurance against any claims for personal and bodily injury and/or property damage occurring in or about the Restaurant and protecting against assumed or contractual liability under the Franchise Agreement with respect to the Restaurant and your operations, with such policy to be placed with minimum limits of \$1 million combined single limit per occurrence and \$2 million general aggregate per location; provided, however, that at our election, such minimum limits may be periodically increased;

- You must have hired and non-owned automobile liability coverage with limits of \$1 million (if you use a vehicle in connection with operating your Restaurant then you also must obtain comprehensive automobile liability insurance of \$1 million combined single limit for both bodily injury and property damage as well);
- Statutory workers' compensation insurance and employer's liability insurance for a minimum limit equal to at least the greater of \$500,000 or the amounts required as underlying by your umbrella carrier, as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the Restaurant is located;
- Data theft and cybersecurity coverage with limits of liability not less than \$500,000 combined single limit; the policy must include coverage for assistance with public relations, media, etc.;
- Employment practices liability insurance with limits of liability not less than \$500,000 combined single limit;
- Foodborne illness coverage must be included within the general liability coverage noted above with coverage of at least \$500,000 combined single limit;
- Commercial umbrella liability insurance with limits of \$1 million, with underlying coverages to include general liability, automobile liability, and employers' liability limits per the contract for up to three units required in the underlying policies;
- Property insurance with coverage of 100% of the replacement cost of the building (if owned) or 100% of the full value of the tenant improvements put into the property including furniture, fixtures, equipment and stock (real and personal property); property must be insured on a replacement cost basis and be written on Special Form Cause of Loss Form (CP 10 30 or equivalent); if the Restaurant is located within a flood or earthquake zone, then flood insurance or earthquake insurance must be provided; business interruption/extra expense insurance must be included based on the annual revenues of the Restaurant; and \$250,000 for food spoilage coverage;
- Fire, lightning, vandalism, theft, malicious mischief, flood (if in a special flood-hazard area), sprinkler damage, and the perils described in extended-coverage insurance with primary and excess limits of not less than the full-replacement value of the supplies, furniture, fixtures, equipment, machinery, inventory, and plate glass having a deductible of not more than \$5,000 and naming us as loss payee;
- Any other insurance coverage that is required by federal, state, or municipal law.

Each insurance policy required under the Franchise Agreement must be primary and noncontributory and must be issued by an issuer we approve, who must have a rating of at least "A-" in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide) and must be licensed to do business in the state in which the Franchised Business is located.

All liability and property damage policies must name us as additional insureds (and provide Additional Insured – Grantor of Franchise) and 30 days' advance written notice in the event of cancellation, material change, or non-renewal. A waiver of subrogation must also be provided

for the general liability, auto liability, and workers' compensation policies. We may periodically increase required coverage limits or require additional or different coverage to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards and other relevant changes in circumstances. You must deliver to us (and maintain on file with us) valid and current certificates of insurance showing that all required insurance is in full force and effect. We may require that you use a pre-approved insurance vendor to facilitate that process.

Except as specified here, you are not required to purchase any other goods or services in accordance with our specifications or from approved suppliers.

**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.**

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Disclosure Document Item</b>
a. Site selection and acquisition/lease	1.2 and 5	11
b. Pre-opening purchases/ leases	5, 6, 7, and 14	6, 7, 8
c. Site development and other pre-opening requirements	3.2, 5.2, 5.4, 5.5, 5.6 and 5.7	11
d. Initial and ongoing training	3.1 and 6	6, 7, 11
e. Opening	3.4, 3.8, 5.1 and 8.2	11
f. Fees	1.6.3, 2.2.6, 4, 6.3.1, 6.5, 7.1.1, 7.1.4, 9.2.9, 11.2, 12.5, 12.7, 13, 14, 16.5.9, 16.7.1, 16.11.3, 17.7, 18, 19.10, 21.4, 27.9	5, 6, 7, 8, 11
g. Compliance with standards and policies / Operating Manual	1.5, 2.2, 3.5, 5, 6, 7, 8.1, 10, 12, 13.8, 14 and 15	8, 11, 14, 16
h. Trademarks and proprietary information	1.1, 7.2, 8.9, 9 and 10	13, 14
i. Restrictions on products / services offered	1.5 and 7	8, 16
j. Warranty and customer service requirements	8.7	Not applicable

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Disclosure Document Item</b>
k. Territorial development	1.3	12
l. Ongoing product / service purchases	7	8
m. Maintenance, appearance and remodeling requirements	5 and 8.8	11
n. Insurance	15	7, 8
o. Marketing	3.6 and 13	6, 7, 11
p. Indemnification	9.2.9, 16.11.2, 21 and Ex. B	6
q. Owner's participation / management / staffing	6 and 8.3	15
r. Records/reports	4.2 and 12	6
s. Inspection / audits	3.8, 8.11 and 12	6, 11
t. Transfer	8.10, 16 and 19.5	17
u. Renewal	2.2	17
v. Post-termination obligations	11.1.1, 12.1.2, 18, 19.3 and 19.5	17
w. Non-competition covenants	19	17
x. Dispute resolution	27	17
y. Taxes/permits	5.5.1, 8.7 and 20	1
z. Other: Personal Guarantee	Ex. B	15

## **Item 10**

## **Financing**

Neither we nor any agent or affiliate offers direct or indirect financing to you, guarantees any note, lease or obligation of yours, or has any practice or intent to sell, assign or discount to a third party all or part of any financing arrangement of yours.

## **Item 11** **Franchisor's Assistance, Advertising, Computer Systems, and Training**

**Except as listed below, we are not required to provide you with any assistance.**

Pre-opening Obligations. We are required by the Franchise Agreement to provide certain assistance and service to you.

Before you open your Franchised Business:

- (1) Before the Franchised Business opens, we will provide to you, and to your Specially Trained Management Personnel (defined below), the training programs that we designate. Our training programs will be conducted in the English language. We will be responsible for the cost of instruction and materials. (*Franchise Agreement, Sections 3.1 and 6.2*)
- (2) We will make available, at no charge to you, a standard layout plan for the construction of a Mutabak Karak Restaurant and for the exterior and interior design and layout, fixtures, furnishings, equipment, and signs. We will also provide site selection assistance. (*Franchise Agreement, Sections 3.2, 3.3 and 5.6.1*)
- (3) We will provide you with a written list of equipment and suppliers of such materials that are needed to open the Franchised Business. We will also provide you with a list of suggested opening inventory. (*Franchise Agreement, Section 3.3*)
- (4) We will evaluate the Franchised Business before it first opens for business. You may not start operation of your Franchised Business until receiving our approval to do so. (*Franchise Agreement, Section 3.8*)
- (5) We may, but are not obligated to, provide a representative to be present at the opening of the Franchised Business. We will provide the additional on-site pre-opening and opening supervision and assistance that we think is advisable, and as may be described in the Brand Standards Manual. (*Franchise Agreement, Section 3.4*)
- (6) We will lend to you one copy of (or provide you with access to) the Brand Standards Manual during the term of the Franchise Agreement. We can provide the Brand Standards Manual to you in any format we choose (which may include paper, physical media such as a CD, or online). (*Franchise Agreement, Section 3.5*)
- (7) We will assist you in developing and conducting the Initial Marketing Program (which is more fully below in this Item 11 of this disclosure document); you will be responsible for the cost of this program. (*Franchise Agreement, Section 3.6*)

The Franchise Agreement does not require us to furnish any other service or assistance to you before the opening of your Franchised Business.

### Continuing Obligations

The Franchise Agreement requires us to provide certain assistance and service to you. During the operation of your Franchised Business:

- (1) We will provide you periodic assistance in the marketing, management, and operation of the Franchised Business at the times and in the manner that we determine. We will periodically offer you the services of certain of our representatives, such as an operations manager or Franchise Field Consultant,

and these representatives will periodically visit your Franchised Business and offer advice regarding your operations. (*Franchise Agreement, Section 3.9*)

- (2) We will provide ongoing training that we periodically deem appropriate, at such places and times that we deem proper. (*Franchise Agreement, Section 6.2*)
- (3) We will administer the Marketing Fund as stated in the Franchise Agreement and as described below in this Item 11. (*Franchise Agreement, Section 3.7*)

Neither the Franchise Agreement, nor any other agreement, requires us to provide any other assistance or services to you during the operation of the Franchised Business.

### Site Selection

When you enter into the Franchise Agreement, if you do not have an Accepted Location for the Franchised Business, you must sign a site selection addendum attached to the Franchise Agreement as Exhibit G (the “**Site Selection Addendum**”). Under the terms of the Site Selection Addendum, you will have 180 days within which to lease, sublease or acquire a site for the Franchised Business, subject to our approval according to our site selection guidelines.

Under the Site Selection Addendum, we will grant you an area within which you may search for an Accepted Location (the “**Site Selection Area**”). The Site Selection Area is granted only for the purpose of selecting an Accepted Location for the Franchised Business. We will not establish, nor license another to establish, a Mutabak Karak Restaurant operating under the System within the Site Selection Area until we approve of an Accepted Location for the Franchised Business, or until the search period in the Site Selection Addendum expires, whichever happens first. We will also provide site selection guidelines to you, including our minimum standards for a location for the Franchised Business, and such site selection counseling and assistance as we may deem advisable. We will perform the on-site evaluation that we deem advisable in response to your requests for site approval.

You must submit to us, in the form we specify, a copy of the site plan and such other materials or information that we may require, together with an option contract, letter of intent, or other evidence satisfactory to us which confirms your favorable prospects for obtaining the site. We will have 30 days following receipt of this information and materials from you to approve or disapprove the proposed site for the Accepted Location of the Franchised Business. If we do not approve a proposed site by written notice to you within this 30-day period, the site will be deemed disapproved.

When reviewing a proposed site for a Mutabak Karak Restaurant, we examine factors such as: general location and neighborhood; demographics; size and ease of access to the proposed site; location of the site in relation to other businesses; availability of utilities; the proposed lease or sublease; ingress and egress; utilities; and zoning issues. We will make our site-selection criteria available to you upon request.

If you fail to acquire or lease a site for the Franchised Business under the Site Selection Addendum within the time required, that will constitute a default under the Franchise Agreement and we will have the right to terminate the Franchise Agreement.

Once authorized, the site for the Franchised Business will be the “Accepted Location.” Before the end of the term of the Site Selection Addendum, you must execute a lease which must be

coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Our approval of any lease is conditioned upon inclusion in the lease of the “Lease Rider,” attached to the Franchise Agreement as Exhibit H. We are not responsible for review of the lease for any terms other than those contained in the Lease Rider.

We estimate that the time period between beginning to find a site for the Accepted Location and the start of operations at the Franchised Business will be approximately nine to twelve months. Factors that may affect this time period include your ability to locate a site, negotiate a lease, secure financing, obtain necessary permits and licenses, construct or build-out facilities for the Franchised Business, weather conditions, construction delays, and obtain furniture, fixtures, equipment and supplies. You may have obtained an Accepted Location and a lease for the Accepted Location before entering into the Franchise Agreement but if not, then you must enter into the Site Selection Addendum.

### Prices

We may provide you with periodic guidance and assistance in establishing prices. Although we will not set the prices for the products and services offered at the Restaurant, we reserve the right to set reasonable restrictions on the maximum and minimum prices you may charge for the products and services offered and sold at the Restaurant (subject to applicable law).

### Training

If you are an entity, you must have an individual owner serve as your “**Operating Owner**.” The Operating Owner must supervise the operation of the Franchised Business and must own a percentage of the voting and ownership interests in the franchisee entity, unless you obtain our prior written approval for the Operating Owner to hold a smaller interest.

You must employ two full-time General Managers (“**General Managers**”), who will assume responsibility for the daily operation of the Franchised Business, alongside the Operating Owner. The Operating Owner may fill one of the General Manager positions. The Franchised Business must at all times be under the active full-time management of the Operating Owner and General Managers.

You must also employ a full-time Social Media Manager (“**Social Media Manager**”) that will assume responsibility for the Franchised Business’s social media presence.

The Operating Owner and at least one General Manager must attend and successfully complete, to our satisfaction, the owners’ training program that we offer at our headquarters or another location that we specify. (Your Operating Manager will train your later-hired general managers and assistant managers.)

The Operating Owner and General Managers are referred to as the “**Specially Trained Management Personnel**.”

You may send up to three individuals (including the Specially Trained Management Personnel) to the initial training program. If you ask to send more than three individuals to the initial training program, and for each replacement training for a Specially Trained Management Personnel, you must pay us a discounted training fee in the amount of \$500 for each individual to be trained, with payment to be made in full before training starts.

If for any reason your Operating Owner or General Managers stop actively working (as manager or otherwise) at the Franchised Business, or if we revoke the certification of your Operating Owner or your General Managers to serve in that capacity, then you must enroll a qualified replacement (who must be reasonably acceptable to us to serve in that capacity) in our initial training program within 30 days after the former individual ended his/her full time employment and/or management responsibilities. The replacement must attend and successfully complete the basic management training program, to our reasonable satisfaction as soon as it is practical to do so.

Your Specially Trained Management Personnel may also be required to attend refresher courses, seminars, and other training programs that we may periodically specify. We have the right to provide training in person, by recorded video, by teleconferencing, via the Internet, in print or electronic format, or by other means, as we determine

You will bear the cost of all training: instruction, required materials, and additional and replacement training. You will also bear all other expenses incurred in attending training, such as the costs of transportation, lodging, meals, wages, and worker's compensation insurance (see Items 6 and 7 of this disclosure document).

The subjects covered in the initial training program are described below.

### **THE TRAINING PROGRAM**

<b>Training</b>	<b>Classroom Training</b>	<b>On-The-Job Training</b>	<b>Location</b>
<b>KITCHEN INTRO</b>	2 Hours	2 Hours	Certified Training Location in Toronto, Ontario
<b>MUTABAK DOUGH AND PREP</b>	6 Hours	6 Hours	Certified Training Location in Toronto, Ontario
<b>CHAPATI DOUGH AND PREP</b>	8 Hours	8 Hours	Certified Training Location in Toronto, Ontario
<b>AREEKA AND MASOOB DOUGH AND PREP</b>	5 Hours	5 Hours	Certified Training Location in Toronto, Ontario
<b>BA-KHOMRI DOUGH AND PREP</b>	3 Hours	3 Hours	Certified Training Location in Toronto, Ontario
<b>KARAK AND PREP</b>	3 Hours	3 Hours	Certified Training Location in Toronto, Ontario

<b>Training</b>	<b>Classroom Training</b>	<b>On-The-Job Training</b>	<b>Location</b>
<b>CASHIER</b>	5 Hours	5 Hours	Certified Training Location in Toronto, Ontario
<b>LAST DAY REVIEW</b>	8 Hours	8 Hours	Certified Training Location in Toronto, Ontario
<b>TOTALS</b>	<b>40 HOURS</b>	<b>40 HOURS</b>	

Training will be conducted over a two-week period in Toronto, Ontario. Training will include five days of classroom training, and five days of On-the-Job Training. Training sessions will be scheduled and conducted as frequently as is necessary, and all training will start no later than 30 days before the store opening. Training will not be scheduled until a lease is signed for your location. All Specially Trained Management Personnel must attend all aspects of the training program established. If any of your Specially Trained Management Personnel do not attend or do not successfully complete the training program that may result in failure of certification, a delayed store opening, or termination of the Franchise Agreement.

All classroom training and on-the-job training will be supervised by Magdi Bazara. Magdi Bazara has 6 years of experience in the business, and decades of experience in the industry.

The instructional materials for our training programs include the Brand Standards Manual, lecture, discussions, and practice. All training materials, including videos and presentations, that we may provide to you remain our property.

Marketing

During the term of the Franchise Agreement, you will be required to make a contribution of 3.0%\* of the Gross Sales of the Franchised Business, which we can allocate as we determine, and which is currently allocated as described below (the “**Marketing Contribution**”).

We currently allocate the Marketing Contribution (as a percentage of your Gross Sales):

2.0%	To be contributed to the Marketing Fund;* and
1.0%	To be spent by you on local marketing and advertising.*

\* We have the right to periodically change how Marketing Fund Contributions are allocated among the Marketing Fund, Regional Funds, and local marketing and promotion by notifying you in writing of the change, with those changes to take effect at the end of that month.

You must make your monthly contribution to the Marketing Fund by electronic funds transfer using the Automated Clearing House (ACH) Network each month in the same manner and time as the royalty fee based on your Gross Sales in the previous month. Each Company-owned Mutabak

Karak Restaurant may, at its discretion, make contributions to the Marketing Fund at the same rate as our licensed Mutabak Karak Restaurants.

We have not yet established any Regional Funds. We do not have an advertising council composed of franchisees.

None of the amounts that we will collect or hold in connection with the Marketing Fund or a Regional Fund will be used for marketing that is principally a solicitation for the sale of franchises. As described below, we are not required to spend any particular amount on marketing in the area where your Franchised Business is located. As also described below, if amounts are unspent in the Marketing Fund at fiscal year-end, those amounts are carried over by the Marketing Fund for expenditure in the following year.

### The Marketing Fund

We will have sole discretion over how the Marketing Fund creates, places, and pays for national marketing. We (or our designee, which might be a corporate subsidiary or a marketing agency) will maintain and administer the Marketing Fund, as follows:

- (a) We or our designee will direct all marketing programs, with sole discretion over the concepts, materials, and media used in these programs and the placement and allocation of the programs. The Marketing Fund is intended to maximize general public recognition (building the Mutabak Karak brand), acceptance, and use of the System. Neither we nor our designee are obligated to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Marketing Fund.
- (b) The Marketing Fund will be used (among other things) to meet any and all costs of maintaining, administering, staffing, directing, conducting, preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System (including, among other things, the costs of preparing and conducting marketing and media advertising campaigns on radio, television, cable, and other media; direct mail advertising; developing and implementing website, social networking/media, geo-targeting, search engine optimization and other similar functions, and other electronic marketing strategies; marketing surveys and other public relations activities; employing marketing personnel (including salaries for personnel directly engaged in consumer-oriented marketing functions), advertising and/or public relations agencies to assist with such endeavors; purchasing and distributing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; engaging individuals as spokespersons and celebrity endorsers; purchasing creative content for local sales materials; reviewing locally-produced ads; preparing, purchasing and distributing door hangers, free-standing inserts, coupons, brochures, and trademarked apparel; market research; conducting sponsorships, sweepstakes and competitions; engaging mystery shoppers for stores and their competitors; paying association dues (including the International Franchise Association), establishing third-party facilities for customizing local advertising; the cost of establishing and maintaining franchisee advisory committees; purchasing and installing signage; and providing promotional and other marketing materials and services to the Facilities operated under the System).

- (c) You must make any contributions to the Marketing Fund and to any Regional Fund by electronic funds transfer using the Automated Clearing House (ACH) Network. All sums you pay to the Marketing Fund will be maintained in an account separate from our other monies and will not be used to defray any of our expenses, except for the reasonable costs and overhead, if any, as we may incur in activities reasonably related to the direction and implementation of the Marketing Fund and marketing programs for you and the System (for example, costs of personnel for creating and implementing, advertising, merchandising, promotional and marketing programs). The Marketing Fund and its earnings will not otherwise inure to our benefit or be used to solicit the sale of franchises. We or our designee will maintain separate bookkeeping accounts for the Marketing Fund.
- (d) The Marketing Fund is not and will not be our asset.
- (e) Although the Marketing Fund is intended to be of perpetual duration, we maintain the right to terminate the Marketing Fund. The Marketing Fund will not be terminated, however, until all monies in the Marketing Fund have been expended for marketing purposes.
- (f) It is our current practice to prepare an annual accounting of the Marketing Fund's operations and we will make that accounting available to you if you send us a written request (although we are not contractually obligated to do so). The Marketing Fund will not be audited.

We did not have an advertising fund in previous years and cannot provide a report on how funds were spent.

### Regional Funds

We currently do not have any Regional Funds, however, we will have the right, as we see fit, to establish a Regional Fund for your region. The purpose of a Regional Fund is to conduct marketing campaigns for the Mutabak Karak Restaurant located in that region.

If a Regional Fund for your area was established before you began to operate your Franchised Business, then when you open your Franchised Business, you must immediately join that Regional Fund. If a Regional Fund for your area is established after you begin to operate your Franchised Business, then you will have thirty days to join the new Regional Fund. You will not be required to be a member of more than one Regional Fund. The following provisions will apply to each Regional Fund (if and when established):

- (a) Regional Funds will be established, organized, and governed in the form and manner that we have approved in advance. The activities carried out by each Regional Fund shall be decided by a majority vote of its members (unless we specify otherwise in writing). Any Mutabak Karak Restaurant that we operate in the region will have the same voting rights as Mutabak Karak Restaurants owned by franchisees. The owner (whether a franchised unit or one that we operate) of each Mutabak Karak Restaurant participating in a Regional Fund is entitled to cast one vote for each Restaurant owned.
- (b) Regional Funds will be organized for the exclusive purpose of administering regional marketing programs and developing (subject to our approval) standardized marketing materials for use by the members in regional marketing.

- (c) Regional Funds may not use marketing, advertising, promotional plans, or materials without our prior written approval, as described below.
- (d) You must submit any contribution to the Regional Fund by electronic funds transfer using the Automated Clearing House (ACH) Network by the fifth calendar day of each month based on your Gross Sales in the previous month. At the same time, you will have to submit the reports that we or the Regional Fund require. We may require that your contributions and reports to the Regional Fund be made to us for distribution to the Regional Fund.
- (e) Although, if established, a Regional Fund is intended to be of perpetual duration, we maintain the right to terminate any Regional Fund. A Regional Fund will not be terminated, however, until all monies in that Regional Fund have been expended for marketing purposes.
- (f) We are not required to prepare and provide financial statements for the Regional Fund nor are we required to make that data available for review (although the Regional Fund may itself decide to adopt that standard).

### Local Marketing

Certain criteria will apply to the local marketing that you conduct. All of your local marketing must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved. You may not use any marketing, advertising, or promotional plans that we have not approved in writing. You must submit to us samples of all proposed plans and materials. If you email us with your request for approval, along with all needed information, we will ordinarily provide you with our response (whether approval or disapproval) to the proposed plans or materials within seven business days; if we do not give our approval within seven days, then we will be deemed to have disapproved the plans or materials.

All copyrights in and to marketing, advertising, and promotional materials you develop (or that are developed for you) will become our sole property. You must sign the documents (and, if necessary, require your independent contractors to sign the documents) that we deem reasonably necessary to implement this provision. (The requirements in this paragraph, as well as in the previous paragraph, also apply to any Regional Funds.)

In addition to (and not instead of) the Marketing Contribution, you agree to spend at least \$3,000 for grand opening marketing and promotional programs in conjunction with the Franchised Business's initial grand opening, pursuant to a grand opening marketing plan that you develop and that we approve in writing (the "**Grand Opening Marketing Program**"). The Grand Opening Marketing Program must begin 60 days before the scheduled commencement date for the Franchised Business and be completed no later than 60 days after the Franchised Business commences operation. You may include food and merchandise giveaways in the Grand Opening Marketing Program (but only the wholesale cost plus direct labor associated with those food giveaways).

We will periodically make available to you, for purchase, certain marketing materials for your use in local advertising and promotion.

As used in the Franchise Agreement, the term "**local marketing**" refers to only the direct costs of purchasing and producing marketing materials (such as camera-ready advertising and point of

sale materials), media (space or time), promotion, and your direct out-of-pocket expenses related to costs of marketing in your local market or area. Local marketing and promotion also includes associated advertising agency fees and expenses, postage, shipping, telephone, and photocopying costs. "Marketing" does not, however, include any of the following: (a) salaries, incentives or discounts offered to your employees, and your employees' expenses; (b) charitable, political, or other contributions or donations; and (c) the value of discounts given to consumers, with the exception of complimentary products provided as a result of local store marketing initiatives.

Digital Sites (as defined below) are considered "marketing" under the Franchise Agreement, and are subject (among other things) to our review and prior written approval before they may be used.

At our request, you must provide us with written substantiation of your local marketing activities in the form we specify.

### Electronic Point-Of-Sale and Computer Systems

We require our franchisees to purchase a computer system. You must meet our requirements concerning the Computer System, including: (a) back office and point of sale systems, data, audio, video (including managed video security surveillance), telephone, voice messaging, retrieval, and transmission systems for use at Mutabak Karak Restaurants, between or among Mutabak Karak Restaurants, and between and among the Franchised Business, and you, and us; (b) point-of-sale (POS) and digital menu board systems; (c) physical, electronic, and other security systems and measures; (d) printers and other peripheral devices; (e) archival back-up systems; (f) internet access mode (e.g., form of telecommunications connection) and speed; (g) technology used to enhance and evaluate the customer experience; (h) menu boards and related technology, hardware, software, and firmware; (i) front-of-the-house Wi-Fi and other connectivity service for customers; and (j) in-Restaurant music systems (collectively, all of the above are referred to as the "**Computer System**").

The Mutabak Karak Restaurant Point of Sale (POS) system consists of a hardware platform (including PC processor and peripheral hardware devices such as iPads, touch screens, printers, bar code readers, card readers, cash drawers, battery back-up, etc.) combined with POS software and connected to cloud-based back-end management systems that can be accessed from any browser.

We currently use a POS system offered by Clover. You must be able to maintain a laptop or desktop computer with continuous connection to the internet to send and receive POS data to us. You must establish merchant accounts and internet-based credit card and gift card authorization accounts that we designate for use with online card authorizations.

We have the right to develop or have developed for us, or to designate: (a) computer software programs and accounting system software that you must use in connection with the Computer System ("**Required Software**"), which you must install and maintain; (b) updates, supplements, modifications, or enhancements to the Required Software, which you must install and maintain; (c) the tangible media upon which you must record data; and (d) the database file structure of your Computer System. We currently use an accounting and bookkeeping system offered by QuickBooks.

We rely on suppliers to provide support for the hardware and software and we may require that you enter into service contracts directly with the hardware and software suppliers and pay the suppliers directly for this support.

We estimate that the cost of purchasing a POS system will typically range from \$1,500 to \$3,000 (plus a surveillance system, computer system, digital menu boards and sound system, and additional technology items that will be in the range of an additional \$1,000).

The estimated annual cost of Computer System maintenance, support, and upgrades is \$500. Neither we nor any of our affiliates have an obligation to provide ongoing maintenance, repairs, upgrades, or updates to your computer hardware or software, or replace broken items.

You must be able to access information that is available on the Internet, and be able to send and receive email. We may periodically require you to upgrade and update the hardware and software used in connection with the Computer System. There are no contractual limitations on the frequency and cost of these upgrades and updates. We reserve the right to approve your email address or require you to use only an e-mail address that we provide for your Franchised Business' business e-mails.

You must afford us unimpeded access to your Computer System in the manner, form, and at the times we may request. We will have the independent right (without limit under the Franchise Agreement) at any time to retrieve and use this data and information from your Computer System in any manner we deem necessary or desirable.

We have the right to require you to use one or more designated telephone vendors. If we so require, you must use our designated telephone vendors for the phone service to your Franchised Business. We may designate, and own, the telephone numbers for your Franchised Business.

We reserve the right to require you to pay an ongoing "**Technology Fee**" (although we do not currently have a Technology Fee). There is no limit on how much that fee might be. You may also have to pay third-party vendors additional amounts for the services that they provide.

Finally, changes to technology are likely during the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, we will have the right to establish reasonable new standards to implement technology; and you will have to abide by those new standards and also pay vendors' charges for new items and services.

### Digital Sites

Unless we have otherwise approved in writing, you agree not to establish (and not to allow any other party to establish) a Digital Site relating in any manner whatsoever to your Franchised Business or referring to the Proprietary Marks. We will have the right, but not the obligation, to provide one or more references or webpages, as we may periodically designate, within our Digital Site. The term "**Digital Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including, but not limited to, the Internet, World Wide Web, webpages, microsites, social networking sites (for example, Facebook, Twitter (X), LinkedIn, You Tube, Pinterest, Instagram, TikTok, etc.), blogs, vlogs, applications to be installed on mobile devices (for example, iOS or Android apps), and other applications, etc. However, if we approve a separate Digital Site for you (which we are not obligated to do), then each of the following provisions will apply: (1) you may neither establish nor use any Digital Site without our prior written approval; (2) before establishing any Digital Site, you must submit to us,

for our prior written approval, a sample of the proposed Digital Site, including its domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including meta tags), in the form and manner we may require; (3) you must not use or modify an Digital Site without our prior written approval; (4) you must comply with the standards and specifications for Digital Sites that we may periodically prescribe in the Brand Standards Manuals or otherwise in writing; (5) if we require, you must establish hyperlinks to our Digital Site and other Digital Sites; and (6) we may require you to make us the sole administrator (or co-administrator) of any social networking pages that you maintain or that are maintained on your behalf.

### Data

All of the data that you collect, create, provide, or otherwise develop is and will be owned exclusively by us, and we will have the right to access, download, and use that data in any manner that we deem appropriate without compensation to you. All other data that you create or collect in connection with the System, and in connection with operating the Franchised Business (including customer and transaction data), is and will be owned exclusively by us during the term of, and after termination or expiration of, the Franchise Agreement. You will have to transfer to us all data (in the digital machine-readable format that we specify, including printed copies and originals) promptly upon our request, whether during the term of the Franchise Agreement, upon termination or expiration of this Agreement, or any transfer. (The term “data” does not include customers’ payment card data.)

You must comply with all laws pertaining to the privacy of consumer, employee, and transactional information (“**Privacy Laws**”). You must also comply with our standards and policies concerning the privacy of consumer, employee, and transactional information.

### Brand Standards Manuals

The table of contents of the Brand Standards Manual is attached as Exhibit G. The total number of pages in the Brand Standards Manual is 45 pages.

## **Item 12**

## **Territory**

Although you will have the rights described below with respect to the “Protected Territory,” you will not receive an exclusive territory, and therefore, you may face competition from outlets that we own or from other channels of distribution or competitive brands that we control.

During the term of the Franchise Agreement, and except as provided otherwise in that agreement, we will not establish or license anyone else to establish, another Mutabak Karak Restaurant at any location within the “**Protected Territory**” that is designated in your Franchise Agreement. The Protected Territory will typically be a circle with a radius of three miles and with its center at the front door of the Restaurant, but your actual Protected Territory may be defined differently, depending on your desired location’s characteristics (for example, whether it is located in a downtown or urban core, in which case the radius may be smaller). We (and our affiliates) retain all rights not specifically granted to you. We will have the right (among other things), on any terms and conditions that we deem advisable, and without granting you any rights, to do any or all of the following:

- to establish, and license others to establish, Mutabak Karak Restaurants anywhere outside the Protected Territory;
- to establish, and franchise others to establish, Mutabak Karak Restaurants anywhere outside the Protected Territory;
- to establish, and license others to establish, businesses that do not operate under the System and that do not use the Proprietary Marks licensed under this Agreement, even if those businesses also offer or sell products and services that are the same as or similar to those offered from the Franchised Business, no matter where those businesses are located;
- to establish, and license others to establish, Mutabak Karak Restaurants at any Non-Traditional Facility or Captive Market Location (defined below) inside or outside the Protected Territory;
- to acquire (or be acquired) and then operate any business of any kind, anywhere (but not to be operated as a Mutabak Karak Restaurant inside the Protected Territory);
- to market and sell our Products and Services, other than from a Mutabak Karak Restaurant, anywhere (but not from a Mutabak Karak Restaurant operating inside the Protected Territory); and
- to sell Products and Services using the Proprietary Marks or otherwise, through any method other than that is not a Mutabak Karak Restaurant (including alternative distribution channels such as e commerce), anywhere.

The term “**Captive Market Location**” includes, among other things, non-foodservice businesses of any sort within which a Mutabak Karak Restaurant or a branded facility is established and operated (including, for example, hotels and resorts).

The term “**Non-Traditional Facility**” includes, among other things, college campuses, schools, hotels, casinos, airports and other travel facilities; federal, state, or local government facilities (including military bases); theme and amusement parks; recreational facilities; seasonal facilities; shopping malls; hospitals; theaters; and sporting event arenas and centers.

Additionally, you understand that we (and any of our affiliates and designees) reserve the right to distribute or sell any of our products: (a) in grocery stores and other retailers, and anywhere else, but not from another Mutabak Karak Restaurant operating in the Protected Area. The Franchise Agreement does not grant you any rights with regard to such sales programs, whether they exist now or are developed later.

You may offer and sell services and products only: (a) according to the requirements of the Franchise Agreement and the procedures set out in the Brand Standards Manuals; and (b) to customers and clients of the Franchised Business.

You may not offer or sell services or products through any means other than through the Franchised Business at the Accepted Location; and therefore, for example, you may not offer or sell services or products from satellite locations, temporary locations, mobile vehicles or formats,

carts or Non-Traditional Restaurants, by use of catalogs, the Internet, or through any other electronic or print media.

For catering service provided at customers' homes, offices, and other locations ("**Catering**"), and for delivery service through the use of an approved local third-party provider of delivery services ("**Delivery**"): (a) you may not conduct Catering or Delivery activities during the initial operating and training period of the Franchised Business or without our prior written approval; (b) all Catering and Delivery activities must be conducted in accordance with the terms and conditions stated in this Agreement and the standards that we set in the Brand Standards Manual; and (c) we have the right to revoke our approval of Catering and/or Delivery at any time. Further, we have the right to require that you execute Delivery through Restaurant staff and/or through approved third-party delivery vendors. We will have the right at all times to approve or disapprove of any such Delivery services, including the arrangements that you propose to make with any third-party delivery vendor.

The Accepted Location for the Franchised Business will be specified in the Franchise Agreement. You may not relocate the Franchised Business without our prior written approval. If you ask to relocate the Franchised Business, we will evaluate your request on the basis of the same standards that we apply to reviewing the proposed location of a Mutabak Karak Restaurant for a new franchisee.

Under the Franchise Agreement you will not have any options, rights of first refusal, or similar rights to acquire additional franchises or other rights, whether inside the Protected Territory or elsewhere. Among other things, you will not have rights to other concepts that we may own, operate, or license, including the "3Cents" concept, which may compete with you.

You do not need to meet any particular sales or revenue volume in order to keep your Protected Territory as described above so long as you stay in compliance with the terms of your Franchise Agreement.

We do not have the right to modify your Protected Territory so long as you stay in compliance with the terms of your Franchise Agreement.

**Item 13** **Trademarks, Service Marks, Trade Names, Logotypes, And Commercial Symbols**

Under the Franchise Agreement, you will be licensed to use the Proprietary Marks, including the principal marks described below, which are pending registration on the Principal Register of the U.S. Patent and Trademark Office ("**USPTO**"):

<b>Mark</b>	<b>Serial No.</b>	<b>Filing Date</b>
Mutabak Karak	99197481	May 22, 2025
MUTABAK KARAK	99197506	May 22, 2025

Affidavits of use and affidavits of incontestability, as well as renewal applications, will be filed when due for the marks listed above.

We do not have a federal registration for our principal trademark. Therefore, our trademark does not have as many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

Our parent, Mutabak Karak Holding Inc. ("**Holding**") is the current owner of our marks. We and Holding entered into a trademark license agreement dated June 10, 2025 (the "**License Agreement**"). Holding granted us a license to use these marks and to sublicense our franchisees to use them. Our affiliate can terminate the license agreement only if we default and fail to cure. If we lose the right to use the marks, our franchisees will also lose the right to use them.

There are currently no effective determinations of the USPTO, the trademark administrator of this state, or of any court, nor any pending interference, opposition, or cancellation proceedings, nor any pending material litigation involving the trademarks, service marks, trade names, logotypes, or other commercial symbols which is relevant to their use in this state or any other state in which the Franchised Business is to be located. There are no agreements currently in effect which significantly limit our rights to use the Proprietary Marks (including trademarks, service marks, trade names, logotypes, or other commercial symbols) that are in any manner material to the franchise. There are no infringing uses actually known to us which could materially affect your use of the Proprietary Marks in this state or elsewhere.

You must promptly notify us of any suspected infringement of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, or your right to use, the Proprietary Marks licensed under the Franchise Agreement. Under the Franchise Agreement, we will have the sole right to initiate, direct, and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement of the action. We also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. If you used the Proprietary Marks in accordance with the Franchise Agreement, we will defend you at our expense against any third party claim, suit, or demand involving the Proprietary Marks arising out of your use. If you did not use the Proprietary Marks in accordance with the Franchise Agreement, we will defend you, at your expense, against those third party claims, suits, or demands.

If we undertake the defense or prosecution of any litigation concerning the Proprietary Marks, you must sign any documents and agree to do the things that our counsel may believe are needed to carry out the defense or prosecution (such as becoming a nominal party to any legal action). Except to the extent that the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, we agree to reimburse you for your out of pocket costs in doing these things, except that you will bear the salary costs of your employees, and we will bear the costs of any judgment or settlement. To the extent that the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, you must reimburse us for the cost of the litigation, including attorneys' fees, as well as the cost of any judgment or settlement.

Copyrights

We own common law copyrights in the Brand Standards Manuals, certain drawings, and advertising materials, and we will make these available to you. These materials are our proprietary property and must be returned to us upon expiration or termination of the Franchise Agreement.

We will furnish you, under the terms of the Franchise Agreement, with standard floor plans and specifications for construction of a Franchised Business. You may be required to employ a licensed architect or engineer, who will be subject to our reasonable approval, to prepare plans and specifications for construction of your Franchised Business, based upon our standard plans. These revised plans will be subject to our approval. You will be entitled to use the plans only for the construction of a single Franchised Business at the site approved in the Franchise Agreement, and for no other purpose. We require your architect and contractor to agree to maintain the confidentiality of our plans and to assign to us any copyright in the derivative plans they create.

There are no currently effective determinations of the Patent and Trademark Office, Copyright Office, or any court concerning any copyright. There are no currently effective agreements pursuant to which we derive our rights in the copyrights which could limit your use thereof. The Franchise Agreement does not obligate us to protect any of the rights that you have to use any copyright, nor does the Franchise Agreement impose any other obligation upon us concerning copyrights. We are not aware of any infringements that could materially affect your use of any copyright in any state.

Confidential Brand Standards Manuals

In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you must conduct your business in accordance with the Brand Standards Manual. We will lend you one set of our Brand Standards Manual, which we have the right to provide in any format we choose (including paper, CD, or online), for the term of the Franchise Agreement.

You must at all times accord confidential treatment to the Brand Standards Manual, any other manuals we create (or that we approve) for use with the Franchised Business, and the information contained in the Brand Standards Manual. You must use all reasonable efforts to maintain this information as secret and confidential. You may never copy, duplicate, record, or otherwise reproduce the Brand Standards Manual and the related materials, in whole or in part (except for the parts of the Brand Standards Manual that are meant for you to copy, which we will clearly mark as such), nor may you otherwise let any unauthorized person have access to these materials. The Brand Standards Manual will always be our sole property. You must always maintain the security of the Brand Standards Manual.

We may periodically revise the contents of the Brand Standards Manual, and you must consult the most current version and comply with each new or changed standard. If there is ever a dispute as to the contents of the Brand Standards Manual, the version of the Brand Standards Manual (that we maintain) will be controlling.



right, without limit, to change the types of authorized products and services. You may only offer and sell services products to customers at the Franchised Business' premises.

The Accepted Location for the Franchised Business will be specified in the Franchise Agreement. You may not relocate the Franchised Business without our prior written approval. If you ask to relocate the Franchised Business, we will evaluate your request on the basis of the same standards that we apply to reviewing the proposed location of a Franchised Business for a new franchisee.

## **Item 17** **Renewal, Termination, Transfer, and Dispute Resolution**

### The Franchise Relationship

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

<b>Franchise Agreement</b>		
<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a. Length of the franchise term	2.1	Ten years
b. Renewal or extension of the term	2.2	Two additional five-year terms, subject to certain contractual requirements described in "c" below.
c. Requirements for you to renew or extend	2.2.1 to 2.2.9	Written notice, renovate/modernize Franchised Business premise, upgrades to computer hardware and software to conform with then-current standards, satisfaction of monetary obligations, not be in default of the Agreement, sign release, pay fee, comply with then current qualification and training requirements, compliance with Franchise Agreement, sign our then-current form of Franchise Agreement (which may contain materially different terms and conditions than the original contract).
d. Termination by you	Not applicable	
e. Termination by us without cause	Not applicable	

<b>Franchise Agreement</b>		
<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
f. Termination by us with cause	17	Default under Franchise Agreement, abandonment, and other grounds; see § 17 of the Franchise Agreement.
g. "Cause" defined – curable defaults	17.3	All other defaults not specified in §§ 17.1 and 17.2 of the Franchise Agreement
h. "Cause" defined - non-curable defaults	17.1 and 17.2	Abandonment, conviction of felony, and others; see § 17.2 of the Franchise Agreement.
l. Your obligations on termination/ nonrenewal	18	Cease operating Franchised Business, payment of amounts due, and others; see §§ 18.1 - 18.12.
j. Assignment of contract by us	16.1	There are no limits on our right to assign the Franchise Agreement.
k. "Transfer" by you - definition	16.4.1 to 16.4.4	Includes transfer of any interest in you (the franchisee), your assets, or otherwise.
l. Our approval of transfer by you	16.4	We have the right to review and approve all proposed transfers.
m. Conditions for our approval of transfer	16.5	Release, signature of new Franchise Agreement, payment of transfer fee, and others; see §§ 16.5.1 - 16.5.11.
n. Our right of first refusal to acquire your business	16.6	We can match any offer.
o. Our option to purchase your business	18.4 and 18.5	Upon termination or expiration of the Franchise Agreement, we can acquire any interest which you have in any lease or sublease for the premises and purchase your furnishings, equipment, material, or inventory at cost or fair market value.
p. Your death or disability	16.7	Your estate must transfer your interest in the Franchised Business to a third party we have approved.

<b>Franchise Agreement</b>		
<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
q. Non-competition covenants during the term of the franchise	19.2, 19.3, 19.4, 19.5, and 19.6	Includes prohibition on engaging in a “ <b>Competitive Business</b> ,” which is any foodservice business that specializes in offering, serving, and/or selling mutabak, chapati, and/or karak chai for more than 25% percent of its total offerings and/or total revenue; see §§ 19.2 - 19.6.
r. Non-competition covenants after the franchise is terminated or expires	19.2, 19.3, 19.4, 19.5, and 19.6	Includes a two-year prohibition similar to “q” (above), at the Accepted Location, within the Protected Territory, within five miles of the Protected Territory, and also within five miles of any other Mutabak Karak Restaurant then-operating under the System in the US.
s. Modification of the agreement	25	Must be in writing signed by both parties.
t. Integration/ merger clause	25	Only the final written terms of the Franchise Agreement are binding, subject to state law. Any representation or promises outside of the disclosure document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement (or in this disclosure document) is intended to disclaim the representations made in this disclosure document.
u. Dispute resolution by arbitration or mediation	27.3	<p>Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief) at the JAMS office in or closest to New York, New York.</p> <p>The Franchise Agreement contains provisions that may affect your legal rights, including a waiver of jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. See Section 27 of the Franchise Agreement. Please also see the various state disclosure addenda and agreement amendments attached to this disclosure document, which contain additional terms that may be required under applicable state law.</p>

<b>Franchise Agreement</b>		
<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
v. Choice of forum	27.2	If we ever litigate, we must do so in the federal or state court with jurisdiction over New York, New York. (The law of your state may also impact this provision.)
w. Choice of law	27.1	New York law applies to the Franchise Agreement. (The law of your state may also impact this provision.)

### **Item 18**

### **Public Figures**

We do not use any public figures 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 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 our management by contacting Salem Al-Wuhaishi at [franchise@mutabakkarak.com](mailto:franchise@mutabakkarak.com), the Federal Trade Commission, and the appropriate state regulatory agencies.

Table 1:  
System wide Outlet Summary for 2022 to 2024 (Notes 1 and 2)

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Company-Owned	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Total Outlets	2022	0	0	0
	2023	0	0	0
	2024	0	0	0

Notes for tables 1-5 in this Item 20:

- (1) We began offering franchises in the US in 2025, and did not operate (nor did we have franchises) in previous years. All data listed is as of the fiscal year end. Our fiscal year end falls on December 31st each year.
- (2) States not listed had no activity.

Table 2:  
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
for 2022 to 2024 (Note 1)

State (Note 2)	Year	Number of Transfers
Total	2022	0
	2023	0
	2024	0

Table 3:  
Status of Franchised Outlets for 2022 to 2024 (Note 1)

State (Note 2)	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Re-acquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
All States	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Totals	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0

Table 4:  
Status of Company-Owned Outlets  
for 2022 to 2024 (Note 1)

State (Note 2)	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
All States	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
Totals	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0

Table 5:  
Projected Openings as of December 31, 2024 for 2025

State (Note 1)	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Year
New York	0	1	0

State (Note 1)	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Year
Texas	0	1	0
Total	0	2	0

\*\*\*\*\*

The names, addresses, and telephone numbers of our franchisees as of our fiscal year ending December 31, 2024 are listed in Exhibit D. The name and last known home address and telephone number of every one of our franchisees who has had a Franchise Agreement terminated, canceled, not renewed, or who otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during one-year period ending December 31, 2024, or who has not communicated with us within ten weeks of the date of this disclosure document, are also listed in Exhibit D.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. No franchisees have signed a confidentiality clause in a Franchise Agreement, settlement or other contract within the last three years that would restrict their ability to speak openly about their experience with Mutabak Karak. As of the date of this franchise disclosure document, there are no Mutabak Karak franchisee associations in existence regardless of whether they use our trademark or not.

## Item 21

## Financial Statements

Exhibit F contains:

1. Exhibit F-1: The audited financial statements of 2430505 Ontario Inc. for its fiscal years ended December 31, 2024, December 31, 2023, and December 31, 2022.
2. Exhibit F-2: The unaudited financial statements of 2430505 Ontario Inc. as of July 31, 2025.
3. Exhibit F-3: A Guarantee of Performance of our obligations by 2430505 Ontario Inc. Should we fail to fulfill our duties and obligations to our franchisees under their Franchise Agreements, 2430505 Ontario Inc. absolutely and unconditionally guarantees to assume those duties and obligations.

The financial statements included in Item 21 are prepared and expressed in Canadian Dollars (CAD). As of the issuance date of this disclosure document, the exchange rate was 1.00 CAD to 0.72 US Dollars. As of the last date of the fiscal year, December 31, 2024, the exchange rate was 1.00 CAD to 0.70 US Dollars.

**Item 22****Contracts**

Exhibit A	The Franchise Agreement with its Exhibits: A. Data Addendum B. Guarantee, Indemnification, and Acknowledgment C. List of Principals D. ACH Authorization Agreement E. ADA Certification F. Sample Form of Non-Disclosure and Non-Competition Agreement G. Site Selection Addendum H. Lease Rider
Exhibit J	General Release

**Item 23****Receipts**

The last two pages of this disclosure document (Exhibit M) are two identical receipt pages to acknowledge that you received this entire document (including the Exhibits). Please keep one copy along with this disclosure document, and please sign and date the other copy and send that signed and dated receipt to us.

**Exhibit A: Franchise Agreement with Exhibits**



**MUTABAK  
KARAK™**  
Street Bites

***Mutabak Karak***  
**Franchise Agreement**

**Mutabak Karak**  
**Franchise Agreement**

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Exhibits:

A	Data Sheet	E	ADA Certification
B	Guarantee, Indemnification, and Acknowledgement	F	Sample Form of Non-Disclosure and Non-Competition Agreement
C	List of Principals	G	Site Selection Addendum
D	ACH - Authorization Agreement for Prearranged Payments (Direct Debits)	H	Lease Rider
		I	Index to Defined Terms

**Mutabak Karak**  
**Franchise Agreement**

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into as of the date that we have indicated on the signature page of this Agreement (the "**Effective Date**") by and between:

- **Mutabak Karak Global Inc.**, a Canadian corporation with its principal place of business at 2332 Guildstone Crescent, Oakville, Ontario, L6M 3Y8, Canada ("**we**", "**us**", "**our**", or the "**Franchisor**"); and
- \_\_\_\_\_, a [resident of] [corporation organized in] [limited liability company organized in] the State of \_\_\_\_\_ and having offices at \_\_\_\_\_ ("**you**" or the "**Franchisee**").

Introduction

*We operate and grant franchises for "Mutabak Karak" restaurants, operating in buildings that feature our interior and/or exterior designs, and which also feature our Products (each a "**Restaurant**"). Restaurants specialize in the sale of specialty mutabak, chapati, karak tea, desserts such as date bread pudding and puffs, and coffee, distinctive branding, and other products that we may periodically specify and/or approve for on-premises and carry-out consumption, which may include Proprietary Items (as defined in this Agreement) as well as non-Proprietary Items to customers on-site (collectively, the "**Products**").*

*Among the distinguishing characteristics of a Restaurant are that it operates under our "Mutabak Karak" System. Our System includes (among other things): Products; signage; distinctive interior and exterior design and accessories; opening hours; operational procedures; standards and specifications; quality and uniformity of products and services offered; recipes and preparation techniques; management and inventory control procedures; software; training and assistance; business format, layouts and floor plans, methods, equipment lists and layouts, menus, the Proprietary Marks (defined below), as well as advertising and promotional programs (together, the "**System**").*

*We identify the System by means of our Proprietary Marks. Our proprietary marks include certain trade names, service marks, trademarks, logos, emblems, and indicia of origin (for example, the "MUTABAK KARAK STREET BITES" mark and logo), as well as other trade names, service marks, and trademarks that we may periodically specify in writing for use in connection with the System (all of these are referred to as our "**Proprietary Marks**"). We and our affiliates continue to develop, use, and control the use of our Proprietary Marks in order to identify for the public the source of Products and Services marketed under those marks and under the System, and to represent the System's standards of quality, cleanliness, appearance, and service.*

*We are in the business of developing, programming and awarding franchise rights to third party franchisees, such as you. You will be in the business of operating a Restaurant, using the same brand and Proprietary Marks as other independent businesses that operate other Restaurants under the System (including some operated by our affiliates). We will not operate your Restaurant for you, although we have (and will continue) to set standards for Restaurants that you will have chosen to adopt as yours by signing this Agreement and by your day-to-day management of your Restaurant according to our brand standards.*

*You have asked to enter into the business of operating a Restaurant under our System and wish to obtain a franchise from us for that purpose, as well as to receive the training and other assistance we*

*provide as described in this Agreement. You also understand and acknowledge the importance of our standards of quality, cleanliness, appearance, and service and the necessity of operating the business franchised under this Agreement in conformity with our standards and specifications.*

*In recognition of all of the details noted above, the parties have chosen to enter into this Agreement, considering all of the promises and commitments that they are each making to one another in this Agreement, and for other good and valuable consideration (the sufficiency and receipt of which they hereby acknowledge) and they agree as follows:*

## **1 GRANT**

1.1 *Rights and Obligations.* We grant you the right, and you accept the obligation, all under the terms (and subject to the conditions) of this Agreement:

1.1.1 To operate one Restaurant under the System (the “**Franchised Business**”);

1.1.2 To use the Proprietary Marks and the System, but only in connection with the Franchised Business (recognizing that we may periodically change or improve the Proprietary Marks and the System); and

1.1.3 To do all of those things only at the Accepted Location (as defined in Section 1.2 below).

1.2 *Accepted Location.* The street address of the location for the Franchised Business approved under this Agreement is specified in Exhibit A to this Agreement and is referred to as the “**Accepted Location.**”

1.2.1 When this Agreement is signed, if you have not yet obtained (and we have not yet approved in writing) a location for the Franchised Business, then:

1.2.1.1 you agree to enter into the site selection addendum (the “**Site Selection Addendum,**” attached as Exhibit H to this Agreement) at the same time as you sign this Agreement; and

1.2.1.2 you will then find a site which will become the Accepted Location after we have given you our written approval for that site and you have obtained the right to occupy the premises, by lease, sublease, or acquisition of the property, all subject to our prior written approval and in accordance with the Site Selection Addendum.

1.2.2 We have the right to grant, condition, and/or to withhold approval of the Accepted Location under this Section 1.2. You agree that our review and approval of your proposed location, under this Section 1.2 or pursuant to the Site Selection Addendum, does not constitute our assurance, representation, or warranty of any kind that your Franchised Business at the Accepted Location will be profitable or successful (as further described in Section 5 of the Site Selection Addendum).

1.2.3 You agree not to relocate the Franchised Business without our prior written consent. Any proposed relocation will be subject to our review of the proposed new site under our then-current standards for site selection, and we will also have the right to take into consideration commitments that we have made to other franchisees, licensees, landlords, real estate developers, and other parties relating to the proximity of a new

Restaurant to their establishment. If you wish to relocate, then you must pay us a relocation fee of Seven Thousand Five Hundred Dollars (\$7,500) or twenty five percent (25%) of our then-current franchise fee (whichever is greater), fifty percent (50%) due at time of the relocation plan, and fifty percent (50%) due at the time we have accepted the new site. You also must reimburse us (in advance) for the costs and expenses that we reasonably expect to incur (including, if we deem necessary to visit the proposed new location, the costs of travel, lodging and meals for our representatives to visit the proposed location), and our legal fees and related expenses incurred in connection with reviewing, approving, and documenting your relocation of the Franchised Business to a new site (the "**Relocation Expenses**"). The parties will reconcile the Relocation Expenses within thirty (30) days after you have reopened your Restaurant at the new location, based on a statement of our actual Relocation Expenses, at which time: **(a)** we will refund to you the unused balance of the funds that you have advanced as compared to our actual Relocation Expenses; or **(b)** you will pay us the additional amount necessary to fully reimburse us for our actual Relocation Expenses.

- 1.3 *Protected Area.* During the term of this Agreement, we will not operate, nor will we grant to any other party the right to operate, a Restaurant within the area that is specified as your "**Protected Area**," in the Data Addendum (Exhibit A), provided that you are in compliance with the terms of this Agreement (and also subject to Sections 1.4 through 1.7 below).
- 1.4 *Our Reserved Rights.* We and our affiliates reserve all rights that are not expressly granted to you under this Agreement. Among other things, we have the sole right to do any or all of the following (despite proximity to your Protected Area and/or Franchised Business as well as any actual or threatened impact on sales at your Franchised Business):
- 1.4.1 We have the right to establish, and franchise others to establish, Restaurants anywhere outside the Protected Area;
  - 1.4.2 We have the right to establish, and license others to establish, businesses that do not operate under the System and that do not use the Proprietary Marks licensed under this Agreement, even if those businesses offer or sell products and services that are the same as or similar to those offered from the Franchised Business, no matter where those businesses are located;
  - 1.4.3 We have the right to establish, and license others to establish, Restaurants at any Non-Traditional Facility or Captive Market Location (as defined below), whether outside or inside the Protected Area;
  - 1.4.4 We have the right to operate (and license other parties to operate) remote, dark, ghost, and all other kinds of off-premises kitchens anywhere, except as provided in Section 1.6 below;+++
  - 1.4.5 We have the right to conduct and/or authorize catering and delivery service anywhere, except as provided in Section 1.6 below;
  - 1.4.6 We have the right to acquire (or be acquired) and then operate any business of any kind, anywhere (but not to be operated as a "Mutabak Karak" Restaurant inside the Protected Area); and
  - 1.4.7 We have the right to market and sell our Products in grocery stores and other retailers, or otherwise, through any channel of distribution (including alternative distribution

channels such as e-commerce), anywhere (but not from a “Mutabak Karak” Restaurant operating inside the Protected Area).

1.4.8 Definitions.

1.4.8.1 The term “**Captive Market Location**” is agreed to include, among other things, non-foodservice businesses of any sort within which a Restaurant or a branded facility is established and operated (including, for example, hotels and resorts).

1.4.8.2 The term “**Non-Traditional Facility**” includes, among other things, college campuses, schools, casinos, airports and other travel facilities; federal, state, or local government facilities (including military bases); hospitals and medical facilities; theme and amusement parks; recreational facilities; seasonal facilities; shopping malls; theaters; and sporting event arenas and centers.

1.5 *Limits on Where You May Operate.*

1.5.1 You may offer and sell the Products only: **(a)** to customers of the Franchised Business; and **(b)** in accordance with the requirements of this Agreement and the procedures set out in the Brand Manual (defined below).

1.5.2 You agree not to offer or sell any products or services (including the Products) through any means other than through the Franchised Business at the Accepted Location (so for example, you agree not to offer or sell services or products from satellite locations, temporary locations, mobile vehicles or formats, carts or kiosks, by use of catalogs, the Internet, through other businesses, and/or through any other electronic or print media).

1.5.3 You agree that you will offer and sell Products from the Accepted Location only to retail customers:

1.5.3.1 Face to face, for consumption on the Restaurant premises;

1.5.3.2 Face to face, for personal carry-out consumption; and/or

1.5.3.3 As provided in Section 1.6 below.

1.5.4 You further understand that we will not prohibit other Restaurants or food service business (whether owned or franchised by us or by our affiliates) from delivering Products to customers at any location, whether inside or outside of the Protected Area.

1.6 *Delivery and Catering.* We have the right to approve or disapprove any activity(ies) proposed to take place outside the Restaurant, including Delivery and Catering activities. We will consider various factors in determining whether to approve proposed Delivery and/or Catering from the Franchised Business (whether directly and/or through third parties), including the period of time you have been operating your Franchised Business, your sales volume, whether you have met certain quality standards and other benchmarks, and other standards that we may determine. In addition:

- 1.6.1 You agree not to engage in Delivery and/or Catering services, whether inside or outside of the Protected Territory, unless you have obtained our prior written consent as to the proposed Delivery vendors and/or Catering orders.
- 1.6.2 Any Delivery or Catering activities that you undertake must be conducted in accordance with the procedures that we specify in the Brand Manual or otherwise in writing. By granting approval to any one or more proposals to Cater or to Deliver, we will not be deemed to have given our approval to, or waived our right to disapprove or condition our approval of, any ongoing or additional Catering or Delivery activities.
- 1.6.3 We have the right (but not the obligation) to establish a catering program that may include online and telephone ordering features, on our own, and/or in conjunction with one or more outside vendors (the "**Catering Program**"). If we establish a Catering Program, you agree to participate and to pay the related fees and costs.
- 1.6.4 We have the right to require that you conduct Delivery only through Restaurant staff and/or approved third-party Delivery vendors ("**TPD Providers**"). We have the right at all times to approve or disapprove of any such Delivery services, TPD Providers, and other related vendors (including aggregators), including the arrangements that you propose to make with any TPD Provider.
- 1.6.5 All Delivery and Catering sales that you make in any manner will be covered by the requirements of this Agreement, including the requirement to include those sales as part of your Franchised Business' Gross Sales (see Section 4.2.2 below).
- 1.6.6 You may not operate (nor authorize any other party to operate) a remote food preparation facility and/or kitchen (including cloud kitchens, dark kitchens, ghost kitchens, and otherwise) away from the premises of your Restaurant
- 1.7 *Other Brands.* You understand that we may operate (or be affiliated with companies that operate) businesses under brand names (whether as company-owned concepts, as a franchisor, as a franchisee, or otherwise) in addition to the "Mutabak Karak" brand, and also that we may acquire and operate businesses and other brands (or be acquired by a company that operates other brands) (collectively, "**Other Brands**"). You understand and agree that this Agreement does not grant you any rights with respect to any such Other Brands.

## **2 TERM AND RENEWAL**

- 2.1 *Term.* The term of this Agreement starts on the Effective Date and, unless this Agreement is earlier terminated in accordance with its provisions, will expire ten (10) years following the Effective Date.
- 2.2 *Renewal.* You will have the right to renew your rights to operate the Franchise Business for two (2) additional consecutive successor terms of five (5) years each, so long as you have satisfied all of the conditions specified in Sections 2.2.1 through 2.2.9 before each such renewal:
- 2.2.1 You agree to give us written notice of your choice to renew at least three (3) months before the end of the term of this Agreement (but not more than twelve (12) months before the term expires).

- 2.2.2 You agree to remodel and refurbish the Franchised Business to comply with our then-current standards in effect for new Restaurants (as well as the provisions of Section 8.8 below).
- 2.2.3 At the time of renewal: **(a)** you must be in compliance with the provisions of this Agreement (including any amendment to this Agreement), any successor to this Agreement, and/or any other contract between you (and your affiliates) and us (and our affiliates) and **(b)** in our reasonable judgment, you must have been in compliance during the term of this Agreement, even if we did not issue a notice of default or exercise our right to terminate this Agreement if you did not meet those obligations.
- 2.2.4 You must have timely met all of your financial obligations to us, our affiliates, the Systemwide Brand Fund, and/or the Regional Fund, as well as your vendors (including your lessors, suppliers, staff, and all other parties with whom you do business), throughout the term of this Agreement (even if we did not issue a notice of default or exercise our right to terminate this Agreement if you did not meet your obligations). You must be current with respect to your financial and other obligations to your lessor, suppliers, and all other parties with whom you do business.
- 2.2.5 You must sign our then-current form of franchise agreement, which will supersede this Agreement in all respects (except with respect to the renewal provisions of the new franchise agreement, which will not supersede this Section 2), and which you agree may contain terms, conditions, obligations, rights, and other provisions that are substantially and materially different from those spelled out in this Agreement (including, for example, a higher percentage Royalty Fee and marketing contribution). All parties holding an interest in you must also sign and deliver to us a personal guarantee of your obligations under the renewal form of franchise agreement. (In this Agreement, the term “**entity**” includes a corporation, a limited liability company, a partnership, and/or a limited liability partnership.)
- 2.2.6 Instead of a new initial franchise fee, you agree to pay to us a renewal fee of Seven Thousand Five Hundred Dollars (\$7,500) or twenty five percent (25%) of our then-current initial franchise fee (whichever is greater).
- 2.2.7 You agree to sign and deliver to us a renewal agreement that will include a mutual general release (which will be effective as of when signed as well as the date of renewal), in a form that we will provide (which will include limited exclusions), which will release all claims against us and our affiliates, and our respective officers, directors, members, managers, agents, and employees. Your affiliates and all parties that own an interest in you (and any other parties that we reasonably request) must also sign and deliver that release to us.
- 2.2.8 You and your personnel must meet our then-current qualification and training requirements.
- 2.2.9 You agree to present to us satisfactory evidence that you have the right to remain in possession of the Accepted Location for the entire renewal term of this Agreement.

### 3 OUR DUTIES

- 3.1 *Training.* We will provide you with the training specified in Section 6 below.
- 3.2 *Site Selection.* We will provide the site selection assistance that we think is needed, but you will retain the sole responsibility for choosing a viable site (even though we will have provided assistance and our opinions on the options).
- 3.3 *Standard Layout and Equipping of a Restaurant.* We will make available to you, at no additional charge, our standard layout, design and image specifications for a Restaurant, including the exterior and interior design and layout, fixtures, furnishings, equipment, and signs. We have the right to modify our standard layout plans and specifications as we deem appropriate periodically (however, once we have provided those plans and specifications to you, we will not further modify the layout plans and specifications for the initial construction of your Restaurant). We will also provide the site selection and lease review assistance called for under Section 5.3 below.
- 3.4 *Opening and Additional Assistance.* We may (but are not obligated to) provide a representative to be present at the grand opening of the Franchised Business. We will provide such additional on-site pre-opening and opening supervision and assistance that we think is advisable, and as may be described in the Brand Manual (defined below).
- 3.5 *Brand Manual.* We will lend to you (or provide you with access to) one (1) copy of our confidential brand manuals and other written instructions relating to the operation of a Restaurant (the "**Brand Manual**"), in the manner and as described in Section 10 below, for your use in solely in connection with the Restaurant during the term of this Agreement,.
- 3.6 *Marketing Materials.* We will assist you in developing the Grand Opening Marketing Program (defined below). We have the right to approve or disapprove all marketing and promotional materials that you propose to use, pursuant to Section 13 below.
- 3.7 *Systemwide Brand Funds.* We will administer the Systemwide Brand Fund (as defined in Section 13 below) in the manner set forth in Section 13 below.
- 3.8 *Inspection Before Opening.* We will evaluate the Franchised Business before it first opens for business. You agree to not open the Franchised Business to customers or otherwise start operation until you have received our prior written approval to do so. You agree to provide us with written notice of the date that you intend to start operating at least forty-five (45) days in advance of the planned opening date.
- 3.9 *Assistance.* We will provide you with assistance in the marketing, management, and operation of the Franchised Business at the times and in the manner that we determine. We will periodically offer you the services of certain of our representatives, such as a field consultant, and these representatives will periodically visit your Franchised Business and offer advice regarding your operations, as we deem necessary to meet our own standards.
- 3.10 *Services Performed.* You agree that any of our designees, employees, agents, or independent contractors (such as an "area representative") may perform any duty or obligation imposed on us by the Agreement, as we may direct (if so, we will, nonetheless, remain responsible to you for the performance of these obligations).

- 3.11 *Our Decision-Making.* In fulfilling our obligations under this Agreement, and in conducting any activities or exercising our rights pursuant to this Agreement, we (and our affiliates) will always have the right: **(a)** to take into account, as we see fit, the effect on, and the interests of, other franchised and company-owned or affiliated businesses and systems; **(b)** to share market and product research, and other proprietary and non-proprietary business information, with other franchised businesses and systems in which we (or our affiliates) have an interest, and/or with our affiliates; **(c)** to test market various items in some or all parts of the System; **(d)** to introduce new Proprietary Items, products that are not Proprietary Items, and operational equipment; and/or **(e)** to allocate resources and new developments between and among systems, and/or our affiliates, as we see fit. You understand and agree that all of our obligations under this Agreement are subject to this Section, and that nothing in this Section will in any way affect your obligations under this Agreement.
- 3.12 *Confirmation of Performance.* After we have performed our pre-opening obligations to you under this Agreement, we may ask that you execute and deliver to us a confirmation (the “**Confirmation of Performance**”), in a form we reasonably request, confirming that we have performed those obligations. If we ask you to provide us with such a certificate, you agree to execute and deliver the Confirmation of Performance to us within one (1) week after our request. However, if you do not reasonably believe that we have fulfilled all of our pre-opening obligations, you must, within that same one (1) week period, provide us with written notice specifically describing the obligations that we have not performed. Not later than one (1) week after we complete all the obligations specified in that notice that we agree were unperformed, you agree to execute and deliver the Confirmation of Performance to us. You agree to do so even if we performed such obligations after the time performance was due under this Agreement. The term “pre-opening obligations” means the obligations we have to you under this Agreement that must be performed before your open your Restaurant.

#### **4 FEES; SALES REPORTING**

- 4.1 *Initial Fees.* When you sign this Agreement, you agree to pay us an initial franchise fee of Thirty Thousand Dollars (\$30,000) (the “**Initial Franchise Fee**”). The Initial Franchise Fee is not refundable and is payable in consideration of the services that we provide to you in connection with helping you to establish your new Restaurant.
- 4.2 *Monthly Fees and Sales Reports.*
- 4.2.1 For each Month during the term of this Agreement, you agree to: **(a)** pay us a continuing royalty fee equal to six percent (6%) of the Gross Sales of the Franchised Business (“**Royalty Fees**” or “**Royalties**”); and **(b)** report to us your Gross Sales, in the form and manner that we specify (a “**Sales Report**”), by the Due Date (defined in Section 4.3 below).
- 4.2.2 As used in this Agreement:
- 4.2.2.1 The term “**Gross Sales**” means all revenue from the sale of all Products and Services and all other income of every kind and nature related to, derived from, or originating from the Franchised Business (whether or not permitted under this Agreement), including barter and the proceeds of any business interruption insurance policies, whether for cash or credit, and regardless of theft, or of collection in the case of credit, including tips, online orders, catering, and off site sales, but excluding: (a) sales taxes and other taxes that you collect from your customers and actually pay to the appropriate

taxing authorities; (b) refunds, discounts, and accommodations reasonably provided to your customers; and (c) meals provided to your staff.

4.2.2.2 The term "**Month**" means a regular calendar month.

4.3 **Due Date.** You must pay us your Royalty Fee payment (and all payments required under Section 13 below), by ACH (as specified below), by five [5] pm (local time at our offices) on the fifth day of each Month (the "**Due Date**"), based on your Gross Sales during the previous Month. (If the Due Date falls on a federal holiday, then the Due Date shall be the following business day.) In addition, you agree to all of the following:

4.3.1 You agree to deliver to us all of the reports, statements, and/or other information that is required under Section 12 below, at the time and in the format that we reasonably request. You also agree to deliver the Sales Report to us by the Due Date based on the sales of the previous Month. We may provide these forms, and you agree to submit the completed information, in a digital format.

4.3.2 You agree to establish an arrangement for electronic funds transfer to us, or electronic deposit to us of any payments required under this Agreement. Among other things, to implement this point, you agree to sign and return to us our current form of "ACH - Authorization Agreement for Prearranged Payments (Direct Debits)," a copy of which is attached to this Agreement as Exhibit D (and any replacements for that form that we deem to be periodically needed to implement this Section 4.3.2), and you agree to: **(a)** comply with the payment and reporting procedures that we may specify in the Brand Manual or otherwise in writing; and **(b)** maintain an adequate balance in your bank account at all times to pay by electronic means the charges that you owe under this Agreement. If we elect to use ACH withdrawal to sweep payment of fees, then you will not be required to submit a separate payment to us unless you do not maintain sufficient funds to pay the full amount due. Accordingly: **(i)** you agree to maintain a proper and sufficient balance in the account from which your ACH deductions are made to pay all of the fees that are due under this Agreement; and **(ii)** if you do not do so, then you agree to pay us upon demand the amounts due and also reimburse us for the bank fees (if any) that we incur as well as a reasonable additional administrative fee that we will have the right to impose. You also agree that we may initiate an ACH withdrawal earlier than the Due Date so that the funds are actually transferred by the bank into our account on the Due Date.

4.3.3 You agree that your obligations to make full and timely payment of Royalty Fees and Marketing Contributions (and all other sums due to us) are absolute, unconditional, fully earned (by us), and due as soon as you are first open to the public.

4.3.4 You agree not to, for any reason, delay or withhold the payment of any amount due to us under this Agreement; put into escrow any payment due to us; set-off payments due to us against any claims or alleged claims that you may allege against us, the Systemwide Brand Fund, the Regional Fund, our affiliates, suppliers, or others.

4.3.5 You agree that if you do not provide us, as requested, with access to your Computer System to obtain sales information or, if we require pursuant to Section 12.1.4 below or otherwise, printed and signed sales reports, then we will have the right to impute your sales for any period using (among other things) your sales figures from any Month(s) that we choose (which may be those with your highest grossing sales), and

that you agree to pay the Royalties on that amount by our deduction of that amount from your direct debit account.

- 4.4 *No Subordination.* You agree: **(a)** not to subordinate to any other obligation your obligation to pay us the Royalty Fee and/or any other amount payable to us, whether under this Agreement or otherwise; and **(b)** that any such subordination commitment that you may give without our prior written consent will be null and void.
- 4.5 *Late Payment.* If we do not receive any payment due under this Agreement (and if the appropriate Systemwide Brand Fund does not receive payment due) on or before the due date, then that amount will be deemed overdue. If any payment is late, then you agree to pay us, in addition to the overdue amount, interest on the overdue amount from the date it was due until paid, at the rate of one and one-half percent (1.5%) per month (but if there is a legal maximum interest rate that applies to you in your jurisdiction, then not more than that maximum rate). Any report that we do not receive on or before the due date will also be deemed overdue. Our entitlement to such interest will be in addition to any other remedies we may have.
- 4.6 *Other Funds Due.* You agree to pay us, within ten (10) days of our written request (which is accompanied by reasonable substantiating material), any amounts that we have paid, that we have become obligated to pay, and/or that we choose to pay on your behalf.
- 4.7 *Index.* We have the right to adjust, for inflation, the fixed-dollar amounts (that is, those expressed in a numeral and not as a percentage of Gross Sales) under this Agreement (except for the Initial Franchise Fee) once a year to reflect changes in the Index from the year in which you signed this Agreement. For the purpose of this Section 4.7, the term "**Index**" means the Consumer Price Index as published by the U.S. Bureau of Labor Statistics ("**BLS**") (1982-84=100; all items; CPI-U; all urban consumers). If the BLS no longer publishes the Index, then we will have the right to designate a reasonable alternative measure of inflation.
- 4.8 *Funds.* All references to dollars in this Agreement are agreed to mean U.S. Dollars. You agree to make all payments to us in U.S. Dollars to the specific bank account that we periodically designate in writing (or as we otherwise direct in writing).

## **5 FRANCHISED BUSINESS LOCATION, CONSTRUCTION AND RENOVATION**

- 5.1 *Opening Deadline.* You are responsible for purchasing, leasing, or subleasing a suitable site for the Franchised Business. You agree to establish the Franchised Business and have it open and in operation no later than twelve (12) months after the Effective Date of this Agreement or six (6) months after you sign your lease for the premises of the Restaurant (whichever is sooner). **Time is of the essence.**
- 5.2 *Site for the Restaurant.* As provided in Section 1.2 above, if you do not have (and we have not approved in writing) a location for the Restaurant as of the Effective Date, then you must find and obtain the right to occupy (by lease, sublease, or acquisition of the property) premises that we find acceptable to serve as your Restaurant, all in accordance with the Site Selection Addendum.
- 5.3 *Our Review and Your Responsibilities.* Any reviews that we conduct of the proposed site, lease, and other details concerning your site are for our benefit only, and to evaluate the proposed site against our internal standards. In addition:

- 5.3.1 You agree that our review, comments about, and even our approval of a proposed site, lease, sublease, design plans, and/or renovation plans for the Restaurant is not (and shall not be deemed) our recommendation, endorsement, and/or guarantee of the suitability of that location or the terms of the lease, sublease, and/or purchase agreement.
- 5.3.2 You agree to take all steps necessary to determine for yourself whether a particular location and the terms of any lease, sublease, and/or purchase agreement for the site are beneficial and acceptable to you (including retaining your own legal counsel to review the lease). You will have complete and total decision-making authority over the terms of any lease, sublease, and/or purchase agreement for the site. Although we are not obligated to do so, if we provide any comments, advice, guidance, edits, or any other assistance in any lease, sublease, and/or purchase negotiations, discussions with the landlords, or property owners, and/or otherwise in connection with reviewing the lease, sublease and/or purchase agreement, you agree that: **(a)** you must decide whether or not the proposed contract is sensible for your business, **(b)** the final decision as to whether or not to sign the lease, sublease, and/or purchase agreement is yours, and **(c)** we will not be responsible for the terms and conditions of your lease, sublease, and/or purchase agreement.
- 5.3.3 You agree that: **(a)** any standard layout and equipment plans that we provide to you, as well as any review and comments that we provide to the plans that you develop for your Restaurant, are not meant to address the requirements of any Operating Codes (as defined in Section 8.7 below); **(b)** our standard plans or comments to your modified plans, will not reflect the requirements of, nor may they be used for, construction drawings or other documentation that you will need in order to obtain permits or authorization to build a specific Restaurant; **(c)** you will be solely responsible to comply with all local laws, requirements, architectural needs, and similar design and construction obligations associated with the site, at your expense; and **(d)** our review, comment, and approval of your plans will be limited to reviewing those plans to assess compliance with our standards (including issues such as trade dress, presentation of Proprietary Marks, and the provision to the potential customer of certain products and services that are central to the purpose, atmosphere, and functioning of Restaurants).
- 5.3.4 You agree that our recommendation or acceptance of the Accepted Site indicates only that we believe that the Accepted Site falls within the acceptable criteria for sites and premises that we have established as of the time of our recommendation or acceptance of the Accepted Site.
- 5.3.5 We will not review (nor may our approval be deemed to address) whether or not you have complied with any of the Operating Codes, including provisions of the Americans with Disabilities Act (the "**ADA**"); and you agree that compliance with such laws is and will be your sole responsibility.
- 5.3.6 You acknowledge that we will have no liability to you or any regulatory authority if you fail to obtain and/or maintain any necessary licenses or approvals required for the operation of the Franchised Business.
- 5.4 *Lease Review.* You agree to provide us with a copy of the proposed lease, sublease, or purchase agreement for the Accepted Location, and you agree not to enter into that lease, sublease, or purchase agreement until you have received our written approval (subject to Section 5.3.2 above). We have the right to condition our approval of the lease, sublease, or

purchase agreement (subject to Section 5.3.2 above) upon the inclusion of terms that we find acceptable and that are consistent with our rights and your responsibilities under this Agreement, including, that you and the landlord execute a lease rider in the form attached to this Agreement as Exhibit H. You also agree:

- 5.4.1 to provide us with a copy of the fully signed lease and/or sublease, including a signed lease rider (in the form attached as Exhibit H), before you begin construction or renovations as the Accepted Location;
  - 5.4.2 that our recommendation or acceptance of the proposed lease, sublease, or purchase agreement for the Accepted Location indicates only that we believe that the lease, sublease, or purchase agreement falls within the acceptable criteria for sites and premises that we have established as of the time of our recommendation or acceptance of the lease, sublease, or purchase agreement for the Accepted Location;
  - 5.4.3 that our acceptance of the proposed site as well as your proposed lease, sublease, or purchase agreement for the Accepted Site does not constitute any guarantee or warranty, express or implied, of the successful operation or profitability of your Restaurant operated at the Accepted Site (and that our acceptance indicates only that we believe that the Accepted Site and the terms of the lease, sublease, or purchase agreement fall within our own internal criteria); and
  - 5.4.4 that we have advised that you have your own attorney review and evaluate the lease, sublease, or purchase agreement.
- 5.5 *Preparing the Site.* You agree that promptly after obtaining possession of the Accepted Location, you will do all of the following:
- 5.5.1 obtain all required zoning permits, all required building, utility, health, sign permits and licenses, and any other required permits and licenses;
  - 5.5.2 purchase or lease equipment, fixtures, furniture and signs as required under this Agreement (including the specifications we have provided in writing, whether in the Brand Manual or otherwise);
  - 5.5.3 complete the construction and/or remodeling as described in Section 8.8 below, and installation of all equipment, fixtures, furniture and signs and decorating of the Franchised Business in full and strict compliance with plans and specifications for the Franchised Business that we have approved in writing, as well as all applicable ordinances, building codes and permit requirements;
  - 5.5.4 obtain all customary contractors' partial and final waivers of lien for construction, remodeling, decorating and installation services; and
  - 5.5.5 purchase an opening inventory of ingredients for Products and other materials and supplies.
- 5.6 *Construction or Renovation.* In connection with any construction or renovation of the Franchised Business (and before you start any such construction or renovation) you agree to comply, at your expense, with all of the following requirements, which you agree to satisfy to our reasonable satisfaction:

- 5.6.1 You agree to employ a qualified, licensed architect or engineer who is reasonably acceptable to us to prepare, for our approval, preliminary architectural drawings and equipment layout and specifications for site improvement and construction of the Franchised Business based upon standard layout, design and image specifications we will furnish in the Brand Manual (depending on whether, for example, your Franchised Business will be operated in a stand-alone facility, and end-cap, or as a retro-fit of an existing building). The materials that you submit to us must include a description of any modifications to our specifications (including requirements for dimensions, interior and exterior design and layout, equipment, fixtures, furnishings, signs, and decorating materials) required for the development of a Franchised Business. Our approval will be limited to conformance with our standard image specifications and layout, and will not relate to your obligations with respect to any applicable Operating Codes, including the ADA. After we have responded to your preliminary plans and you have obtained any permits and certifications, you agree to submit to us, for our prior written approval, final architectural drawings, plans and specifications. We will have the right to request changes and approve, but we will not supervise or otherwise oversee your project. We will not unreasonably withhold our approval of your adapted plans, provided that such plans and specifications conform to our general criteria. Once we have approved those final plans, you cannot change or modify the plans later without our prior written consent.
- 5.6.2 You agree to comply with all Operating Codes, including, the applicable provisions of the ADA regarding the construction and design of the Franchised Business. Additionally, before opening the Franchised Business, and after any renovation, you agree to execute and deliver to us an ADA Certification in the form attached to this Agreement as Exhibit E, to certify that the Franchised Business and any proposed renovations comply with the ADA.
- 5.6.3 You are solely responsible for obtaining (and maintaining) all permits and certifications (including, zoning permits, licenses, construction, building, utility, health, sign permits and licenses) which may be required by state or local laws, ordinances, or regulations (or that may be necessary or advisable due to any restrictive covenants relating to your location) for the lawful construction and operation of the Franchised Business. You must certify in writing to us that all such permits and certifications have been obtained.
- 5.6.4 You agree to employ a qualified licensed general contractor who is reasonably acceptable to us to construct the Franchised Business and to complete all improvements.
- 5.6.5 You agree to obtain (and maintain) during the entire period of construction the insurance required under Section 15 below; and you agree to deliver to us such proof of such insurance as we may reasonably require.
- 5.7 *Pre-Opening.* Before opening for business, you agree to meet all of the pre-opening requirements specified in this Agreement, the Brand Manual, and/or that we may otherwise specify in writing.
- 5.8 *Reporting Development Costs.* Within ninety (90) days after the Franchised Business first opens for business, you agree to give us a full written breakdown of all costs associated with the development and construction of the Franchised Business, in the form that we may reasonably find acceptable or that we may otherwise require.

## 6 OPERATING OWNER, PERSONNEL, AND TRAINING

### 6.1 *Operating Owner and Management.*

- 6.1.1 One of the parties that owns an interest in Mutabak Karak must serve as your **“Operating Owner.”** The Operating Owner must supervise the operation of the Franchised Business and must own at least twenty-five percent (25%) of the voting and ownership interests in the franchisee entity, unless you obtain our prior written approval for the Operating Owner to hold a smaller interest. The Operating Owner (and any replacement for that individual) must have qualifications reasonably acceptable to us to serve in this capacity, complete our training program as described below, must have authority over all business decisions related to the Franchised Business, must have the power to bind you in all dealings with us, and must have signed and delivered to us the Guarantee, Indemnification, and Acknowledgement attached to this Agreement as Exhibit B.
- 6.1.2 You must employ two full-time General Managers (**“General Managers”**) with qualifications reasonably acceptable to us, who will assume responsibility for the daily operation of the Franchised Business alongside the Operating Owner. The General Managers must each own a minimum of ten percent (10%) of your business to qualify. You must also employ a full-time Social Media Manager (**“Social Media Manager”**) whom we approve, that will assume responsibility for the Restaurant’s social media presence. As used here, “full-time” means 40 hours per week, on-site at the Restaurant.
- 6.1.3 The Franchised Business must at all times be under the active full-time management of the Operating Owner and General Managers (who must have successfully completed our initial training program to our satisfaction).
- 6.1.4 The term **“Additional Trained Personnel”** means Restaurant personnel, in addition to the Operating Owner and General Managers, who have successfully completed our initial and ongoing training requirements and possess the qualifications necessary to the management and/or service roles that each such person will perform in operating the Franchised Business.

### 6.2 *Initial Management Training.*

- 6.2.1 **Owners Training.** The Operating Owner and General Managers must attend and successfully complete, to our satisfaction, the owners’ training program that we offer at our corporate headquarters in the greater Toronto metropolitan area or another location that we specify.
- 6.2.2 **Brand Management Training.**
- 6.2.2.1 The Operating Owner and General Managers must also attend and successfully complete, to our satisfaction, the brand management training program that we may periodically offer at our headquarters or another location that we specify. (The Operating Owner and General Manager will train your subsequently hired general area managers and assistant managers.)

6.2.2.2 You may send at least (3) individuals to the initial training program to our designated training facilities (which may be in the greater Toronto metropolitan area or elsewhere). If you wish to send additional individuals to be trained to the initial training program, then for each Additional Trained Personnel to be trained, you must pay us our then-current discounted training fee. We must approve all Additional Trained Personnel attending the initial training program. All individuals in attendance must have active roles in running the Restaurant.

6.3 *Additional Obligations and Terms Regarding Training.*

6.3.1 If for any reason your Operating Owner and/or General Managers cease active management or employment at the Franchised Business, or if we revoke the certification of your Operating Owner or your General Managers to serve in that capacity, then you agree to enroll a qualified replacement (who must be reasonably acceptable to us to serve in that capacity) in our initial training program within thirty (30) days after the former individual ended his/her full time employment and/or management responsibilities. The replacement must attend and successfully complete the basic management training program, to our reasonable satisfaction, as soon as it is practical to do so. You agree to pay us a discounted training fee in the amount of Five Hundred Dollars (\$500) for each replacement individual to be trained, with payment to be made in full before training starts.

6.3.2 We may require that you and your Operating Owner, General Managers and Additional Trained Personnel attend such refresher courses, new product launches, seminars, and other training programs as we may reasonably require periodically.

6.3.3 We may require you to enroll each of your employees in web-based training programs relating to the Products and Services that will be offered to customers of the Restaurant.

6.3.4 All of your trainees must sign and deliver to us a personal covenant of confidentiality in substantially the form of Exhibit F-2 to this Agreement.

6.3.5 Training Costs and Expenses.

6.3.5.1 You agree to bear our then-current cost of instruction, per day per trainer, plus expenses, for any onsite training required.

6.3.5.2 You agree to bear all expenses incurred in connection with any training, including the costs of transportation, lodging, meals, wages, benefits, and worker's compensation insurance for you and your employees. Training may take place at one or more locations that we designate, including the greater Toronto metropolitan area or elsewhere.

6.3.5.3 You also agree to cover all of your employees at all times (including the pre-opening period, and including those attending training) under the insurance policies required in Section 15 below.

6.3.5.4 We have the right to reduce the duration or content of the training program for any trainee who has prior experience with our System or in similar businesses.

- 6.4 *Additional On-Site Training.* You may ask us to provide on-site training in addition to that which we will provide to you in connection with the initial training program and/or the opening of the Franchised Business, and if we are able to do so, then you agree to pay us our then-current per diem training charges as well as our out-of-pocket expenses. Additionally, if you do not pass one or more mystery shopper visits and/or inspections, then we have the right to determine that you are not operating your Restaurant in accordance with our brand standards, and we may place you in default of this Agreement and/or require you and/or your employees to complete additional training at the Franchised Business or a location that we designate, at your expense, which will include our then-current per diem training charges and our out-of-pocket expenses for any training conducted at your Franchised Business.
- 6.5 *Conventions and Meetings.* You agree to attend the conventions and meetings that we may periodically require and to pay a reasonable fee (if we charge a fee) for each person who is required to attend (and, if applicable, additional attendees that you choose to send as well). You will also be responsible for all of the other costs of attendance, including travel, room and board, and your employees' wages, benefits and other expenses.
- 6.6 *Human Relations.* You agree to engage the services of a competent full-service human relations (HR) professional to obtain training and ongoing guidance on HR and personnel matters (which may include your own HR lawyer and/or a third party service provider (including as a payroll processing company such as ADP or Paychex, and/or a professional employer organization (PEO), subject to our right to approve such service providers under Section 7 below).

## 7 PURCHASING AND SUPPLY

*The requirements of this Section 7 apply to Proprietary Items (Section 7.2), Input Items that you must purchase or otherwise source from approved suppliers (Section 7.1), and Input Items that you must otherwise purchase or source in accordance with our standards and specifications (Section 7.3).*

- 7.1 *Input Items.* You agree to buy all ingredients, equipment, furniture, supplies, paper products, t-shirts, and other apparel), materials (such as packaging), and all other products and services used (or offered for sale) at the Restaurant (together, "**Input Items**") only from suppliers as to whom we have given our prior written approval (and whom we have not subsequently disapproved). (The term Input Items also includes any pre-packaged Products that you buy from approved suppliers.) In this regard, the parties further agree:
- 7.1.1 In determining whether we will approve any particular supplier for an Input Item, we will consider various factors, including: **(a)** whether the supplier can demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards and specifications for such items; **(b)** whether the supplier has adequate quality controls and capacity to supply your needs promptly and reliably; **(c)** whether approval of the supplier would enable the System, in our sole opinion, to take advantage of marketplace efficiencies; and/or **(d)** whether the supplier will sign a confidentiality agreement and a license agreement in the form that we may require (which may include a royalty fee for the right to use our Proprietary Marks and any other proprietary rights, recipes, and/or formulae).
- 7.1.2 For the purpose of this Agreement, the term "**supplier**" includes, but is not limited to, manufacturers, distributors, resellers, and other vendors. You agree that: (a) we have the right to appoint only one supplier for any particular Product, ingredient or item

(which may be us or one of our affiliates); and (b) we do not and cannot guarantee that any vendor (including us or one of our affiliates) will extend credit to you with respect to the purchase terms.

- 7.1.3 You agree to offer and sell only Products and Services at the Franchised Business. You may not offer or sell anything at the Franchised Business that is not a Retail Product on the Menu or a Service.
- 7.1.4 If you want to buy any Input Item from an unapproved supplier (except for Proprietary Items, which are addressed in Section 7.2 below), then you must first submit to us a written request asking for our prior written approval. You agree not to buy from any such supplier unless and until we have given you our prior written consent to do so. We have the right to require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory that we have designated for testing. You (or 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. We have the right to also require that the supplier comply with such other requirements that we have the right to designate, including payment of reasonable continuing inspection fees and administrative costs and/or other payment to us by the supplier on account of their dealings with you or other franchisees, for use of our trademarks, and for services that we may render to such suppliers. We also reserve the right, at our option, to periodically re-inspect the facilities and products of any such approved supplier and to revoke our approval if the supplier does not continue to meet any of our then-current criteria. We are not required to approve any particular supplier, nor to make available our standards, specifications, or formulas to prospective suppliers, which we have the right to deem confidential.
- 7.1.5 You agree we have 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 Restaurants with some or all of the products and/or services that we require for use and/or sale in the development and/or operation of Restaurants, notwithstanding anything to the contrary contained in this Agreement. In this event, we may limit the number of approved suppliers with whom you may deal, designate sources that you must use for some or all Input Items, and/or refuse any of your requests if we believe that this action is in the best interests of the System or the network of Restaurants. We have the right to approve or disapprove of the suppliers who may be permitted to sell Input Items to you. Any of our affiliates that sell Input Items to you will do so at our direction. If you are in default of this Agreement, we reserve the right to direct our affiliates not to sell Input Items to you, or to withhold certain discounts that might otherwise be available to you.
- 7.1.6 You agree that we have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "**Allowances**") offered by suppliers to you or to us (or our affiliates) based upon your purchases of Input Items. These Allowances include those based on purchases of products, paper goods, ingredients, beverages, and other items (such as packaging). You assign to us or our designee all of your right, title and interest in and to any and all such Allowances and authorize us (or our designee) to collect and retain any or all such Allowances without restriction.

- 7.1.7 If we require you to offer and sell items that bear our Proprietary Marks, or to use items that bear our Proprietary Marks, then you must buy, use, and sell only the items that we require, and you must buy those items only from our approved suppliers.
- 7.2 *Proprietary Items.* You agree that: **(a)** we have the right to require that certain Products that you use and/or offer at the Franchised Business must be produced in accordance with our proprietary standards and specifications (and/or those of our affiliates), and that such items are our proprietary products (“**Proprietary Items**”); **(b)** we have the right to require that you purchase and offer Proprietary Items (as well as any packaging bearing the Proprietary Marks) only from us, our affiliates, and/or our designated suppliers, and not to offer or sell any other such products at or from the Franchised Business; and **(c)** we have the right to determine whether any particular item (now or in the future) is or will be deemed a “Proprietary Item.”
- 7.3 *Specifications.* In addition to the provisions of Sections 7.1 and 7.2 above, as to those Input Items that we do not require you to buy or otherwise source from approved suppliers and that are not proprietary items (as specified in Section 7.2 above), you agree to purchase or otherwise source those Input Items only in accordance with the standards and specifications that we specify in the Brand Manual or otherwise in writing (for example, USDA Grade A eggs).
- 7.4 *Use of the Marks.* You agree to use all Logo Items that we require and not to use any items that are a substitute for a Logo Item without our prior written consent. The term “**Logo Items**” is agreed to mean all marketing materials, signs, decorations, paper goods (including and all forms and stationery used in the Franchised Business). You agree that all Logo Items that you use will bear the Proprietary Marks in the form, color, location, and manner we prescribe (and that all such Logo Items will be subject to our prior written approval as provided in Section 13.9 below).
- 7.5 *Suppliers.* You acknowledge and agree that in connection with purchasing, leasing, licensing, or otherwise obtaining any service or item from a third-party supplier (including those that we have approved, required, or otherwise): **(a)** we have no responsibility (and you expressly disclaim any recovery against us) for those suppliers’ services, items, contract terms, or otherwise in connection with those suppliers’ performance; **(b)** if there are any shortcomings in the services, items, or terms of purchase, lease, or license from those suppliers, that you will seek recovery and/or compensation only from the supplier that sold, leased, licensed, or otherwise provided that service and/or item to you (and not from us or our affiliates).
- 7.6 *Manufacturing.* You agree not to produce or otherwise manufacture any items in your Restaurant (except for products that we have otherwise authorized and approved for production in the Brand Manual or otherwise in writing).
- 7.7 *Wholesaling.* You agree not to sell products to any party that you may know or have reason to believe is purchasing those items for resale.

## 8 YOUR DUTIES

In addition to all of the other duties specified in this Agreement, for the sake of brand enhancement and protection, you agree to all of the following:

- 8.1 *Importance of Following Standards.* You understand and acknowledge that every detail of the Franchised Business is important to you, to us, and to other “Mutabak Karak” franchisees in order to develop and maintain our brand and operating standards, to provide customer service to customers and participants, to increase the demand for the Products and Services sold, by

all franchisees, and to protect and enhance the reputation and goodwill associated with our brand.

8.2 *Opening.* In connection with the opening of the Franchised Business:

8.2.1 You agree to conduct, at your expense, such promotional and marketing activities as we may require.

8.2.2 You agree to open the Franchised Business by the date specified in Section 5.1 above. We may (but are not obligated to) send a representative to attend the opening.

8.2.3 You will not open the Franchised Business until we have determined that all construction has been substantially completed, and that such construction conforms to our standards including to materials, quality of work, signage, decor, paint, and equipment, and we have given you our prior written approval to open, which we will not unreasonably withhold.

8.2.4 You agree not to open the Franchised Business until the Operating Owner, General Managers, and Additional Trained Personnel have successfully completed all training that we require, and not until you have hired and trained to our standards a sufficient number of employees to service the anticipated level of the Franchised Business's customers.

8.2.5 In addition, you agree not to open the Franchised Business until the Initial Franchise Fee and any other amounts due to us (and our affiliates) under this Agreement or any other agreements have been paid.

8.3 *Staffing.*

8.3.1 You agree to maintain a competent, conscientious staff in numbers sufficient to promptly service customers and to comply with staffing and service criteria, which may include without limitation specified positions that we may designate from time to time as necessary or appropriate for providing quality member experience according to our standards. We will provide our requirements for service/function positions that we may periodically establish and that will be set forth in our Brand Manual.

8.3.2 For the sake of efficiency and to enhance and protect our brand you and your staff must, at all times, cooperate with us and with our representatives, and conduct the operation of the business in a first-class and professional manner in terms of dealing with customers, vendors, and our staff as well.

8.3.3 You agree that you will seek to develop, cultivate, and maintain a cooperative, cordial, and respectful work environment for your staff and among all of the owners of the Franchised Business.

8.3.4 You agree to develop and maintain an employee handbook and risk management policies for your staff, which you will be solely responsible for developing with HR advisors of your own choosing.

8.4 *Operate According to Our Standards.* To ensure that the highest degree of quality and service is maintained, you agree to operate your Franchised Business in strict conformity with such

methods, standards, and specifications that we may periodically require in the Brand Manual or otherwise in writing. In this regard, you agree to do all of the following:

- 8.4.1 You agree to maintain in sufficient supply, and to use at all times only the items, products, equipment, services, materials, and supplies that meet our written standards and specifications, and you also agree not to deviate from our standards and specifications by using or offering any non-conforming items without our specific prior written consent.
- 8.4.2 You agree: **(a)** to sell or offer for sale only those Services, items, and Products using the standards and techniques that we have approved in writing for you to offer and use at your Franchised Business; **(b)** to sell or offer for sale all Services, items, and Products using the standards and techniques that we specify in writing; **(c)** not to deviate from our standards and specifications; **(d)** to stop using and offering for use any Services or Products that we at any time disapprove in writing (recognizing that we have the right to do so at any time); and **(e)** that if you propose to deviate (or if you do deviate) from our standards and specifications, whether or not we have approved the deviation, that deviation will become our property.
- 8.4.3 You agree to permit us, or our agents, at any reasonable time, to inspect the Products, equipment and to remove samples of items or Products, without payment, in amounts reasonably necessary for testing by us or an independent third party to determine whether the Products, equipment, or samples meet our then-current standards and specifications. In addition to any other remedies we may have under this Agreement, we may require you to bear the cost of such testing if we had not previously approved the supplier of the item or if the sample fails to conform to our specifications.
- 8.4.4 You agree to buy and install, at your expense, all fixtures, furnishings, equipment, decor, and signs as we may specify, and to periodically make upgrades and other changes to such items at your expense as we may reasonably request in writing. Without limiting the above, you agree that changes in our System standard may require you to purchase new and/or additional equipment for use in the Franchised Business.
- 8.4.5 You agree not to install or permit to be installed on or about the premises of the Franchised Business, without our prior written consent, any fixtures, furnishings, equipment, machines, décor, signs, or other items that we have not previously in writing approved as meeting our standards and specifications.
- 8.4.6 You agree to immediately notify us in writing if you or any of your Principals are convicted of a felony, a crime involving moral turpitude, or any other crime or offense that is likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein.
- 8.4.7 You agree to purchase or lease, and use, the music system and playlist that we require, and pay fees to the licensing organization associated with playing that music.
- 8.5 *Use of the Premises.* You may use the Accepted Location only for the purpose of operating the Franchised Business and for no other and for no other purpose (which includes your agreement not to: **(a)** co-brand or permit any other business to operate at the Accepted Location; **(b)** permit any other party to use your Accepted Location as a food preparation facility and/or kitchen (including cloud kitchens, dark kitchens, ghost kitchens, and otherwise); and/or **(c)** permit any of the staff (including management) that work in your Franchised Business to

also work in another foodservice business operated in the same food hall and/or in a continuous setting).

8.6 *Hours and Days of Operation.* You agree to keep the Franchised Business open and in normal operation for such hours and days as we may periodically specify in the Brand Manual or as we may otherwise approve in writing.

8.7 *Health Standards and Operating Codes.* You agree to meet and maintain the highest health standards and ratings applicable to the operation of the Franchised Business. You agree to fully and faithfully comply with all Operating Codes applicable to your Franchised Business. You will have the sole responsibility to fully and faithfully comply with any Operating Codes, and we will not review whether you are in compliance with any Operating Codes. As used in this Agreement, "**Operating Codes**" means all applicable laws, codes, ordinances, and/or regulations (whether federal, state, municipal, and/or local) that apply to the Services, Products, construction and design of the Restaurant, and/or other aspects of operating the Franchised Business (including the ADA, laws pertaining to employment, etc.).

8.7.1 You agree to send us, within two (2) days of your receipt, a copy of all inspection reports, warnings, citations, certificates, and/or ratings resulting from inspections conducted by any federal, state or municipal agency with jurisdiction over the Franchised Business.

8.7.2 You must also obtain and maintain during the term of this Agreement all licenses and approvals from any governmental or regulatory agency required for the operation of the Franchised Business or provision of the Services you will offer, sell, and provide. Where required, you must obtain the approval of any regulatory authority with jurisdiction over the operation of your Franchised Business.

8.7.3 You acknowledge that we will have no liability to you or any regulatory authority for any failure by you to obtain or maintain during the term of this Agreement any necessary licenses or approvals required for the operation of the Franchised Business.

8.8 *Your Franchised Business:*

8.8.1 *Franchised Business Condition, Maintenance.* You agree that at all times, you will maintain the Franchised Business in a high degree of sanitation, repair, and condition. In addition, you agree to make such repairs and replacements to the Restaurant as may be required for that purpose (but no others without our prior written consent), including the periodic repainting or replacement of obsolete signs, furnishings, equipment, and decor that we may reasonably require. You also agree to obtain maintenance services from qualified vendors for any equipment as we may specify and maintain those service agreements at all times. Your maintenance and upkeep obligations under this Section 8.8.1 are separate from those with respect to periodic upgrades that we may require regarding fixtures, furnishings, equipment, decor, and signs, and Section 8.8.2 below with respect to Major Remodeling. You also agree to complete a minor refurbishment as we may reasonably require, which will not be more than once every three (3) years.

8.8.2 *Major Remodeling.* In addition to the maintenance and upkeep obligations requirements under Section 8.8.1 above, you agree to refurbish the Franchised Business at your expense to conform to our then-current building design, exterior facade, trade dress, signage, furnishings, decor, color schemes, and presentation of

the Proprietary Marks in a manner consistent with the then-current image for new Restaurants, including remodeling, redecoration, and modifications to existing improvements, all of which we may require in writing (collectively, "**Major Remodeling**"). In this regard, the parties agree that:

8.8.2.1 You will not have to conduct a Major Remodeling more than once every five (5) years during the term of this Agreement (and not in an economically unreasonable amount); provided, however, that we may require Major Remodeling more often if a Major Remodeling is required as a pre-condition to renewal (as described in Section 2.2.2 above); and

8.8.2.2 You will have one (1) year after you receive our written notice within which to complete a Major Remodeling (but, in the case of a renewal, the Major Remodeling must be completed before you may renew).

8.9 *Use of the Marks.* You agree to follow all of our instructions and requirements regarding any marketing and promotional materials, signs, decorations, merchandise, any and all replacement trade dress products, and other items that we may designate to bear our then-current Proprietary Marks and logos (including our requirements as to the form, color, location, and manner for making use of those marks).

8.10 *Depending on your type of Entity:*

8.10.1 *Corporation.* If you are a corporation, then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** maintain stop transfer instructions on your records against the transfer of any equity securities and will only issue securities upon the face of which a legend, in a form satisfactory to us, appears which references the transfer restrictions imposed by this Agreement; **(c)** not issue any additional shares (whether voting securities or securities convertible into voting securities); and **(d)** maintain a current list of all owners of record and all beneficial owners of any class of voting stock of your company and furnish the list to us upon request.

8.10.2 *Partnership/LLP.* If you are a general partnership, a limited partnership, or a limited liability partnership (LLP), then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** furnish us with a copy of your partnership agreement as well as such other documents as we may reasonably request, and any amendments thereto; **(c)** prepare and furnish to us, upon request, a current list of all of your general and limited partners; and **(d)** consistent with the transfer restrictions set out in this Agreement, maintain instructions against the transfer of any partnership interests without our prior written approval.

8.10.3 *LLC.* If you are a limited liability company (LLC), then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** furnish us with a copy of your articles of organization and operating agreement, as well as such other documents as we may reasonably request, and any amendments thereto; **(c)** prepare and furnish to us, upon request, a current list of all members and managers in your LLC; and **(d)** maintain stop transfer instructions on your records against the transfer of equity securities and will only issue securities upon the face of which bear a legend, in

a form satisfactory to us, which references the transfer restrictions imposed by this Agreement.

- 8.10.4 *Guarantees.* If you (the Franchisee under this Agreement) are an entity, then you agree to obtain, and deliver to us, a guarantee of your performance under this Agreement and covenant concerning confidentiality and competition, in the form attached as Exhibit B, from each current and future party that owns an interest as a: **(a)** shareholder of a corporate Franchisee; **(b)** member of a limited liability company Franchisee; **(c)** partner of a partnership Franchisee; and/or **(d)** partner of a limited liability partnership Franchisee.
- 8.11 *Quality-Control and Customer Survey Programs.* We may periodically designate an independent evaluation service to conduct a “mystery shopper,” “customer survey,” “food safety,” and/or similar quality-control and evaluation programs with respect to Restaurants. You agree to participate in such programs as we require, and promptly pay the then-current charges of the evaluation service. If you receive an unsatisfactory or failing report in connection with any such program, then you agree to: **(a)** immediately implement any remedial actions we require; and **(b)** reimburse us for the expenses we incur as a result thereof (including the cost of having the evaluation service re-evaluate the Franchised Business, our inspections of the Franchised Business, and other costs or incidental expenses).
- 8.12 *Prices.*
- 8.12.1 We may periodically provide suggested retail pricing, however you will always have the right to set your own prices (subject to Section 8.12.2 below).
- 8.12.2 You agree that we may set reasonable restrictions on the maximum and minimum prices you may charge for the Products and Services offered and sold at the Restaurant under this Agreement. You will have the right to set the prices that you will charge to your customers; provided, however, that (subject to applicable law): **(a)** if we have established a maximum price for a particular item, then you may charge any price for that item up to and including the maximum price we have established; and **(b)** if we have established a minimum price for a particular item, then you may charge any price for that item that is equal to or above the minimum price we have established.
- 8.13 *Menus.* You must order and pay for menus for your Restaurant in accordance with our standards and specifications for such menus.
- 8.14 *Environmental Matters.* Both parties recognize and agree that there are changing standards in this area in terms of applicable law, competitors’ actions, consumer expectations, obtaining a market advantage, available and affordable solutions, and other relevant considerations. In view of those and other considerations, as well as the long-term nature of this Agreement, you agree that we have the right to periodically set reasonable standards with respect to environmental, sustainability, and energy for the System through the Brand Manual, and you agree to abide by those standards.
- 8.15 *Innovations.* You agree to disclose to us all ideas, concepts, methods, techniques and products conceived or developed by you, your affiliates, owners and/or employees during the term of this Agreement relating to the development and/or operation of the Restaurant. All such products, services, concepts, methods, techniques, and new information will be deemed to be our sole and exclusive property and works made-for-hire for us. You hereby grant to us (and agree to obtain from your affiliates, owners, employees, and/or contractors), a perpetual,

non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques and products in any businesses that we and/or our affiliates, franchisees and designees operate. We will have the right to use those ideas, concepts, methods, techniques, and/or products without compensation to you. You agree not to use or allow any other person or entity to use any such concept, method, technique or product without obtaining our prior written approval.

- 8.16 *Suspending Operation.* We may require you to immediately suspend operating the Franchised Business if: **(a)** any equipment used, or products or services sold, at the Franchised Business deviate from our standards; **(b)** any equipment used, or products or services sold, at the Franchised Business fail to comply with applicable laws or regulations; and/or **(c)** you fail to maintain the equipment, Franchised Business premises, personnel, or operation of the Franchised Business in accordance with any applicable law or regulations. In the event of such closing, you agree to immediately notify us, in writing, and also remedy the unsafe, or other condition or other violation of the applicable law or regulation. You agree not to reopen the Franchised Business until after we have inspected the Franchised Business premises (physically or otherwise), and we have determined that you have corrected the condition and that all equipment used, or products or services to be sold, at the Franchised Business comply with our standards. This Section 8.16 does not limit or restrict our other rights under this Agreement.

## **9 PROPRIETARY MARKS**

- 9.1 *Our Representations.* We represent to you that we own (and/or have an appropriate license to) all right, title, and interest in and to the Proprietary Marks.
- 9.2 *Your Agreement.* With respect to your use of the Proprietary Marks, you agree that:
- 9.2.1 You will use only the Proprietary Marks that we have designated in writing, and you will use them only in the manner we have authorized and permitted in writing; and all items bearing the Proprietary Marks must bear the then-current logo.
- 9.2.2 You will use the Proprietary Marks only for the operation of the business franchised under this Agreement and only at the location authorized under this Agreement, or in franchisor-approved marketing for the business conducted at or from that location (subject to the other provisions of this Agreement).
- 9.2.3 Unless we otherwise direct you in writing to do so, you agree to operate and advertise the Franchised Business only under the name “Mutabak Karak” without prefix or suffix (except with our prior written approval).
- 9.2.4 During the term of this Agreement and any renewal of this Agreement, you agree to identify yourself (in a manner reasonably acceptable to us) as the owner of the Franchised Business in conjunction with any use of the Proprietary Marks, including, but not limited to, uses on invoices, order forms, receipts, and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Franchised Business (visible to customers, visible only to your staff, and otherwise as we may designate in writing).
- 9.2.5 Your right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of our rights.

- 9.2.6 You agree not to use the Proprietary Marks to incur any obligation or indebtedness on our behalf.
- 9.2.7 You agree not to use the Proprietary Marks: **(a)** as part of your corporate or other legal name; **(b)** as part of any e-mail address, domain name, social networking site page, or other identification of you in any electronic medium (except as otherwise provided in Section 14.11); and/or **(c)** in any human relations (HR) document or materials, including job applications, employment agreements, pay checks, pay stubs, and the like.
- 9.2.8 You agree to: **(a)** comply with our instructions in filing and maintaining requisite trade name or fictitious name registrations; and **(b)** execute any documents that we (or our affiliates) deem necessary to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability, including any additional license agreements we may require for use of the Proprietary Marks on the Internet or in other marketing.
- 9.2.9 With respect to litigation involving the Proprietary Marks, the parties agree that:
- 9.2.9.1 You agree to promptly notify us of any suspected infringement of the Proprietary Marks, any known challenge to the validity of the Proprietary Marks, or any known challenge to our ownership of, or your right to use, the Proprietary Marks licensed under this Agreement. You agree to communicate only with us, our affiliates, our counsel, or your counsel regarding any such infringement or challenge. You acknowledge that we have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement thereof. We will also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks.
- 9.2.9.2 Defense and Costs:
- (a) *If You Used the Marks in Accordance with this Agreement:* If you have used the Proprietary Marks in accordance with this Agreement, then we will defend you at our expense against any third party claim, suit, or demand involving the Proprietary Marks arising out of your use thereof, and we agree to reimburse you for your out-of-pocket litigation costs in doing such acts and things (except that you will bear the salary costs of your employees, and we will bear the costs of any judgment or settlement).
- (b) *If You Used the Marks But Not in Accordance with this Agreement:* If you used the Proprietary Marks in any manner that was not in accordance with this Agreement (including our instructions), then we will still defend you, but at your expense, against such third party claims, suits, or demands (including all of the costs of defense as well as the cost of any judgment or settlement). You agree to reimburse us for the cost of such litigation (or, upon our written request, pay our legal fees directly), including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses, as well as the cost of any judgment or settlement.

9.2.9.3 If we undertake the defense or prosecution of any litigation or other similar proceeding relating to the Proprietary Marks, then you agree to sign any and all documents, and do those acts and things that may, in our counsel's opinion, be necessary to carry out the defense or prosecution of that matter (including becoming a nominal party to any legal action).

9.3 *Your Acknowledgements.* You agree that:

9.3.1 We own all right, title, and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them.

9.3.2 The Proprietary Marks are valid and serve to identify the System and those who are authorized to operate under the System.

9.3.3 Neither you nor any of your owners, principals, or other persons acting on your behalf will directly or indirectly contest the validity or our ownership of the Proprietary Marks, nor will you, directly or indirectly, seek to register the Proprietary Marks with any government agency (unless we have given you our express prior written consent to do so).

9.3.4 Your use of the Proprietary Marks does not give you any ownership interest or other interest in or to the Proprietary Marks, except the license granted by this Agreement.

9.3.5 Any and all goodwill arising from your use of the Proprietary Marks shall inure solely and exclusively to our benefit, and upon expiration or termination of this Agreement and the license granted as part of this Agreement, there will be no monetary amount assigned as attributable to any goodwill associated with your use of our System or of our Proprietary Marks.

9.3.6 The license that we have granted to you under this Agreement to use our Proprietary Marks is not exclusive, and therefore we have the right, among other things:

9.3.6.1 To use the Proprietary Marks ourselves in connection with selling Products and Services;

9.3.6.2 To grant other licenses for the Proprietary Marks, in addition to licenses we may have already granted to you and other licensees; and

9.3.6.3 To develop and establish other systems using the same or similar Proprietary Marks, or any other proprietary marks, and to grant licenses or franchises for those other marks without giving you any rights to those other marks.

9.4 *Change to Marks.* We reserve the right to substitute different Proprietary Marks for use in identifying the System and the businesses operating as part of the System if our currently owned Proprietary Marks no longer can be used, or if we determine, exercising our right to do so, that substitution of different, updated, or changed Proprietary Marks will be beneficial to the System. In such circumstances, you agree to adopt the new Proprietary Marks and that your right to use the substituted proprietary marks shall be governed by (and pursuant to) the terms of this Agreement.

## 10 **CONFIDENTIAL BRAND MANUAL**

- 10.1 *You Agree to Abide by the Brand Manual.* In order to protect our reputation and goodwill and to maintain our standards of operation under our Proprietary Marks, you agree to conduct your business in accordance with the written instructions that we provide, including the Brand Manual. We will lend to you (or permit you to have access to) one (1) copy of our Brand Manual, only for the term of this Agreement, and only for your use in connection with operating the Franchised Business during the term of this Agreement.
- 10.2 *Format of the Brand Manual.* We will have the right to provide the Brand Manual in any one or more format that we determine is appropriate (including paper and/or by making some or all of the Brand Manual available to you only in electronic form, such as through an internet website, portal, or an extranet), and we may change how we provide the Brand Manual from time to time. If at any time we choose to provide some or all of the Brand Manual electronically, you agree to immediately return to us any and all physical copies of the portions of the Brand Manual that we have previously provided to you.
- 10.3 *We Own the Brand Manual.* The Brand Manual will at all times remain our sole property and you agree to promptly return the Brand Manual (including any and all copies of some or all of the Brand Manual) when this Agreement expires and/or is terminated.
- 10.4 *Confidentiality and Use of the Brand Manual.*
- 10.4.1 The Brand Manual contains our proprietary information, and you agree to keep the Brand Manual confidential both during the term of this Agreement and after this Agreement expires and/or is terminated. You agree that, at all times, you will ensure that your copy of the Brand Manual will be available at the Franchised Business premises in a current and up-to-date manner. Whenever the Brand Manual is not in use by authorized personnel, you agree to maintain secure access to the Brand Manual at the premises of the Franchised Business, and you agree to grant only authorized personnel (as defined in the Brand Manual) with access to the security protocols for the Brand Manual.
- 10.4.2 You agree to never make any unauthorized use, disclosure, and/or duplication of the Brand Manual in whole or in part.
- 10.5 *You Agree to Treat Brand Manual as Confidential.* You agree that at all times, you will treat the Brand Manual, any other manuals that we create (or approve) for use in the operation of the Franchised Business, and the information contained in those materials, as confidential, and you also agree to use your best efforts to maintain such information as secret and confidential. You agree that you will never copy, duplicate, record, or otherwise reproduce those materials, in whole or in part, nor will you otherwise make those materials available to any unauthorized person.
- 10.6 *Which Copy of the Brand Manual Controls.* You agree to keep your copy of the Brand Manual only at the Franchised Business (and as provided in Section 10.4 above) and also to insure that the Brand Manual is kept current and up to date. You also agree that if there is any dispute as to the contents of the Brand Manual, the terms of the primary copy of the Brand Manual that we maintain in our head office will be controlling. Access to any electronic version of the Brand Manual will also be subject to our reasonable requirements with respect to security and other matters, as described in Section 14 below.

- 10.7 *Revisions to the Brand Manual.* We have the right to revise the contents of the Brand Manual whenever we deem it appropriate to do so, and you agree to make corresponding revisions to your copy of the Brand Manual and to comply with each new or changed standard.
- 10.8 *Modifications to the System.* You recognize and agree that we may periodically change or modify the System and you agree to accept and use for the purpose of this Agreement any such change in the System (which may include, among other things, new or modified trade names, service marks, trademarks or copyrighted materials, new products, new equipment or new techniques) as if they were part of this Agreement at the time when you and we signed this Agreement. You agree to make such expenditures and such changes or modifications as we may reasonably require pursuant to this Section and otherwise in this Agreement.

## 11 CONFIDENTIAL INFORMATION

### 11.1 Confidentiality.

- 11.1.1 You agree that you will not, during the term of this Agreement or at any time thereafter, communicate, divulge, or use (for yourself and/or for the benefit of any other person, persons, partnership, entity, association, or corporation) any Confidential Information that may be communicated to you or of which you may be apprised by virtue of your operation under the terms of this Agreement. You agree that you will divulge our Confidential Information only to those of your employees as must have access to it in order to operate the Franchised Business.
- 11.1.2 Any and all information, knowledge, know-how, and techniques that we designate as confidential will be deemed Confidential Information for purposes of this Agreement, except information that you can demonstrate came to your attention before disclosure of that information by us; or which, at or after the time of our disclosure to you, had become or later becomes a part of the public domain, through publication or communication by another party that has the right to publish or communicate that information.
- 11.1.3 Any employee who may have access to any Confidential Information regarding the Franchised Business must execute a covenant that s/he will maintain the confidentiality of information they receive in connection with their association with you. Such covenants must be on a form that we provide, which form will, among other things, designate us as a third-party beneficiary of such covenants with the independent right to enforce them.
- 11.1.4 As used in this Agreement, the term “**Confidential Information**” includes, without limitation, our business concepts and plans, business model, financial model, recipes, food preparation methods, equipment, printing and digital document management methods, operating techniques, marketing methods, processes, formulae, manufacturing and vendor information, results of operations and quality control information, financial information, sales, royalty rates, accounting chart, demographic and trade area information, prospective site locations, market penetration techniques, plans, or schedules, the Brand Manual, customer profiles, preferences, or statistics, menu breakdowns, itemized costs, franchisee composition, territories, and development plans, this Agreement and other agreements related to the Franchised Business, and all related trade secrets or other confidential or proprietary information treated as such by us, whether by course of conduct, by letter or report, or by the use of any appropriate proprietary stamp or legend designating such information or item to

be confidential or proprietary, by any communication to such effect made before or at the time any Confidential Information is disclosed to you.

- 11.2 *Consequences of Breach.* You agree that any failure to comply with the requirements of this Section 11 will cause us irreparable injury, and you agree to pay all costs (including, reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 11.

## **12 ACCOUNTING, FINANCIAL AND OTHER RECORDS, AND INSPECTIONS**

### **12.1 Accounting Records and Sales Reports.**

12.1.1 With respect to the operation and financial condition of the Franchised Business, we will have the right to designate, and you agree to adopt, the fiscal year and interim fiscal periods that we decide are appropriate for the System.

12.1.2 With respect to the Franchised Business, you agree to maintain for at least three (3) years during (as well as after) the term of this Agreement (and also after any termination and/or transfer), full, complete, and accurate books, records, and accounts prepared in accordance with generally accepted accounting principles and in the form and manner we have prescribed periodically in the Brand Manual or otherwise in writing, including: **(a)** daily cash reports; **(b)** cash receipts journal and general ledger; **(c)** cash disbursements and weekly payroll journal and schedule; **(d)** monthly bank statements, bank reconciliations, daily deposit slips, and cancelled checks; **(e)** all tax returns; **(f)** supplier's invoices (paid and unpaid); **(g)** dated daily and weekly cash register journals and POS reports in accordance with our standards; **(h)** periodic balance sheets, periodic profit and loss statements, and periodic trial balances; **(i)** operational schedules and weekly inventory records; **(j)** records of promotion and coupon redemption; and **(k)** such other records that we may periodically and reasonably request. You agree to allow us access to review all of these records as specified below in Section 12.6.

12.1.3 We have the right to specify the accounting software and a common chart of accounts, and, if we do so, you agree to use that software and chart of accounts (and require your bookkeeper and accountant to do so) in preparing and submitting your financial statements to us.

12.1.3.1 We have the right (among other things) to require that you use only an approved (a) bookkeeping service and/or (b) payroll processing vendor.

12.1.3.2 All of the records required under this Section 12.1 and in Sections 12.2 and 12.3 below must be maintained in digital form, accessible to us and/or our designee (for example, our accountants) remotely and in that digital form, and using a software program or online site (such as "QuickBooks") that we approve, so that the data can be reviewed and/or downloaded to our computer system in a compatible and comparable manner.

12.1.3.3 You agree to provide to the accounting service provider complete and accurate information that we or the accounting service provider require, and agree that we will have full access to the data and information that you

provide to the accounting service provider or through the designated program.

12.1.3.4 Nothing in this Agreement requires your CPA to share with us its advice or guidance to you.

12.1.4 Each Month, you agree to submit to us, in the form we specify and/or utilizing our Required Software (as that term is defined in Section 14.1.2 below), the Sales Report for the immediately preceding Month. You agree to submit the report to us by whatever method that we reasonably require (whether electronically through your use of our Required Software or otherwise, and in a manner that we designate so that it is compatible with our computer systems) for our receipt no later than the times required under Section 4.3 above. You agree that if you do not submit those reports to us in a timely manner, and/or if you do not permit us to access your Computer System as provided, we will have the right to charge you for the costs that we incur in auditing your records.

## 12.2 *Financial Statements.*

12.2.1 You agree to provide us, at your expense, and in a format that we reasonably specify, a complete annual financial statement prepared on a review basis by an independent certified public accountant (as to whom we do not have a reasonable objection) within ninety (90) days after the end of each fiscal year of the Franchised Business during the term of this Agreement. Your financial statement must be prepared according to generally accepted accounting principles, include a fiscal year-end balance sheet, an income statement of the Franchised Business for that fiscal year reflecting all year-end adjustments, and a statement of changes in your cash flow reflecting the results of operations of the Franchised Business during the most recently completed fiscal year.

12.2.2 In addition, each Month during the term of this Agreement after the opening of the Franchised Business, you agree to submit to us, in a format acceptable to us (or, at our election, in a form that we have specified): **(a)** a fiscal period and fiscal year-to-date profit and loss statement and a periodic balance sheet (which may be unaudited) for the Franchised Business and a periodic trial balance through the end of each Month; **(b)** reports of those income and expense items of the Franchised Business for the Month that we periodically specify for use in any revenue, earnings, and/or cost summary we choose to furnish to prospective franchisees (provided that we will not identify to prospective franchisees the specific financial results of the Franchised Business); **(c)** copies of all state sales tax returns for the Franchised Business; and **(d)** copies of withholding remittances. You agree to provide to us the materials required by Sections 12.2.2(a) and 12.2.2(b) above within fifteen (15) days after the end of each fiscal quarter, and the materials required by Sections 12.2.2(c) and 12.2.2(d) within ten (10) days after you have filed those returns with the appropriate taxing authorities.

12.2.3 Upon our request, you agree to take a physical inventory of the stock at your Restaurant and to provide us with a written report on the results of that inventory.

12.2.4 You must certify as correct and true all reports and information that you submit to us pursuant to this Section 12.2. You also agree to provide us with copies of your federal, state, and local income tax returns within ten (10) days after you file those but not more than one hundred and eighty (180) days after each fiscal year end. If you do not meet your obligation to provide us with access to your books and records, as well as copies

of required accounting records and financial statements, as specified in this Section 12, or if you fail to provide us with required reports (such as sales reports), then we will have the right to require you to have your annual financial statement prepared on a review basis by an independent certified public accountant that is reasonably satisfactory to us (however, if you have failed on more than one occasion to meet the foregoing standards, then we will have the right to require that your annual financial statement be prepared on an audited basis by an independent certified public accountant that is reasonably satisfactory to us).

12.2.5 You agree that upon our request, and for a limited period of time, you will provide us (and/or our agents, such as our auditors) with passwords and pass codes necessary for the limited purpose of accessing your Computer System in order to conduct the inspections specified in this Section 12. You also agree that you will change all passwords and pass codes after the inspection is completed.

12.3 *Additional Information.* You also agree to submit to us (in addition to the sales reports required pursuant to Section 12.1.4 above), for review or auditing, such other forms, reports, records, information, and data as and when we may reasonably designate, in the form and format, and at the times and places as we may reasonably require, upon request and as specified periodically in the Brand Manual or otherwise in writing, including: **(a)** information in electronic format; **(b)** restated in accordance with our financial reporting periods; **(c)** consistent with our then-current financial reporting periods and accounting practices and standards; and/or **(d)** as necessary so that we can comply with reporting obligations imposed upon us by tax authorities with jurisdiction over the Franchised Business and/or our company. The reporting requirements of this Section 12.3 will be in addition to, and not in lieu of, the electronic reporting required under Section 14 below.

12.4 *PCI Compliance and Credit Cards.* With respect to processing customer payments by credit and debit cards, you agree to do all of the following:

12.4.1 You agree to comply with all of our policies regarding customer payment by credit and/or debit cards, including for example the required use of credit and/or debit cards and other payment methods offered by Payment Vendors, minimum purchase requirements for a customer's use of a credit and/or debit card, and other such requirements that we may set out in the Brand Manual.

12.4.2 You agree to maintain, at all times, credit-card relationships with the credit- and debit-card issuers or sponsors, check or credit verification services, financial-center services, merchant service providers, and electronic-fund-transfer systems (together, "**Payment Vendors**") that we may periodically designate as mandatory. The term "**Payment Vendors**" includes, among other things, companies that provide services for electronic payment, such as near field communication vendors (for example, "Apple Pay" and "Google Wallet").

12.4.3 You agree not to use any Credit Card Vendor for which we have not given you our prior written approval or as to which we have revoked our earlier approval.

12.4.4 We have the right to modify our requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke our approval of any service provider.

- 12.4.5 In addition to the other requirements of this Agreement to provide us with various information and reports, you agree to provide us with the information that we reasonably require concerning your compliance with data and cybersecurity requirements.
- 12.4.6 You agree to comply with our requirements concerning data collection and protection, as specified in Section 14.3 below.
- 12.4.7 You agree to comply with the then-current Payment Card Industry Data Security Standards as those standards may be revised and modified by the PCI Security Standards Council, LLC (see [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org)), or any successor organization or standards that we may reasonably specify. Among other things, you agree to implement the enhancements, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards.
- 12.5 *Gift Cards and Incentive Programs.* You agree to offer for sale, participate in, and honor for purchases by customers, all gift cards and other incentive or convenience programs that we may periodically institute (including loyalty programs that we or a third party vendor operate, as well as mobile apps, mobile payment, and/or other customer affinity applications; together, “**Customer Apps**”); and you agree to do all of those things in compliance with our standards and procedures for such programs (which may be set out in the Brand Manual or otherwise in writing). You agree to abide by our written standards with respect to gift card residual value. For this purpose, you must purchase the software, hardware, and other items needed to participate in, sell, and process Customer Apps, and to contact with Customer App vendors (including suppliers of gift cards and gift card processing services), as we may specify in writing in the Brand Manual or otherwise. You must also pay such transaction fees as may be required by the vendors of the gift card system. You agree not to sell, issue, or redeem coupons, gift certificates and gift cards other than gift cards that we have approved in writing.
- 12.6 *Our Right to Inspect Your Books and Records.* We have the right at all reasonable times to examine, copy, and/or personally review or audit (at our expense) all of your sales receipts, books, records, and sales and income tax returns in person or through electronic access (at our option). We will also have the right, at any time, to have an independent audit made of your books and records. If an inspection should reveal that you have understated any payments in any report to us, then this will constitute a default under this Agreement, and you agree to immediately pay us the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of one and one-half percent (1.5%) per month (but if there is a legal maximum interest rate that applies to you in your jurisdiction, not more than that maximum rate). If we conduct an inspection because you did not timely provide sales reports to us, or if an inspection discloses that you understated your sales, in any report to us (and/or underpaid your Royalties), by two percent (2%) or more, or if you did not maintain and/or provide us with access to your records, then you agree (in addition to paying us the overdue amount and interest) to reimburse us for any and all costs and expenses we incur in connection with the inspection (including travel, lodging and wages expenses, and reasonable accounting and legal costs). These remedies will be in addition to any other remedies we may have. We may exercise our rights under this Section 12 directly or by engaging outside professional advisors (for example, a CPA) to represent us.
- 12.7 *Operational Inspections.* In addition to the provisions of Section 12.6 above, you also grant to us and our agents the right to enter upon the Franchised Business premises at any reasonable time for the purpose of conducting inspections, for among other purposes, preserving the

validity of the Proprietary Marks, and verifying your compliance with this Agreement and the policies and procedures outlined in the Brand Manual. You agree to cooperate with our representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from us or from our agents (and without limiting our other rights under this Agreement), you agree to take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. You further agree to pay us our then-current per diem fee for our representative(s) and to reimburse us for our reasonable travel expenses if additional inspections at the Franchised Business are required when a violation has occurred and you have not corrected the violation, or if you did not provide us with your records or access to your records upon reasonable request that is permitted under this Agreement.

**13 MARKETING**

**13.1 Marketing Contribution.**

13.1.1 For each Month during the term of this Agreement, you agree to contribute or spend an amount equal to three percent (3%) of your Franchised Business' Gross Sales during the preceding Month (the "**Marketing Contribution**"), allocated as provided in Section 13.1.2 below. You agree to pay the Marketing Contribution in the manner and at the times required under Section 4.3 above (and as otherwise provided in this Section 13). In addition to the Marketing Contribution, you agree to spend a minimum sum specified in Exhibit A to this Agreement to conduct the Grand Opening Marketing Program (as further described in Section 13.6 below).

13.1.2 We will have the right to allocate your Marketing Contribution in the proportion that we designate among the following: (a) the marketing and promotional fund for the U.S. (the "**Systemwide Brand Fund**"), if established as noted below; and (b) local marketing, consisting of expenditure on local marketing and promotion (as provided in Section 13.5 below) and/or contributions to a Regional Fund (if one is established for your area, as provided in Section 13.4 below).

13.1.3 We currently allocate the Marketing Contribution as follows:

2%	To be contributed to the Systemwide Brand Fund; and
1%	To be spent by you on local marketing, as specified in Sections 13.3 through 13.5 below.

13.1.4 We have the right to periodically make changes to the allocation of the Marketing Contribution by giving you written notice of the change, and those changes will take effect at the end of that Month.

13.1.5 No part of the Marketing Contribution shall be subject to refund or repayment under any circumstances.

**13.2 Systemwide Brand Fund.** We have the right (but not the obligation) to establish, maintain, and administer the Systemwide Brand Fund.

All of the following provisions will apply to the Systemwide Brand Fund:

13.2.1 We (or our designee) will have the right to direct all marketing programs, with sole discretion over the concepts, materials, and media used in such programs and the

placement and allocation thereof. You agree that the Systemwide Brand Fund is intended to maximize general public recognition, acceptance, and use of the System; and that we and our designee are not obligated, in administering the Systemwide Brand Fund, to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Systemwide Brand Fund.

- 13.2.2 The Systemwide Brand Fund, all contributions to that fund, and any of that fund's earnings, will be used exclusively to meet any and all costs of maintaining, administering, staffing, directing, conducting, preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System (including, among other things, the costs of preparing and conducting marketing and media advertising campaigns on radio, television, cable, and other media; direct mail advertising; developing and implementing website, social networking/media, geo-targeting, SEO and other search optimization, and other electronic marketing strategies; marketing surveys and other public relations activities; employing marketing personnel (including salaries for personnel directly engaged in consumer-oriented marketing functions), advertising and/or public relations agencies to assist with such endeavors; purchasing and distributing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; engaging individuals as spokespersons and celebrity endorsers; purchasing creative content for local sales materials; reviewing locally-produced ads; preparing, purchasing and distributing door hangers, free-standing inserts, coupons, brochures, and trademarked apparel; market research; conducting sponsorships, sweepstakes and competitions; engaging mystery shoppers for Restaurants and their competitors; paying association dues (including the International Franchise Association), establishing third-party facilities for customizing local advertising; purchasing and installing signage; and providing promotional and other marketing materials and services to the Restaurants operated under the System).
- 13.2.3 You agree to contribute the portion of the Marketing Contribution allocated to the Systemwide Brand Fund in the manner and at the times that are specified above in Section 4.3. The Systemwide Brand Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, approved in advance by us, which products, services, or improvements we deem, in our sole discretion, will promote general public awareness and favorable support for the System. All sums you pay to the Systemwide Brand Fund will be maintained in an account separate from our other monies and will not be used to defray any of our expenses, except for such reasonable costs and overhead, if any, as we may incur in activities reasonably related to the direction and implementation of the Systemwide Brand Fund and marketing programs for franchisees and the System. The Systemwide Brand Fund and its earnings will not otherwise inure to our benefit. We or our designee will maintain separate bookkeeping accounts for the Systemwide Brand Fund.
- 13.2.4 The Systemwide Brand Fund is not and will not be our asset. We will prepare and make available to you upon reasonable request an annual statement of the operations of the Systemwide Brand Fund as shown on our books.
- 13.2.5 Although once established the Systemwide Brand Fund is intended to be of perpetual duration, we maintain the right to terminate the Systemwide Brand Fund. The

Systemwide Brand Fund will not be terminated, however, until all monies in the Systemwide Brand Fund have been expended for marketing purposes.

- 13.2.6 We will not use the Systemwide Brand Fund for solicitations that are primarily for the purpose of promoting the sale of new franchises.
- 13.3 *Local Marketing.* You will be required to expend funds for local marketing and/or contribute funds to a regional fund, as specified in Sections 13.4 and 13.5 below, and as we allocate between a Regional Fund and local store marketing expenditures that you make directly.
- 13.4 *Regional Fund.* We have the right (but not the obligation) to designate any geographical area for purposes of establishing a cooperative Regional Fund. If a Regional Fund for the geographic area in which the Franchised Business is located has been established at the time you commence operations under this Agreement, then you must immediately become a member of such Regional Fund. If a Regional Fund for the geographic area in which the Franchised Business is located is established during the term of this Agreement, you must become a member of such Regional Fund within thirty (30) days after the date on which the Regional Fund commences operation. In no event will you be required to join more than one Regional Fund. If we establish a Regional Fund, then all of the following provisions will apply to that Regional Fund:
- 13.4.1 Each Regional Fund will be organized and governed in a form and manner, and will commence operations on a date, all of which we must have approved in advance, in writing.
- 13.4.2 Each Regional Fund will be organized for the exclusive purpose of administering regional marketing programs and developing, subject to our approval, standardized promotional materials for use by the members in regional marketing.
- 13.4.3 No marketing, advertising or promotional plans or materials may be used by a Regional Fund or furnished to its members without our prior approval, pursuant to the procedures and terms as set forth in Section 13.9 below.
- 13.4.4 Once you become a member of a Regional Fund, you must contribute to a Regional Fund pursuant to the allocation that we specify in Section 13.1.2 above, at the time required under Section 4.3 above, together with such statements or reports that we, or the Regional Fund (with our prior written approval) may require. Any financial contributions you make to the Regional Fund may be credited against your local marketing spend. You may be required to contribute up to seventy percent (70%) of your required local marketing spend to the Regional Fund. We also have the right to require that you submit your Regional Fund contributions and reports directly to us for distribution to the Regional Fund.
- 13.4.5 Voting will be on the basis of one vote per full-service Restaurant, and any full-service Restaurants that we (or our affiliates) operate in the region will have the same voting rights as those owned by franchisees. Each franchised Restaurant in the Regional Fund shall also have one vote (no matter how many people own the franchisee).
- 13.4.6 A majority of the Restaurant owners in the Regional Fund may vote to increase the amount of each Restaurant owner's contribution to the Regional Fund by up to an additional two percentage points (200 basis points) of each Restaurant's Gross Sales.

You must contribute to the Regional Fund in accordance with any such vote by the Regional Fund to increase each Restaurant's contribution as provided in this section.

13.4.7 Although once established, each Regional Fund is intended to be of perpetual duration, we maintain the right to terminate any Regional Fund. A Regional Fund will not be terminated, however, until all monies in that Regional Fund have been expended for marketing purposes.

13.5 *Local Marketing Expenditure.* As used in this Agreement, the term "Local Restaurant Marketing Expenditure" will consist only of the direct costs of purchasing and producing marketing materials (including camera ready advertising and point of sale materials), media (space or time), and those direct out of pocket expenses related to costs of marketing and sales promotion that you spend in your local market or area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying; however, the parties agree that local marketing may not include costs or expenses that you incur or that are spent on your behalf in connection with any of the following:

13.5.1 Salaries and expenses of your employees, including salaries or expenses for attendance at marketing meetings or activities, or incentives provided or offered to such employees, including discount coupons (however, you may also include within local marketing and promotion food giveaways, but only the wholesale cost plus direct labor associated with the food giveaways);

13.5.2 Charitable, political, or other contributions or donations; and/or

13.5.3 The value of discounts provided to consumers.

13.6 *Grand Opening Marketing Program.* In addition to the Marketing Contribution, you agree to spend at least Three Thousand Dollars (\$3,000) for grand opening marketing and promotional programs in conjunction with the Franchised Business's initial grand opening, pursuant to a grand opening marketing plan that you develop and that we approve in writing (the "**Grand Opening Marketing Program**"). The Grand Opening Marketing Program must begin sixty (60) days before the scheduled commencement date for the Franchised Business and be completed no later than sixty (60) days after the Franchised Business commences operation, and is subject to the provisions of Section 13.9 below. You may include food giveaways in the Grand Opening Marketing Program (but only the wholesale cost plus direct labor associated with those food giveaways) as well as approved grand opening promotional items (including car wraps, mascots, bounce houses, grand opening entertainment, etc.). We reserve the right to: (a) require you to deposit some or all of the funds required under this Section 13.6 with us, for us to distribute as may be necessary in order to conduct the Grand Opening Marketing Program (and as specified in Exhibit A to this Agreement); and/or (b) reimburse us if we deem it necessary to fulfill your Grand Opening Marketing Program Obligations on your behalf.

13.7 *Materials Available for Purchase.* We may periodically make available to you for purchase marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, community relations programs, and similar marketing and promotional materials for use in local marketing.

13.8 *Standards.* All of your local marketing and promotion must: **(a)** be in the media, and of the type and format, that we may approve; **(b)** be conducted in a dignified manner; and **(c)** conform to the standards and requirements that we may specify. You agree not to use any advertising,

marketing materials, and/or promotional plans unless and until you have received our prior written approval, as specified in Section 13.9 below.

- 13.9 *Our Review and Right to Approve All Proposed Marketing.* For all proposed local marketing and promotion, advertising, and promotional plans, you (or the Regional Fund, where applicable) must submit to us samples of such plans and materials (by means described in Section 24 below), for our review and prior written approval, which we agree to provide within seven (7) business days. If you (or the Regional Fund) have not received our written approval within seven (7) business days after we have received those proposed samples or materials, then we will be deemed to have disapproved them. You agree that any and all copyright in and to advertising, marketing materials, and promotional plans developed by or on behalf of you will be our sole property, and you agree to sign such documents (and, if necessary, require your employees and independent contractors to promptly sign such documents) that we deem reasonably necessary to give effect to this provision.
- 13.10 *Rebates.* You agree that periodic rebates, giveaways and other promotions and programs will, if and when we adopt them, be an integral part of the System. Accordingly, you agree to honor and participate (at your expense) in reasonable rebates, giveaways, marketing programs, and other promotions that we establish and/or that other franchisees sponsor, so long as they do not violate regulations and laws of appropriate governmental authorities.
- 13.11 *Considerations as to Charitable Efforts.* You agree that certain associations between you and/or the Franchised Business and/or the Proprietary Marks and/or the System, on the one hand, and certain political, religious, cultural or other types of groups, organizations, causes, or activities, on the other, however well-intentioned and/or legal, may create an unwelcome, unfair, or unpopular association with, and/or an adverse effect on, our reputation and/or the good will associated with the Proprietary Marks. Accordingly, you agree that you will not, without our prior written consent, take any actions, positions, and/or make statements that are (or that may be perceived by the public to be) taken in the name of, in connection or association with you, the Proprietary Marks, the Franchised Business, us, and/or the System involving the donation of any money, products, services, goods, or other items to, any charitable, political or religious organization, group, or activity.
- 13.12 *Promotions.* You agree to participate in promotional programs that we periodically develop, in the manner that we direct, which may include providing services and products to frequent customers, including discounted and/or complimentary products or services.
- 13.13 *Additional Marketing Expenditure Encouraged.* You understand and acknowledge that the required contributions and expenditures are minimum requirements only, and that you may (and we encourage you to) spend additional funds for local marketing and promotion, which will focus on disseminating marketing directly related to your Franchised Business.

## **14 TECHNOLOGY**

- 14.1 *Computer Systems and Required Software.* With respect to computer systems and required software:
- 14.1.1 We have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by, between, or among Restaurants, and in accordance with our standards, including:

- a. back office and point of sale systems, data, audio, video (including managed video security surveillance, which we have the right to monitor to the extent permitted by law), telephone, voice messaging, retrieval, and transmission systems for use at Restaurants, between or among Restaurants, and between and among the Franchised Business, and you, and us;
- b. point-of-sale (POS) (defined in Section 14.6 below);
- c. physical, electronic, and other security systems and measures;
- d. printers and other peripheral devices;
- e. archival back-up systems;
- f. internet access mode (such as form of telecommunications connection) and speed;
- g. technology used to enhance and evaluate the customer experience (including digital ordering devices, kiosk, touchpads, and the like);
- h. digital and virtual display boards and related technology, hardware, software, and firmware;
- i. front-of-the-house WiFi and other connectivity service for customers;
- j. cloud-based back-end management systems and storage sites;
- k. in-shop music systems under Section 8.4.7 above; and
- l. consumer-marketing oriented technology (including Customer Apps, affinity and rewards hardware and software, facial and other customer-recognition technology, and approved social media/networking sites)

(collectively, all of the above in this Section 14.1.1 are referred to as the "**Computer System**").

14.1.2 We have the right, but not the obligation, to develop or have developed for us, or to designate: **(a)** programs, computer software, and other software (e.g., accounting system software) that you must use in connection with the Computer System (including applications, technology platforms, and other such solutions) ("**Required Software**"), which you must install and maintain; **(b)** updates, supplements, modifications, or enhancements to the Required Software, which you must install and maintain; **(c)** the media upon which you must record data; and **(d)** the database file structure of your Computer System. If we require you to use any or all of the above items, then you agree that you will do so. The term "Required Software" also includes the affinity program cards that is required under Section 12.5 above.

14.1.3 You agree to install, use, maintain, update, and replace (as needed) all elements of the Computer System and Required Software at your expense. You agree to pay us or third party vendors, as the case may be, initial and ongoing fees in order to install, maintain, and continue to use the Required Software, hardware, and other elements of the Computer System.

- 14.1.4 You agree to implement and periodically make upgrades and other changes at your expense to the Computer System and Required Software as we may reasonably request in writing (collectively, "**Computer Upgrades**") (which may be in conjunction with a Minor Refurbishment or as is otherwise needed).
- 14.1.5 You agree to comply with all specifications that we issue with respect to the Computer System and the Required Software, and with respect to Computer Upgrades, at your expense. You agree to afford us unimpeded access to your Computer System and Required Software, including all information and data maintained thereon, in the manner, form, and at the times that we request.
- 14.1.6 You also agree that we will have the right to approve or disapprove your use of any other technology solutions (including beacons and other tracking methodologies).
- 14.1.7 You agree to pay us an annual technology fee in our then-current amount. We have the right as circumstances warrant to change the fee periodically by giving you written notice before that change takes effect. You may also be charged fees by tech vendors that provide products and/or services to you, and you agree to pay those charges in the ordinary course of business.

#### 14.2 *Data.*

- 14.2.1 You agree that all data relating to the Franchised Business that you collect, create, provide, or otherwise develop on your Computer System (whether or not uploaded to our system from your system and/or downloaded from your system to our system) is and will be owned exclusively by us, and that we will have the right to access, download, and use that data in any manner that we deem appropriate without compensation to you.
- 14.2.2 You agree that all other data that you create or collect in connection with the System, and in connection with your operation of the Franchised Business (including customer and transaction data), is and will be owned exclusively by us during the term of, and after termination or expiration of, this Agreement.
- 14.2.3 In order to operate your Franchised Business under this Agreement, we hereby license use of such data back to you, at no additional cost, solely for the term of this Agreement and for your use in connection with operating the Franchised Business. You agree that except for the right to use the data under this clause, you will not develop or have any ownership rights in or to the data.
- 14.2.4 You agree to transfer to us all data (in the digital machine-readable format that we specify, and/or printed copies, and/or originals) promptly upon our request when made, whether periodically during the term of this Agreement, upon termination and/or expiration of this Agreement, or at the time of any transfer of an interest in you and/or of the Franchised Business.
- 14.2.5 For the limited purpose of this Section 14.2, references to "data" exclude consumers' credit card and/or other payment information.

#### 14.3 *Data Requirements and Usage.* We may periodically specify in the Brand Manual or otherwise in writing the information that you agree to collect and maintain on the Computer System

installed at the Franchised Business, and you agree to provide to us such reports as we may reasonably request from the data so collected and maintained. In addition:

- 14.3.1 You agree to abide by all applicable laws pertaining to the data (including those pertaining to the collection, use, maintenance, disposition, and/or privacy of consumer, employee, vendor, and transactional information) ("**Privacy Laws**").
  - 14.3.2 You agree to also comply with any standards and policies that we may issue (without any obligation to do so) pertaining to the collection, use, maintenance, disposition, and/or privacy of consumer, employee, vendor, and transactional information. If you become aware (and/or if you should be aware) that there is a conflict between our standards and policies and Privacy Laws, then you agree to: **(a)** comply with the requirements of the Privacy Laws; **(b)** immediately give us written notice of that conflict; and **(c)** promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies pertaining to privacy within the bounds of Privacy Laws.
  - 14.3.3 You agree to not publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent as to such policy.
  - 14.3.4 You agree to implement at all times appropriate physical and electronic security as is necessary to secure your Computer System, including complex passwords that you change periodically, and to comply with any standards and policies that we may issue (without obligation to do so) in this regard.
- 14.4 *Portal.* You agree to comply with our requirements (as set forth in the Brand Manual or otherwise in writing) with respect to establishing and maintaining telecommunications connections between your Computer System and our Portal and/or such other computer systems as we may reasonably require. The term "**Portal**" means a private network based upon Internet protocols that will allow users inside and outside of our headquarters to access certain parts of our computer network via the Internet. We may establish a Portal (but are not required to do so or to maintain a Portal). The Portal may include, among other things, the Brand Manual, training and other assistance materials, and management reporting solutions (both upstream and downstream, as we may direct). You agree to purchase and maintain such computer software and hardware (including telecommunications capacity) as may be required to connect to and utilize the Portal. You agree to execute and deliver to us such documents as we may deem reasonably necessary to permit you to access the Portal.
- 14.5 *No Separate Digital Sites.* Unless we have otherwise approved in writing, you agree to neither establish nor permit any other party to establish a Digital Site relating in any manner whatsoever to the Franchised Business or referring to the Proprietary Marks. We will have the right, but not the obligation, to provide one or more references or webpage(s), as we may periodically designate, within our Digital Site. The term "**Digital Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including the Internet, World Wide Web, webpages, microsites, social media and networking sites (including Facebook, Twitter, LinkedIn, YouTube, Snapchat, Pinterest, Instagram, etc.), blogs, vlogs, podcasts, applications to be used on mobile devices (e.g., iOS or Android apps), and other applications, etc. (whether they are now in existence or developed at some point in the future). However, if we give you our prior written consent to have some form of separate Digital Site (which we are not obligated to approve), then each of the following provisions will apply:

- 14.5.1 You agree that you will not establish or use any Digital Site without our prior written approval.
- 14.5.2 Any Digital Site that you own or that is maintained by or for your benefit will be deemed “marketing” under this Agreement, and will be subject to (among other things) our right of review and prior approval under Section 13.9 above.
- 14.5.3 Before establishing any Digital Site, you agree to submit to us, for our prior written approval, a sample of the proposed Digital Site domain name, format, visible content (including, proposed screen shots, links, and other content), and non-visible content (including, meta tags, cookies, and other electronic tags) in the form and manner we may reasonably require.
- 14.5.4 You may not use or modify such Digital Site without our prior written approval as to such proposed use or modification.
- 14.5.5 In addition to any other applicable requirements, you agree to comply with the standards and specifications for Digital Sites that we may periodically prescribe in the Brand Manual or otherwise in writing (including requirements pertaining to designating us as the sole administrator or co-administrator of the Digital Site).
- 14.5.6 If we require, you agree to establish such hyperlinks to our Digital Site and others as we may request in writing.
- 14.5.7 If we require you to do so, you agree to make weekly or other periodic updates to the Digital Site to reflect information regarding specials and other promotions at your Franchised Business.
- 14.5.8 We may require you to make us the sole administrator (or co-administrator) of any social networking pages that you maintain or that are maintained on your behalf, and we will have the right (but not the obligation) to exercise all of the rights and privileges that an administrator may exercise.
- 14.6 *POS Systems.* You agree to record all sales on integrated computer-based point of sale systems we approve or on such other types of cash registers and other devices (such as iPads, touch screens, printers, bar code readers, card readers, cash drawers, battery back-up, etc.) that we may designate in the Brand Manual or otherwise in writing (“**POS Systems**”), which will be deemed part of your Computer System. You agree to utilize POS Systems that are fully compatible with any program, software program, and/or system which we, in our discretion, may employ (including mobile or remote device, application and payment systems), and you agree to record all Gross Sales and all sales information on such equipment. We may designate one or more third party suppliers or servicers to provide installation, maintenance, and/or support for the POS System, and you agree to enter into and maintain such agreements (including making such payments) as we or the third party suppliers and/or servicers require in connection with the installation, maintenance, and/or support for the POS System. The POS System is part of the Computer System. You agree to at all times maintain a continuous high-speed Ethernet-cabled (not wireless) connection to the Internet to send and receive POS data to us.
- 14.7 *E-Mail.* You agree not to transmit or cause any other party to transmit advertisements or solicitations by e-mail, text message, and/or other electronic method without obtaining our prior written consent as to: **(a)** the content of such electronic advertisements or solicitations; and

**(b)** your plan for transmitting such advertisements. In addition to any other provision of this Agreement, you will be solely responsible for compliance with any laws pertaining to sending electronic communication including, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the “CAN-SPAM Act of 2003”), the Federal Telephone Consumer Protection Act, and the Canada Anti-Spam Law (known as “CASL”). (As used in this Agreement, the term “**electronic communication**” includes all methods for sending communication electronically, whether or not currently invented or used, including e-mails, text messages, app- and/or internet-based communication, and faxes.)

- 14.8 *Outsourcing.* You agree not to hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, and/or any other of your obligations, without our prior written approval. Our consideration of any proposed outsourcing vendors may be conditioned upon, among other things, such third party or outside vendor’s entry into a confidentiality agreement with us and you in a form that we may reasonably provide and the third party or outside vendor’s agreement to pay for all initial and ongoing costs related to interfaces with our computer systems. The provisions of this section are in addition to and not instead of any other provision of this Agreement. You agree not to install (and/or remove) any software or firmware from the Computer System without our prior written consent. You also agree not to implement, use, or otherwise engage with AI Sources without our prior written consent. The term “**AI Source**” means any resource, online or otherwise, that is for the purpose of gathering, implementing, or otherwise using information from you using artificial intelligence technology, including ChatGPT and other sources.
- 14.9 *Telephone Service.* You agree to use the telephone service for the Restaurant that we may require, which may be one or more centralized vendors that we designate for that purpose. You agree that we may designate, and own, the telephone numbers for your Franchised Business, and you agree to sign the forms necessary to implement this clause.
- 14.10 *Changes.* You agree that changes to technology are dynamic and likely to occur during the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we will have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and you agree to abide by those reasonable new standards as if this Section 14 were periodically revised by us for that purpose, and you also agree to pay vendors’ charges for those new items and services.
- 14.11 *Electronic Communication – Including E-Mail, Texts, and other Messaging.* You agree that exchanging information with us by electronic communication methods is an important way to enable quick, effective, and efficient communication, and that we are entitled to rely upon your use of electronic communications as part of the economic bargain underlying this Agreement. To facilitate the use of electronic communication to exchange information, you authorize the transmission of those electronic communications by us and our employees, vendors, and affiliates (on matters pertaining to the business contemplated under this Agreement) (together, “**Official Senders**”) to you during the term of this Agreement.
- 14.11.1 In order to implement the terms of this Section 14.11, you agree that: **(a)** Official Senders are authorized to send electronic communications to those of your employees as you may occasionally designate for the purpose of communicating with us and others; **(b)** you will cause your officers, directors, members, managers, and employees (as a condition of their employment or position with you) to give their consent (in an electronic communication or in a pen-and-paper writing, as we may reasonably require) to Official Senders’ transmission of electronic communication to those

persons, and that such persons may not opt-out, or otherwise ask to no longer receive electronic communication, from Official Senders during the time that such person works for or is affiliated with you; and (c) you will not opt-out, or otherwise ask to no longer receive electronic communications, from Official Senders during the term of this Agreement.

14.11.2 The consent given in this Section 14.11 will not apply to the provision of notices by either party under this Agreement using e-mail unless the parties otherwise agree in a pen-and-paper writing signed by both parties.

14.11.3 We may permit or require you to use a specific e-mail address (or address using another communications method) (for example, one that will contain a Top Level Domain Name that we designate, such as "john.smith@mutabakkarak.com or "jane.jones@MutabakKarakFranchisee.com") (the "**Permitted E-mail Address**") in connection with the operation of the Franchised Business, under the standards that we set for use of that Permitted E-mail Address. You will be required to sign the form E-Mail authorization letter that we may specify for this purpose. If we assign you a Permitted E-mail Address, then you agree that you (and your employees) will use only that e-mail account for all business associated with your Franchised Business.

## 15 INSURANCE

15.1 *Required Insurance Coverage.* Before starting any activities or operations under this Agreement, you agree to procure and maintain in full force and effect during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required under this Agreement for events having occurred during the Term of this Agreement), at your expense, at least the following insurance policy or policies in connection with the Franchised Business or other facilities on premises, or by reason of the construction, operation, or occupancy of the Franchised Business or other facilities on premises. Such policy or policies must be written by an insurance company or companies we have approved, having at all times a rating of at least "A-" in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide), with Financial Size Category (FSC) rating of "X", and licensed and admitted to do business in the state in which the Franchised Business is located, and must include, at a minimum (however, you agree that we may reasonably specify additional coverages and higher policy limits in the Brand Manual or otherwise in writing to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards, and/or other relevant changes in circumstances), the following (all subject to the additional requirements of this Section 15):

15.1.1 Commercial general liability insurance (subject to Section 15.2 below) protecting against any and all claims for personal, bodily and/or property injury occurring in or about the Restaurant and protecting against assumed or contractual liability under this Agreement with respect to the Restaurant and your operations, with such policy to be placed with minimum limits of One Million Dollars (\$1,000,000) combined single limit per occurrence and Two Million Dollars (\$2,000,000) general aggregate per location. This coverage shall not exclude losses due to assault, battery, and/or the use or brandishing of firearms.

15.1.2 Comprehensive automobile liability insurance (subject to Section 15.2 below), including owned, non-owned and hired car coverage providing third party liability insurance, covering all licensed vehicles owned or operated by or on behalf of you,

with limits of liability not less than One Million Dollars (\$1,000,000) combined single limit for both bodily injury and property damage. Such policy must have the contractual exclusion removed, unless you provide separate evidence that contractual liability for automobile exposure is otherwise insured.

- 15.1.3 Business Interruption coverage, either on an actual loss sustained basis for up to 12 months or in an amount sufficient to cover 12 months of net profit plus continuing business expenses (expenses are to include, but not be limited to, royalty fees consistent with the royalty fees due to us for the trailing 12 months prior to the loss). Coverage must be written utilizing ISO Forms CP0030 (10 12) and CP1030 (10 12) or their substantial equivalent.
- 15.1.4 Statutory workers' compensation insurance and employer's liability insurance (all subject to Section 15.2 below) for a minimum limit equal to at least the greater of Five Hundred Thousand Dollars (\$500,000) or the amounts required as underlying by your umbrella carrier, as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the Restaurant is located.
- 15.1.5 Data theft and cybersecurity coverage (subject to Section 15.2 below) with limits of liability not less than Five Hundred Thousand Dollars (\$500,000) combined single limit.
- 15.1.6 Employment practices liability insurance (subject to Section 15.2 below) with limits of liability not less than Five Hundred Thousand Dollars (\$500,000) combined single limit.
- 15.1.7 Foodborne illness coverage (subject to Section 15.2 below) shall be included within the general liability coverage noted in Section 15.1.1 above, with coverage of at least Five Hundred Thousand Dollars (\$500,000) combined single limit for both bodily injury and property damage.
- 15.1.8 Commercial umbrella liability insurance (subject to Section 15.2 below) with limits which bring the total of all primary underlying coverages (commercial general liability, comprehensive automobile liability, and employers' liability) to not less One Million Dollars (\$1,000,000) total limit of liability. Such umbrella liability must provide at a minimum those coverages and endorsements required in the underlying policies.
- 15.1.9 Property insurance (subject to Section 15.2 below) providing 100% coverage for direct physical loss or damage to real and personal property or replacement value of business personal property, including the perils of flood and earthquake. Appropriate coverage must also be provided for boiler and machinery exposures and business interruption/extra expense exposures, written on an actual loss sustained basis. The policy should include coverage for food spoilage of at least Two Hundred and Fifty Thousand Dollars (\$250,000), off-premises service interruption, ordinance and law, civil authority, as well as sewer and drain back up. The policy or policies must value property (real and personal) on a new replacement cost basis without deduction for depreciation and the amount of insurance must not be less than 90% of the full replacement value of the Restaurant, its furniture, fixtures, equipment, and stock (real and personal property).
- 15.1.10 Fire, lightning, vandalism, theft, malicious mischief, flood (if in a special flood-hazard area), sprinkler damage, and the perils described in extended-coverage insurance with primary and excess limits of not less than the full-replacement value of the supplies, furniture, fixtures, equipment, machinery, inventory, and plate glass having a

deductible of not more than Five Thousand Dollars (\$5,000) and naming us as loss payee.

15.1.11 Any other insurance coverage that is required by federal, state, or municipal law (subject to Section 15.2 below).

15.1.12 All coverages must be written with no coinsurance penalty.

15.2 *Additional Terms Applicable to All Policies.* In addition to the other provisions of this Section 15 (above and those below), you agree that:

15.2.1 All policies listed in Section 15.1 above (unless otherwise noted below) must contain such endorsements as we will periodically specify in the Brand Manual.

15.2.2 All policies must waive subrogation as between us (and our insurance carriers) and you (and your insurance carriers).

15.2.3 All public liability and property damage policies must: **(a)** list as additional insureds, us and any other entities in which we have an interest (as well as all other entities affiliated with us), and each of those parties' respective members, managers, shareholders, directors, officers, partners, joint venturers, employees, servants, and agents, and their successors and assigns; and **(b)** contain a provision that we, although named as an additional insured, will nevertheless be entitled to recover under said policies on any loss occasioned to us or our servants, agents, or employees by reason of the negligence of you or your servants, agents, or employees, including as additional insureds.

15.2.4 You agree to provide us with sixty (60) days' advance written notice in the event of cancellation, change, and/or non-renewal of any policy, in the manner provided in Section 24 below.

15.3 *Construction Coverages.* In connection with all significant construction, reconstruction, or remodeling of the Franchised Business during the term of this Agreement, you agree to require the general contractor, its subcontractors, and any other contractor, to effect and maintain at general contractor's and all other contractor's own expense, such insurance policies and bonds with such endorsements as are set forth in the Brand Manual, all written by insurance or bonding companies that we have approved, having a rating as set forth in Section 15.1 above.

15.4 *Other Insurance Does Not Impact your Obligation.* Your obligation to obtain and maintain the foregoing policy or policies in the amounts specified will not be limited in any way by reason of any insurance that we may maintain, nor will your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 21.4 below. Additionally, the requirements of this Section 15 will not be reduced, diminished, eroded, or otherwise affected by insurance that you carry (and/or claims made under that insurance) for other businesses, including other Restaurants that you (and/or your affiliates) operate under the System.

15.5 *Certificates of Insurance.* At least thirty (30) days before the time you are first required to carry any insurance under this Agreement, and from then on, at least thirty (30) days before the expiration of any such policy (and also on the first anniversary of the Effective Date, and on each subsequent anniversary of the Effective Date), you agree to deliver to us certificates of insurance evidencing the proper coverage with limits not less than those required under this

Agreement. All certificates must expressly provide that we will receive at least thirty (30) days' prior written notice if there is a material alteration to, cancellation, or non-renewal of the coverages evidenced by such certificates. Additional certificates evidencing the insurance required by Section 15.1 above must name us, and each of our affiliates, directors, agents, and employees, as additional insured parties, and must expressly provide that those parties' interests will not be affected by any breach by you of any policy provisions for which such certificates evidence coverage.

15.6 *Required Coverages are Minimums.* You agree that the specifications and coverage requirements in this Section 15 are minimums only, and that we recommend that you review these with your own insurance advisors to determine whether additional coverage is warranted in the operation of your Franchised Business.

15.7 *Obtaining Coverage.* If you fail to maintain or acquire insurance, we will have the right (but not the obligation) to obtain insurance coverage on your behalf, in which case we will invoice you for the insurance premiums plus our reasonable expenses, and you agree to pay those invoices within five (5) days after we send them to you.

## 16 TRANSFER OF INTEREST

16.1 *By Us.* We will have the right to transfer or assign this Agreement and/or all or any part of our rights or obligations under this Agreement to any person or legal entity, and any assignee of us, which assignee will become solely responsible for all of our obligations under this Agreement from the date of assignment.

16.2 *Your Principals.* Each party that holds any interest whatsoever in you (whether directly, indirectly, and/or beneficially) (each, a "**Principal**"), and the interest that each Principal holds in you (directly, indirectly, and/or beneficially) is identified in Exhibit C to this Agreement. You represent and warrant to us, and agree, that your owners are accurately set forth on Exhibit C to this Agreement, and you also agree not to permit the identity of those owners, and/or their respective interests in you, to change without complying with this Agreement.

16.3 *Principals.* We will have a continuing right to designate any person or entity that owns a direct or indirect interest in you as a Principal, and Exhibit C will be so amended automatically upon written notice to you.

16.4 *By You.* You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted this franchise in reliance on your (or your Principals') business skill, financial capacity, and personal character. Accordingly:

16.4.1 You agree not to make a transfer (and not to permit any other party to make a transfer) without our prior written consent.

16.4.1.1 As used in this Agreement, the term "**transfer**" is agreed to mean any sale, assignment, conveyance, pledge, encumbrance, merger, creation of a security interest in, and/or giving away of any direct or indirect interest in: **(a)** this Agreement; **(b)** you; **(c)** any or all of your rights and/or obligations under this Agreement; and/or **(d)** all or substantially all of the assets of the Franchised Business.

16.4.1.2 Any purported assignment or transfer that does not have our prior written consent as required by this Section 16 will be null and void and will also

constitute a material breach of this Agreement, for which we may immediately terminate this Agreement without opportunity to cure, pursuant to Section 17.2.5 below.

- 16.4.2 You agree (unless you are a partnership) that: **(a)** without our prior written approval, you will not issue any voting securities or interests, or securities or interests convertible into voting securities; and **(b)** the recipient of any such security or other interest will become a Principal under this Agreement, if we designate them as such. If you are a general partnership, limited partnership, or limited liability partnership, then the partners of that partnership will not, without our prior written consent, admit additional limited or general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner in such a partnership will automatically be deemed to be a Principal.
- 16.4.3 Principals must not, without our prior written consent, transfer, pledge, and/or otherwise encumber their interest in you. Any such transaction shall also be deemed a “transfer” under this Agreement.
- 16.4.4 You also agree that in the case of any proposed transfer, you authorize us to truthfully answer questions posed to us by the proposed transferee, including providing that party with information relating to your Restaurant (such as sales reports) (although we will have the right not to provide any or all such information).
- 16.5 *Transfer Conditions.* We will not unreasonably withhold any consent required by Section 16.4 above; provided, that if you propose to transfer your obligations under this Agreement or any material asset, or if any party proposes to transfer any direct or indirect interest in you, then we will have the right to require that you satisfy any or all of the following conditions before we grant our approval to the proposed transfer:
- 16.5.1 The transferor must have executed a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, successors, and assigns, and their respective officers, directors, members, managers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, claims arising under this Agreement, any other agreement between you and us, and/or your affiliates, our affiliates, and federal, state, and local laws and rules.
- 16.5.2 The transferee of a Principal will be designated as a Principal and each transferee who is designated a Principal must enter into a written agreement, in a form satisfactory to us, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in you; and, if your obligations were guaranteed by the transferor, the Principal must guarantee the performance of all such obligations in writing in a form satisfactory to us.
- 16.5.3 The proposed new Principals (after the transfer) must meet our educational, managerial, and business standards; each must possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the Franchised Business, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the Franchised Business.
- 16.5.4 We will have the right to require that you execute, for a term ending on the expiration date of this Agreement, the form of franchise agreement that we are then offering to

new System franchisees, and such other ancillary agreements that we may require for the business franchised under this Agreement, and those agreements will supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including, higher Royalties and marketing fees.

- 16.5.5 If we request, then you must conduct Major Remodeling and purchase new equipment to conform to the then-current standards and specifications of new Restaurants then-being established in the System, and you agree to complete the upgrading and other requirements specified above in Section 8.8.2 within the time period that we specify.
- 16.5.6 You agree to pay in full all of your monetary obligations to us and our affiliates, and to all vendors (whether arising under this Agreement or otherwise), and you must not be otherwise in default of any of your obligations under this Agreement (including your reporting obligations).
- 16.5.7 The transferor must remain liable for all of the obligations to us in connection with the Franchised Business that arose before the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and must execute any and all instruments that we reasonably request to evidence such liability.
- 16.5.8 A Principal of the transferee whom we designate to be a new Operating Owner, and those of the transferee's Operating Owner, General Managers, and Additional Trained Personnel as we may require, must successfully complete (to our satisfaction) all training programs that we require upon such terms and conditions as we may reasonably require (and while we will not charge a fee for attendance at such training programs, the transferee will be responsible for the salary and all expenses of the person(s) that attend training).
- 16.5.9 You agree to pay us a transfer fee not to exceed Fifteen Thousand Dollars (\$15,000) or fifty percent (50%) of our then-current initial franchise fee (whichever is more) to compensate us for our legal, accounting, training, and other expenses incurred in connection with the transfer.
- 16.5.10 If any party has engaged a broker with respect to the transfer, you must also pay (or ensure the buyer's payment of) any applicable commission to the broker in connection with the transfer. (If we or any of our affiliates (or persons who work for us or our affiliates) were the party to introduce you to a buyer, then you agree to also pay us a fee of three percent (3%) of the total compensation paid to you in connection with the transaction.)
- 16.5.11 The transferor must acknowledge and agree that the transferor will remain bound by the covenants contained in Sections 19.3, 19.4, and 19.5 below.
- 16.6 ***Right of First Refusal.*** If you or any of your Principals wish to accept any *bona fide* offer from a third party to purchase you, any of your material assets, or any interest in you, then all of the following will apply:
- 16.6.1 You (or the Principal who proposes to sell his/her interest) must promptly notify us in writing of the offer and provide us with the information and documentation relating to the offer that we may require. We will have the right and option, exercisable within thirty (30) days after we have received all such information that we have requested, to send written notice to the seller that we intend to purchase the seller's interest on the

same economic terms and conditions offered by the third party. After exercising our right, we will also have the right to conduct additional reasonable due diligence and to require the seller to enter into a purchase agreement in a form mutually acceptable to us and to the seller. If we elect to purchase the seller's interest, then the closing on such purchase will occur within thirty (30) days from the date of notice to the seller of the election to purchase by us.

- 16.6.2 Any material change in the terms of the offer before closing will constitute a new offer subject to our same rights of first refusal (as set forth in this Section 16.6) as in the case of the third party's initial offer. If we do not exercise the option afforded by this Section 16.6 that will not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 16, with respect to a proposed transfer.
- 16.6.3 If the consideration, terms, and/or conditions offered by a third party are such that we may not reasonably be required to furnish the same consideration, terms, and/or conditions, then we may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they must attempt to appoint a mutually-acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one independent appraiser, then we will promptly designate an independent appraiser and you will promptly designate another independent appraiser and those two appraisers will, in turn, promptly designate a third appraiser; and all three appraisers will promptly confer and reach a single determination (or, if unable to reach a single determination, a valuation determined by a majority vote of those appraisers), which determination will be binding upon both you and us. Both parties will equally share the cost of any such appraisal.
- 16.6.4 If we exercise our rights under this Section 16.6, then we will have the right to set off all amounts due from you (including one-half (½) of the cost of an appraisal, if any, conducted under Section 16.6.3 above) against any payment to you.
- 16.7 *Death or Incapacity.* If you or any Principal dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must promptly notify us of the circumstances, and apply to us in writing within six (6) months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to transfer the person's interest. The transfer will be subject to the provisions of this Section 16, as applicable; however, we will not impose a transfer fee for such a transfer if you reimburse us for our reasonable out-of-pocket expenses incurred in reviewing, approving, and documenting your proposed transaction, including our attorneys' fees.
- 16.7.1 In addition, if the deceased or incapacitated person is the Operating Owner, we will have the right (but not the obligation) to take over operation of the Franchised Business until the transfer is completed and to charge a reasonable management fee for our services.
- 16.7.2 For purposes of this section, "**incapacity**" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement: **(a)** for a period of thirty (30) or more consecutive days; or **(b)** for sixty (60) or more total days during a calendar year. In the case of transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 16.3, the executor may transfer the decedent's interest to another successor

that we have approved, subject to all of the terms and conditions for transfers contained in this Agreement.

- 16.7.3 If an interest is not disposed of under this section within six (6) months after the date of death or appointment of a personal representative or trustee, we may terminate this Agreement under Section 17.2 below.
- 16.8 *Consent to Transfer.* Our consent to a transfer that is the subject of this Section 16 will not constitute a waiver of any claims that we may have against the transferring party, nor will it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.
- 16.9 *No Transfers to a Non-Franchisee Party to Operate a Similar Restaurant.* You agree that neither you nor any Principal of yours will transfer or attempt to transfer any or all of your Franchised Business to a third party who will operate a similar business at the Accepted Location but not under the System and the Proprietary Marks, and not under a franchise agreement with us.
- 16.10 *Bankruptcy Issues.* If you or any person holding any interest in you become a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of you, your obligations, and/or rights under this Agreement, any material assets of yours, and/or any interest in you will be subject to all of the terms of this Section 16, including the terms of Sections 16.4, 16.5, and 16.6 above.
- 16.11 *Securities Offers.* All materials for an offering of stock, ownership, and/or partnership interests in you or any of your affiliates that are required by federal or state law must be submitted to us for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering must be submitted to us for such review before their use.
- 16.11.1 You agree that: **(a)** no offering by you or any of your affiliates may imply (by use of the Proprietary Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities or your affiliates; **(b)** our review of any offering will be limited solely to the relationship between you and us (and, if applicable, any of your affiliates and us); and **(c)** we will have the right, but not obligation, to require that the offering materials contain a written statement that we require concerning the limitations stated above.
- 16.11.2 You (and the offeror if you are not the offering party), your Principals, and all other participants in the offering must fully indemnify us and all of the Franchisor Parties (as defined in Section 21.5.2 below) in connection with the offering.
- 16.11.3 For each proposed offering, you agree to pay us a non-refundable fee of Five Thousand Dollars (\$5,000) or such greater amount as is necessary to reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing, documenting, and discussing the proposed offering with you and your representatives.
- 16.11.4 You agree to give us written notice at least thirty (30) days before starting any offering or other transaction described in this Section 16.11. Any such offering will be subject to all of the other provisions of this Section 16, including the terms set forth in

Sections 16.4, 16.5, 16.6; and further, without limiting the foregoing, it is agreed that any such offering will be subject to our approval as to the structure and voting control of the offeror (and you, if you are not the offeror) after the financing is completed.

16.11.5 You also agree that after your initial offering, described above, for the remainder of the term of the Agreement, you will submit to us for our review and prior written approval all additional securities documents (including periodic reports, such as quarterly, annual, and special reports) that you prepare and file (or use) in connection with any such offering. You agree to reimburse us for our reasonable costs and expenses (including legal and accounting fees) that we incur in connection with our review of those materials.

## 17 DEFAULT AND TERMINATION

17.1 *Automatic with no notice and no opportunity to cure.* If any one or more of the following events take place, then you will be deemed to be in default under this Agreement, and all rights granted in this Agreement will automatically terminate without notice to you: **(a)** if you will become insolvent or make a general assignment for the benefit of creditors; **(b)** if a bill in equity or other proceeding for the appointment of a receiver for you or another custodian for your business or assets is filed and consented to by you; **(c)** if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; **(d)** if proceedings for a composition with creditors under any state or federal law is instituted by or against you; **(e)** if a material final judgment against you remains unsatisfied or of record for thirty (30) days or longer (unless appealed or a supersedeas bond is filed); **(f)** if you are dissolved; or if execution is levied against your business or property; **(g)** if suit to foreclose any lien or mortgage against the Franchised Business premises or equipment is instituted against you and not dismissed within thirty (30) days; and/or **(h)** if the real or personal property of your Franchised Business will be sold after levy thereupon by any sheriff, marshal, or constable.

17.2 *With Notice and no opportunity to cure.* If any one or more of the following events occur, then you will be in default under this Agreement, and we will have the right to terminate this Agreement and all rights granted under this Agreement, without affording you any opportunity to cure the default, effective immediately upon the delivery of our written notice to you (in the manner provided in Section 24 below):

17.2.1 If you do not obtain an Accepted Location for the Franchised Business within the time limits specified under the Site Selection Addendum, or if you do not construct and open the Franchised Business within the time limits specified in Sections 5.1 and 8.2 above (and within the requirements specified in Sections 5 and 8.2 above);

17.2.2 If at any time: **(a)** you cease to operate or otherwise abandon the Franchised Business for two (2) or more consecutive business days and/or two (2) or more business days within any week (during which you are otherwise required to be open, and without our prior written consent otherwise, unless necessary due to an event of force majeure as defined in Section 22 below); **(b)** you lose the right to possession of the premises; **(c)** forfeit the right to do or transact business in the jurisdiction where the Franchised Business is located (however, if through no fault of yours, the premises are damaged or destroyed by an event such that you cannot complete repairs or reconstruction within ninety (90) days thereafter, then you will have thirty (30) days after such event in which to apply for our approval to relocate and/or reconstruct the premises, which approval we will not unreasonably withhold, subject to Section 1.2.3 above);

- 17.2.3 If you or any of your Principals are charged with and/or convicted of a felony, a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein;
- 17.2.4 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Business and/or if you fail to comply with the requirements of Section 8.16 above;
- 17.2.5 If you or any of your Principals purport to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 16 above;
- 17.2.6 If you fail to comply with the requirements of Section 19 below;
- 17.2.7 If, contrary to the terms of Sections 10 or 11 above, you disclose or divulge the contents of the Brand Manual or other confidential information that we provide to you;
- 17.2.8 If an approved transfer of an interest in you is not completed within a reasonable time, as required by Section 16.7 above;
- 17.2.9 If you maintain false books or records, or submit any false reports (including information provided as part of your application for this franchise) to us;
- 17.2.10 If you commit three (3) or more defaults under this Agreement in any fifty-two (52) week period, whether or not each such default has been cured after notice;
- 17.2.11 If, after receipt of notice from us of a violation of the provisions of Sections 7.1 and/or 8.4 above, you continue to purchase any Input Items from an unapproved supplier, or if you sell anything from the Restaurant that is not a Retail Product or a Service;
- 17.2.12 If you engage in any conduct or practice that is fraudulent, unfair, unethical, or a deceptive practice; and/or
- 17.2.13 If you make any unauthorized or improper use of the Proprietary Marks, or if you or any of your Principals use the Proprietary Marks in a manner that we do not permit (whether under this Agreement and/or otherwise) or that is inconsistent with our direction, or if you or any of your Principals directly or indirectly contest the validity of our ownership of the Proprietary Marks, our right to use and to license others to use the Proprietary Marks, or seek to (or actually do) register any of our Proprietary Marks with any agency (public or private) for any purpose without our prior written consent to do so.
- 17.3 *With Notice and Opportunity to Cure.*
- 17.3.1 Except as otherwise provided above in Sections 17.1 and 17.2 above, if you are in default of your obligations under this Agreement, then we may terminate this Agreement by giving you written notice of termination (in the manner provided under Section 24 below) stating the nature of the default at least thirty (30) days before the effective date of termination; provided, however, that you may avoid termination by: **(a)** immediately initiating a remedy to cure such default; **(b)** curing the default to our satisfaction; and **(c)** promptly providing proof of the cure to us, all within the thirty (30)

day period. If you do not cure any such default within the specified time (or such longer period as applicable law may require), then this Agreement will terminate without further notice to you effective immediately upon the expiration of the thirty (30) day period (or such longer period as applicable law may require).

17.3.2 If you are in default under the terms of any other franchise agreement or other contract between you (and/or your affiliates) and us (and/or our affiliates), that will also constitute a default under Section 17.3.1 above.

17.4 **Bankruptcy.** If, for any reason, this Agreement is not terminated pursuant to this Section 17, and this Agreement is assumed, or assignment of same to any person or entity who has made a *bona fide* offer to accept an assignment of this Agreement is contemplated, pursuant to the U.S. Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: **(a)** the name and address of the proposed assignee; and **(b)** all of the terms and conditions of the proposed assignment and assumption; must be given to us within twenty (20) days after receipt of such proposed assignee's offer to accept assignment or assumption of the Agreement; and, in any event, within ten (10) days before the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption. We will then have the prior right and option, to be exercised by notice given at any time before the effective date of such proposed assignment and assumption, to accept an assignment of the Agreement to us upon the same terms and conditions, and for the same consideration, if any, as in the *bona fide* offer made by the proposed assignee, less any brokerage commissions that may be payable by you out of the consideration to be paid by such assignee for the assignment or assumption of this Agreement.

17.5 **Our Rights Instead of Termination.** If we are entitled to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, we will also have the right to take any lesser action instead of terminating this Agreement.

17.6 **Reservation of Rights under Section 17.5.** If any rights, options, arrangements, or areas are terminated or modified in accordance with Section 17.5 above, such action will be without prejudice to our right to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, and/or to terminate any other rights, options or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.

17.7 **Damages.** You agree that you will pay us all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of any default by you under this Agreement and any other agreement between the parties (and their respective affiliates) (in addition to other remedies that we may have).

## 18 OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted under this Agreement to you will forthwith terminate, and all of the following will take effect (except to the extent otherwise permitted under a separate valid franchise agreement between you and/or one of your affiliates and us):

18.1 **Cease Operation.** You agree to: **(a)** immediately and permanently stop operating the Franchised Business; and **(b)** never directly or indirectly represent to the public that you are a present or former franchisee of ours.

- 18.2 *Stop Using Marks and Intellectual Property.* You agree to immediately and permanently cease to use, in any manner whatsoever, all aspects of the System, including any confidential methods, procedures and techniques associated with the System, the marks “Mutabak Karak” as well as any other current and former Proprietary Marks, distinctive forms, slogans, signs, symbols, and devices associated with the System, and any and all other intellectual property associated with the System. Without limiting the above, you agree to stop making any further use of any and all signs, marketing materials, displays, stationery, forms, and any other articles that display the Proprietary Marks.
- 18.3 *Cancel Assumed Names.* You agree to take such action as may be necessary to cancel any assumed name or equivalent registration which contains the marks “Mutabak Karak” as well as any other Proprietary Marks, and/or any other service mark or trademark of ours, and you will give us evidence that we deem satisfactory to provide that you have complied with this obligation within five (5) days after termination or expiration of this Agreement.
- 18.4 *Premises.* We will have the right (but not the obligation) to require you to assign to us any interest that you (and/or your affiliates) may have in the lease or sublease for the ground upon which the Restaurant is operated and/or for the building in which the Restaurant is operated.
- 18.4.1 If we do not elect or if we are unable to exercise any option we may have to acquire the lease or sublease for the premises of the Franchised Business, or otherwise acquire the right to occupy the premises, you will make such modifications or alterations to the premises operated under this Agreement (including, the changing of the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of said premises from that of other Restaurants, and must make such specific additional changes thereto as we may reasonably request for that purpose. In addition, you will cease use of all telephone numbers and any domain names, websites, e-mail addresses, and any other print and online identifiers, whether or not authorized by us, that you have while operating the Franchised Business, and must promptly execute such documents or take such steps necessary to remove reference to the Franchised Business from all trade or business directories, including online directories, or at our request transfer same to us.
- 18.4.2 If you fail or refuse to comply with all of the requirements of this Section 18.4, then we (or our designee) will have the right to enter upon the premises of the Franchised Business, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at your cost, which expense you agree to pay upon demand.
- 18.5 *Our Option to Buy Your Assets.* We will have the right (but not the obligation), which we may exercise at any time within thirty (30) days after expiration, termination, or default under this Agreement and/or default under your lease/sublease for the premises, to buy from you (and/or your affiliates) any or all of your furnishings, equipment, signs, fixtures, supplies, or inventory related to the operation of the Franchised Business, at the lesser of your cost or fair market value. The parties agree that “fair market value” will be determined based upon a five (5) year straight-line depreciation of original costs. For equipment and fixtures that are five (5) or more years old, the parties agree that fair market value is deemed to be ten percent (10%) of the equipment’s original cost. If we elect to exercise any option to purchase provided in this Section, we will have the right to set off all amounts due from you.
- 18.6 *No Use of the Marks in Other Businesses.* You agree, if you continue to operate or subsequently begin to operate any other business, that you will not use any reproduction,

counterfeit copy, and/or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute our rights in and to the Proprietary Marks. You further agree not to use, in any manner whatsoever, any designation of origin, description, trademark, service mark, or representation that suggests or implies a past or present association or connection with us, the System, the equipment, and/or the Proprietary Marks.

- 18.7 *Pay All Sums Due.* You agree to promptly pay all sums owing to us and our affiliates (regardless of whether those obligations arise under this Agreement or otherwise). In the event of termination for any of your defaults, those sums will include all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of the default.
- 18.8 *Pay Damages.* You agree to pay us all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur as a result of your default under this Agreement and/or subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 18, which will be in addition to amounts due to us under Section 18.11 below.
- 18.9 *Return Confidential Information.* You agree to immediately return to us the Brand Manual and all other manuals, records, and instructions containing confidential information (including, any copies of some or all of those items, even if such copies were made in violation of this Agreement), all of which are acknowledged to be our property.
- 18.10 *Right to Enter and Continue Operations.* In order to preserve the goodwill of the System following termination, we (or our designee) will have the right to enter the Franchised Business (without liability to you, your Principals, or otherwise) for the purpose of continuing the Franchised Business's operation and maintaining the goodwill of the business.
- 18.11 *Our Rights.* You agree not to do anything that would potentially interfere with or impede the exercise of our rights under this Section 18.
- 18.12 *Offsets.* We have the right to offset amounts that you owe to us against any payment that we may be required to make under this Agreement.

## **19 COVENANTS**

- 19.1 *Full Time Efforts.* You agree that during the term of this Agreement, except as we have otherwise approved in writing, you (or the Operating Owner and/or General Manager) will devote full time, energy, and best efforts to the management and operation of the Franchised Business.
- 19.2 *Understandings.*
- 19.2.1 You agree that: **(a)** pursuant to this Agreement, you will have access to valuable trade secrets, specialized training and Confidential Information from us and our affiliates regarding the development, operation, management, purchasing, sales and marketing methods and techniques of the System; **(b)** the System and the opportunities, associations and experience we have established and that you will have access to under this Agreement are of substantial and material value; **(c)** in developing the System, we and our affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; **(d)** we would be unable to

adequately protect the System and its trade secrets and Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among franchisees in our System if franchisees were permitted to hold interests in Competitive Businesses (as defined below); and **(e)** restrictions on your right to hold interests in, or perform services for, Competitive Businesses will not unreasonably or unnecessarily hinder your activities.

19.2.2 As used in this Section 19, the term “**Competitive Business**” is agreed to mean any foodservice business that specializes in offering, serving, and/or selling Mutabak, Chapati, and/or Karak Chai for more than 25% percent of its total offerings and/or total revenue.

19.3 *Covenant Not to Compete or Engage in Injurious Conduct.* Accordingly, you covenant and agree that, during the term of this Agreement and for a continuous period of two (2) years after the expiration or termination of this Agreement, and/or a transfer as contemplated in Section 16 above, you will not directly, indirectly, for yourself, or through, on behalf of, or in conjunction with any party, in any manner whatsoever, do any of the following:

19.3.1 Divert or attempt to divert any actual or potential business or customer of any Restaurant to any competitor or otherwise take any action injurious or prejudicial to the goodwill associated with the Marks and the System.

19.3.2 Own, maintain, develop, operate, engage in, assist, franchise or license, make loans to, lease real or personal property to, and/or have any whatsoever interest in, or render services or give advice to, any Competitive Business.

19.4 *Where Restrictions Apply.* During the term of this Agreement, there is no geographical limitation on the restrictions set forth in Section 19.3 above. During the two-year period following the expiration or earlier termination of this Agreement and/or a transfer as contemplated under Section 16 above, these restrictions will apply only **(a)** at the Accepted Location; **(b)** within five (5) miles of the Accepted Location; and **(c)** within five (5) of any other “Mutabak Karak” Restaurant business that is then-currently operated or planned elsewhere in the United States. These restrictions will not apply to businesses that you operate that we (or our affiliates) have franchised to you (or your affiliates) pursuant to a valid franchise agreement with us or one of our affiliates.

19.5 *Post-Term.* You further covenant and agree that, for a continuous period of two (2) years after **(a)** the expiration of this Agreement, **(b)** the termination of this Agreement, and/or **(c)** a transfer as contemplated in Section 16 above:

19.5.1 You will not directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, firm, partnership, corporation, or other entity, sell, assign, lease, and/or transfer the Accepted Location to any person, firm, partnership, corporation, or other entity that you know, or have reason to know, intends to operate a Competitive Business at the Accepted Location; and

19.5.2 You also agree that, by the terms of any conveyance, selling, assigning, leasing or transferring your interest in the Accepted Location, you shall include these restrictive covenants as necessary to ensure that a Competitive Business that would violate this Section is not operated at the Accepted Location for this two-year period, and you will take all steps necessary to ensure that these restrictive covenants become a matter of public record.

- 19.6 *Non-Compliance.* Any time during which you do not comply with the requirements of this Section 19, whether that non-compliance takes place after termination, expiration, and/or a transfer, will not be credited toward satisfying the two-year obligation specified above.
- 19.7 *Publicly-Held Entities.* Section 19.3.3 above will not apply to your ownership of less than five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held entity. As used in this Agreement, the term “**publicly-held entity**” means an entity that has securities that are registered under the Securities Exchange Act of 1934.
- 19.8 *Personal Covenants.* You agree to require and obtain execution of covenants similar to those set forth in Sections 9.3, 11, 16, 18 above, and this Section 19 (as modified to apply to an individual), from your Operating Owner, General Managers, and Additional Trained Personnel and other managerial and/or executive staff, as well as your Principals. The covenants required by this section must be in the form provided in Exhibit F to this Agreement. If you do not obtain execution of the covenants required by this section and deliver to us those signed covenants, that failure will constitute a default under Section 17.2.6 above.
- 19.9 *Construction.* The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. We have the right to reduce the scope of any part of this Section 19 and, if we do so, you agree to comply with the obligations as we have reduced them.
- 19.10 *Claims Not a Defense.* You agree that the existence of any claims you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants in this Section 19. You agree to pay all costs and expenses (including reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) that we incur in connection with the enforcement of this Section 19.
- 19.11 *Covenant as to Anti-Terrorism Laws.* You and the owners of your business (“**Owners**”) agree to comply with and/or to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, you and the Owners certify, represent, and warrant that none of their respective property or interests are “blocked” under any of the Anti-Terrorism Laws and that neither you nor any of the Owners are in violation of any of the Anti-Terrorism Laws. You also agree not to knowingly hire or do business with (or continue to employ or do business with) any party who is blocked under any of the Anti-Terrorism Laws. The term “**Anti-Terrorism Laws**” means Executive Order 13224 issued by the President of the United States, as supplemented, the USA PATRIOT Act, and all other laws and regulations addressing or relating to terrorist acts and/or acts of war.
- 19.12 *Defaults.* You agree that if you violate this Section 19, that will result in irreparable injury to us for which no adequate remedy at law may be available, and accordingly, you consent to the issuance of an injunction prohibiting any conduct in violation of the terms of this Section 19.

## **20 TAXES, PERMITS, AND INDEBTEDNESS**

- 20.1 *Payment of Taxes.* You agree to promptly pay when due all taxes levied or assessed, including, unemployment and sales taxes, and all accounts and other indebtedness of every kind that you incur in the conduct of the business franchised under this Agreement. You agree to pay us an amount equal to any sales tax, gross receipts tax, or similar tax imposed on us with respect to any payments that you make to us as required under this Agreement, unless the tax is credited against income tax that we otherwise pay to a state or federal authority.

- 20.2 *Payment of Trade Creditors.* You agree to promptly pay when due all trade creditors and vendors (including any that are affiliated with us) that supply goods or services to you and/or the Franchised Business (including for example the landlord for the premises of your Restaurant).
- 20.3 *Your Right to Contest Liabilities.* If there is a bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event will you permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Franchised Business, or any improvements thereon.
- 20.4 *Compliance with Law.* You agree to comply with all Operating Codes and to timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Business, including, licenses to do business, health certificates, fictitious name registrations, sales tax permits, and fire clearances. To the extent that the requirements of any Operating Codes are in conflict with the terms of this Agreement, the Brand Manual, or our other instructions, you agree to: **(a)** comply with said laws; **(b)** immediately provide us with written notice describing the nature of the conflict; and **(c)** cooperate with us and our counsel in developing a way to comply with the terms of this Agreement, as well as applicable law, to the extent that it is possible to do so.
- 20.5 *Notice of Violations and Actions.* You agree to notify us in writing within two (2) days after you receive notice of any health or safety violation, the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, or within two (2) days occurrence of any accident or injury which may adversely affect the operation of the Franchised Business or your financial condition, or give rise to liability or a claim against either party to this Agreement.

## **21 INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

- 21.1 *Independent Contractor Relationship.* The parties agree that:
- 21.1.1 this Agreement does not create a fiduciary relationship between them;
- 21.1.2 you are the only party that will be in day-to-day control of your franchised business, even though we will share the brand and Proprietary Marks as specified in this Agreement, and neither this Agreement nor any of the systems, guidance, computer programs, processes, or requirements under which you operate alter that basic fact;
- 21.1.3 nothing in this Agreement and nothing in our course of conduct is intended to make either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever; and
- 21.1.4 neither this Agreement nor our course of conduct is intended, nor may anything in this Agreement (nor our course of conduct) be construed, to state or imply that we are the employer of your employees and/or independent contractors, nor vice versa.
- 21.2 *Notice of Status.* At all times during the term of this Agreement and any extensions hereof, you will hold yourself out as an independent contractor operating the business pursuant to a franchise from us both to the public and also to your staff. You agree to take such action as may be necessary to do so, including exhibiting a notice of that fact in conspicuous places at

the Accepted Location, the content and placement of which we reserve the right to specify in the Brand Manual or otherwise.

21.3 *No Contracts in our Name.* It is understood and agreed that nothing in this Agreement authorizes you to make any contract, agreement, warranty, or representation on our behalf, or to incur any debt or other obligation in our name; and that we will in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action; nor will we be liable by reason of any act or omission in your conduct of the Franchised Business or for any claim or judgment arising therefrom against either party to this Agreement.

21.4 *Indemnification.*

21.4.1 You agree to indemnify, defend, and hold harmless each of the Franchisor Parties harmless against any and all Expenses arising directly or indirectly from any Claim, as well as from any claimed breach by you of this Agreement. Your indemnity obligations shall: **(a)** survive the expiration or termination of this Agreement, and shall not be affected by any insurance coverage that you and/or any Franchisor Party may maintain; and **(b)** exclude any Claim and/or Expense that a court with competent jurisdiction determines was caused solely by a Franchisor Party's gross negligence and/or willful misconduct.

21.4.2 *Procedure.* We will give you notice of any Claim and/or Expense for which the Franchisor Parties intend to seek indemnification; however, if we do not give that notice, it will not relieve you of any obligation (except to the extent of any actual prejudice to you). You will have the opportunity to assume the defense of the Claim, at your expense and through legal counsel reasonably acceptable to us, provided that in our judgment, you proceed in good faith, expeditiously, and diligently, and that the defense you undertake does not jeopardize any defenses of the Franchisor Parties. We shall have the right: **(a)** to participate in any defense that you undertake with counsel of our own choosing, at our expense; and **(b)** to undertake, direct, and control the defense and settlement of the Claim (at your expense) if in our sole judgment you fail to properly and competently assume defense of the Claim within a reasonable time and/or if, in our sole judgment, there would be a conflict of interest between your interest and that of any Franchisor Party.

21.4.3 *Definitions.* As used in this Section 21.4, the parties agree that the following terms will have the following meanings:

21.4.3.1 **"Claim"** means any allegation, cause of action, and or complaint asserted by a third party that is the result of, or in connection with, your exercise of your rights and/or carrying out of your obligations under this Agreement (including any claim associated with your operation of the Restaurant, sale of Products or Services, events occurring at the Restaurant, data theft or other data-related event, or otherwise, whether asserted by a customer, vendor, employee, or otherwise), a violation of any Operating Code, and/or any default by you under this Agreement (including all claims, demands, causes of action, suits, damages, settlement costs, liabilities, fines, penalties, assessments, judgments, losses, and Expenses). For the sake of clarify, the parties confirm that the indemnification obligations under Sections 9.2.9.2(b) and 16.11.2 are included within this definition of a Claim.

21.4.3.2 “**Expenses**” includes interest charges; fees for accountants, attorneys and their staff, arbitrators, and expert witnesses; costs of investigation and proof of facts; court costs; travel and living expenses; and other costs and expenses associated with litigation, investigative hearings, or alternative dispute resolution, whether or not a proceeding is formally commenced.

21.4.3.3 “**Franchisor Parties**” means us and our shareholders, parents, subsidiaries, and affiliates, and their respective officers, directors, members, managers, agents, and employees.

21.4.4 We agree to indemnify you with respect to your use of the Proprietary Marks as provided in Section 9.2.9.2(a) above.

## 22 FORCE MAJEURE

22.1 *Impact.* Neither party will be responsible to the other for non-performance or delay in performance occasioned by causes reasonably beyond its control (except as otherwise provided in Section 22.1), including: **(a)** acts of nature; **(b)** acts of war, terrorism, or insurrection; **(c)** public health emergencies, epidemics, pandemics, hurricanes, tornadoes, environmental emergencies, strikes, lockouts, labor actions, boycotts, floods, fires, and/or other casualties; and/or **(d)** our inability (and that of our affiliates and/or suppliers) to manufacture, purchase, and/or cause delivery of any services or products used in the operation of the Franchised Business. You agree to abide by any brand standards that we may establish in connection with continuing to operate, reopening, and other matters relating to operations that are impacted by a Force Majeure event.

22.2 *Transmittal of Funds.* The inability of either party to obtain and/or remit funds will be considered within control of such party for the purpose of Section 22.1 above. If any such delay occurs, any applicable time period will be automatically extended for a period equal to the time lost; provided, however, that 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; and further provided, however, that you will remain obligated to promptly pay all fees owing and due to us under this Agreement, without any such delay or extension.

## 23 APPROVALS AND WAIVERS

23.1 *Request for Approval.* Whenever this Agreement requires our prior approval, acceptance, and/or consent, you agree to make a timely written request to us therefor, and in each instance, our approval, acceptance, or consent will be valid only if it is provided in writing.

23.2 *No Warranties or Guarantees.* You agree that we make no warranties or guarantees upon which you may rely, and that we assume no liability or obligation to you, by providing any waiver, approval, consent, or suggestion to you in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

23.3 *No Waivers.* The parties agree that: (a) no delay, waiver, omission, or forbearance on our part to exercise any right, option, duty, or power arising out of any breach or default by you or any other franchisee under any of the terms, provisions, covenants, or conditions of this Agreement; (b) no custom or practice by the parties at variance with the terms of this Agreement, will constitute our waiver of our right to enforce any such right, option, duty, or power as against you, or as to subsequent breach or default by you; (c) if we accept late payments from you or any payments due, that will not be deemed to be our waiver of any

earlier or later breach by you of any terms, provisions, covenants, or conditions of this Agreement; and (d) no course of dealings or course of conduct will be effective to amend the terms of this Agreement.

## **24 NOTICES**

- 24.1 Any and all notices required or permitted under this Agreement must be in writing and must be personally delivered, sent by certified U.S. mail, or by other means that provides the sender with evidence of delivery, rejected delivery, and/or attempted delivery. Any notice by a means that gives the sender evidence of delivery, rejected delivery, or delivery that is not possible because the recipient moved and left no forwarding address will be deemed to have been given at the date and time of receipt, rejected, and/or attempted delivery.
- 24.2 Notices shall be sent to the address designated on the signature page of this Agreement (unless a party changes its address for those notices by giving prior written notice to the other party in the manner specified above). If the parties have designated a specific e-mail address, then notices sent to that e-mail address (which may be changed as noted above) will be considered as having been sent at the time they are delivered to that e-mail address.
- 24.3 The Brand Manual, any changes that we make to the Brand Manual, and/or any other written instructions that we provide relating to operational matters, are not considered to be “notices” for the purpose of the delivery requirements in this Section 24.

## **25 ENTIRE AGREEMENT AND AMENDMENT**

- 25.1 *Entire Agreement.* This Agreement and the exhibits referred to in this Agreement constitute the entire, full, and complete Agreement between the parties to this Agreement concerning the subject matter hereof, and supersede all prior agreements, communications, statements, and representations. The parties confirm that: **(a)** they were not induced by any representations other than the words of this Agreement (and the FDD) before deciding whether to sign this Agreement; and **(b)** they relied only on the words printed in this Agreement in deciding whether to enter into this Agreement. If this Agreement is to renew a previous term for your franchise, then the renewal provisions in Section 2.2 of this Agreement and the other provisions relating to the establishment of a new Franchised Business will not apply in the renewal term.
- 25.2 *No Disclaimers or Waivers.* Nothing in this Agreement, any other contract, and/or our FDD is meant to (nor shall those documents have the effect of): (a) disclaiming any representation contained within our FDD; and/or (b) requiring you to waive any provision of state franchise laws that apply to you. The term “**FDD**” means our Franchise Disclosure Document (including its exhibits).
- 25.3 *Amendment.* Except for those changes that we are permitted to make unilaterally under this Agreement, no amendment, change, or variance from this Agreement will be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

## **26 SEVERABILITY AND CONSTRUCTION**

- 26.1 *Introductory Paragraphs.* The parties agree that the introductory paragraphs of this Agreement, under the heading “Introduction,” are accurate, and incorporated into the text of this Agreement as if they were printed here in full.

- 26.2 *Severability.* Except as expressly provided to the contrary in this Agreement, each portion, section, part, term, and/or provision of this Agreement will be considered severable; and if, for any reason, any portion, section, part, term, and/or provision in this Agreement is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such will not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter will continue to be given full force and effect and bind the parties to this Agreement; and said invalid portions, sections, parts, terms, and/or provisions will be deemed not to be a part of this Agreement.
- 26.3 *No Third Party Rights.* Except as expressly provided to the contrary, nothing in this Agreement is intended, nor will be deemed, to confer upon any person or legal entity other than you, we, and such of our respective successors and assigns as may be contemplated (and, as to you, permitted) by Section 16.4 above, any rights or remedies under or by reason of this Agreement.
- 26.4 *Captions Don't Amend Terms.* All captions in this Agreement are intended solely for the convenience of the parties, and no caption will be deemed to affect the meaning or construction of any provision hereof.
- 26.5 *Including.* The parties agree that when the terms “include”, “includes”, and “including” are used in this Agreement, those terms shall be understood to mean “including but not limited to”.
- 26.6 *Interest.* The parties agree that when the term “interest” is used to indicate an ownership interest in another party, that term means all possible interests including direct, indirect, and beneficial interests.
- 26.7 *Survival.* All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, will so survive the expiration and/or termination of this Agreement.
- 26.8 *Expenses.* Each party agrees to bear all of the costs of exercising its rights and carrying out its responsibilities under this Agreement, except as otherwise provided.
- 26.9 *Counterparts.* This Agreement may be signed in counterparts, and signature pages may be exchanged by electronic means, each such counterpart, when taken together with all other identical copies of this Agreement also signed in counterpart, will be considered as one complete Agreement.

## **27 APPLICABLE LAW AND DISPUTE RESOLUTION**

- 27.1 *Choice of Law.* This Agreement takes effect when we accept and sign this document. This Agreement will be interpreted and construed exclusively under the laws of the State of New York, which laws will prevail in the event of any conflict of law (without regard to, and without giving effect to, the application of New York choice-of-law rules); provided, however, that if the covenants in Section 19 of this Agreement would not be enforced as written under New York law, then the parties agree that those covenants will instead be interpreted and construed under the laws of the state in which the Franchised Business is located. Nothing in this Section 27.1 is intended by the parties to invoke the application of any franchise, business opportunity, antitrust, implied covenant, unfair competition, fiduciary, and/or other doctrine of law of the State of New York (or any other state) that would not otherwise apply if the words in this Section 27.1 were not included in this Agreement.

- 27.2 **Choice of Venue.** Subject to Section 27.3 below, the parties agree that any action that you bring against us, in any court, whether federal or state, must be brought only within the courts that have jurisdiction over New York, New York. Any action that we bring against you in any court, whether federal or state, may be brought within the state and judicial district in which we maintain our principal place of business or elsewhere.
- 27.2.1 The parties agree that this Section 27.2 will not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue will be as set forth above.
- 27.2.2 The parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.
- 27.2.3 Any such action will be conducted on an individual basis, and not as part of a consolidated, common, or class action.
- 27.3 **Mediation.** Before any party may bring an action in court against the other, the parties agree that they must first meet to mediate the dispute (except as otherwise provided in Section 27.5 below). Any such mediation will be non-binding and will be conducted in accordance with the then-current rules for mediation of commercial disputes of JAMS, Inc. (formerly, "Judicial Arbitration and Mediation Services, Inc.") at its location in or nearest to New York, New York.
- 27.4 **Parties Rights Are Cumulative.** No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor will be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each will be cumulative of every other right or remedy.
- 27.5 **Injunctions.** Nothing contained in this Agreement will bar our right to obtain injunctive relief in a court of competent jurisdiction against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.
- 27.6 **WAIVER OF JURY TRIALS.** EACH PARTY TO THIS AGREEMENT IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.
- 27.7 **MUST BRING CLAIMS WITHIN ONE YEAR.** EACH PARTY TO THIS AGREEMENT AGREES THAT ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE PARTIES' RELATIONSHIP, AND/OR YOUR OPERATION OF THE FRANCHISED BUSINESS, BROUGHT BY ANY PARTY HERETO AGAINST THE OTHER (EXCLUDING CLAIMS SEEKING INDEMNIFICATION), SHALL BE COMMENCED WITHIN ONE (1) YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM OR ACTION, OR, IT IS EXPRESSLY ACKNOWLEDGED AND AGREED BY ALL PARTIES, SUCH CLAIM OR ACTION SHALL BE IRREVOCABLY BARRED.
- 27.8 **WAIVER OF PUNITIVE DAMAGES.** EACH PARTY TO THIS AGREEMENT HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES IT HAS SUSTAINED (INCLUDING LOST FUTURE ROYALTIES).

27.9 *Payment of Legal Fees.* You agree to pay us all damages, costs and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in: **(a)** obtaining injunctive or other relief for the enforcement of any provisions of this Agreement (including Sections 9 and 17 above); and/or **(b)** successfully defending a claim from you that we misrepresented the terms of this Agreement, fraudulently induced you to sign this Agreement, that the provisions of this Agreement are not fair, were not properly entered into, and/or that the terms of this Agreement (as it may be amended by its terms) do not exclusively govern the parties' relationship.

## **28 ACKNOWLEDGMENTS**

28.1 *Your Investigation of the Restaurant Possibilities.* You acknowledge, recognize, and agree that: **(a)** you conducted an independent investigation of the business franchised under this Agreement; **(b)** this business venture involves business and financial risks; and **(c)** your success will be largely dependent upon your personal ability (and that of your owners as independent businesspersons).

28.2 *No Warranties or Guarantees.* We expressly disclaim the making of (and you agree that you did not receive) any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business contemplated by this Agreement.

28.3 *Receipt of FDD and Complete Agreement.* You acknowledge receipt of a copy of this Agreement, the exhibit(s), and agreements relating to this Agreement (if any), with all of the blank lines filled in, with sufficient time to review it with your advisors. You also acknowledge receipt of our FDD at least fourteen (14) days before you signed this Agreement and made any payment to us.

28.4 *You Have Read the Agreement.* You agree that you have read and understood the FDD, this Agreement, and all of the exhibits to this Agreement.

28.5 *Your Advisors.* You acknowledge that we recommended that you seek advice from advisors of your own choosing (including a lawyer and an accountant) about the potential benefits and risks of entering into this Agreement, and that you had sufficient time and opportunity to consult with those advisors (even if you chose not to do so).

28.6 *No Conflicting Obligations.* Each party represents and warrants to the other party that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict that party from: **(a)** negotiating and entering into this Agreement; **(b)** exercising its rights under this Agreement; and/or **(c)** fulfilling its obligations and responsibilities under this Agreement.

28.7 *Your Responsibility for the Choice of the Accepted Location.* You agree that you have sole and complete responsibility for the choice of the Accepted Location; that we have not (and will not be deemed to have, even by our requirement that you use a location service and/or our approval of the site that is the Accepted Location) given any representation, promise, or guarantee of your success at the Accepted Location; and that you will be solely responsible for your own success at the Accepted Location.

28.8 *Your Responsibility for Operation of the Franchised Business.* Although we retain the right to establish and periodically modify System standards, which you have agreed to maintain in the operation of your franchised Restaurant, you retain the right and sole responsibility for the day-

to-day management and operation of the Franchised Business and the implementation and maintenance of system standards at the Franchised Business.

- 28.9 *Different Franchise Offerings to Others.* You agree that we may modify the terms under which we will offer franchises to other parties in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.
- 28.10 *Our Advice.* You agree that our advice is only that; that our advice is not a guarantee of success; and that you must reach and implement your own decisions about how to operate your Franchised Business on a day-to-day basis under the System.
- 28.11 *Your Independence.* You agree that:
- 28.11.1 you are the only party that employs your staff (even though we may provide you with advice, guidance, and training);
  - 28.11.2 we are not your employer nor are we the employer of any of your staff, and even if we express an opinion or provide advice, we will play no role in your decisions regarding their employment (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal);
  - 28.11.3 the guidance that we provide, and requirements under which you will operate, are intended to promote and protect the value of the brand and the Proprietary Marks;
  - 28.11.4 when forming and in operating your business, you had to adopt standards to operate that business, and that instead of developing and implementing your own standards (or those of another party), you chose to adopt and implement our standards for your business (including our System and the requirements under this Agreement); and
  - 28.11.5 you have made (and will remain always responsible for) all of the organizational and basic decisions about establishing and forming your entity, operating your business (including adopting our standards as your standards), and hiring employees and employment matters (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal), engaging professional advisors, and all other facets of your operation.
- 28.12 *Success Depends on You.* You agree that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon your ability as an independent businessperson, your active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided by you and your staff, as well as other factors. We do not make any representation or warranty, express or implied, as to the potential success of the business venture contemplated hereby.
- 28.13 *General Release.* If this Agreement is not the first contract between you (and your affiliates) and us (and our affiliates), then you agree to the following:

*You (on behalf of yourself and your parent, subsidiaries and affiliates and their respective past and present members, officers, directors, members, managers, shareholders, agents and employees, in their corporate and individual capacities) and all guarantors of your obligations under this Agreement (collectively, "**Releasors**") freely and without any influence forever*

*release (and covenant not to sue) us, our parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities (collectively "**Releasees**"), with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, "**claims**"), which any Releasor now owns or holds or may at any time have owned or held, including, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to this Agreement and all other agreements between any Releasor and any Releasee, the sale of any franchise to any Releasor, the development and operation of the Restaurants and the development and operation of all other businesses operated by any Releasor that are franchised by any Releasee. You understand as well that you may later learn of new or different facts, but still, it is your intention to fully, finally, and forever release all of the claims that are released above. This includes your waiver of state laws that may otherwise limit a release (for example, Calif. Civil Code Section 1542, which states that "[a] general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."). You agree that fair consideration has been given by us for this General Release and you fully understand that this is a negotiated, complete and final release of all claims. This General Release does not release any claims arising from representations made in our Franchise Disclosure Document and its exhibits or otherwise affect any claims arising after the date of this Agreement.*

\*\*\*\*\*

**IN WITNESS WHEREOF**, intending to be legally bound by this Agreement, the parties have duly signed and delivered this Agreement as of the Effective Date (as written below).

**Mutabak Karak Global Inc.**

Franchisor

\_\_\_\_\_  
Franchisee Entity

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Effective Date: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address for Notices:

Address for Notices:

**Mutabak Karak Global Inc.**

Telephone: \_\_\_\_\_

Fax: \_\_\_\_\_

Attn: \_\_\_\_\_

E-mail: \_\_\_\_\_

\_\_\_\_\_  
Telephone: \_\_\_\_\_

Fax: \_\_\_\_\_

Attn: \_\_\_\_\_

E-mail: \_\_\_\_\_

Mutabak Karak  
FRANCHISE AGREEMENT  
EXHIBIT A  
DATA SHEET

¶	Subject to this Section of the Franchise Agreement:	Item
1	1.2	The Accepted Location under this Agreement will be: _____ _____.
2	1.3	The Protected Area under this Agreement will be a circle with a radius of _____ miles, with its center at the front door of the Restaurant (subject to 1.3 of this Agreement).
3	13.6	Your minimum expenditure on the Grand Opening Marketing Program will be Three Thousand Dollars (\$3,000), subject to Section 13.6 of this Agreement.

Initials

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisor

Mutabak Karak  
FRANCHISE AGREEMENT  
EXHIBIT B  
GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

In order to induce Mutabak Karak Global Inc. (“**Franchisor**”) to sign the Mutabak Karak Franchise Agreement between Franchisor and \_\_\_\_\_ (“**Franchisee**”), dated \_\_\_\_\_, 202\_\_ (the “**Agreement**”), each of the undersigned parties, jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee’s obligations (monetary and otherwise) under the Agreement as well as any other contract between Franchisee and Franchisor (and/or Franchisor’s affiliates) will be punctually paid and performed.

Each person signing this Personal Guarantee acknowledges and agrees, jointly and severally, that:

- Upon Franchisor’s demand, s/he will immediately make each payment required of Franchisee under the Agreement and/or any other contract (including another franchise agreement) with Franchisor and/or its affiliates.
- S/he waives any right to require Franchisor to: **(a)** proceed against Franchisee for any payment required under the Agreement (and/or any other contract with Franchisor and/or its affiliates); **(b)** proceed against or exhaust any security from Franchisee; **(c)** pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; and/or **(d)** give notice of demand for payment by Franchisee.
- Without affecting the obligations of the undersigned persons 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. Each of the undersigned persons waive notice of amendment of the Agreement (and any other contract with Franchisor and Franchisor’s affiliates) and notice of demand for payment by Franchisee, and agree to be bound by any and all such amendments and changes to the Agreement (and any other contract with Franchisor and Franchisor’s affiliates).
- S/he will defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including reasonable attorneys’ fees, court costs, discovery costs, and all other related 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 (and any other contract with Franchisor and Franchisor’s affiliates) and/or any amendment to the Agreement.
- S/he agrees to be personally bound by all of Franchisee’s covenants, obligations, and promises in the Agreement, which include, but are not limited to, the covenants in the following Sections of the Agreement: **Section 9.3** (generally regarding trademarks), **Section 11** (generally regarding confidentiality), **Section 16** (generally regarding Transfers), **Section 18** (generally regarding obligations upon termination or expiration of this Agreement), and **Section 19** (generally regarding covenants against competition) of the Agreement.
- S/he understands that: **(a)** this Guarantee does not grant her/him any rights under the Agreement (including but not limited to the right to use any of Franchisor’s marks such as the “Mutabak Karak” marks) or the system licensed to Franchisee under the Agreement; **(b)** s/he have read, in full, and understands, all of the provisions of the Agreement that are referred to above in this paragraph, and that s/he intends to fully comply with those provisions of the

Agreement as if they were printed here in full; and (c) s/he have had the opportunity to consult with a lawyer of her/his own choosing in deciding whether to sign this Guarantee.

This Guarantee will be interpreted and construed in accordance with **Section 27** of the Agreement (including but not limited to the waiver of punitive damages, waiver of jury trial, agreement to bring claims within one year, and agreement not to engage in class or common actions). Among other things, that means that this Guarantee will be interpreted and construed exclusively under the laws of the State of New York, and that in the event of any conflict of law, New York law will prevail (without applying New York conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned persons has signed this Guarantee as of the date of the Agreement.

\_\_\_\_\_  
(signed in his/her personal capacity)

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

Home Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
(signed in his/her personal capacity)

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

Home Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
(signed in his/her personal capacity)

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

Home Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Mutabak Karak  
FRANCHISE AGREEMENT  
EXHIBIT C  
LIST OF PRINCIPALS

<b>Name of Principal</b>	<b>Home Address</b>	<b>Percentage Interest Held in Franchisee</b>

Initials

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisor

Mutabak Karak  
FRANCHISE AGREEMENT  
EXHIBIT D

**AUTHORIZATION AGREEMENT FOR ACH PAYMENTS  
(DIRECT DEBITS FOR ROYALTY, MARKETING CONTRIBUTION, AND OTHER FEES)**

\_\_\_\_\_ (Name of Person or Legal Entity)

\_\_\_\_\_ (Tax ID Number (FEIN))

The undersigned depositor (“**Depositor**” or “**Franchisee**”) hereby authorizes Mutabak Karak Global Inc. (“**Franchisor**”) to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account(s) indicated below and the depository designated below (“**Depository**” or “**Bank**”) to debit or credit such account(s) pursuant to our instructions.

\_\_\_\_\_   
Depository/Bank Name

\_\_\_\_\_   
Branch Name

\_\_\_\_\_   
City

\_\_\_\_\_   
State

\_\_\_\_\_   
Zip Code

\_\_\_\_\_   
Bank Transit/ABA Number

\_\_\_\_\_   
Account Number

This authorization is to remain in full and force and effect until sixty (60) days after we have received written notification from Franchisee of its termination.

Printed Name  
of Depositor: \_\_\_\_\_

Signed By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Mutabak Karak  
FRANCHISE AGREEMENT

EXHIBIT E  
ADA CERTIFICATION

Mutabak Karak Global Inc. ("**Franchisor**" or "**us**") and \_\_\_\_\_ ("**Franchisee**" or "**you**") are parties to a franchise agreement dated \_\_\_\_\_, 202\_\_\_\_ (the "**Franchise Agreement**") for the operation of a Franchised Business at (the "**Franchised Business**").

- In accordance with Section 5.6.2 of the Franchise Agreement, you certify to us that, to the best of your knowledge, the Franchised Business and its adjacent areas comply with all applicable federal, state, and local accessibility laws, statutes, codes, rules, regulations, and standards, including but not limited to the Americans with Disabilities Act.
- You acknowledge that you are an independent contractor and the requirement of this certification by Franchisor does not constitute ownership, control, leasing, or operation of the Franchised Business.
- You acknowledge that we have relied on the information contained in this certification.
- You agree to indemnify us and our officers, directors, members, managers, shareholders, and employees in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party(ies) as a result of any matters associated with your compliance with the Americans with Disabilities Act, as well as the costs (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) related to the same.

Acknowledged and Agreed:

\_\_\_\_\_  
Franchisee:

By:\_\_\_\_\_

Printed Name:\_\_\_\_\_

Title:\_\_\_\_\_

Mutabak Karak  
FRANCHISE AGREEMENT  
EXHIBIT F

SAMPLE FORM OF  
NON-DISCLOSURE AGREEMENT

THIS NON-DISCLOSURE AGREEMENT (“**Agreement**”) is made on \_\_\_\_\_ by and between \_\_\_\_\_ (the “**Franchisee**”) and \_\_\_\_\_, who is an employee of Franchisee (the “**Employee**”).

Background:

A. Mutabak Karak Global Inc. (“**Franchisor**”) owns a format and system (the “**System**”) relating to the establishment and operation of “Mutabak Karak” businesses in structures that bear Franchisor’s interior and exterior trade dress, and under its Proprietary Marks, as defined below (each, a “**Restaurant**”).

B. Franchisor identifies “Mutabak Karak” Restaurants by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin (including for example the mark “Mutabak Karak”) and certain other trade names, service marks, and trademarks that Franchisor currently and may in the future designate in writing for use in connection with the System (the “**Proprietary Marks**”).

C. Franchisor and Franchisee have executed a Franchise Agreement (“**Franchise Agreement**”) granting Franchisee the right to operate a “Mutabak Karak” Restaurant (the “**Franchised Business**”) and to offer and sell products, services, and other ancillary products approved by Franchisor and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement.

D. The Employee, by virtue of his or her position with Franchisee, will gain access to certain of Franchisor’s Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

**IN CONSIDERATION** of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are acknowledged, the parties agree as follows:

1. Confidential Information. During the time that Member is engaged by Franchisee, and after that engagement ends, Member will not communicate, divulge, or use for the benefit of any other party the methods of operation of the Franchised Business that the Member learns about during the Member’s engagement by Franchisee. Any and all information, knowledge, know-how, and techniques that are deemed confidential are will be deemed confidential for purposes of this Agreement.

2. Injunctive Relief. Employee acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Employee agrees to pay all costs (including reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

3. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, will be held invalid by any court of competent jurisdiction for any reason, then the Employee agrees that the court will have the authority to reform and modify that provision in order that the restriction will be the maximum necessary to protect Franchisor's and/or Employee's legitimate business needs as permitted by applicable law and public policy. In so doing, the Employee agrees that the court will impose the provision with retroactive effect as close as possible to the provision held to be invalid.

4. Delay. No delay or failure by the Franchisor or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

5. Third-Party Beneficiary. Employee hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

6. Employer. Employee hereby acknowledges and agrees that Franchisee is its employer, and that Franchisor does not employ Employee, is not a "joint employer" with Franchisee, nor does Franchisor have anything to say about Employee's employment relationship to Franchisee.

**IN WITNESS WHEREOF**, the Franchisee and the Employee attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

FRANCHISEE

EMPLOYEE

\_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Mutabak Karak  
FRANCHISE AGREEMENT  
EXHIBIT G

**SITE SELECTION ADDENDUM**

Mutabak Karak Global Inc. (“**Franchisor**” or “**us**” or “**we**”) and \_\_\_\_\_ (“**Franchisee**” or “**you**”) have this \_\_\_\_ day of \_\_\_\_\_, 202\_\_\_\_ entered into a Mutabak Karak Franchise Agreement (“**Franchise Agreement**”) and wish to supplement its terms as set out below in this Site Selection Addendum (the “**Addendum**”). The parties agree as follows:

**AGREEMENT**

1. **Time to Locate Site:** Within ninety (90) days after the date of this Addendum, you agree to acquire or enter into a binding lease/sublease (collectively, a “**lease**”), at your own expense, commercial real estate that is properly zoned for the use of the business that you will conduct under the Franchise Agreement (the “**Franchised Business**”) at a site that we will have approved in writing as provided below. You must provide us with a copy of the signed purchase agreement or lease/sublease (and you need to close/settle on the property if purchasing).

a. Such location must be within the following area: \_\_\_\_\_

(the “**Site Selection Area**”).

b. The only reason that the Site Selection Area is described is for the purpose of selecting a site for the Franchised Business.

c. We will not establish, nor franchise another party to establish, a “Mutabak Karak” business operating under the System within the Site Selection Area until the end of the Search Week. For purposes of this Addendum, the term “**Search Week**” means ninety (90) days from the date of this Addendum, or the period from the date of this Addendum until we have approved of a location for your Franchised Business, whichever event first occurs. Upon expiration of the Search Week, the protections of this paragraph 1.c will expire and you will have no further rights in and to the Site Selection Area other than as otherwise provided in the Franchise Agreement.

d. If you do not acquire or lease a site (that we have approved in writing) for the Franchised Business in accordance with this Addendum by not later than one hundred and eighty (180) days after the date of this Addendum, that will constitute a default under Section 17.2 of the Franchise Agreement and also under this Addendum, and we will have the right to terminate the Franchise Agreement and this Addendum pursuant to the terms of Section 17.2 of the Franchise Agreement.

2. **Site Evaluation Services:** We will provide you with our site selection guidelines, including our minimum standards for a location for the Franchised Business, and such site selection counseling and assistance as we may deem advisable. We will perform one (1) on-site evaluation as we may deem advisable in response to your requests for site approval without a separate charge. If we perform any additional on-site evaluations, you must reimburse, as applicable, us for all reasonable expenses that we incur in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging and meals. We will not provide on site evaluation for any proposed site before we have received from you a completed site approval form for the site (prepared as set forth in Section 3 below).

3. **Site Selection Package Submission and Approval:** You must submit to us, in the form that we specify: **(a)** a completed site approval form (in the form that we require); **(b)** such other information or materials that we may reasonably require; and **(c)** an option contract, letter of intent, or other evidence satisfactory to us that confirms your favorable prospects for obtaining the site. You acknowledge that time is of the essence. We will have thirty (30) days after receipt of all such information and materials from you to approve or disapprove the proposed site as the location for the Franchised Business. We have the right to approve or disapprove any such site to serve as the Accepted Location for the Franchised Business. If we do not approve a proposed site by giving you written notice within the 30-day period, then we will be deemed to have disapproved the site.

4. **Lease Responsibilities:** After we have approved a site and before the expiration of the Search Week, you must execute a lease, which must be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Our approval of any lease is conditioned upon inclusion in the lease of the lease rider attached to the Franchise Agreement as Exhibit G. However, even if we examine the lease, we are not responsible for review of the lease for any terms other than those contained in the lease rider.

5. **Accepted Location:** After we have approved the location for the Franchised Business and you have leased or acquired that location, the location will constitute the **Accepted Location** described in Section 1.2 of the Franchise Agreement. The Accepted Location will be specified on Exhibit A to the Franchise Agreement, and will become a part the Franchise Agreement.

a. You hereby agree that our approval of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Business or for any other purpose. Our approval of the site indicates only that we believe the site complies with our minimum acceptable criteria solely for our own purposes as of the time of the evaluation. The parties each acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to our approval of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria that we used could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond our control.

b. We will not be responsible for the failure of a site (even if we have approved that site) to meet your expectations as to revenue or operational criteria.

c. You agree that your acceptance of a franchise for the operation of the Franchised Business at the site is based on its own independent investigation of the suitability of the site.

6. **Construction:** This Addendum will be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum will be controlling with respect to the subject matter hereof. All capitalized terms not otherwise defined herein will have the same meaning as set forth in the Franchise Agreement. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, each party hereto has caused its duly authorized representative to duly execute and deliver this Addendum on the date first above written.

**Mutabak Karak Global Inc.**  
Franchisor

\_\_\_\_\_  
Franchisee

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Mutabak Karak  
FRANCHISE AGREEMENT  
EXHIBIT H  
LEASE RIDER

**THIS ADDENDUM** (the "**Addendum**") has been executed as of this \_\_\_ day of \_\_\_\_\_, 202\_\_\_, 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 \_\_\_\_\_, 202\_\_\_ for the premises located at \_\_\_\_\_, in the State of \_\_\_\_\_ ("**Premises**").

Franchisee has also entered (or will also enter) into a Franchise Agreement ("**Franchise Agreement**") with Mutabak Karak Global Inc. ("**Franchisor**") for the development and operation of a "Mutabak Karak" business at the Premises, and as a condition to obtaining Franchisor's approval of the Lease, the Lease for the Premises must contain the provisions contained in 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. Landlord agrees to deliver to Franchisor a copy of any notice of default by Franchisee or termination of the Lease at the same time such notice is delivered to Franchisee. Franchisor agrees to deliver to Landlord a copy of any notice of termination under the Franchise Agreement. Franchisee hereby consents to that exchange of information by Landlord and Franchisor.
2. Franchisee hereby assigns to Franchisor, with Landlord's irrevocable and unconditional consent, 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 will be effective unless and until: (a) the Franchise Agreement is terminated or expires without renewal; and (b) Franchisor has notified the Franchisee and Landlord in writing that Franchisor assumes Franchisee's obligations under the Lease.
3. Franchisor will have the right, but not the obligation, to cure any breach of the Lease (within fifteen (15) business days after the expiration of the period in which Franchisee had to cure any such default by Franchisee, should Franchisee fail to do so) 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. The Lease may not be modified, amended, supplemented, renewed, extended or assigned by Franchisee without Franchisor's prior written consent.
4. Franchisee and Landlord agree that Franchisor will have no liability or obligation whatsoever under the Lease unless and until Franchisor assumes the Lease in writing pursuant to Section 2 or Section 3, above.
5. If Franchisor assumes the Lease, as provided above, Franchisor may, without Landlord's prior consent, sublet and/or assign the Lease to another franchisee of Franchisor to operate a "Mutabak Karak" business at the Premises provided that the proposed franchisee has met all of Franchisor's applicable criteria and requirements and has executed a franchise agreement

with Franchisor. Landlord agrees to execute such further documentation to confirm its consent to an assignment permitted under this Addendum as Franchisor may reasonably request. Upon such assignment to a franchisee of Franchisor, Franchisor will be released from any further liability under the terms and conditions of the Lease.

6. Landlord and Franchisee hereby acknowledge that Franchisee has agreed under the Franchise Agreement that Franchisor and its employees or agents will have the right to enter the Premises for certain purposes. Landlord hereby agrees not to interfere with or prevent such entry by Franchisor, its employees or agents. Landlord and Franchisee hereby further acknowledge that if the Franchise Agreement expires (without renewal) or is terminated, Franchisee is obligated to take certain steps under the Franchise Agreement to de-identify the Premises as a “Mutabak Karak” business (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 will bear the expense of repairing any damage to the Premises as a result thereof.
7. If Landlord is an affiliate or an owner of Franchisee, Landlord and Franchisee agree that if Landlord proposes to sell the Premises, before the sale of the Premises, upon the request of Franchisor the Lease will be amended to reflect a rental rate and other terms that are the reasonable and customary rental rates and terms prevailing in the community where the “Mutabak Karak” business is located.
8. Landlord agrees that during and after the term of the Lease, it will not disclose or use Franchisor’s Confidential Information (as defined below) for any purpose other than for the purpose of fulfilling Landlord’s obligations under the Lease. “**Confidential Information**” as used herein will mean all non-public information and tangible things, whether written, oral, electronic or in other form, provided or disclosed by or on behalf of Franchisee to Landlord, or otherwise obtained by Landlord, regarding the design and operations of the business located at the Premises, including, without limitation, all information identifying or describing the floor plan and layout, furnishings, equipment, fixtures, wall coverings, flooring materials, shelving, decorations, trade secrets, techniques, trade dress, “look and feel,” design, manner of operation, suppliers, vendors, and all other products, goods, and services used, useful or provided by or for Franchisee on the Premises. Landlord acknowledges that all such Confidential Information belongs exclusively to Franchisor.
9. Landlord agrees that: **(a)** Franchisor has granted Franchisee the right to use Franchisor’s proprietary trade name, trademarks, service marks logos, insignias, slogans, emblems, symbols, designs and indicia of origin (collectively the “**Marks**”) at the Premises, pursuant to the terms of the Franchise Agreement; and **(b)** Franchisor has not granted to Landlord the right to use the Marks.
10. Landlord and Franchisee agree that the Premises will be used solely for the operation of a “Mutabak Karak” business.
11. Landlord and Franchisee agree that any default by Franchisee under the Lease will also constitute a default under the Franchise Agreement, and any default by Franchisee under the Franchise Agreement will also constitute a default by Franchisee under the Lease.
12. Landlord and Franchisee agree that the terms in this Addendum will supersede any contrary terms in the Lease and that they will not later amend the lease in a manner that supersedes the terms in this Addendum.

13. Franchisor, along with its successors and assigns, is an intended third party beneficiary of the provisions of this Addendum.

14. Landlord and Franchisee agree that copies of any and all notices required or permitted under this Addendum, or under the Lease, will also be sent to Franchisor at \_\_\_\_\_ (attention \_\_\_\_\_), or to such other address as Franchisor may specify by giving written notice to Landlord.

WITNESS the execution hereof under seal.

Landlord:

Franchisor\*

Franchisee:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Date:

Date:

Date:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Subscribed and sworn to  
before me this \_\_\_\_ day of  
\_\_\_\_\_, 202\_\_\_\_.

Subscribed and sworn to  
before me this \_\_\_\_ day of  
\_\_\_\_\_, 202\_\_\_\_.

Subscribed and sworn to  
before me this \_\_\_\_ day of  
\_\_\_\_\_, 202\_\_\_\_.

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
Notary Public

My Commission expires:  
\_\_\_\_\_

My Commission expires:  
\_\_\_\_\_

My Commission expires:  
\_\_\_\_\_

\* The Franchisor has signed  
this lease rider only to  
acknowledge its terms and  
not to accept any obligations  
under the lease.

Mutabak Karak  
FRANCHISE AGREEMENT  
EXHIBIT I  
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**Exhibit B****List of Administrators**

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

<p><b>CALIFORNIA</b>  Commissioner  Dep’t of Financial Protection &amp; Innovation  320 West Fourth St., Suite 750  Los Angeles, CA 90013-2344  (213) 576-7500 / Toll Free: (866) 275-2677</p>	<p><b>NEW YORK</b>  New York State Dep’t of Law  Investor Protection Bureau  28 Liberty St., 21<sup>st</sup> Floor  New York, NY 10005  (212) 416-8222</p>
<p><b>HAWAII</b>  Commissioner of Securities  Dep’t of Commerce &amp; Consumer Affairs  Bus. Reg. Div., Securities Compliance Branch  335 Merchant St., Room 203  Honolulu, HI 96813 / (808) 586-2722</p>	<p><b>NORTH DAKOTA</b>  North Dakota Securities Dep’t  State Capitol – Dep’t 414  600 East Boulevard Av., Fifth Floor  Bismarck, ND 58505-0510  (701) 328-4712</p>
<p><b>ILLINOIS</b>  Illinois Office of the Attorney General  Franchise Bureau  500 South Second St.  Springfield, IL 62706  (217) 782-4465</p>	<p><b>RHODE ISLAND</b>  Dep’t of Business Regulation  Securities Div., Building 69, First Floor  John O. Pastore Center - 1511 Pontiac Av.  Cranston, RI 02920  (401) 462-9527</p>
<p><b>INDIANA</b>  Secretary of State  Franchise Section  302 West Washington, Room E-111  Indianapolis, IN 46204  (317) 232-6681</p>	<p><b>SOUTH DAKOTA</b>  Div. of Insurance  Securities Regulation  124 South Euclid Av., Suite 104  Pierre, SD 57501  (605) 773-3563</p>
<p><b>MARYLAND</b>  Office of the Attorney General  Securities Div.  200 St. Paul Place  Baltimore, MD 21202-2020  (410) 576-6360</p>	<p><b>VIRGINIA</b>  State Corporation Commission  Div. of Securities and Retail Franchising  1300 East Main St., 9th Floor  Richmond, VA 23219  (804) 371-9051</p>
<p><b>MICHIGAN</b>  Florida Attorney General’s Office  Corporate Oversight Div., Franchise Section  525 West Ottawa St., 1st Floor  Lansing, MI 48913  (517) 335-7567</p>	<p><b>WASHINGTON</b>  Dep’t of Financial Institutions  Securities Div. – 3rd Floor  P.O. Box 41200  Olympia, Washington 98504-1200  (360) 902-8760</p>
<p><b>MINNESOTA</b>  Minnesota Dep’t of Commerce  85 7th Place East, Suite 280  St. Paul, MN 55101  (651) 539-1600</p>	<p><b>WISCONSIN</b>  Div. of Securities  4822 Madison Yards Way, North Tower  Madison, WI 53705  (608) 266-2139</p>

**Exhibit C:****Agents for Service of Process**

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

<b>CALIFORNIA</b> Commissioner Dep’t of Financial Protection & Innovation 320 West Fourth St., Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500 / Toll Free: (866) 275-2677	<b>NEW YORK</b> Secretary of State One Commerce Plaza 99 Washington Av., 6 <sup>th</sup> Floor Albany, NY 12231-0001 (518) 473-2492
<b>HAWAII</b> Commissioner of Securities of the State of Hawaii Dep’t of Commerce & Consumer Affairs Bus. Reg. Div., Securities Compliance Branch 335 Merchant St., Room 203 Honolulu, HI 96813 / (808) 586-2722	<b>NORTH DAKOTA</b> North Dakota Securities Commissioner State Capitol 600 East Boulevard Av., Fifth Floor Bismarck, ND 58505-0510 (701) 328-4712
<b>ILLINOIS</b> Illinois Attorney General 500 South Second St. Springfield, IL 62706 (217) 782-4465	<b>RHODE ISLAND</b> Director of Dep’t of Business Regulation Dep’t of Business Regulation Securities Div., Building 69, First Floor John O. Pastore Center - 1511 Pontiac Av. Cranston, RI 02920 (401) 462-9527
<b>INDIANA</b> Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, IN 46204 (317) 232-6681	<b>SOUTH DAKOTA</b> Div. of Insurance Director of the Securities Regulation 124 South Euclid Av., Suite 104 Pierre, SD 57501 (605) 773-3563
<b>MARYLAND</b> Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	<b>VIRGINIA</b> Clerk of the State Corporation Commission 1300 East Main St., 1 <sup>st</sup> Floor Richmond, VA 23219 (804) 371-9733
<b>MICHIGAN</b> Florida Attorney General’s Office Corporate Oversight Div., Franchise Section 525 West Ottawa St., 1st Floor Lansing, MI 48913 (517) 335-7567	<b>WASHINGTON</b> Director of Dep’t of Financial Institutions Securities Div. – 3rd Floor P.O. Box 41200 Olympia, Washington 98504-1200 (360) 902-8760
<b>MINNESOTA</b> Commissioner of Commerce Minnesota Dep’t of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101 (651) 539-1600	<b>WISCONSIN</b> Div. of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705 (608) 266-2139

**Exhibit D: Mutabak Karak Franchisees and Former Franchisees**

**US**

Current US franchisees as of our fiscal year ended Dec. 31, 2024:

None

Former US franchisees as of our fiscal year ended Dec. 31, 2024 and thru date of this FDD:

None

**Canada**

Current Canada franchisees as of our fiscal year ended Dec. 31, 2024:

Mutabak Karak Scarborough	1000883932 ONTARIO INC.	Ali Noman <a href="mailto:alimns@gmail.com">alimns@gmail.com</a>	69 Lebovic Ave D105 Scarborough, ON M1L 0H2	416-208-0007
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Former Canada franchisees as of our fiscal year ended Dec. 31, 2024 and thru date of this FDD:

None

**Exhibit E: Mutabak Karak Company-Owned Businesses**

Current Company-owned Mutabak Karak Restaurants as of our fiscal year ended December 31, 2024:

US - None

Canada –

Mutabak Karak Mississauga	3480 Platinum Dr Unit 98, Mississauga, ON L5M 2S4	905-606-2226
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# BASSI & KARIMJEE LLP

CHARTERED  
PROFESSIONAL  
ACCOUNTANTS  
Licensed Public Accountants

April 28, 2025  
Confidential

2430505 Ontario Inc.  
Operating as Willowbrae Academy  
10651 Chinguacousy Road  
Unit A2  
Brampton Ontario L7A 0N5

Attention: Kamal Al-kabodi, Director

Dear Kamal:

Re: Client enclosure letter

## ENCLOSURES

We are enclosing:

### Financial statements

- A PDF of your audited financial statements of 2430505 Ontario Inc., operating as Willowbrae Academy, for the year ended December 31, 2024.

### Invoice enclosed

- Our invoice, which we trust you will find in order.

### Year end adjusting entries enclosed

- Our year-end journal entries and other relevant working papers are being provided to assist you in updating your accounting system. If you find after inputting our year-end entries that your general ledger does not agree to our closing balances, please contact our office so we may help you rectify the problem.

### Management letter

- A PDF of the management letter.

## OTHER MATTERS

### Notice of Assessment

Upon receipt of your federal tax notice of assessment please send or fax a copy to our office so we may review it for correctness. If there is a disagreement upon our review we will notify you in due course.

### Items requiring a signature

Below is a list of documents that require your immediate signature. These documents will be sent for electronic signature. Please sign where indicated and click on the links in the emails and digitally sign off each of the following:

- Management representation letter;
- Financial statements;

- Adjusting Journal Entries;

**CLOSING COMMENTS**

We have relied on you to provide us with the necessary information in a form sufficiently complete to enable us to prepare the financial statements.

We thank you for the opportunity to be of service to you and trust everything is in order. If you have any questions or concerns, please contact us by email at [joozer@bkllp.ca](mailto:joozer@bkllp.ca) or call 905-595-9600.

Yours truly,

A handwritten signature in blue ink, appearing to read 'Joozer Karimjee', with a stylized flourish at the end.

Joozer Karimjee, CPA, CA  
Partner  
[joozer@bkllp.ca](mailto:joozer@bkllp.ca)

Encl.

**2430505 ONTARIO INC.**  
***(Operating as Willowbrae Academy)***  
**Financial Statements**  
**Year Ended December 31, 2024**

**2430505 ONTARIO INC.**  
***(Operating as Willowbrae Academy)***  
**Index to Financial Statements**  
**Year Ended December 31, 2024**

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**INDEPENDENT AUDITOR'S REPORT**

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To the Shareholders of 2430505 Ontario Inc. operating as Willowbrae Academy

*Opinion*

We have audited the financial statements of 2430505 Ontario Inc., operating as Willowbrae Academy, (the "company"), which comprise the balance sheet as at December 31, 2024, and the statements of income and retained earnings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2024, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises (ASPE).

*Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASPE, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

(continues)

Independent Auditor's Report to the Shareholders of 2430505 Ontario Inc. operating as Willowbrae Academy (*continued*)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Bassi & Karimjee LLP*

Brampton, Ontario  
April 28, 2025

Chartered Professional Accountants  
Licensed Public Accountants

**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Balance Sheet**  
**December 31, 2024**

	2024	2023
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 920,865	\$ 890,344
Accounts receivable	64,074	61,677
Income taxes recoverable	35,919	6,101
Security deposits	34,096	34,096
	<b>1,054,954</b>	992,218
PROPERTY, PLANT AND EQUIPMENT (Note 3)	145,007	81,027
INTANGIBLE ASSETS (Note 4)	23,730	25,707
DUE FROM RELATED PARTY (Note 8)	732,500	412,500
	<b>\$ 1,956,191</b>	<b>\$ 1,511,452</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 79,950	\$ 87,153
Deferred revenue	209,511	189,655
Government funding repayable (Note 7)	457,382	156,807
Deferred construction allowance (Note 11)	20,525	20,525
Current portion of long term debt (Note 6)	-	39,346
	<b>767,368</b>	493,486
LONG TERM DEBT (Note 6)	-	85,251
DUE TO SHAREHOLDERS	216	216
DEFERRED CONSTRUCTION ALLOWANCE (Note 11)	20,525	41,050
	<b>788,109</b>	620,003
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 9)	200	200
Retained earnings	1,167,882	891,249
	<b>1,168,082</b>	891,449
	<b>\$ 1,956,191</b>	<b>\$ 1,511,452</b>

**ON BEHALF OF THE BOARD**

\_\_\_\_\_ *Asim* Director

\_\_\_\_\_ Director

See accompanying notes to financial statements

**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Statement of Income and Retained Earnings**  
**Year Ended December 31, 2024**

	2024	2023
<b>REVENUES</b>		
Daycare services	\$ 2,448,086	\$ 2,087,874
Fee assistance	767,275	999,356
	<u>3,215,361</u>	<u>3,087,230</u>
<b>COST OF SALES</b>		
Direct wages	1,040,163	817,206
Supplies	269,681	284,792
Royalties	236,927	230,479
	<u>1,546,771</u>	<u>1,332,477</u>
<b>GROSS PROFIT</b>	<b>1,668,590</b>	<b>1,754,753</b>
<b>EXPENSES</b> (Schedule 1)	<u>1,025,653</u>	<u>982,854</u>
<b>INCOME FROM OPERATIONS</b>	<b>642,937</b>	<b>771,899</b>
<b>OTHER INCOME</b>		
Other income (Note 3)	58,755	37,949
<b>INCOME BEFORE INCOME TAXES</b>	<b>701,692</b>	<b>809,848</b>
<b>INCOME TAXES</b>		
Current (Note 10)	117,059	143,899
<b>NET INCOME</b>	<b>584,633</b>	<b>665,949</b>
<b>RETAINED EARNINGS - BEGINNING OF YEAR</b>	<u>891,249</u>	<u>638,732</u>
	<b>1,475,882</b>	<b>1,304,681</b>
<b>DIVIDENDS DECLARED</b>	<u>(308,000)</u>	<u>(413,432)</u>
<b>RETAINED EARNINGS - END OF YEAR</b>	<u>\$ 1,167,882</u>	<u>\$ 891,249</u>

See accompanying notes to financial statements

**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Statement of Cash Flows**  
**Year Ended December 31, 2024**

	2024	2023
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 584,633	\$ 665,949
Items not affecting cash:		
Amortization of property, plant and equipment	28,413	18,277
Amortization of intangible assets	1,978	1,978
Deferred construction allowance	<u>(20,525)</u>	<u>(20,525)</u>
	<b>594,499</b>	<b>665,679</b>
Changes in non-cash working capital:		
Accounts receivable	(2,397)	20,379
Accounts payable and accrued liabilities	(7,205)	23,265
Deferred revenue	19,856	33,053
Income taxes payable	(29,818)	(80,175)
Government funding repayable	<u>300,575</u>	<u>(54,003)</u>
	<b>281,011</b>	<b>(57,481)</b>
Cash flow from operating activities	<u><b>875,510</b></u>	<u><b>608,198</b></u>
<b>INVESTING ACTIVITY</b>		
Purchase of property, plant and equipment	<u><b>(92,392)</b></u>	<u><b>(24,244)</b></u>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(308,000)	(413,432)
Advances from shareholders	-	28,000
Repayment of long term debt	(124,597)	(39,346)
Advances to related party	<u>(320,000)</u>	<u>(412,500)</u>
Cash flow used by financing activities	<u><b>(752,597)</b></u>	<u><b>(837,278)</b></u>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>30,521</b>	<b>(253,324)</b>
CASH - BEGINNING OF YEAR	<u><b>890,344</b></u>	<u><b>1,143,668</b></u>
<b>CASH - END OF YEAR</b>	<u><b>\$ 920,865</b></u>	<u><b>\$ 890,344</b></u>

See accompanying notes to financial statements

**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Notes to Financial Statements**  
**Year Ended December 31, 2024**

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1. DESCRIPTION OF BUSINESS

2430505 Ontario Inc. (the Company) is incorporated under the Ontario Business Corporations Act. The company's principal activity is providing daycare services at its facility located in Brampton, Ontario and is operating under the franchise name of Willowbrae Academy.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for private enterprises (ASPE).

Measurement uncertainty

The preparation of financial statements in conformity with ASPE requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

The main estimates relate to the impairment of financial assets, the useful life of property, plant and equipment, the impairment of intangible assets and the accrued liabilities.

Cash and cash equivalents

Cash consists primarily of cash held at Canadian chartered banks.

Revenue recognition

Revenue from daycare services is recognized as services are performed and when cash collection is reasonably assured. Deferred income consists of fees received from customers for future daycare services. Deferred income is recognized as revenue as the daycare services are performed. Deposits are made by customers as security for the final weeks services and are recognized as revenue as daycare services are provided or refunded if adequate notice is provided by the customers. Other miscellaneous revenues are recognized on a cash basis. Government subsidies are recognized as revenue when assessed by the government.

Royalties

Royalties are recognized as they accrue, in accordance with the terms of the relevant agreement. The Company entered into a franchise agreement to use certain Willowbrae Academy intellectual property in exchange for ongoing royalty payments.

*(continues)*

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**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Notes to Financial Statements**  
**Year Ended December 31, 2024**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated amortization. Property, plant and equipment is amortized over its estimated useful life at the following rates and methods:

Equipment	20%	declining balance method
Leasehold improvements	20%	straight-line method

The company regularly reviews its property, plant and equipment to eliminate obsolete items.

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use. In the year of acquisition and disposal, property, plant and equipment are amortized at 50% of the above annual rates.

Intangible assets

Franchise fees are recorded at cost less accumulated amortization. Franchise fees are being amortized on a straight-line basis over its estimated useful life of twenty years.

Income taxes

The company uses the income taxes payable method of accounting for income taxes. Under this method, the company reports as an expense (income) of the period only the cost (benefit) of current income taxes determined in accordance with the rules established by taxation authorities.

Deferred construction allowance

Deferred construction allowance relating to premises rent is accounted for as a reduction of the lease expense over the term of the lease.

Government assistance

Government assistance for acquiring fixed assets and related to expenses is recorded as deferred government assistance and is amortized on the same basis and according to the same rates as the related fixed assets or to income as eligible expenditures are incurred. Government assistance for current expenses is recorded as a reduction of the related expenditures.

Government assistance in the form of subsidies for wages and rent which is included in net income for the period. The amount of government assistance to be received is accrued in the accounts on the basis that there is reasonable assurance that the entity has complied with and will continue to comply with all the conditions of the assistance provided.

*(continues)*

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**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Notes to Financial Statements**  
**Year Ended December 31, 2024**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments policy

*Measurement of financial instruments*

The Company initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Company subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, government funding repayable, long-term debt and amounts due to shareholders.

*Impairment*

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

*Transaction costs*

The Company recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

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3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	<b>2024 Net book value</b>	2023 Net book value
Equipment	\$ 236,578	\$ 164,150	\$ <b>72,428</b>	\$ 74,017
Computer equipment	8,159	2,244	<b>5,915</b>	-
Leasehold improvements	631,263	564,599	<b>66,664</b>	7,010
	<u>\$ 876,000</u>	<u>\$ 730,993</u>	<u>\$ <b>145,007</b></u>	<u>\$ 81,027</u>

During the year, equipment amount to \$50,392 (2023 \$19,583) was acquired through government assistance. As at the year end, the total deferred government assistance recognized as a revenue was \$14,093 (2023 \$7,543).

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**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Notes to Financial Statements**  
**Year Ended December 31, 2024**

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4. INTANGIBLE ASSETS

	2024	2023
Franchise fee	\$ 39,550	\$ 39,550
Accumulated amortization	15,820	13,843
	\$ 23,730	\$ 25,707

The Franchise agreement provides for the operation of a Willowbrae Academy daycare centre and use of certain related intellectual property. The agreement was signed as of December 10, 2015 and is for a term of ten years plus two additional five year periods, depending on certain conditions.

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5. CREDIT FACILITIES

The following credit facilities are available to the Company:

**Facilities:**

- (1) The Company has demand loan facility of \$75,000 bearing interest at bank prime rate plus 1.25%. The facility was not utilized during the year.
- (2) The Company has a corporate Mastercard credit facility, with a maximum borrowing limit of \$100,000. At year-end, \$45,264 (2023 \$44,366) of this facility was unutilized.
- (3) The Company has a small business financing loan of \$137,712 bearing interest at bank prime rate plus 3.00% payable over 5 years. The loan fully repaid during the year. (Note 6).

**Security:**

- (1) Personal guarantee from the shareholders in the amount of \$385,200.
- (2) First ranking general security agreement over the assets of the Company.

**Covenants:**

On an annual basis, the Company and each guarantor is required to assure that any cash injection made by shareholder or investor shall not be repaid within 2 years from the date of Initial Advance. As on the year end, the company is in compliance with this non-financial covenant.

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**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Notes to Financial Statements**  
**Year Ended December 31, 2024**

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6. LONG TERM DEBT

	<b>2024</b>	<b>2023</b>
Bank of Montreal loan bearing interest at prime plus 3.00% per annum, repayable in monthly payments of \$3,279. The loan has been paid off during the year.	\$ -	\$ 124,597
Amounts payable within one year	-	(39,346)
	\$ -	\$ 85,251

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7. GOVERNMENT FUNDING REPAYABLE

During the year, the Company received excess funding from the Region of Peel in the amount of \$457,382 (2023 \$156,807) which have to be repaid subsequent to the year end.

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8. RELATED PARTY TRANSACTION

During the year, the Company paid \$27,120 (2023 \$27,120) as consultancy fees to related parties that are related through common ownership. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year, the Company advanced \$732,500 (2023 \$412,500) as loan to a related party that is related through common ownership. The loan is non-interest bearing, unsecured and the repayments are to start from January 2026, as a result, the loan has been classified as long term.

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**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Notes to Financial Statements**  
**Year Ended December 31, 2024**

9. SHARE CAPITAL

Authorized:

Unlimited Class A shares  
 Unlimited Class B shares  
 Unlimited Common voting shares

	2024	2023
Issued:		
200 Common voting shares	<b>\$ 200</b>	<b>\$ 200</b>

10. INCOME TAXES

	2024	2023
Income before income taxes	<b>\$ 701,692</b>	\$ 809,848
Increase (decrease) resulting from:		
Amortization in excess of capital cost allowance	<b>6,200</b>	(1,439)
Non-taxable or non-deductible expenses	<b>3,649</b>	4,419
Taxable income	<b>\$ 711,541</b>	\$ 812,828
Income taxes	<b>\$ 117,059</b>	\$ 143,899
Income tax rate	<b>16.45 %</b>	17.70 %

11. LEASE COMMITMENTS

The company has a long term lease with respect to its premises, expiring September 30, 2026. The lease contains renewal options and provides for payment of utilities, property taxes and maintenance costs. The lease includes a construction allowance of \$188,145, which is being amortized over the term of the lease. The balance of the construction allowance as at December 31, 2024 is \$41,050 (current portion \$20,525, long term portion \$20,525). In addition, the company has a car lease for a 4 year term that expires in November 2025. Future minimum lease payments and amortization as at December 31, 2024, are as follows:

	Premises Lease	Construction Allowance	Car lease	Total
2025	\$ 413,407	\$ (20,525)	\$ 4,137	\$ 397,019
2026	310,055	(20,525)	-	289,530
	<b>\$ 723,462</b>	<b>\$ (41,050)</b>	<b>\$ 4,137</b>	<b>\$ 686,549</b>

**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Notes to Financial Statements**  
**Year Ended December 31, 2024**

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12. FINANCIAL INSTRUMENTS

The company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the company's risk exposure and concentration as of December 31, 2024.

**(a) Credit risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. The company is exposed to credit risk from customers. In order to reduce its credit risk, the company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. There has been no significant change to the credit risk exposure from the previous year.

**(b) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, accounts payable and accrued liabilities, government funding repayable, loan payable and long term debt. There has been no significant change to the liquidity risk exposure from the previous year.

**(c) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The company is mainly exposed to interest rate risk.

**(d) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the company manages exposure through its normal operating and financing activities. The company is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities. There has been no significant change to the interest rate risk exposure from the previous year.

Unless otherwise noted, it is management's opinion that the company is not exposed to significant currency risk and other price risks arising from these financial instruments.

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**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**

**Expenses**  
**Year Ended December 31, 2024**

**(Schedule 1)**

	<b>2024</b>	<b>2023</b>
Advertising and promotion	\$ 72,892	\$ 58,206
Amortization of intangible assets	1,978	1,978
Amortization of property, plant and equipment	28,413	18,277
Bad debts	-	1,627
Bank charges	5,943	5,872
Business taxes, licences and memberships	1,515	1,929
Insurance	9,340	7,494
Interest on long term debt	2,951	13,728
Meals and entertainment	7,297	8,838
Office and general	29,515	27,950
Professional fees	74,425	68,859
Rent	430,396	430,396
Repairs and maintenance	8,277	12,753
Salaries and wages	245,537	228,063
Telephone	19,325	14,791
Travel	44,207	39,765
Utilities	19,395	22,008
Vehicle	24,247	20,320
	<b>\$ 1,025,653</b>	<b>\$ 982,854</b>

See accompanying notes to financial statements

**2430505 Ontario Inc.**  
**Year End: December 31, 2024**  
**Adjusting Journal Entries**  
**Date: 1/1/2024 To 12/31/2024**

Prepared by	Reviewed by	Senior Manager	Partner
			JMK 4/28/2025

AE. 1

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
1	12/31/2024	Retained Earnings	3600				33.44		
1	12/31/2024	General & Administrative Expenses:Bank Serv	8811			33.44			
		Being minor adjustment to agree opening RE.							
2	12/31/2024	Accumulated Depreciation - Furniture	1701				16,271.62		
2	12/31/2024	Accumulated Depreciation	1706				9,897.60		
2	12/31/2024	Accumulated Depreciation - Computer	1708				2,243.59		
2	12/31/2024	Accumulated Amortization	2006				1,977.50		
2	12/31/2024	Amortization	8900			28,412.81			
2	12/31/2024	Amortization on intangible asset	8901			1,977.50			
		To book amortization for 2024							
3	12/31/2024	Deferred Construction Allowance	2801			20,524.91			
3	12/31/2024	Rent Expense	9000				20,524.91		
		Being transfer of construction allowance to rent expense							
4	12/31/2024	Deferred construction allowance - current	2800				20,524.91		
4	12/31/2024	Deferred Construction Allowance	2801			20,524.91			
		Being split current and of the construction allowance.							
5	12/31/2024	Accruals	2607				8,925.00		
5	12/31/2024	General & Administrative Expenses:Professional	8819			8,925.00			
		To accrue Audit fee							
6	12/31/2024	Deferred Furniture & Equipment Allowance	2802	BB. 3. 1		9,053.46			
6	12/31/2024	other Income	4021	BB. 3. 1			9,053.46		
		To adjust Deferred Furniture & Equipment Allowance							
7	12/31/2024	Deferred Construction Allowance	2801	BB. 3. 3		50,391.91			
7	12/31/2024	Deferred Leasehold Improvement allowance	2803	BB. 3. 3			50,391.91		
7	12/31/2024	Deferred Leasehold Improvement allowance	2803	BB. 3. 3		5,039.19			
7	12/31/2024	other Income	4021	BB. 3. 3			5,039.19		
		To adjust Leasehold Improvement allowance and deferred income for the year							
8	12/31/2024	Current tax	9001			117,059.00			
8	12/31/2024	Corporate tax payable	80001				117,059.00		
		Being 2024 tax provision.							
						<b>261,942.13</b>	<b>261,942.13</b>		
		<b>Net Income (Loss)</b>	<b>584,633.03</b>						

APPROVED BY:  \_\_\_\_\_

**2430505 Ontario Inc.**  
**Year End: December 31, 2024**  
**Trial balance by map number**

<b>Prepared by</b>	<b>Reviewed by</b>	<b>Senior Manager</b>	<b>Partner</b>
			JMK 4/28/2025

**MAPTB. 1**

<b>Account</b>	<b>Prelim</b>	<b>Adj's</b>	<b>Reclass</b>	<b>Rep</b>	<b>Ann.</b>	<b>Rep 12/23</b>	<b>%Chg</b>
1000 BMO Chequing	408,970.83	0.00	0.00	408,970.83		281,222.50	45
1001 RBC Chequing 8753	24,310.46	0.00	0.00	24,310.46		8,821.40	176
1002 RBC Savings	487,584.01	0.00	0.00	487,584.01		599,202.69	(19)
1004 BMO Saving Account	0.03	0.00	0.00	0.03		197.46	(100)
1005 Craft Money	0.00	0.00	0.00	0.00		900.00	(100)
<b>111.1000 Cash</b>	<b>920,865.33</b>	<b>0.00</b>	<b>0.00</b>	<b>920,865.33</b>		<b>890,344.05</b>	<b>3</b>
2002 Accounts Receivable	(182,468.58)	0.00	0.00	(182,468.58)		(109,650.80)	66
2501 Uncategorized Asset	314.61	0.00	0.00	314.61		756.71	(58)
2550 Subsidy (A/R)	246,227.88	0.00	0.00	246,227.88		170,571.30	44
<b>115.1060 Accounts receivable</b>	<b>64,073.91</b>	<b>0.00</b>	<b>0.00</b>	<b>64,073.91</b>		<b>61,677.21</b>	<b>4</b>
2301 Region of Peel Funding:2022- Progr	(5,000.00)	0.00	0.00	(5,000.00)		0.00	0
2302 Region of Peel Funding:2022- Progr	5,000.00	0.00	0.00	5,000.00		0.00	0
2303 Region of Peel Funding:GOF:GOF	(186,058.02)	0.00	0.00	(186,058.02)		(198,783.58)	(6)
2304 Region of Peel Funding:GOF:GOF	186,058.02	0.00	0.00	186,058.02		196,665.59	(5)
2337 Region of Peel Funding:GOF:GOF	(127,757.00)	0.00	0.00	(127,757.00)		(159,263.00)	(20)
2338 Region of Peel Funding:GOF:GOF	127,757.00	0.00	0.00	127,757.00		159,263.00	(20)
2345 Region of Peel Funding:2022 Progr	0.00	0.00	0.00	0.00		(5,000.00)	(100)
2346 Region of Peel Funding:Workforce I	(102,483.99)	0.00	0.00	(102,483.99)		(90,568.00)	13
2348 Region of Peel Funding:CWELCC F	(1,413,338.37)	0.00	0.00	(1,413,338.37)		(1,124,010.73)	26
2349 Region of Peel Funding:CWELCC F	1,230,926.60	0.00	0.00	1,230,926.60		1,123,639.34	10
2352 Region of Peel Funding:CWELCC-C	(140,547.00)	0.00	0.00	(140,547.00)		(356,646.00)	(61)
2353 Region of Peel Funding:CWELCC-C	140,547.00	0.00	0.00	140,547.00		356,646.00	(61)
2354 Region of Peel Funding:Enhanced p	(63,700.27)	0.00	0.00	(63,700.27)		(38,253.00)	67
2355 Region of Peel Funding:2022 Progr	0.00	0.00	0.00	0.00		5,000.00	(100)
2356 Region of Peel Funding:CWELCC F	(406,022.74)	0.00	0.00	(406,022.74)		(107,789.00)	277
2357 Region of Peel Funding:CWELCC F	298,442.36	0.00	0.00	298,442.36		48,951.26	510
2358 Region of Peel Funding: CWELCC I	0.00	0.00	0.00	0.00		(106,379.00)	(100)
2359 Region of Peel Funding: CWELCC I	0.00	0.00	0.00	0.00		106,379.00	(100)
2360 Region of Peel Funding:Enhanced p	38,253.01	0.00	0.00	38,253.01		14,178.01	170
2361 Region of Peel Funding:Workforce I	50,981.01	0.00	0.00	50,981.01		86,955.01	(41)
2362 Region of Peel Funding:CWELCC F	(236,383.00)	0.00	0.00	(236,383.00)		0.00	0
2363 Region of Peel Funding:CWELCC F	236,383.00	0.00	0.00	236,383.00		0.00	0
2364 Region of Peel Funding:CWELCC F	(40,688.00)	0.00	0.00	(40,688.00)		0.00	0
2603 Region of Peel Funding:WEG:WEG	(275,719.94)	0.00	0.00	(275,719.94)		(262,208.11)	5
2604 Region of Peel Funding:WEG:WEG	225,968.33	0.00	0.00	225,968.33		194,416.24	16
<b>128.1484 Government funding repay:</b>	<b>(457,382.00)</b>	<b>0.00</b>	<b>0.00</b>	<b>(457,382.00)</b>		<b>(156,806.97)</b>	<b>192</b>
1805 Security Deposits Asset	125.00	0.00	0.00	125.00		125.00	0
2500 Rental deposit	33,970.64	0.00	0.00	33,970.64		33,970.64	0
<b>128.1486 Security deposits</b>	<b>34,095.64</b>	<b>0.00</b>	<b>0.00</b>	<b>34,095.64</b>		<b>34,095.64</b>	<b>0</b>
1700 Furniture and Equipment	236,577.85	0.00	0.00	236,577.85		221,894.72	7
<b>157.1740 Equipment</b>	<b>236,577.85</b>	<b>0.00</b>	<b>0.00</b>	<b>236,577.85</b>		<b>221,894.72</b>	<b>7</b>
1701 Accumulated Depreciation - Furnitur	(147,878.20)	(16,271.62)	0.00	(164,149.82)		(147,878.20)	11
<b>158.1741 Equipment - acc amort</b>	<b>(147,878.20)</b>	<b>(16,271.62)</b>	<b>0.00</b>	<b>(164,149.82)</b>		<b>(147,878.20)</b>	<b>11</b>
1707 Computer and equipment	8,158.51	0.00	0.00	8,158.51		0.00	0

APPROVED BY: 

**2430505 Ontario Inc.**  
**Year End: December 31, 2024**  
**Trial balance by map number**

<b>Prepared by</b>	<b>Reviewed by</b>	<b>Senior Manager</b>	<b>Partner</b>
			JMK 4/28/2025

**MAPTB. 1-1**

<b>Account</b>	<b>Prelim</b>	<b>Adj's</b>	<b>Reclass</b>	<b>Rep</b>	<b>Ann.</b>	<b>Rep 12/23</b>	<b>%Chg</b>
<b>157.1774.01 Computer equipment</b>	<b>8,158.51</b>	<b>0.00</b>	<b>0.00</b>	<b>8,158.51</b>		<b>0.00</b>	<b>0</b>
1708 Accumulated Depreciation - Compu	0.00	(2,243.59)	0.00	(2,243.59)		0.00	0
<b>158.1775.01 Computer equipment - a</b>	<b>0.00</b>	<b>(2,243.59)</b>	<b>0.00</b>	<b>(2,243.59)</b>		<b>0.00</b>	<b>0</b>
1705 Leasehold Improvements	631,262.83	0.00	0.00	631,262.83		561,712.39	12
<b>167.1918 Leasehold improvements</b>	<b>631,262.83</b>	<b>0.00</b>	<b>0.00</b>	<b>631,262.83</b>		<b>561,712.39</b>	<b>12</b>
1706 Accumulated Depreciation	(554,701.67)	(9,897.60)	0.00	(564,599.27)		(554,701.67)	2
<b>168.1919 Leasehold improvements -</b>	<b>(554,701.67)</b>	<b>(9,897.60)</b>	<b>0.00</b>	<b>(564,599.27)</b>		<b>(554,701.67)</b>	<b>2</b>
2005 Franchise fee	39,550.00	0.00	0.00	39,550.00		39,550.00	0
<b>171.2010 Franchise fee - costs</b>	<b>39,550.00</b>	<b>0.00</b>	<b>0.00</b>	<b>39,550.00</b>		<b>39,550.00</b>	<b>0</b>
2006 Accumulated Amortization	(13,842.50)	(1,977.50)	0.00	(15,820.00)		(13,842.50)	14
<b>172.2011 Franchise fee - acc amort</b>	<b>(13,842.50)</b>	<b>(1,977.50)</b>	<b>0.00</b>	<b>(15,820.00)</b>		<b>(13,842.50)</b>	<b>14</b>
2601 Accounts Payable	(16,288.31)	0.00	0.00	(16,288.31)		(22,595.79)	(28)
2605 BMO Master card New xxx3038	(54,736.04)	0.00	0.00	(54,736.04)		(55,633.67)	(2)
2607 Accruals	0.00	(8,925.00)	0.00	(8,925.00)		(8,925.00)	0
<b>215.2620 Accounts payable and accr</b>	<b>(71,024.35)</b>	<b>(8,925.00)</b>	<b>0.00</b>	<b>(79,949.35)</b>		<b>(87,154.46)</b>	<b>(8)</b>
80001 Corporate tax payable	152,977.71	(117,059.00)	0.00	35,918.71		6,101.00	489
<b>217.2680.01 Income taxes payable</b>	<b>152,977.71</b>	<b>(117,059.00)</b>	<b>0.00</b>	<b>35,918.71</b>		<b>6,101.00</b>	<b>489</b>
2406 Unearned Revenue	(122,641.87)	0.00	0.00	(122,641.87)		(139,859.95)	(12)
2609 Advance Customer Payments	0.00	0.00	0.00	0.00		(9,831.02)	(100)
2802 Deferred Furniture & Equipment Allc	(50,570.36)	9,053.46	0.00	(41,516.90)		(39,964.27)	4
2803 Deferred Leasehold Improvement al	0.00	(45,352.72)	0.00	(45,352.72)		0.00	0
<b>218.2770 Deferred revenue</b>	<b>(173,212.23)</b>	<b>(36,299.26)</b>	<b>0.00</b>	<b>(209,511.49)</b>		<b>(189,655.24)</b>	<b>10</b>
2701 BMO Loan A/C	0.00	0.00	0.00	0.00		(39,346.20)	(100)
<b>225.2920 Current portion of long terr</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>		<b>(39,346.20)</b>	<b>(100)</b>
2800 Deferred construction allowance - c	0.00	(20,524.91)	0.00	(20,524.91)		(20,524.91)	0
<b>228.2960.02 Deferred construction al</b>	<b>0.00</b>	<b>(20,524.91)</b>	<b>0.00</b>	<b>(20,524.91)</b>		<b>(20,524.91)</b>	<b>0</b>
2700 BMO Loan A/C	0.00	0.00	0.00	0.00		(85,250.63)	(100)
<b>231.3140.01 Bank loans payable - lor</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>		<b>(85,250.63)</b>	<b>(100)</b>
2403 loan from Kamal	(0.51)	0.00	0.00	(0.51)		(0.51)	0
2409 Shareholder Loan	(215.33)	0.00	0.00	(215.33)		(215.33)	0
<b>235.3261.01 Due to (from) individ sha</b>	<b>(215.84)</b>	<b>0.00</b>	<b>0.00</b>	<b>(215.84)</b>		<b>(215.84)</b>	<b>0</b>
2410 Loan to Related Company -1000344	732,500.00	0.00	0.00	732,500.00		412,500.00	78
<b>237.3300.01 Due to (from) related pai</b>	<b>732,500.00</b>	<b>0.00</b>	<b>0.00</b>	<b>732,500.00</b>		<b>412,500.00</b>	<b>78</b>
2801 Deferred Construction Allowance	(111,966.63)	91,441.73	0.00	(20,524.90)		(41,049.81)	(50)
<b>261.3320.02 Deferred construction al</b>	<b>(111,966.63)</b>	<b>91,441.73</b>	<b>0.00</b>	<b>(20,524.90)</b>		<b>(41,049.81)</b>	<b>(50)</b>

**2430505 Ontario Inc.**  
**Year End: December 31, 2024**  
**Trial balance by map number**

Prepared by	Reviewed by	Senior Manager	Partner
			JMK 4/28/2025

**MAPTB. 1-2**

Account	Prelim	Adj's	Reclass	Rep	Ann.	Rep 12/23	%Chg
3001 Share capital	(200.00)	0.00	0.00	(200.00)		(200.00)	0
<b>271.3500.01 Common shares Class #</b>	<b>(200.00)</b>	<b>0.00</b>	<b>0.00</b>	<b>(200.00)</b>		<b>(200.00)</b>	<b>0</b>
3600 Retained Earnings	(891,215.14)	(33.44)	0.00	(891,248.58)		(638,731.82)	40
<b>274.3660 Retained earnings (Deficit)</b>	<b>(891,215.14)</b>	<b>(33.44)</b>	<b>0.00</b>	<b>(891,248.58)</b>		<b>(638,731.82)</b>	<b>40</b>
NETINC Net Income (Loss)	(706,423.22)	121,790.19	0.00	(584,633.03)		(665,948.76)	(12)
<b>275.3680 Net income (Loss)</b>	<b>(706,423.22)</b>	<b>121,790.19</b>	<b>0.00</b>	<b>(584,633.03)</b>		<b>(665,948.76)</b>	<b>(12)</b>
3900 Dividends Paid	308,000.00	0.00	0.00	308,000.00		413,432.00	(26)
<b>276.3700 Dividends declared</b>	<b>308,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>308,000.00</b>		<b>413,432.00</b>	<b>(26)</b>
4003 Revenues:Childcare:Infant	(348,805.13)	0.00	0.00	(348,805.13)		(319,913.43)	9
4004 Revenues:Childcare:Preschool - FT	(1,233,269.63)	0.00	0.00	(1,233,269.63)		(1,025,532.81)	20
4006 Revenues:Childcare:Toddler	(825,291.67)	0.00	0.00	(825,291.67)		(722,809.31)	14
4008 Revenues:Sales	(25,875.04)	0.00	0.00	(25,875.04)		(3,191.86)	711
4011 Revenues:Registration fee	(14,844.45)	0.00	0.00	(14,844.45)		(16,426.38)	(10)
<b>311.8000.01 Daycare services</b>	<b>(2,448,085.92)</b>	<b>0.00</b>	<b>0.00</b>	<b>(2,448,085.92)</b>		<b>(2,087,873.79)</b>	<b>17</b>
4005 Revenues:Childcare:Subsidy	(767,274.85)	0.00	0.00	(767,274.85)		(999,355.75)	(23)
<b>311.8000.02 Fee assistance</b>	<b>(767,274.85)</b>	<b>0.00</b>	<b>0.00</b>	<b>(767,274.85)</b>		<b>(999,355.75)</b>	<b>(23)</b>
5002 Cost of Goods Sold:Direct Employee	56,221.07	0.00	0.00	56,221.07		29,425.39	91
5003 Cost of Goods Sold:Direct Labor	2,036,229.22	0.00	0.00	2,036,229.22		1,689,028.46	21
5008 Cost of Goods Sold:Supply Staff	(1,084.21)	0.00	0.00	(1,084.21)		157,268.44	(101)
5010 Region of Peel- COGS:GOF COGS	(141,177.40)	0.00	0.00	(141,177.40)		(151,889.73)	(7)
5013 Region of Peel- COGS:WEG COGS	(144,806.26)	0.00	0.00	(144,806.26)		(129,802.70)	12
5017 CWELCC - One time transition Grar	0.00	0.00	0.00	0.00		(201,107.91)	(100)
5023 EHT- Employer Health Tax	21,575.09	0.00	0.00	21,575.09		15,060.02	43
5027 Region of Peel- COGS:GOF / Wag	(115,476.16)	0.00	0.00	(115,476.16)		(142,726.82)	(19)
5028 Region of Peel- COGS:GOF / Wag	(6,870.83)	0.00	0.00	(6,870.83)		(8,492.24)	(19)
5029 Region of Peel- COGS:GOF / Wag	(2,683.67)	0.00	0.00	(2,683.67)		(3,257.03)	(18)
5032 Region of Peel- COGS:GOF COGS	(3,280.96)	0.00	0.00	(3,280.96)		(3,466.13)	(5)
5034 Region of Peel- COGS:WEG COGS	(8,615.96)	0.00	0.00	(8,615.96)		(7,692.69)	12
5035 Region of Peel- COGS:WEG COGS	(3,365.30)	0.00	0.00	(3,365.30)		(2,950.36)	14
5036 Region of Peel- COGS:WEG COGS	(1,388.91)	0.00	0.00	(1,388.91)		(827.68)	68
5037 Region of Peel- COGS:GOF COGS	(8,400.05)	0.00	0.00	(8,400.05)		(9,037.43)	(7)
5038 Region of Peel- COGS:WEG COGS	0.00	0.00	0.00	0.00		514.00	(100)
5039 Region of Peel- COGS:GOF COGS	(29,046.03)	0.00	0.00	(29,046.03)		(29,744.42)	(2)
5040 Region of Peel- COGS:GOF COGS	(2,035.61)	0.00	0.00	(2,035.61)		(2,068.31)	(2)
5043 Region of Peel- COGS:GOF / Wag	(2,726.34)	0.00	0.00	(2,726.34)		(2,786.91)	(2)
5047 Region of Peel- COGS:CWELCC - 1	(218,242.62)	0.00	0.00	(218,242.62)		(44,950.65)	386
5048 Region of Peel- COGS:CWELCC - 1	(5,071.94)	0.00	0.00	(5,071.94)		(1,025.78)	394
5049 Region of Peel- COGS:CWELCC - 1	(12,985.44)	0.00	0.00	(12,985.44)		(2,674.58)	386
5050 Region of Peel- COGS:CWELCC - 1	(3,304.62)	0.00	0.00	(3,304.62)		(300.25)	1001
5051 Region of Peel- COGS:CWELCC - C	(79,549.00)	0.00	0.00	(79,549.00)		(154,236.74)	(48)
5052 CWELCC - One time transition Grar	0.00	0.00	0.00	0.00		(109.22)	(100)
5053 CWELCC - One time transition Grar	0.00	0.00	0.00	0.00		(330.47)	(100)
5054 CWELCC - One time transition Grar	0.00	0.00	0.00	0.00		(861.66)	(100)
5055 Region of Pee-COGS: TOG Part-B	0.00	0.00	0.00	0.00		(86,796.07)	(100)

**2430505 Ontario Inc.**  
**Year End: December 31, 2024**  
**Trial balance by map number**

<b>Prepared by</b>	<b>Reviewed by</b>	<b>Senior Manager</b>	<b>Partner</b>
			JMK 4/28/2025

**MAPTB. 1-3**

<b>Account</b>	<b>Prelim</b>	<b>Adj's</b>	<b>Reclass</b>	<b>Rep</b>	<b>Ann.</b>	<b>Rep 12/23</b>	<b>%Chg</b>
5056 Region of Peel- COGS:Workforce Ir	(47,368.02)	0.00	0.00	(47,368.02)		(86,955.01)	(46)
5057 Region of Peel- COGS:CWELCC- C	(236,383.00)	0.00	0.00	(236,383.00)		0.00	0
<b>422.8340 Direct wages</b>	<b>1,040,163.05</b>	<b>0.00</b>	<b>0.00</b>	<b>1,040,163.05</b>		<b>817,205.52</b>	<b>27</b>
5001 Cost of Goods Sold:Braeview Softw	5,423.28	0.00	0.00	5,423.28		5,423.28	0
5004 Cost of Goods Sold:Food Supply	141,197.35	0.00	0.00	141,197.35		112,134.96	26
5012 Indirect Overhead:Janitorial	85,388.54	0.00	0.00	85,388.54		77,523.83	10
8907 Cost of Goods Sold:Kitchen Supplie	3,338.07	0.00	0.00	3,338.07		1,465.83	128
8908 Cost of Goods Sold:Program Suppl	34,334.17	0.00	0.00	34,334.17		88,244.59	(61)
<b>428.8450.40 Supplies</b>	<b>269,681.41</b>	<b>0.00</b>	<b>0.00</b>	<b>269,681.41</b>		<b>284,792.49</b>	<b>(5)</b>
5011 Indirect Overhead:Franchise Royalt	233,639.53	0.00	0.00	233,639.53		229,055.84	2
5018 Indirect Overhead:Convention Fee	3,287.50	0.00	0.00	3,287.50		1,423.00	131
<b>428.8456 Royalties</b>	<b>236,927.03</b>	<b>0.00</b>	<b>0.00</b>	<b>236,927.03</b>		<b>230,478.84</b>	<b>3</b>
8810 General & Administrative Expenses:	27,780.92	0.00	0.00	27,780.92		24,625.50	13
8822 General & Administrative Expenses:	0.00	0.00	0.00	0.00		1,800.62	(100)
8829 General & Administrative Expenses:	45,111.06	0.00	0.00	45,111.06		31,779.82	42
<b>511.8520 Advertising and promotion</b>	<b>72,891.98</b>	<b>0.00</b>	<b>0.00</b>	<b>72,891.98</b>		<b>58,205.94</b>	<b>25</b>
8830 Meals and Entertainment	7,296.65	0.00	0.00	7,296.65		8,838.10	(17)
<b>511.8523 Meals and entertainment</b>	<b>7,296.65</b>	<b>0.00</b>	<b>0.00</b>	<b>7,296.65</b>		<b>8,838.10</b>	<b>(17)</b>
8901 Amortization on intangible asset	0.00	1,977.50	0.00	1,977.50		1,977.50	0
<b>513.8570 Amortization of intangible a</b>	<b>0.00</b>	<b>1,977.50</b>	<b>0.00</b>	<b>1,977.50</b>		<b>1,977.50</b>	<b>0</b>
8300 bad debt	0.00	0.00	0.00	0.00		1,626.82	(100)
<b>515.8590 Bad debts</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>		<b>1,626.82</b>	<b>(100)</b>
8900 Amortization	0.00	28,412.81	0.00	28,412.81		18,277.43	55
<b>521.8670 Amortization of property, p</b>	<b>0.00</b>	<b>28,412.81</b>	<b>0.00</b>	<b>28,412.81</b>		<b>18,277.43</b>	<b>55</b>
8813 General & Administrative Expenses:	9,190.21	0.00	0.00	9,190.21		6,892.66	33
8827 General & Administrative Expenses:	150.27	0.00	0.00	150.27		601.08	(75)
<b>523.8690 Insurance</b>	<b>9,340.48</b>	<b>0.00</b>	<b>0.00</b>	<b>9,340.48</b>		<b>7,493.74</b>	<b>25</b>
4043 Non Claimable Penalties	1,163.11	0.00	0.00	1,163.11		0.00	0
8811 General & Administrative Expenses:	8,971.60	33.44	0.00	9,005.04		8,923.59	1
8828 General & Administrative Expenses:	(4,225.05)	0.00	0.00	(4,225.05)		(3,050.67)	38
<b>525.8710 Bank charges</b>	<b>5,909.66</b>	<b>33.44</b>	<b>0.00</b>	<b>5,943.10</b>		<b>5,872.92</b>	<b>1</b>
8814 General & Administrative Expenses:	2,951.08	0.00	0.00	2,951.08		13,727.65	(79)
<b>525.8714 Interest on long term debt</b>	<b>2,951.08</b>	<b>0.00</b>	<b>0.00</b>	<b>2,951.08</b>		<b>13,727.65</b>	<b>(79)</b>
8812 General & Administrative Expenses:	1,515.13	0.00	0.00	1,515.13		1,929.07	(21)
<b>527.8760 Business taxes, licences ar</b>	<b>1,515.13</b>	<b>0.00</b>	<b>0.00</b>	<b>1,515.13</b>		<b>1,929.07</b>	<b>(21)</b>
8817 General & Administrative Expenses:	17,514.66	0.00	0.00	17,514.66		20,249.90	(14)
8823 General & Administrative Expenses:	12,000.00	0.00	0.00	12,000.00		7,700.00	56
<b>529.8810 Office and general</b>	<b>29,514.66</b>	<b>0.00</b>	<b>0.00</b>	<b>29,514.66</b>		<b>27,949.90</b>	<b>6</b>

APPROVED BY: 

**2430505 Ontario Inc.**  
**Year End: December 31, 2024**  
**Trial balance by map number**

<b>Prepared by</b>	<b>Reviewed by</b>	<b>Senior Manager</b>	<b>Partner</b>
			JMK 4/28/2025

**MAPTB. 1-4**

<b>Account</b>	<b>Prelim</b>	<b>Adj's</b>	<b>Reclass</b>	<b>Rep</b>	<b>Ann.</b>	<b>Rep 12/23</b>	<b>%Chg</b>
8819 General & Administrative Expenses:	38,380.21	8,925.00	0.00	47,305.21		41,738.81	13
8826 General & Administrative Expenses:	27,120.00	0.00	0.00	27,120.00		27,120.00	0
<b>531.8860 Professional fees</b>	<b>65,500.21</b>	<b>8,925.00</b>	<b>0.00</b>	<b>74,425.21</b>		<b>68,858.81</b>	<b>8</b>
9000 Rent Expense	450,920.88	(20,524.91)	0.00	430,395.97		430,395.97	0
<b>533.8910 Rent</b>	<b>450,920.88</b>	<b>(20,524.91)</b>	<b>0.00</b>	<b>430,395.97</b>		<b>430,395.97</b>	<b>0</b>
8820 General & Administrative Expenses:	8,277.03	0.00	0.00	8,277.03		12,752.88	(35)
<b>535.8960 Repairs and maintenance</b>	<b>8,277.03</b>	<b>0.00</b>	<b>0.00</b>	<b>8,277.03</b>		<b>12,752.88</b>	<b>(35)</b>
5090 Indirect Labor:Indirect Employee Be	3,453.24	0.00	0.00	3,453.24		2,910.82	19
6002 Indirect Labor	148,980.71	0.00	0.00	148,980.71		144,147.52	3
6003 Indirect Labor:Admin-Indirect	27,423.22	0.00	0.00	27,423.22		23,987.00	14
6005 Indirect Labor:Admin Indirect- Empl	3,453.24	0.00	0.00	3,453.24		2,910.82	19
6006 Indirect Labor:Cook	56,425.24	0.00	0.00	56,425.24		50,256.78	12
6007 Indirect Labor:Cook:Cook - Empl	3,079.80	0.00	0.00	3,079.80		1,276.12	141
8818 General & Administrative Expenses:	2,721.41	0.00	0.00	2,721.41		2,574.18	6
<b>537.9060 Salaries and wages</b>	<b>245,536.86</b>	<b>0.00</b>	<b>0.00</b>	<b>245,536.86</b>		<b>228,063.24</b>	<b>8</b>
6004 Indirect Overhead:Travel	44,207.13	0.00	0.00	44,207.13		39,764.55	11
<b>545.9200 Travel</b>	<b>44,207.13</b>	<b>0.00</b>	<b>0.00</b>	<b>44,207.13</b>		<b>39,764.55</b>	<b>11</b>
9005 Utilities	19,394.76	0.00	0.00	19,394.76		22,008.33	(12)
<b>547.9220 Utilities</b>	<b>19,394.76</b>	<b>0.00</b>	<b>0.00</b>	<b>19,394.76</b>		<b>22,008.33</b>	<b>(12)</b>
8821 General & Administrative Expenses:	19,325.14	0.00	0.00	19,325.14		14,791.01	31
<b>547.9225 Telephone</b>	<b>19,325.14</b>	<b>0.00</b>	<b>0.00</b>	<b>19,325.14</b>		<b>14,791.01</b>	<b>31</b>
8302 Automobile Expense:Mazda Insurar	3,899.87	0.00	0.00	3,899.87		2,894.66	35
8303 Automobile Expense:Mazda Lease	4,513.08	0.00	0.00	4,513.08		4,513.08	0
8305 Automobile Expense	15,833.63	0.00	0.00	15,833.63		12,912.50	23
<b>581.9281 Vehicle</b>	<b>24,246.58</b>	<b>0.00</b>	<b>0.00</b>	<b>24,246.58</b>		<b>20,320.24</b>	<b>19</b>
4010 Interest earned	(18,425.36)	0.00	0.00	(18,425.36)		(30,405.97)	(39)
4021 other Income	(3,612.99)	(14,092.65)	0.00	(17,705.64)		(7,543.20)	135
4041 Canada Carbon Rebate- nontaxable	(22,584.00)	0.00	0.00	(22,584.00)		0.00	0
4042 Refund interest	(39.82)	0.00	0.00	(39.82)		0.00	0
<b>381.8230.02 Other income</b>	<b>(44,662.17)</b>	<b>(14,092.65)</b>	<b>0.00</b>	<b>(58,754.82)</b>		<b>(37,949.17)</b>	<b>55</b>
9001 Current tax	0.00	117,059.00	0.00	117,059.00		143,899.00	(19)
<b>810.9990.01 Current income taxes</b>	<b>0.00</b>	<b>117,059.00</b>	<b>0.00</b>	<b>117,059.00</b>		<b>143,899.00</b>	<b>(19)</b>
	<u>(706,423.22)</u>	<u>121,790.19</u>	<u>0.00</u>	<u>(584,633.03)</u>		<u>(665,948.76)</u>	<u>(12)</u>

APPROVED BY: 

**2430505 ONTARIO INC.**  
*(Operating as Willowbrae Academy)*  
**10651 Chinguacousy Road**  
**Unit A2**  
**Brampton, Ontario**  
**L7A 0N5**

---

April 28, 2025

Confidential

Bassi and Karimjee LLP  
504 - 7900 Hurontario Street  
Brampton Ontario L6Y 0P6

Attention: Joozer Karimjee, CPA, CA

Dear Sir:

Re: Client representation letter

This representation letter is provided in connection with your audit of the financial statements of 2430505 Ontario Inc., operating as Willowbrae Academy, for the year ended December 31, 2024 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian accounting standards for private enterprises (ASPE).

In making the representations outlined below, we took the time necessary to appropriately inform ourselves on the subject matter through inquiries of entity personnel with relevant knowledge and experience, and, where appropriate, by inspecting supporting documentation.

We confirm that (to the best of our knowledge and belief):

**Financial Statements**

We have fulfilled our responsibilities as set out in the terms of the audit engagement dated March 20, 2025 for:

- a) Preparing and fairly presenting the financial statements in accordance with ASPE;
- b) Providing you with:
  - i. Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as:
    - Accounting records, supporting data and other relevant documentation,
    - B. Minutes of meetings (such as shareholders, board of directors and audit committees) or summaries of actions taken for which minutes have not yet been prepared, and
    - C. Information on any other matters, of which we are aware, that is relevant to the preparation of the financial statements;
  - ii. Additional information that you have requested from us for the purpose of the audit; and
  - iii. Unrestricted access to persons within the entity from whom you determine it necessary to obtain audit evidence.
- c) Ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements; and
- d) Designing and implementing such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We have also communicated to you any deficiencies in the design and implementation or the maintenance of internal control over financial reporting of which management is aware.

*(continued)*

## **Fraud and Non Compliance**

We have disclosed to you:

- a. All of our knowledge in relation to actual, alleged or suspected fraud affecting the entity's financial statements involving:
  - i. Management;
  - ii. Employees who have significant roles in internal control; or
  - iii. Others where the fraud could have a material effect on the financial statements;
- b. All of our knowledge in relation to allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others;
- c. All known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements that should be considered when preparing the financial statements;
- d. All known, actual, or possible litigation and claims that should be considered when preparing the financial statements; and
- e. The results of our risk assessments regarding possible fraud or error in the financial statements.

## **Related Parties**

We confirm that there were no related-party relationships or transactions that occurred during the period.

## **Estimates**

We acknowledge our responsibility for determining the accounting estimates required for the preparation of the financial statements in accordance with ASPE. Those estimates reflect our judgment based on our knowledge and experience of past and current events, and on our assumptions about conditions we expect to exist and courses of action we expect to take. We confirm that the methods, significant assumptions and the data used by us in making accounting estimates and related financial statement disclosures, including those measured at fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with ASPE.

## **Subsequent Events**

All events subsequent to the date of the financial statements and for which ASPE requires adjustment or disclosure have been adjusted or disclosed.

## **Commitments and Contingencies**

There are no commitments, contingent liabilities/assets or guarantees (written or oral) that should be disclosed in the financial statements. This includes liabilities arising from contract terms, illegal acts or possible illegal acts, and environmental matters that would have an impact on the financial statements.

## **Adjustments**

We have reviewed, approved and recorded all of your proposed adjustments to our accounting records. This includes journal entries, changes to account coding, classification of certain transactions and preparation of, or changes to, certain accounting records.

## **Misstatements**

The effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole.

## **Accounting policies**

All significant accounting policies are disclosed in the financial statements and are consistent with those used in the previous period.

## **Contractual compliance**

We have complied with the terms and conditions of all contractual agreements that could have a material effect, in the event of non-compliance, on the financial statements.

*(continued)*

### **Direct liabilities**

We have recorded in the accounts all known liabilities of our company as at December 31, 2024 except for trivial amounts.

### **Future plans**

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

### **Intangible assets subject to amortization**

We have recorded intangible assets that have a finite life at cost less accumulated amortization. The provision for amortization is based on the cost and expected economic useful lives of the intangible assets using the straight-line basis.

We have evaluated intangible assets subject to amortization for recoverability in accordance with the provisions of the CPA Canada Handbook – Accounting, Part II, Section 3063 (Impairment of Long-Lived Assets). Impairment losses have been recognized in earnings when required.

### **Journal entries**

We have approved all journal entries and other adjustments proposed by you, and they have been included in our financial statements.

### **Liabilities and contingencies**

All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

### **Material measurement uncertainties**

The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.

### **Property, plant and equipment**

Property, plant and equipment are recorded at cost. We have good and valid title to all items of property and equipment reflected in the accounts relating thereto, and there are no liens or encumbrances on our assets. During the period ended December 31, 2024, no material amounts relating to additions or improvements of property, plant and equipment were charged to expense. The provision for amortization is based on the cost and expected economic useful lives of the property using the declining balance method.

The property, leasehold improvement and equipment accounts, and the related allowances for amortization have been adjusted for all important items of such assets that were idle, obsolete, sold, dismantled, abandoned or otherwise disposed of for the period ended December 31, 2024 and for all prior periods.

We have evaluated property, plant and equipment for recoverability in accordance with the provisions of the CPA Canada Handbook – Accounting, Part II, Section 3063 (Impairment of Long-Lived Assets). Impairment losses have been recognized in earnings when required.

### **Receivables**

The accounts receivable reflected in the accounts constitute valid claims against customers and other debtors. They do not include amounts for goods shipped on consignment, approval or under repurchase commitments, or for goods shipped after December 31, 2024.

No abnormal returns have been made by customers since December 31, 2024 or are expected in respect of merchandise shipped prior to the close of business on December 31, 2024.

Receivables known to be uncollectible have been written off, and adequate provision has been made for anticipated adjustments or losses in connection with the collection of receivables.

### **Regulatory compliance**

We are up to date with all corporate filings and annual returns. This includes all Canada Revenue Agency and HST/GST/PST returns.

(continued)

### **Revenue recognition**

We have recorded all revenue that met the following criteria:

- a. Persuasive evidence of an arrangement exists;
- b. Delivery has occurred, or services have been rendered;
- c. Price is fixed or determinable; and
- d. Collectability is reasonably assured.

### **Subsequent events**

There have been no events between the balance sheet date and the date of this letter that would require recognition or disclosure in the financial statements.

There have been no events subsequent to the balance sheet date of the comparative financial statements that would require adjustment or disclosure in the current financial statements.

### **Signed balance sheet**

We are aware of the provisions of sections 158(1) and (2) of the Canada Business Corporations Act, or the equivalent sections of other provincial or territorial Business Corporations Acts, which require the financial statements to be approved by the board of directors, such approval being evidenced by the signature at the foot of the balance sheet by two directors duly authorized to sign or by the director, where there is only one. We also undertake not to issue, publish or circulate copies of the financial statements unless these are approved and signed as aforementioned and are accompanied by the Audit Opinion.

### **None of the shareholders were in debt to the company**

None of the directors, officers or shareholders were in debt to the company, other than in the ordinary course of business at the period-end or at any time during the period.

### **No share capital reserved for options, warrants, conversions**

There is no share capital reserved for options, warrants, conversions or other requirements that has not been disclosed.

### **No irregularities or shortages**

No irregularities or shortages have occurred and nothing has come to light which might reflect upon the honesty of any employee or officer of the company.

### **Loan advanced to related party**

We hereby confirm that the the loan amount advanced to a related party is in the amount of \$732,500. The loan is unsecured, non-interest bearing and the repayments will start fro 2026.

Acknowledged and agreed on behalf of 2430505 Ontario Inc. by:



---

Mr. Kamal Al-kabodi, Director

---

April 28, 2025

Date signed

# BASSI & KARIMJEE LLP

CHARTERED  
PROFESSIONAL  
ACCOUNTANTS  
Licensed Public Accountants

April 28, 2025

2430505 Ontario Inc.  
10651 Chinguacousy Road  
Unit A2  
Brampton Ontario L7A 0N5

Attention: Kamal Al-kabodi, Director

Dear Kamal:

Re: Management letter

During the course of our audit of 2430505 Ontario Inc., operating as Willowbrae Academy, for the year ended December 31, 2024, we identified matters that may be of interest to management. The objective of an audit is to obtain reasonable assurance whether the financial statements are free of material misstatement and it is not designed to identify matters that may be of interest to management. Accordingly, an audit would not usually identify all such matters.

## **1. Preparation of Board Minutes**

### **Weakness noted and implications**

Minutes of Board meetings were not formally prepared. Important decisions and approvals is not documented and this may result into misunderstandings at a later stage. This may also effect the overall strategic direction of the Company.

### Recommendations

We recommend that Board minutes should be prepared and approved for each meeting held.

### **Conclusion**

This communication is prepared solely for the information of management and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication.

We trust you will implement our recommendations; however, should you require further clarification or information, please contact the undersigned.

Yours truly,



Joozer Karimjee, CPA, CA  
Partner  
joozer@bkllp.ca

# BASSI & KARIMJEE LLP

CHARTERED  
PROFESSIONAL  
ACCOUNTANTS  
Licensed Public Accountants

April 28, 2025  
Confidential

2430505 Ontario Inc.  
Operating as Willowbrae Academy  
10651 Chinguacousy Road  
Unit A2  
Brampton Ontario L7A 0N5

Attention: Kamal Al-kabodi, Director

Dear Kamal:

Re: Audit planning letter

We are writing this letter in connection with our audit of the financial statements for the year ending December 31, 2024.

Our purpose in writing is to ensure effective two-way communication between us in our role as auditors and yourselves with the role of overseeing the financial reporting process. In this letter we will:

- a. Address our responsibilities as independent auditors and provide information about the planned scope and timing of our audit.
- b. Request a response to some audit questions and any additional information you may have that could be relevant to our audit.

## **Auditor Responsibilities**

The respective responsibilities of ourselves and of management in relation to the audit of financial statements are set out in the engagement letter that was signed by management on February 14, 2025. This engagement letter is attached as an appendix to this letter.

## **Planned Scope and Timing of Our Audit**

Our objective as auditors is to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with Canadian accounting standards for private enterprises.

In developing our audit plan, we worked with management to understand the nature of 2430505 Ontario Inc., operating as Willowbrae Academy, and to identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error. Our audit plan has been designed to focus on the identified areas of risk.

## **Materiality**

For the current year, we have determined an overall materiality amount of \$65,000. We have also considered misstatements that could be material in qualitative financial statement disclosures. Materiality will be used to:

- a. Plan and perform the audit; and,
- b. Evaluate the effects of identified and uncorrected misstatements on the audit procedures performed as well as on the financial statements.

The materiality amount will be reassessed prior to the end of the engagement to ensure it remains appropriate.

**Internal Control**

To help identify and assess the risks of material misstatement in the financial statements, we obtain an understanding of internal control relevant to the audit. This understanding is used in the design of appropriate audit procedures. It is not used for the purpose of expressing an opinion on the effectiveness of internal control. Should we identify any significant deficiencies in the internal control and accounting systems, we will communicate them to you in our audit findings letter.

**Significant Risks**

In planning our audit, we identify significant financial reporting risks that, by their nature, require special audit consideration. The significant risks we have identified and our proposed audit response is outlined below:

Description of each significant risk	Proposed Audit Response
Revenue recognition and completeness	Analytical procedures  Substantive testing of revenues, including the consistent application of accounting policies  Review of cut-off procedures
Management override	Review of journal entries
Accounts payable - completeness	Analytical procedures  Substantive testing or tests of control
Deferred revenue - accuracy, existence and completeness	Obtain the student revenue listing from Braeview, select a samples for completeness by selecting a sample of students from the Braeview list to the QBO revenue per student and vice-versa for the existence.
Accounts receivable - existence	Confirmation of receivable balances  Tests of controls over revenues

If there are specific areas that warrant our particular attention during the audit or where you would like us to undertake some additional procedures, please let us know.

**Uncorrected Misstatements**

Where we identify uncorrected misstatements during our audit, we will communicate them to management and request that they be corrected. If not corrected by management, we will then request that you correct them. If not corrected by you, we will also communicate the effect that they may have individually, or in aggregate, on our audit opinion.

**Timing**

The proposed timing of our audit (as discussed with management) is as follows:

Action	Planned Date
Planning meeting with <i>[directors-audit committee]</i>	March 17, 2025
Start of audit field work	March 20, 2025
End of audit field work	April 4, 2025

**Timing (continued)**

Present audit findings letter to [directors-audit committee]	April 7, 2025
Approval of financial statements by the Board of Directors	April 25, 2025
Provide the audit opinion on financial statements	April 28, 2025

**Engagement Team**

Our engagement team for this audit will consist of the following personnel:

Name	Role	Contact Details
Joozer Karimjee, CPA, CA	Engagement Partner	
Nikhil Rathod	Assurance Manager	
Pratik Bhatt	Staff Accountant	
Dhvani Gopani	Staff Accountant	
Priyam Bhatt	Staff Accountant	

**Audit Findings**

At the conclusion of our audit, we will prepare an audit findings letter to assist you with your review of the financial statements. This letter will include our views and comments on matters such as:

- a. Significant matters, if any, arising from the audit that were discussed with management;
- b. Significant difficulties, if any, encountered during the audit;
- c. Qualitative aspects of the company’s accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- d. Uncorrected misstatements; and
- e. Any other audit matters of governance interest.

**Audit Questions and Requests**

***Fraud***

To help us in identifying and responding to the risks of fraud within the company, we would appreciate your responses to the following questions:

1. What oversight, if any, do you provide over management’s processes for identifying and responding to fraud risks? Management’s processes could include policies, procedures, programs or controls that serve to prevent, detect and deter fraud.
2. Do you have any knowledge of any actual, suspected or alleged fraud, including misappropriation of assets or manipulation of the financial statements, affecting the company? If so, please provide details and how the fraud or allegations of fraud were addressed.

***Other Matters***

Would you please bring to our attention any significant matters or financial reporting risks, of which you are aware, that may not have been specifically addressed in our proposed audit plan. This could include such matters as future plans, contingencies, events, decisions, non-compliance with laws and regulations, potential litigation, specific transactions (such as with related parties or outside of the normal course of business) and any additional sources of audit evidence that might be available.

We recognize your significant role in the oversight of the audit and would welcome any observations on our audit plan.

This letter was prepared for the sole use of those charged with governance of 2430505 Ontario Inc. to carry out and discharge their responsibilities. The content should not be disclosed to any third party without our prior written consent, and we assume no responsibility to any other person.

Yours truly,

A handwritten signature in blue ink, appearing to read 'Joozer Karimjee', with a stylized flourish at the end.

Joozer Karimjee, CPA, CA  
Partner  
joozer@bkllp.ca

Encl.

# BASSI & KARIMJEE LLP

CHARTERED  
PROFESSIONAL  
ACCOUNTANTS  
Licensed Public Accountants

April 28, 2025

Confidential

2430505 Ontario Inc.  
Operating as Willowbrae Academy  
10651 Chinguacousy Road  
Unit A2  
Brampton Ontario L7A 0N5

Attention: Kamal Al-kabodi, Director

Dear Kamal:

Re: Audit findings letter

This letter has been prepared to assist you with your review of the financial statements of 2430505 Ontario Inc. for the year ending December 31, 2024. We look forward to meeting with you and discussing the matters outlined below.

## **Significant Matters Arising**

### ***Changes to Audit Plan***

There were no changes to the audit plan (as previously presented to you).

### **Significant Difficulties Encountered**

There were no significant difficulties encountered during our audit.

### **Comments on Accounting Practices**

#### ***Accounting Policies***

The significant accounting policies used by the entity are outlined in Note 1 to the financial statements.

- a. There were no significant changes in accounting policies.
- b. We did not identify any alternative accounting policies that would have been more appropriate in the circumstances.
- c. We did not identify any significant accounting policies in controversial or emerging areas.

#### ***Significant Accounting Estimates***

The following significant estimates/judgments are contained in the financial statements:

- a. Allowanced for doubtful accounts;
- b. Accrued liabilities;
- c. Deferred revenue;
- d. Book value of capital assets; and

Based on audit work performed, we are satisfied with the estimates made by management.

**Comments on Accounting Practices** *(continued)*

**Significant Financial Statement Disclosures**

We did not identify any financial statement disclosures that are particularly significant, sensitive or require significant judgments, that we believe should be specifically drawn to your attention.

**Written Representations**

In a separate communication, as attached, we have requested a number of written representations from management in respect to their responsibility for the preparation of the financial statements in accordance with Canadian accounting standards for private enterprises.

**Other Audit Matters of Governance Interest**

We did not identify any other matters to bring to your attention at this time.

We would like to thank management and staff for the assistance they provided to us during the audit.

We hope the information in this audit findings letter will be useful. We would be pleased to discuss them with you and respond to any questions you may have.

This letter was prepared for the sole use of TCWG of 2430505 Ontario Inc. to carry out and discharge their responsibilities. The content should not be disclosed to any third party without our prior written consent, and we assume no responsibility to any other person.

Yours truly,

A handwritten signature in blue ink, appearing to read 'Joozer Karimjee', with a stylized flourish at the end.

Joozer Karimjee, CPA, CA  
Partner  
joozer@bklp.ca

Encl.

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**2430505 ONTARIO INC.**  
10651 Chinguacousy Road  
Unit A2  
Brampton, Ontario  
L7A 0N5

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**RESOLUTION OF THE BOARD OF DIRECTORS**  
**OF**  
**2430505 ONTARIO INC.**

**BE IT RESOLVED THAT:**

1. The Audit Committee, or a designated person(s) from the Board of Directors is/are hereby given specific authorization on behalf of 2430505 Ontario Inc. to accept and approve the draft financial statements as accepted and approved by the Board, subject to any material changes.

**CERTIFIED:**

This document to be true copy of a resolution passed by the Board of Directors of 2430505 Ontario Inc., and which resolution is in full force and effect.

**DATED:**

As of April 28, 2025.

**2430505 ONTARIO INC.**



---

Kamal Al-kabodi - Director

# BASSI & KARIMJEE LLP

CHARTERED  
PROFESSIONAL  
ACCOUNTANTS  
Licensed Public Accountants

April 1, 2024  
Confidential

2430505 Ontario Inc.  
Operating as Willowbrae Academy  
10651 Chinguacousy Road  
Unit A2  
Brampton Ontario L7A 0N5

Attention: Kamal Al-kabodi, Director

Dear Kamal:

Re: Client enclosure letter

## ENCLOSURES

We are enclosing:

### Financial statements

- A PDF of your audited financial statements of 2430505 Ontario Inc., operating as Willowbrae Academy, for the year ended December 31, 2023.

### Invoice enclosed

- Our invoice, which we trust you will find in order.

### Year end adjusting entries enclosed

- Our year-end journal entries and other relevant working papers are being provided to assist you in updating your accounting system. If you find after inputting our year-end entries that your general ledger does not agree to our closing balances, please contact our office so we may help you rectify the problem.

### Management letter

- A PDF of the management letter.

## OTHER MATTERS

### Notice of Assessment

Upon receipt of your federal tax notice of assessment please send or fax a copy to our office so we may review it for correctness. If there is a disagreement upon our review we will notify you in due course.

### Items requiring a signature

Below is a list of documents that require your immediate signature. These documents will be sent for electronic signature. Please sign where indicated and click on the links in the emails and digitally sign off each of the following:

- Financial statements;

**CLOSING COMMENTS**

We have relied on you to provide us with the necessary information in a form sufficiently complete to enable us to prepare the financial statements.

We thank you for the opportunity to be of service to you and trust everything is in order. If you have any questions or concerns, please contact us by email at [joozer@bkllp.ca](mailto:joozer@bkllp.ca) or call 905-595-9600.

Yours truly,



Joozer Karimjee, CPA, CA  
Partner  
[joozer@bkllp.ca](mailto:joozer@bkllp.ca)

Encl.

**2430505 ONTARIO INC.**  
***(Operating as Willowbrae Academy)***  
**Financial Statements**  
**Year Ended December 31, 2023**

**2430505 ONTARIO INC.**  
***(Operating as Willowbrae Academy)***  
**Index to Financial Statements**  
**Year Ended December 31, 2023**

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**INDEPENDENT AUDITOR'S REPORT**

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To the Shareholders of 2430505 Ontario Inc. operating as Willowbrae Academy

*Opinion*

We have audited the financial statements of 2430505 Ontario Inc., operating as Willowbrae Academy, (the "company"), which comprise the balance sheet as at December 31, 2023, and the statements of income and retained earnings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2023, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises (ASPE).

*Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are i are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASPE, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

*(continues)*

Independent Auditor's Report to the Shareholders of 2430505 Ontario Inc. operating as Willowbrae Academy (*continued*)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Bassi & Karimjee LLP*

Brampton, Ontario  
April 8, 2024

Chartered Professional Accountants  
Licensed Public Accountants

**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Balance Sheet**  
**December 31, 2023**

	2023	2022
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 890,344	\$ 1,143,668
Accounts receivable	61,677	82,056
Income taxes recoverable	6,101	-
Security deposits	34,096	34,096
Due from shareholders (Note 8)	-	27,784
	<b>992,218</b>	1,287,604
PROPERTY, PLANT AND EQUIPMENT (Note 3)	81,027	75,061
INTANGIBLE ASSETS (Note 4)	25,707	27,685
DUE FROM RELATED PARTY (Note 9)	412,500	-
	<b>\$ 1,511,452</b>	<b>\$ 1,390,350</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 87,153	\$ 63,889
Deferred revenue	189,655	156,602
Income taxes payable	-	74,074
Government funding repayable	156,807	210,810
Deferred construction allowance (Note 12)	20,525	20,525
Current portion of long term debt (Note 6)	39,346	39,346
	<b>493,486</b>	565,246
LONG TERM DEBT (Note 6)	85,251	124,597
DUE TO SHAREHOLDERS (Note 8)	216	-
DEFERRED CONSTRUCTION ALLOWANCE (Note 12)	41,050	61,575
	<b>620,003</b>	751,418
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 10)	200	200
Retained earnings	891,249	638,732
	<b>891,449</b>	638,932
	<b>\$ 1,511,452</b>	<b>\$ 1,390,350</b>

**ON BEHALF OF THE BOARD**

\_\_\_\_\_ *Kamal Al-Kabodi* Director

\_\_\_\_\_ Director

See accompanying notes to financial statements

**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Statement of Income and Retained Earnings**  
**Year Ended December 31, 2023**

	2023	2022
<b>REVENUES</b>		
Daycare services	\$ 2,087,874	\$ 1,661,511
Fee assistance	999,356	814,118
	<u>3,087,230</u>	<u>2,475,629</u>
<b>COST OF SALES</b>		
Direct wages	817,206	443,908
Supplies	284,792	187,653
Royalties	230,479	178,778
	<u>1,332,477</u>	<u>810,339</u>
<b>GROSS PROFIT</b>	<b>1,754,753</b>	1,665,290
<b>EXPENSES (Schedule 1)</b>	<b>982,854</b>	987,521
<b>INCOME FROM OPERATIONS</b>	<b>771,899</b>	677,769
<b>OTHER INCOME</b>		
Other government funding income	-	18,179
Wage subsidy	-	1,859
Other income	37,949	7,884
	<u>37,949</u>	<u>27,922</u>
<b>INCOME BEFORE INCOME TAXES</b>	<b>809,848</b>	705,691
<b>INCOME TAXES</b>		
Current (Note 11)	143,899	119,074
<b>NET INCOME</b>	<b>665,949</b>	586,617
<b>RETAINED EARNINGS - BEGINNING OF YEAR</b>	<b>638,732</b>	292,115
	<u>1,304,681</u>	<u>878,732</u>
<b>DIVIDENDS DECLARED</b>	<b>(413,432)</b>	(240,000)
<b>RETAINED EARNINGS - END OF YEAR</b>	<b>\$ 891,249</b>	<b>\$ 638,732</b>

See accompanying notes to financial statements

**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Statement of Cash Flows**  
**Year Ended December 31, 2023**

	2023	2022
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 665,949	\$ 586,617
Items not affecting cash:		
Amortization of property, plant and equipment	18,277	75,701
Amortization of intangible assets	1,978	1,978
Deferred construction allowance	(20,525)	(20,525)
Reduction in cost of property, plant and equipment	-	12,625
	<u>665,679</u>	<u>656,396</u>
Changes in non-cash working capital:		
Accounts receivable	20,379	(32,311)
Security deposits	-	(10,164)
Accounts payable and accrued liabilities	23,265	(7,084)
Deferred revenue	33,053	61,738
Income taxes payable	(80,175)	32,497
Government funding repayable	(54,003)	76,578
	<u>(57,481)</u>	<u>121,254</u>
Cash flow from operating activities	<u>608,198</u>	<u>777,650</u>
<b>INVESTING ACTIVITY</b>		
Purchase of property, plant and equipment	<u>(24,244)</u>	<u>-</u>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(413,432)	(240,000)
Advances to related party	(412,500)	-
Advances from (to) shareholders	28,000	(27,999)
Repayment of long term debt	(39,346)	(37,088)
Cash flow used by financing activities	<u>(837,278)</u>	<u>(305,087)</u>
<b>(DECREASE) INCREASE IN CASH FLOW</b>	<b>(253,324)</b>	<b>472,563</b>
CASH - BEGINNING OF YEAR	<u>1,143,668</u>	<u>671,105</u>
<b>CASH - END OF YEAR</b>	<b>\$ 890,344</b>	<b>\$ 1,143,668</b>

See accompanying notes to financial statements

**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Notes to Financial Statements**  
**Year Ended December 31, 2023**

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1. DESCRIPTION OF BUSINESS

2430505 Ontario Inc. (the Company) is incorporated under the Ontario Business Corporations Act. The company's principal activity is providing daycare services at its facility located in Brampton, Ontario and is operating under the franchise name of Willowbrae Academy.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for private enterprises (ASPE).

Measurement uncertainty

The preparation of financial statements in conformity with ASPE requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

The main estimates relate to the impairment of financial assets, the useful life of property, plant and equipment, the impairment of intangible assets and the accrued liabilities.

Cash and cash equivalents

Cash consists primarily of cash held at Canadian chartered banks.

Revenue recognition

Revenue from daycare services is recognized as services are performed and when cash collection is reasonably assured. Deferred income consists of fees received from customers for future daycare services. Deferred income is recognized as revenue as the daycare services are performed. Deposits are made by customers as security for the final weeks services and are recognized as revenue as daycare services are provided or refunded if adequate notice is provided by the customers. Other miscellaneous revenues are recognized on a cash basis. Government subsidies are recognized as revenue when assessed by the government.

Royalties

Royalties are recognized as they accrue, in accordance with the terms of the relevant agreement. The Company entered into a franchise agreement to use certain Willowbrae Academy intellectual property in exchange for ongoing royalty payments.

*(continues)*

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**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Notes to Financial Statements**  
**Year Ended December 31, 2023**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated amortization. Property, plant and equipment is amortized over its estimated useful life at the following rates and methods:

Equipment	20%	declining balance method
Leasehold improvements	20%	straight-line method

The company regularly reviews its property, plant and equipment to eliminate obsolete items.

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use. In the year of acquisition and disposal, property, plant and equipment are amortized at 50% of the above annual rates.

Intangible assets

Franchise fees are recorded at cost less accumulated amortization. Franchise fees are being amortized on a straight-line basis over its estimated useful life of twenty years.

Income taxes

The company uses the income taxes payable method of accounting for income taxes. Under this method, the company reports as an expense (income) of the period only the cost (benefit) of current income taxes determined in accordance with the rules established by taxation authorities.

Deferred construction allowance

Deferred construction allowance relating to premises rent is accounted for as a reduction of the lease expense over the term of the lease.

Government assistance

Government assistance for acquiring fixed assets and related to expenses is recorded as deferred government assistance and is amortized on the same basis and according to the same rates as the related fixed assets or to income as eligible expenditures are incurred. Government assistance for current expenses is recorded as a reduction of the related expenditures.

Government assistance in the form of subsidies for wages and rent which is included in net income for the period. The amount of government assistance to be received is accrued in the accounts on the basis that there is reasonable assurance that the entity has complied with and will continue to comply with all the conditions of the assistance provided.

*(continues)*

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**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Notes to Financial Statements**  
**Year Ended December 31, 2023**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments policy

*Measurement of financial instruments*

The Company initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Company subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, government funding repayable, long-term debt and amounts due to shareholders.

*Impairment*

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

*Transaction costs*

The Company recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

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3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	<b>2023 Net book value</b>	2022 Net book value
Equipment	\$ 221,895	\$ 147,878	<b>\$ 74,017</b>	\$ 70,490
Leasehold improvements	561,712	554,702	<b>7,010</b>	4,571
	<b>\$ 783,607</b>	<b>\$ 702,580</b>	<b>\$ 81,027</b>	<b>\$ 75,061</b>

During the year, equipment amount to \$19,583 (2022 \$ Nil) was acquired through government assistance. As at the year end, the total deferred government assistance recognized as a revenue was \$7,543 (2022 \$6,981).

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**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Notes to Financial Statements**  
**Year Ended December 31, 2023**

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4. INTANGIBLE ASSETS

	2023	2022
Franchise fee	\$ 39,550	\$ 39,550
Accumulated amortization	13,843	11,865
	\$ 25,707	\$ 27,685

The Franchise agreement provides for the operation of a Willowbrae Academy daycare centre and use of certain related intellectual property. The agreement was signed as of December 10, 2015 and is for a term of ten years plus two additional five year periods, depending on certain conditions.

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5. CREDIT FACILITIES

The following credit facilities are available to the Company:

**Facilities:**

- (1) The Company has a small business financing loan of \$137,712 bearing interest at bank prime rate plus 3.00% payable over 5 years.
- (2) The Company has demand loan facility of \$75,000 bearing interest at bank prime rate plus 1.25%. The facility was not utilized during the year.
- (2) The Company has a corporate Mastercard credit facility, with a maximum borrowing limit of \$100,000. At year-end, \$44,366 (2022 \$8,671) of this facility was unutilized.

**Security:**

- (1) Personal guarantee from the shareholders in the amount of \$385,200.
- (2) First ranking general security agreement over the assets of the Company.

**Covenants:**

On an annual basis, the Company and each guarantor is required to assure that any cash injection made by shareholder or investor shall not be repaid within 2 years from the date of Initial Advance. As on the year end, The corporation is in compliance with the above non-financial covenant.

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**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Notes to Financial Statements**  
**Year Ended December 31, 2023**

6. LONG TERM DEBT

	2023	2022
Bank of Montreal loan bearing interest at prime plus 3.00% per annum, repayable in monthly payments of \$2,956. The loan matures on February 28, 2027 and is secured as disclosed in Note 5.	\$ 124,597	\$ 163,943
Amounts payable within one year	(39,346)	(39,346)
	\$ 85,251	\$ 124,597

Principal repayment terms are approximately:

2024	\$ 39,346
2025	39,346
2026	39,346
2027	6,559
	\$ 124,597

7. GOVERNMENT FUNDING REPAYABLE

During the year, the Company received excess funding from the Region of Peel in the amount of \$156,807 (2022 \$210,810) which have to be repaid subsequent to the year end.

8. DUE TO (FROM) SHAREHOLDERS

The amounts due from shareholder bears interest at 4% and was fully repaid during the year. The balance due to shareholders is expected to be repaid 364 days after demand. Accordingly, the advances from shareholders have been classified as a long term liability.

9. RELATED PARTY TRANSACTION

During the year, the Company paid \$27,120 (2022 \$27,320) as consultancy fees to related parties that are related through common ownership. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year, the Company advanced \$412,500 (2022 \$Nil) as loan to a related party that is related through common ownership. The loan is non-interest bearing, unsecured and the repayments are to start from January 2025, as a result, the loan has been classified as long term.

**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Notes to Financial Statements**  
**Year Ended December 31, 2023**

10. SHARE CAPITAL

Authorized:

Unlimited Class A shares  
 Unlimited Class B shares  
 Unlimited Common voting shares

	2023	2022
Issued:		
200 Common voting shares	<b>\$ 200</b>	<b>\$ 200</b>

11. INCOME TAXES

	2023	2022
Income before income taxes	<b>\$ 809,848</b>	\$ 705,691
Increase (decrease) resulting from:		
Amortization in excess of capital cost allowance	<b>(1,439)</b>	9,098
Non-taxable or non-deductible expenses	<b>4,419</b>	4,362
Taxable income	<b>\$ 812,828</b>	\$ 719,151
Income taxes	<b>\$ 143,899</b>	\$ 119,074
Income tax rate	<b>17.70 %</b>	16.56 %

12. LEASE COMMITMENTS

The company has a long term lease with respect to its premises, expiring September 30, 2026. The lease contains renewal options and provides for payment of utilities, property taxes and maintenance costs. The lease includes a construction allowance of \$188,145, which is being amortized over the term of the lease. The balance of the construction allowance as at December 31, 2023 is \$61,575 (current portion \$20,525, long term portion \$41,050). In addition, the company has a car lease for a 4 year term that expires in November 2025. Future minimum lease payments and amortization as at December 31, 2023, are as follows:

	Premises Lease	Construction Allowance	Car lease	Total
2024	\$ 413,407	\$ (20,525)	\$ 4,514	\$ 397,396
2025	413,407	(20,525)	4,137	397,019
2026	310,055	(20,525)	-	289,530
	<b>\$ 1,136,869</b>	<b>\$ (61,575)</b>	<b>\$ 8,651</b>	<b>\$ 1,083,945</b>

**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Notes to Financial Statements**  
**Year Ended December 31, 2023**

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13. FINANCIAL INSTRUMENTS

The company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the company's risk exposure and concentration as of December 31, 2023.

**(a) Credit risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. The company is exposed to credit risk from customers. In order to reduce its credit risk, the company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. There has been no significant change to the credit risk exposure from the previous year.

**(b) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, accounts payable and accrued liabilities, government funding repayable, loan payable and long term debt. There has been no significant change to the liquidity risk exposure from the previous year.

**(c) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The company is mainly exposed to interest rate risk.

**(d) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the company manages exposure through its normal operating and financing activities. The company is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities. There has been no significant change to the interest rate risk exposure from the previous year.

Unless otherwise noted, it is management's opinion that the company is not exposed to significant currency risk and other price risks arising from these financial instruments.

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**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**

**Expenses**

**(Schedule 1)**

**Year Ended December 31, 2023**

	<b>2023</b>	<b>2022</b>
Advertising and promotion	\$ 58,206	\$ 58,130
Amortization of property, plant and equipment	18,277	75,701
Amortization of intangible assets	1,978	1,978
Bad debts	1,627	5,976
Business taxes, licences and memberships	1,929	769
Insurance	7,494	6,291
Bank charges	5,872	8,024
Interest on long term debt	13,728	12,089
Meals and entertainment	8,838	8,723
Office and general	27,950	28,444
Professional fees	68,859	69,097
Rent	430,396	417,226
Repairs and maintenance	12,753	18,515
Salaries and wages	228,063	212,863
Telephone	14,791	16,249
Travel	39,765	18,686
Utilities	22,008	19,767
Vehicle	20,320	8,993
	<b>\$ 982,854</b>	<b>\$ 987,521</b>

See accompanying notes to financial statements

**2430505 Ontario Inc.**  
**Year End: December 31, 2023**  
**Trial balance by map number**

<b>Prepared by</b>	<b>Reviewed by</b>	<b>Senior Manager</b>	<b>Partner</b>
			JMK 4/1/2024

**MAPTB. 1**

<b>Account</b>	<b>Prelim</b>	<b>Adj's</b>	<b>Reclass</b>	<b>Rep</b>	<b>Ann.</b>	<b>Rep 12/22</b>	<b>%Chg</b>
1000 BMO Chequing	281,222.50	0.00	0.00	281,222.50		371,488.76	(24)
1001 RBC Chequing 8753	8,821.40	0.00	0.00	8,821.40		34,785.25	(75)
1002 RBC Savings	599,202.69	0.00	0.00	599,202.69		736,612.88	(19)
1004 BMO Saving Account	197.46	0.00	0.00	197.46		781.26	(75)
1005 Craft Money	900.00	0.00	0.00	900.00		0.00	0
<b>111.1000 Cash</b>	<b>890,344.05</b>	<b>0.00</b>	<b>0.00</b>	<b>890,344.05</b>		<b>1,143,668.15</b>	<b>(22)</b>
2002 Accounts Receivable	(109,650.80)	0.00	0.00	(109,650.80)		(26,809.32)	309
2501 Uncategorized Asset	756.71	0.00	0.00	756.71		314.61	141
2550 Subsidy (A/R)	170,571.30	0.00	0.00	170,571.30		108,550.96	57
<b>115.1060 Accounts receivable</b>	<b>61,677.21</b>	<b>0.00</b>	<b>0.00</b>	<b>61,677.21</b>		<b>82,056.25</b>	<b>(25)</b>
2303 Region of Peel Funding:GOF:GOF	(198,783.58)	0.00	0.00	(198,783.58)		(347,184.10)	(43)
2304 Region of Peel Funding:GOF:GOF	196,665.59	0.00	0.00	196,665.59		379,055.71	(48)
2305 Region of Peel Funding:GOF:GOF	0.00	0.00	0.00	0.00		(39,116.00)	(100)
2306 Region of Peel Funding:GOF:GOF	0.00	0.00	0.00	0.00		39,116.00	(100)
2309 Region of Peel Funding:Covid 19 Br	0.00	0.00	0.00	0.00		(68,577.75)	(100)
2310 Region of Peel Funding:Covid 19 Br	0.00	0.00	0.00	0.00		68,577.75	(100)
2311 Region of Peel Funding:Covid 19- P	0.00	0.00	0.00	0.00		(6,683.00)	(100)
2312 Region of Peel Funding:Covid 19- P	0.00	0.00	0.00	0.00		6,683.00	(100)
2314 Region of Peel Funding:Phase 3 Fu	0.00	0.00	0.00	0.00		(139,155.00)	(100)
2315 Region of Peel Funding:Phase 3 Fu	0.00	0.00	0.00	0.00		139,155.00	(100)
2316 Region of Peel Funding:Phase 3 Fu	0.00	0.00	0.00	0.00		(16,525.00)	(100)
2317 Region of Peel Funding:Phase 3 Fu	0.00	0.00	0.00	0.00		16,525.00	(100)
2318 Region of Peel Funding:Phase 3 Fu	0.00	0.00	0.00	0.00		(10,489.00)	(100)
2319 Region of Peel Funding:Phase 3 Fu	0.00	0.00	0.00	0.00		10,489.00	(100)
2320 Region of Peel Funding:Phase 3 Fu	0.00	0.00	0.00	0.00		(137,404.00)	(100)
2321 Region of Peel Funding:WEG:WEG	0.00	0.00	0.00	0.00		137,404.00	(100)
2322 Region of Peel Funding:WEG:WEG	0.00	0.00	0.00	0.00		(11,998.53)	(100)
2323 Region of Peel Funding:WEG:WEG	0.00	0.00	0.00	0.00		11,998.53	(100)
2324 Region of Peel Funding:WEG:WEG	0.00	0.00	0.00	0.00		(63,128.70)	(100)
2325 Region of Peel Funding:GOF:GOF	0.00	0.00	0.00	0.00		(32,331.19)	(100)
2327 Region of Peel Funding:Phase 4 Fu	0.00	0.00	0.00	0.00		(38,113.00)	(100)
2328 Region of Peel Funding:Phase 4 Fu	0.00	0.00	0.00	0.00		38,113.00	(100)
2329 Region of Peel Funding:Phase 4 Fu	0.00	0.00	0.00	0.00		(343,017.00)	(100)
2330 Region of Peel Funding:Phase 4 Fu	0.00	0.00	0.00	0.00		343,017.00	(100)
2331 Region of Peel Funding:Special Pur	0.00	0.00	0.00	0.00		(135,676.00)	(100)
2332 Region of Peel Funding:Special Pur	0.00	0.00	0.00	0.00		135,676.00	(100)
2334 Region of Peel Funding:Covid Pose	0.00	0.00	0.00	0.00		(18,179.15)	(100)
2335 Region of Peel Funding:Covid-19 Si	0.00	0.00	0.00	0.00		5,947.00	(100)
2336 Region of Peel Funding:Covid-19 Si	0.00	0.00	0.00	0.00		(5,947.00)	(100)
2337 Region of Peel Funding:GOF:GOF	(159,263.00)	0.00	0.00	(159,263.00)		(144,027.00)	11
2338 Region of Peel Funding:GOF:GOF	159,263.00	0.00	0.00	159,263.00		144,027.00	11
2339 Region of Peel Funding:2021- Progr	0.00	0.00	0.00	0.00		(5,000.00)	(100)
2340 Region of Peel Funding:2021- Progr	0.00	0.00	0.00	0.00		5,000.00	(100)
2341 Region of Peel Funding:2022 Covid	0.00	0.00	0.00	0.00		(486,728.00)	(100)
2342 Region of Peel Funding:2022 Covid	0.00	0.00	0.00	0.00		486,728.00	(100)
2343 Region of Peel Funding:2022 Covid	0.00	0.00	0.00	0.00		(54,081.01)	(100)
2344 Region of Peel Funding:2022 Covid	0.00	0.00	0.00	0.00		54,081.01	(100)
2345 Region of Peel Funding:2022 Progr	(5,000.00)	0.00	0.00	(5,000.00)		(5,000.00)	0

*Kamal Al-Kabodi*

APPROVED BY: \_\_\_\_\_

**2430505 Ontario Inc.**

Year End: December 31, 2023

Trial balance by map number

Prepared by	Reviewed by	Senior Manager	Partner
			JMK 4/1/2024

MAPTB. 1-1

Account	Prelim	Adj's	Reclass	Rep	Ann.	Rep 12/22	%Chg
2346 Region of Peel Funding:2022-2023 '1	(90,568.00)	0.00	0.00	(90,568.00)		(46,218.00)	96
2347 Region of Peel Funding:Covid Pose	0.00	0.00	0.00	0.00		18,179.15	(100)
2348 Region of Peel Funding:CWELCC F	(1,124,010.73)	0.00	0.00	(1,124,010.73)		(402,293.99)	179
2349 Region of Peel Funding:CWELCC F	1,123,639.34	0.00	0.00	1,123,639.34		310,996.26	261
2350 Region of Peel Funding:CWELCC F	0.00	0.00	0.00	0.00		49,206.00	(100)
2351 Region of Peel Funding:CWELCC F	0.00	0.00	0.00	0.00		(49,206.00)	(100)
2352 Region of Peel Funding:CWELCC F	(356,646.00)	0.00	0.00	(356,646.00)		(138,537.00)	157
2353 Region of Peel Funding:CWELCC F	356,646.00	0.00	0.00	356,646.00		138,537.00	157
2354 Region of Peel Funding:Enhanced p	(38,253.00)	0.00	0.00	(38,253.00)		(14,178.00)	170
2355 Region of Peel Funding:2022 Progr	5,000.00	0.00	0.00	5,000.00		0.00	0
2356 Region of Peel Funding: CWELCC I	(107,789.00)	0.00	0.00	(107,789.00)		0.00	0
2357 Region of Peel Funding: CWELCC I	48,951.26	0.00	0.00	48,951.26		0.00	0
2358 Region of Peel Funding: CWELCC I	(106,379.00)	0.00	0.00	(106,379.00)		0.00	0
2359 Region of Peel Funding: CWELCC I	106,379.00	0.00	0.00	106,379.00		0.00	0
2360 Region of Peel Funding:Enhanced p	14,178.01	0.00	0.00	14,178.01		0.00	0
2361 Region of Peel Funding:2022-2023 '1	86,955.01	0.00	0.00	86,955.01		0.00	0
2602 Region of Peel Funding:WEG:WEG	0.00	0.00	0.00	0.00		4,044.00	(100)
2603 Region of Peel Funding:WEG:WEG	(262,208.11)	0.00	0.00	(262,208.11)		(529,785.72)	(51)
2604 Region of Peel Funding:WEG:WEG	194,416.24	0.00	0.00	194,416.24		539,257.61	(64)
2610 Region of Peel Funding:WEG:WEG	0.00	0.00	0.00	0.00		(4,044.00)	(100)
<b>128.1484 Government funding repay:</b>	<b>(156,806.97)</b>	<b>0.00</b>	<b>0.00</b>	<b>(156,806.97)</b>		<b>(210,810.12)</b>	<b>(26)</b>
1805 Security Deposits Asset	125.00	0.00	0.00	125.00		125.00	0
2500 Rental deposit	33,970.64	0.00	0.00	33,970.64		33,970.64	0
<b>128.1486 Security deposits</b>	<b>34,095.64</b>	<b>0.00</b>	<b>0.00</b>	<b>34,095.64</b>		<b>34,095.64</b>	<b>0</b>
1700 Furniture and Equipment	221,894.72	0.00	0.00	221,894.72		202,311.79	10
<b>157.1740 Equipment</b>	<b>221,894.72</b>	<b>0.00</b>	<b>0.00</b>	<b>221,894.72</b>		<b>202,311.79</b>	<b>10</b>
1701 Accumulated Depreciation - Furnitur	(131,821.95)	(16,056.25)	0.00	(147,878.20)		(131,821.95)	12
<b>158.1741 Equipment - acc amort</b>	<b>(131,821.95)</b>	<b>(16,056.25)</b>	<b>0.00</b>	<b>(147,878.20)</b>		<b>(131,821.95)</b>	<b>12</b>
1705 Leasehold Improvements	561,712.39	0.00	0.00	561,712.39		557,051.14	1
<b>167.1918 Leasehold improvements</b>	<b>561,712.39</b>	<b>0.00</b>	<b>0.00</b>	<b>561,712.39</b>		<b>557,051.14</b>	<b>1</b>
1706 Accumulated Depreciation	(552,480.49)	(2,221.18)	0.00	(554,701.67)		(552,480.49)	0
<b>168.1919 Leasehold improvements -</b>	<b>(552,480.49)</b>	<b>(2,221.18)</b>	<b>0.00</b>	<b>(554,701.67)</b>		<b>(552,480.49)</b>	<b>0</b>
2005 Franchise fee	39,550.00	0.00	0.00	39,550.00		39,550.00	0
<b>171.2010 Franchise fee - costs</b>	<b>39,550.00</b>	<b>0.00</b>	<b>0.00</b>	<b>39,550.00</b>		<b>39,550.00</b>	<b>0</b>
2006 Accumulated Amortization	(11,865.00)	(1,977.50)	0.00	(13,842.50)		(11,865.00)	17
<b>172.2011 Franchise fee - acc amort</b>	<b>(11,865.00)</b>	<b>(1,977.50)</b>	<b>0.00</b>	<b>(13,842.50)</b>		<b>(11,865.00)</b>	<b>17</b>
2601 Accounts Payable	(22,595.79)	0.00	0.00	(22,595.79)		(13,257.66)	70
2605 BMO Master card New xxx3038	(55,633.67)	0.00	0.00	(55,633.67)		(41,329.02)	35
2607 Accruals	(8,925.00)	0.00	0.00	(8,925.00)		(8,925.00)	0
2611 Payroll Payable	0.00	0.00	0.00	0.00		(377.40)	(100)
<b>215.2620 Accounts payable and accr</b>	<b>(87,154.46)</b>	<b>0.00</b>	<b>0.00</b>	<b>(87,154.46)</b>		<b>(63,889.08)</b>	<b>36</b>

APPROVED BY: Kamal Al-Kabodi

**2430505 Ontario Inc.**  
**Year End: December 31, 2023**  
**Trial balance by map number**

Prepared by	Reviewed by	Senior Manager	Partner
			JMK 4/1/2024

MAPTB. 1-2

Account	Prelim	Adj's	Reclass	Rep	Ann.	Rep 12/22	%Chg
80001 Income tax payable	150,000.00	(143,899.00)	0.00	6,101.00		(74,073.99)	(108)
<b>217.2680.01 Income taxes payable</b>	<b>150,000.00</b>	<b>(143,899.00)</b>	<b>0.00</b>	<b>6,101.00</b>		<b>(74,073.99)</b>	<b>(108)</b>
2406 Unearned Revenue	(139,859.95)	0.00	0.00	(139,859.95)		(117,782.17)	19
2609 Advance Customer Payments	(9,831.02)	0.00	0.00	(9,831.02)		(10,895.31)	(10)
2802 Deferred government assistance	0.00	(39,964.27)	0.00	(39,964.27)		(27,924.54)	43
<b>218.2770 Deferred revenue</b>	<b>(149,690.97)</b>	<b>(39,964.27)</b>	<b>0.00</b>	<b>(189,655.24)</b>		<b>(156,602.02)</b>	<b>21</b>
2701 BMO Loan A/C	(124,596.83)	85,250.63	0.00	(39,346.20)		(39,346.20)	0
<b>225.2920 Current portion of long terr</b>	<b>(124,596.83)</b>	<b>85,250.63</b>	<b>0.00</b>	<b>(39,346.20)</b>		<b>(39,346.20)</b>	<b>0</b>
2800 Deferred construction allowance - c	0.00	(20,524.91)	0.00	(20,524.91)		(20,524.91)	0
<b>228.2960.02 Deferred construction al</b>	<b>0.00</b>	<b>(20,524.91)</b>	<b>0.00</b>	<b>(20,524.91)</b>		<b>(20,524.91)</b>	<b>0</b>
2700 BMO Loan A/C	0.00	(85,250.63)	0.00	(85,250.63)		(124,596.83)	(32)
<b>231.3140.01 Bank loans payable - lor</b>	<b>0.00</b>	<b>(85,250.63)</b>	<b>0.00</b>	<b>(85,250.63)</b>		<b>(124,596.83)</b>	<b>(32)</b>
2403 loan from Kamal	(0.51)	0.00	0.00	(0.51)		(0.51)	0
2405 Loan from Salem	(280.00)	280.00	0.00	0.00		28,000.00	(100)
2409 Shareholder Loan	(215.33)	0.00	0.00	(215.33)		(215.33)	0
<b>235.3261.01 Due to (from) individ sha</b>	<b>(495.84)</b>	<b>280.00</b>	<b>0.00</b>	<b>(215.84)</b>		<b>27,784.16</b>	<b>(101)</b>
2410 Loan to related party - 1000344901	412,500.00	0.00	0.00	412,500.00		0.00	0
<b>237.3300.01 Due to (from) related pai</b>	<b>412,500.00</b>	<b>0.00</b>	<b>0.00</b>	<b>412,500.00</b>		<b>0.00</b>	<b>0</b>
2801 Deferred Construction Allowance	(82,099.63)	41,049.82	0.00	(41,049.81)		(61,574.72)	(33)
2804 Deferred Furniture & Equipment Allc	(47,507.47)	47,507.47	0.00	0.00		0.00	0
<b>261.3320.02 Deferred construction al</b>	<b>(129,607.10)</b>	<b>88,557.29</b>	<b>0.00</b>	<b>(41,049.81)</b>		<b>(61,574.72)</b>	<b>(33)</b>
3001 Share capital	(200.00)	0.00	0.00	(200.00)		(200.00)	0
<b>271.3500.01 Common shares Class #</b>	<b>(200.00)</b>	<b>0.00</b>	<b>0.00</b>	<b>(200.00)</b>		<b>(200.00)</b>	<b>0</b>
3600 Retained Earnings	(638,731.82)	0.00	0.00	(638,731.82)		(292,114.93)	119
<b>274.3660 Retained earnings (Deficit)</b>	<b>(638,731.82)</b>	<b>0.00</b>	<b>0.00</b>	<b>(638,731.82)</b>		<b>(292,114.93)</b>	<b>119</b>
NETINC Net Income (Loss)	(801,754.58)	135,805.82	0.00	(665,948.76)		(586,616.89)	14
<b>275.3680 Net income (Loss)</b>	<b>(801,754.58)</b>	<b>135,805.82</b>	<b>0.00</b>	<b>(665,948.76)</b>		<b>(586,616.89)</b>	<b>14</b>
3900 Dividends Paid	413,432.00	0.00	0.00	413,432.00		240,000.00	72
<b>276.3700 Dividends declared</b>	<b>413,432.00</b>	<b>0.00</b>	<b>0.00</b>	<b>413,432.00</b>		<b>240,000.00</b>	<b>72</b>
4002 Revenues:Childcare:Camp	0.00	0.00	0.00	0.00		663.16	(100)
4003 Revenues:Childcare:Infant	(319,913.43)	0.00	0.00	(319,913.43)		(277,805.29)	15
4004 Revenues:Childcare:Preschool - FT	(1,025,532.81)	0.00	0.00	(1,025,532.81)		(735,582.48)	39
4006 Revenues:Childcare:Toddler	(722,809.31)	0.00	0.00	(722,809.31)		(650,282.40)	11
4008 Revenues:Sales	(3,191.86)	0.00	0.00	(3,191.86)		(6,518.71)	(51)
4011 Revenues:Registration fee	(16,426.38)	0.00	0.00	(16,426.38)		(27,704.06)	(41)
4020 Discounts given	0.00	0.00	0.00	0.00		35,718.41	(100)
<b>311.8000.01 Daycare services</b>	<b>(2,087,873.79)</b>	<b>0.00</b>	<b>0.00</b>	<b>(2,087,873.79)</b>		<b>(1,661,511.37)</b>	<b>26</b>

Kamal Al-Kabodi

APPROVED BY: \_\_\_\_\_

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**2430505 Ontario Inc.**  
**Year End: December 31, 2023**  
**Trial balance by map number**

Prepared by	Reviewed by	Senior Manager	Partner
			JMK 4/1/2024

**MAPTB. 1-3**

Account	Prelim	Adj's	Reclass	Rep	Ann.	Rep 12/22	%Chg
4005 Revenues:Childcare:Subsidy	(999,355.75)	0.00	0.00	(999,355.75)		(814,118.19)	23
<b>311.8000.02 Fee assistance</b>	<b>(999,355.75)</b>	<b>0.00</b>	<b>0.00</b>	<b>(999,355.75)</b>		<b>(814,118.19)</b>	<b>23</b>
5002 Cost of Goods Sold:Direct Employee	29,425.39	0.00	0.00	29,425.39		29,501.83	0
5003 Cost of Goods Sold:Direct Labor	1,689,028.46	0.00	0.00	1,689,028.46		1,258,471.25	34
5008 Cost of Goods Sold:Supply Staff	157,268.44	0.00	0.00	157,268.44		107,920.93	46
5010 Region of Peel- COGS:GOF COGS	(151,889.73)	0.00	0.00	(151,889.73)		(63,013.86)	141
5013 Region of Peel- COGS:WEG COGS	(129,802.70)	0.00	0.00	(129,802.70)		(121,322.22)	7
5016 CWELCC - Admin Cost	0.00	0.00	0.00	0.00		(49,206.00)	(100)
5017 CWELCC - One time transition Grar	(201,107.91)	0.00	0.00	(201,107.91)		(138,537.00)	45
5020 Region of Peel- COGS:GOF COGS	0.00	0.00	0.00	0.00		766.00	(100)
5022 Region of Peel- COGS:WEG COGS	0.00	0.00	0.00	0.00		1,473.94	(100)
5023 EHT- Employer Health Tax	15,060.02	0.00	0.00	15,060.02		7,138.69	111
5027 Region of Peel- COGS:GOF Top up	(142,726.82)	0.00	0.00	(142,726.82)		(6,507.25)	2093
5028 Region of Peel- COGS:GOF Top up	(8,492.24)	0.00	0.00	(8,492.24)		(370.91)	2190
5029 Region of Peel- COGS:GOF Top up	(3,257.03)	0.00	0.00	(3,257.03)		(143.94)	2163
5032 Region of Peel- COGS:GOF COGS	(3,466.13)	0.00	0.00	(3,466.13)		(1,367.74)	153
5034 Region of Peel- COGS:WEG COGS	(7,692.69)	0.00	0.00	(7,692.69)		(6,855.22)	12
5035 Region of Peel- COGS:WEG COGS	(2,950.36)	0.00	0.00	(2,950.36)		(2,660.28)	11
5036 Region of Peel- COGS:WEG- Labor	(827.68)	0.00	0.00	(827.68)		(623.09)	33
5037 Region of Peel- COGS:GOF COGS	(9,037.43)	0.00	0.00	(9,037.43)		(3,524.44)	156
5038 Region of Peel- COGS:WEG COGS	514.00	0.00	0.00	514.00		1,054.72	(51)
5039 Region of Peel- COGS:GOF COGS	(29,744.42)	0.00	0.00	(29,744.42)		(29,501.83)	1
5040 Region of Peel- COGS:GOF COGS	(2,068.31)	0.00	0.00	(2,068.31)		(327.19)	532
5041 Region of Peel- COGS:GOF COGS	0.00	0.00	0.00	0.00		(7,192.02)	(100)
5042 Region of Peel- COGS:GOF COGS	0.00	0.00	0.00	0.00		1,181.63	(100)
5043 Region of Peel- COGS:GOF COGS	(2,786.91)	0.00	0.00	(2,786.91)		(126.89)	2096
5044 Region of Peel-COGS:Covid 19 CO	0.00	0.00	0.00	0.00		(54,081.01)	(100)
5045 Region of Peel-COGS:Covid 19 CO	0.00	0.00	0.00	0.00		(486,728.00)	(100)
5046 Region of Peel-COGS:GOF COGS:	0.00	0.00	0.00	0.00		(7,191.98)	(100)
5047 Region of Peel: COGS: CWELCC -	(44,950.65)	0.00	0.00	(44,950.65)		0.00	0
5048 Region of Peel: COGS: CWELCC -	(1,025.78)	0.00	0.00	(1,025.78)		0.00	0
5049 Region of Peel: COGS: CWELCC -	(2,674.58)	0.00	0.00	(2,674.58)		0.00	0
5050 Region of Peel: COGS: CWELCC -	(300.25)	0.00	0.00	(300.25)		0.00	0
5051 CWELCC - One time transition Grar	(154,236.74)	0.00	0.00	(154,236.74)		0.00	0
5052 CWELCC - One time transition Grar	(109.22)	0.00	0.00	(109.22)		0.00	0
5053 CWELCC - One time transition Grar	(330.47)	0.00	0.00	(330.47)		0.00	0
5054 CWELCC - One time transition Grar	(861.66)	0.00	0.00	(861.66)		0.00	0
5055 Region of Pee-COGS: TOG Part-B	(86,796.07)	0.00	0.00	(86,796.07)		0.00	0
5056 Region of Peel-Workforce innovatio	(86,955.01)	0.00	0.00	(86,955.01)		0.00	0
8304 EHT- Employer Health Tax:Arrear P	0.00	0.00	0.00	0.00		15,679.42	(100)
<b>422.8340 Direct wages</b>	<b>817,205.52</b>	<b>0.00</b>	<b>0.00</b>	<b>817,205.52</b>		<b>443,907.54</b>	<b>84</b>
5001 Cost of Goods Sold:Braeview Softw	5,423.28	0.00	0.00	5,423.28		4,833.96	12
5004 Cost of Goods Sold:Food Supply	112,134.96	0.00	0.00	112,134.96		79,093.44	42
5006 Cost of Goods Sold:Program Supply	0.00	0.00	0.00	0.00		3,922.23	(100)
5012 Indirect Overhead:Janitorial	77,523.83	0.00	0.00	77,523.83		60,709.76	28
8907 Cost of Goods Sold:Kitchen Supplie	1,465.83	0.00	0.00	1,465.83		3,948.02	(63)
8908 Cost of Goods Sold:Program Supply	88,244.59	0.00	0.00	88,244.59		35,145.51	151
<b>428.8450.40 Supplies</b>	<b>284,792.49</b>	<b>0.00</b>	<b>0.00</b>	<b>284,792.49</b>		<b>187,652.92</b>	<b>52</b>

*Kamal Al-Kabadi*

APPROVED BY: \_\_\_\_\_

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**2430505 Ontario Inc.**  
**Year End: December 31, 2023**  
**Trial balance by map number**

Prepared by	Reviewed by	Senior Manager	Partner
			JMK 4/1/2024

MAPTB. 1-4

Account	Prelim	Adj's	Reclass	Rep	Ann.	Rep 12/22	%Chg
5011 Indirect Overhead:Franchise Royalty	229,055.84	0.00	0.00	229,055.84		177,185.42	29
5018 Indirect Overhead:Convention Fee	1,423.00	0.00	0.00	1,423.00		1,592.50	(11)
<b>428.8456 Royalties</b>	<b>230,478.84</b>	<b>0.00</b>	<b>0.00</b>	<b>230,478.84</b>		<b>178,777.92</b>	<b>29</b>
8810 General & Administrative Expenses:	24,625.50	0.00	0.00	24,625.50		37,740.92	(35)
8822 General & Administrative Expenses:	1,800.62	0.00	0.00	1,800.62		1,671.40	8
8829 General & Administrative Expenses:	31,779.82	0.00	0.00	31,779.82		18,717.54	70
<b>511.8520 Advertising and promotion</b>	<b>58,205.94</b>	<b>0.00</b>	<b>0.00</b>	<b>58,205.94</b>		<b>58,129.86</b>	<b>0</b>
8830 Meals and Entertainment	8,838.10	0.00	0.00	8,838.10		8,723.07	1
<b>511.8523 Meals and entertainment</b>	<b>8,838.10</b>	<b>0.00</b>	<b>0.00</b>	<b>8,838.10</b>		<b>8,723.07</b>	<b>1</b>
8901 Amortization on intangible asset	0.00	1,977.50	0.00	1,977.50		1,977.50	0
<b>513.8570 Amortization of intangible asset</b>	<b>0.00</b>	<b>1,977.50</b>	<b>0.00</b>	<b>1,977.50</b>		<b>1,977.50</b>	<b>0</b>
8300 bad debt	1,626.82	0.00	0.00	1,626.82		5,975.81	(73)
<b>515.8590 Bad debts</b>	<b>1,626.82</b>	<b>0.00</b>	<b>0.00</b>	<b>1,626.82</b>		<b>5,975.81</b>	<b>(73)</b>
8900 Amortization	0.00	18,277.43	0.00	18,277.43		75,700.73	(76)
<b>521.8670 Amortization of property, p</b>	<b>0.00</b>	<b>18,277.43</b>	<b>0.00</b>	<b>18,277.43</b>		<b>75,700.73</b>	<b>(76)</b>
8813 General & Administrative Expenses:	6,892.66	0.00	0.00	6,892.66		5,690.40	21
8827 General & Administrative Expenses:	601.08	0.00	0.00	601.08		601.08	0
<b>523.8690 Insurance</b>	<b>7,493.74</b>	<b>0.00</b>	<b>0.00</b>	<b>7,493.74</b>		<b>6,291.48</b>	<b>19</b>
8811 General & Administrative Expenses:	8,923.59	0.00	0.00	8,923.59		8,038.04	11
8828 General & Administrative Expenses:	(3,050.67)	0.00	0.00	(3,050.67)		(9.75)	31189
<b>525.8710 Interest and bank charges</b>	<b>5,872.92</b>	<b>0.00</b>	<b>0.00</b>	<b>5,872.92</b>		<b>8,028.29</b>	<b>(27)</b>
8814 General & Administrative Expenses:	13,727.65	0.00	0.00	13,727.65		12,089.23	14
<b>525.8714 Interest on long term debt</b>	<b>13,727.65</b>	<b>0.00</b>	<b>0.00</b>	<b>13,727.65</b>		<b>12,089.23</b>	<b>14</b>
8812 General & Administrative Expenses:	1,929.07	0.00	0.00	1,929.07		768.83	151
<b>527.8760 Business taxes, licences ar</b>	<b>1,929.07</b>	<b>0.00</b>	<b>0.00</b>	<b>1,929.07</b>		<b>768.83</b>	<b>151</b>
4030 Absenteeism credit	0.00	0.00	0.00	0.00		13,325.85	(100)
4031 Referral Credit	0.00	0.00	0.00	0.00		300.00	(100)
8817 General & Administrative Expenses:	20,249.90	0.00	0.00	20,249.90		12,478.90	62
8823 General & Administrative Expenses:	7,700.00	0.00	0.00	7,700.00		6,000.00	28
8824 General & Administrative Expenses:	0.00	0.00	0.00	0.00		(3,700.75)	(100)
8905 General & Administrative Expenses:	0.00	0.00	0.00	0.00		39.55	(100)
<b>529.8810 Office and general</b>	<b>27,949.90</b>	<b>0.00</b>	<b>0.00</b>	<b>27,949.90</b>		<b>28,443.55</b>	<b>(2)</b>
8819 General & Administrative Expenses:	41,738.81	0.00	0.00	41,738.81		41,776.67	0
8826 General & Administrative Expenses:	27,120.00	0.00	0.00	27,120.00		27,320.00	(1)
<b>531.8860 Professional fees</b>	<b>68,858.81</b>	<b>0.00</b>	<b>0.00</b>	<b>68,858.81</b>		<b>69,096.67</b>	<b>0</b>
9000 Rent Expense	450,920.88	(20,524.91)	0.00	430,395.97		417,225.75	3
<b>533.8910 Rent</b>	<b>450,920.88</b>	<b>(20,524.91)</b>	<b>0.00</b>	<b>430,395.97</b>		<b>417,225.75</b>	<b>3</b>

Kamal Al-Kabodi

APPROVED BY: \_\_\_\_\_

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**2430505 Ontario Inc.**  
**Year End: December 31, 2023**  
**Trial balance by map number**

Prepared by	Reviewed by	Senior Manager	Partner
			JMK 4/1/2024

**MAPTB. 1-5**

Account	Prelim	Adj's	Reclass	Rep	Ann.	Rep 12/22	%Chg
8820 General & Administrative Expenses:	12,752.88	0.00	0.00	12,752.88		18,514.80	(31)
<b>535.8960 Repairs and maintenance</b>	<b>12,752.88</b>	<b>0.00</b>	<b>0.00</b>	<b>12,752.88</b>		<b>18,514.80</b>	<b>(31)</b>
5090 Indirect Labor:Indirect Employee Be	2,910.82	0.00	0.00	2,910.82		3,084.36	(6)
6002 Indirect Labor	144,147.52	0.00	0.00	144,147.52		131,790.84	9
6003 Indirect Labor:Admin-Indirect	23,987.00	0.00	0.00	23,987.00		21,197.41	13
6005 Indirect Labor:Admin Indirect- Empl	2,910.82	0.00	0.00	2,910.82		3,084.36	(6)
6006 Indirect Labor: Cook	50,256.78	0.00	0.00	50,256.78		54,534.59	(8)
6007 Indirect Labr: Cook-Employee benef	1,276.12	0.00	0.00	1,276.12		0.00	0
8818 General & Administrative Expenses:	2,574.18	0.00	0.00	2,574.18		2,245.39	15
8902 Penalties and settlements	0.00	0.00	0.00	0.00		(3,073.78)	(100)
<b>537.9060 Salaries and wages</b>	<b>228,063.24</b>	<b>0.00</b>	<b>0.00</b>	<b>228,063.24</b>		<b>212,863.17</b>	<b>7</b>
6004 Indirect Overhead:Travel	39,764.55	0.00	0.00	39,764.55		18,685.85	113
<b>545.9200 Travel</b>	<b>39,764.55</b>	<b>0.00</b>	<b>0.00</b>	<b>39,764.55</b>		<b>18,685.85</b>	<b>113</b>
9005 Utilities	22,008.33	0.00	0.00	22,008.33		19,766.73	11
<b>547.9220 Utilities</b>	<b>22,008.33</b>	<b>0.00</b>	<b>0.00</b>	<b>22,008.33</b>		<b>19,766.73</b>	<b>11</b>
8821 General & Administrative Expenses:	14,791.01	0.00	0.00	14,791.01		16,248.56	(9)
<b>547.9225 Telephone</b>	<b>14,791.01</b>	<b>0.00</b>	<b>0.00</b>	<b>14,791.01</b>		<b>16,248.56</b>	<b>(9)</b>
8302 Automobile Expense:Mazda Insurar	2,894.66	0.00	0.00	2,894.66		2,829.70	2
8303 Automobile Expense:Mazda Lease	4,513.08	0.00	0.00	4,513.08		4,513.08	0
8305 Automobile Expense	12,912.50	0.00	0.00	12,912.50		1,649.73	683
<b>581.9281 Vehicle</b>	<b>20,320.24</b>	<b>0.00</b>	<b>0.00</b>	<b>20,320.24</b>		<b>8,992.51</b>	<b>126</b>
4070 Wage Subsidy:10% wage subsidy	0.00	0.00	0.00	0.00		13,055.08	(100)
4072 Wage Subsidy: CRHP Subsidy	0.00	0.00	0.00	0.00		(14,914.07)	(100)
<b>381.8251 Wage subsidy</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>		<b>(1,858.99)</b>	<b>(100)</b>
4073 Covid Pose Expos Reimn Income	0.00	0.00	0.00	0.00		(18,179.15)	(100)
<b>381.8230.01 Other government fundi</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>		<b>(18,179.15)</b>	<b>(100)</b>
4010 Interest earned	(30,125.97)	(280.00)	0.00	(30,405.97)		(902.82)	3268
4021 Other income	0.00	(7,543.20)	0.00	(7,543.20)		(6,981.14)	8
<b>381.8230.02 Other income</b>	<b>(30,125.97)</b>	<b>(7,823.20)</b>	<b>0.00</b>	<b>(37,949.17)</b>		<b>(7,883.96)</b>	<b>381</b>
9001 Current tax	0.00	143,899.00	0.00	143,899.00		119,074.00	21
<b>810.9990.01 Current income taxes</b>	<b>0.00</b>	<b>143,899.00</b>	<b>0.00</b>	<b>143,899.00</b>		<b>119,074.00</b>	<b>21</b>
	<b>(801,754.58)</b>	<b>135,805.82</b>	<b>0.00</b>	<b>(665,948.76)</b>		<b>(586,616.89)</b>	<b>14</b>

APPROVED BY: Kamal Al-Kabodi

**2430505 Ontario Inc.**  
**Year End: December 31, 2023**  
**Adjusting Journal Entries**  
**Date: 1/1/2023 To 12/31/2023**

Prepared by	Reviewed by	Senior Manager	Partner
			JMK 4/1/2024

AE. 1

Number	Date	Name	Account No	Reference	Debit	Credit	Recurrence	Misstatement
1	12/31/2023	Deferred construction allowance - current	2800			20,524.91		
1	12/31/2023	Deferred Construction Allowance	2801		20,524.91			
		Being split current and non-current portions of the construction allowance.						
2	12/31/2023	Accumulated Depreciation - Furniture	1701	U. 2		16,056.25		
2	12/31/2023	Accumulated Depreciation	1706	U. 2		2,221.18		
2	12/31/2023	Amortization	8900	U. 2	18,277.43			
		To book amortization for tangible assets 2022						
3	12/31/2023	Accumulated Amortization	2006	W. 2		1,977.50		
3	12/31/2023	Amortization on intangible asset	8901	W. 2	1,977.50			
		To book amortization of Intangible assets for 2023.						
4	12/31/2023	BMO Loan A/C	2700	KK. 1		85,250.63		
4	12/31/2023	BMO Loan A/C	2701	KK. 1	85,250.63			
		To adjust current portion of loan for 2023 year end						
5	12/31/2023	Loan from Salem	2405	EE. 4	280.00			
5	12/31/2023	Interest earned	4010	EE. 4		280.00		
		To consider interest income against loan.						
6	12/31/2023	Deferred government assistance	2802			47,507.47		
6	12/31/2023	Deferred Furniture & Equipment Allowance	2804		47,507.47			
		To reclassify the balance to correct GL.						
7	12/31/2023	Deferred government assistance	2802	BB. 3. 1	7,543.20			
7	12/31/2023	Other income	4021	BB. 3. 1		7,543.20		
		Being adjustment to reduce the deferred government assistance						
8	12/31/2023	Deferred Construction Allowance	2801	44	20,524.91			
8	12/31/2023	Rent Expense	9000	44		20,524.91		
		Being transfer of construction allowance to rent expense						
9	12/31/2023	Current tax	9001		143,899.00			
9	12/31/2023	Income tax payable	80001			143,899.00		
		To book tax for 2023						
					<b>345,785.05</b>	<b>345,785.05</b>		
		<b>Net Income (Loss)</b>	<b>665,948.76</b>					

*Kamal Al-Kabodi*

APPROVED BY: \_\_\_\_\_

# BASSI & KARIMJEE LLP

CHARTERED  
PROFESSIONAL  
ACCOUNTANTS  
Licensed Public Accountants

December 17, 2023  
Confidential

2430505 Ontario Inc.  
Operating as Willowbrae Academy  
10651 Chinguacousy Road  
Unit A2  
Brampton Ontario L7A 0N5

Attention: Kamal Al-kabodi, Director

Dear Kamal:

Re: Engagement letter

## **The Objective and Scope of the Audit**

You have requested that we audit the financial statements of 2430505 Ontario Inc., operating as Willowbrae Academy (the "company"), which comprise the balance sheet as at December 31, 2023, and the statements of income and retained earnings and cash flows for the year then ended, and notes to the financial statements (including a summary of significant accounting policies).

We are pleased to confirm our acceptance and our understanding of the nature, scope and terms of this audit engagement, and all services related thereto, by means of this letter (the "Engagement").

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement (whether due to fraud or error) and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## **The Responsibilities of the Auditor**

We will conduct our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- a. Identify and assess the risks of material misstatement of the financial statements (whether due to fraud or error), design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- b. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.
- c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- d. Conclude on the appropriateness of management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the to cease to continue as a going concern.
- e. Evaluate the overall presentation, structure and content of the financial statements (including the disclosures) and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.

### **Form and Content of Audit Opinion**

Unless unanticipated difficulties are encountered, our report will be substantially in the following form contained in Appendix A to this letter.

### **The Responsibilities of Management**

Our audit will be conducted on the basis that management and, where appropriate, those charged with governance / oversight acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with ASPE.
2. For the design and implementation of such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
3. To provide us with timely:
  - i. Access to all information of which management is aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - ii. Information about all known or suspected fraud, any allegations of fraud or suspected fraud and any known or probable instances of non-compliance with legislative or regulatory requirements;
  - iii. Additional information that we may request from management for the purpose of the audit; and
    - A. Copies of all minutes of meetings of shareholders, directors and committees of directors;
    - B. Information relating to any known or probable instances of non-compliance with legislative or regulatory requirements, including financial reporting requirements;
    - C. Information relating to any illegal or possibly illegal acts, and all facts related thereto;
    - D. A listing of all related parties and related-party transactions and information pertaining to the measurement and disclosure of transactions with those related parties;
    - E. An assessment of the reasonableness of significant assumptions underlying fair value measurements and disclosures in the financial statements;
    - F. Any plans or intentions that may affect the carrying value or classification of assets or liabilities;
    - G. An assessment of all areas of measurement uncertainty known to management that are required to be disclosed in accordance with *MEASUREMENT UNCERTAINTY, Section 1508* of the CPA Canada Handbook - Accounting, Part II;
    - H. Information relating to claims and possible claims, whether or not they have been discussed with 2430505 Ontario Inc.'s legal counsel;
    - I. Information relating to other liabilities and contingent gains or losses, including those associated with guarantees, whether written or oral, under which 2430505 Ontario Inc. is contingently liable;
    - J. Information on whether 2430505 Ontario Inc. has satisfactory title to assets, whether liens or encumbrances on assets exist, and whether assets are pledged as collateral;

- K. Information relating to compliance with aspects of contractual agreements that may affect the financial statements; and

Information concerning subsequent events.

- iv. Unrestricted access to persons within 2430505 Ontario Inc. from whom we determine it necessary to obtain audit evidence.

As part of our audit process:

- b. We will make inquiries of management about the representations contained in the financial statements. At the conclusion of the audit, we will request from management [and, where appropriate, those charged with governance] written confirmation concerning those representations. If such representations are not provided in writing, management acknowledges and understands that we would be required to disclaim an audit opinion.
- c. We will communicate any misstatements identified during the audit other than those that are clearly trivial. We request that management correct all the misstatements communicated.

### **Use of Information**

It is acknowledged that we will have access to all information about identified individuals ("personal information") in your custody that we require to complete our Engagement. Our services are provided on the basis that:

- a. You represent to us that management has obtained any required consents for our collection, use, disclosure, storage, transfer and process of personal information required under applicable privacy legislation and professional regulation; and
- b. We will hold all personal information in compliance with our Privacy Statement.

### **File Inspections**

In accordance with professional regulations (and by our firm's policy), our client files may be periodically reviewed by practice inspectors and by other engagement file reviewers to ensure that we are adhering to our professional and firm standards. File reviewers are required to maintain confidentiality of client information.

### **Confidentiality**

One of the underlying principles of the profession is a duty of confidentiality with respect to client affairs. Each professional accountant must preserve the secrecy of all confidential information that becomes known during the practice of the profession. Accordingly, we will not provide any third party with confidential information concerning the affairs of 2430505 Ontario Inc. unless:

- a. We have been specifically authorized with prior consent;
- b. We have been ordered or expressly required by law or by the Ontario *Code of Professional Conduct/Code of Ethics*; or
- c. The information requested is (or enters into) public domain.

### **Use and Distribution of Our Report**

The examination of the financial statements and the issuance of our audit report are solely for the use of 2430505 Ontario Inc. and those to whom our report is specifically addressed by us. We make no representations or warranties of any kind to any third party in respect of these financial statements or our audit report, and we accept no responsibility for their use by any third party or any liability to anyone other than 2430505 Ontario Inc.

For greater clarity, our audit will not be planned or conducted for any third party or for any specific transaction. Accordingly, items of possible interest to a third party may not be addressed and matters may exist that would be assessed differently by a third party, including, without limitation, in connection with a specific transaction. Our audit report should not be circulated (beyond 2430505 Ontario Inc.) or relied upon by any third party for any purpose, without our prior written consent.

You agree that our name may be used only with our prior written consent and that any information to which we have attached a communication be issued with that communication, unless otherwise agreed to by us in writing.

If you require our consent in this regard, management agrees to provide, on a timely basis, a draft of the other information for our review prior to the issuance of the audit report.

## **Reproduction of Auditor's Report**

If reproduction or publication of our audit report (or reference to our report) is planned in an annual report or other document, including electronic filings or posting of the report on a website, a copy of the entire document should be submitted to us in sufficient time for our review and approval in writing before the publication or posting process begins.

Should some of the information in the annual report not be available until after the date of the auditor's report, we will request management to provide a written representation that the final version of the document(s) will be provided to us when available (and prior to its issuance) so we can complete our required procedures.

Management is responsible for the accurate reproduction of the financial statements, the auditor's report and other related information contained in an annual report or other public document (electronic or paper-based). This includes any incorporation by reference to either full or summarized financial statements that we have audited.

We are not required to read the information contained in your website or to consider the consistency of other information in the electronic site with the original document.

## **Preparation of Schedules**

We understand that you will prepare certain schedules and locate specified documents for our use before our Engagement is planned to commence.

The requested schedules and documents are as follows:

- a. Schedules and analyses; and
- b. Other specified documents.

This assistance will facilitate our work and help to minimize our costs. Any failure to provide these working papers or documents on a timely basis may impede our services and require us to suspend our services or even withdraw from the Engagement.

## **Communications**

In performing our services, we will send messages and documents electronically. As such communications can be intercepted, misdirected, infected by a virus or otherwise used or communicated by an unintended third party, we cannot guarantee or warrant that communications from us will be properly delivered only to the addressee. Therefore, we specifically disclaim, and you release us from, any liability or responsibility whatsoever for interception or unintentional disclosure of communications transmitted by us in connection with the performance of this Engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from such communications, including any that are consequential, incidental, direct, indirect, punitive, exemplary or special damages (such as loss of data, revenues, or anticipated profits).

If you do not consent to our use of electronic communications, please notify us in writing.

## **Ownership**

The working papers, files, other materials, reports and work created, developed or performed by us during the course of the Engagement are the property of our firm, constitute our confidential information and will be retained by us in accordance with our firm's policies and procedures.

During the course of our work, we may provide, for your own use, certain software, spreadsheets and other intellectual property to assist with the provision of our services. Such software, spreadsheets and other intellectual property must not be copied, distributed or used for any other purpose. We also do not provide any warranties in relation to these items and will not be liable for any lost or corrupted data or other damage or loss suffered or incurred by you in connection with your use of them.

We retain the copyright and all intellectual property rights in any original materials provided to you.

## **Other Services**

In addition to the audit services referred to above, we will, as allowed by the Ontario *Code of Professional Conduct/Code of Ethics*, prepare your federal and provincial income tax returns as agreed upon. Unless expressly agreed in a separate engagement letter, we will have no involvement with or responsibility for the preparation or filing of HST returns or any other (including foreign) tax returns, source deductions, information returns, slips, elections, designations, certificates or reports. Management will, on a timely basis, provide the information necessary to complete these federal and provincial income tax returns and will review and file them with the appropriate authorities on a timely basis.

## **Governing Legislation**

This engagement letter is subject to, and governed by, the laws of the Province of Ontario. The Province of Ontario will have exclusive jurisdiction in relation to any claim, dispute or difference concerning this engagement letter and any matter arising from it. Each party irrevocably waives any right it may have to object to any action being brought in those courts, to claim that the action has been brought in an inappropriate forum or to claim that those courts do not have jurisdiction.

## **Accounting Advice**

Except as outlined in this letter, this Engagement does not contemplate the provision of specific accounting advice or opinions or the issuance of a written report on the application of accounting standards to specific transactions and to the facts and circumstances of the entity. Such services, if requested, would be provided under a separate engagement letter.

## **Dispute Resolution**

You agree that any dispute that may arise regarding the meaning, performance or enforcement of this Engagement will, prior to resorting to litigation, be submitted to mediation.

Any mediation initiated as a result of this Engagement shall be administered within the Province of Ontario by [name of mediation organization], according to its mediation rules, and any ensuing litigation shall be conducted within such province, according to provincial law. The results of any such mediation shall be binding only upon agreement of each party to be bound. The costs of any mediation proceeding shall be shared equally by the participating parties.

## **Indemnity**

2430505 Ontario Inc. hereby agrees to indemnify, defend (by counsel retained and instructed by us) and hold harmless our firm (and its partners, agents and employees) from and against any and all losses, costs (including solicitors' fees), damages, expenses, claims, demands and liabilities arising out of (or in consequence of):

- a. The breach by 2430505 Ontario Inc., or its directors, officers, agents or employees, of any of the covenants or obligations of 2430505 Ontario Inc. herein, including, without restricting the generality of the foregoing, the misuse of, or the unauthorized dissemination of, our engagement report or the financial statements in reference to which the engagement report is issued, or any other work product made available to you by our firm.
- b. A misrepresentation by a member of your management or the board of directors.

## **Time Frames**

We will use all reasonable efforts to complete the Engagement as described in this letter within the agreed upon time frames.

However, we shall not be liable for failures or delays in performance that arise from causes beyond our reasonable control, including any delays in the performance by 2430505 Ontario Inc. of its obligations.

## **Fees at Regular Billing Rate**

Our professional fees will be based on our regular billing rates, plus direct out-of-pocket expenses and applicable HST, and are due when rendered. Fees for any additional services will be established separately.

## **Billing**

Our fees and costs will be billed monthly and are payable upon receipt. Invoices unpaid 30 days past the billing date may be deemed delinquent and are subject to an interest charge of 1.50% per month. We reserve the right to suspend our services or to withdraw from this Engagement in the event that any of our invoices are deemed delinquent. In the event that any collection action is required to collect unpaid balances due to us, you agree to reimburse us for our costs of collection, including lawyers' fees.

## **Termination**

Management acknowledges and understands that failure to fulfill its obligations as set out in this engagement letter will result, upon written notice, in the termination of the Engagement.

Either party may terminate this agreement for any reason upon providing written notice to the other party [*not less than 30 calendar days before the effective date of termination*]. If early termination takes place, 2430505 Ontario Inc. shall be responsible for all time and expenses incurred up to the termination date.

If we are unable to complete the audit or are unable to form, or have not formed, an opinion on the financial statements, we may withdraw from the audit before issuing an auditor's report, or we may disclaim an opinion on the financial statements. If this occurs, we will communicate the reasons and provide details.

## **Survival of Terms**

This engagement letter will continue in force for subsequent audits unless terminated by either party by written notice prior to the commencement of the subsequent audit.

## **HST Services - Audit**

It should be noted that our audit work in the area of HST and other commodity taxes is limited to that appropriate to form an opinion regarding the financial statements. Accordingly, the audit process may not detect situations where you are incorrectly collecting HST or incorrectly claiming input tax credits. As you are aware, failure to properly account for the HST could result in you or your company becoming liable for tax, interest or penalties. These situations may also arise for provincial sales tax, custom duties, and excise taxes.

## **Consequential Loss**

Our firm and its partners, officers or employees will not be responsible for any consequential loss, injury or damages suffered by the client including but not limited to loss of use, earnings and business interruption, or the unauthorized distribution of any confidential document or report prepared by or on behalf of our firm, including the partners, officers or employees of the accounting firm for the exclusive use of the client.

## **Relevant Parties**

The client will not assert any claim for damages against our firm unless the client has concurrently or previously asserted a claim against all other persons who might reasonably be liable in relation to that claim. Any release, waiver, or covenant to otherwise not sue or enforce any remedy known to law given by the client to a third party shall be deemed to apply in favour of our firm.

## **Third Parties**

The financial documents are prepared solely for the use of the client with whom we have entered into a contract and there are no representations of any kind made by us to any party with whom we have not entered into a written contract.

## **Indemnity for Fees**

For value received by the Indemnifier directly or indirectly as shareholder or director of the company for whom services are provided, the Indemnifier agrees with our firm that at all times the Indemnifier shall promptly indemnify our firm for all amounts due by the company in the event of the company failing to pay any invoice when due by the company. This indemnity is absolute and unconditional and the Indemnifier shall not be released or discharged by any indulgence extended to the company by our firm.

## **Foreign Reporting**

It is understood and agreed that the company is aware of the foreign reporting rules effective for tax years starting in 1996, and we are relying on the company to provide us with the necessary information. The company may be required to file information returns to comply with these rules if it has:

1. One or more controlled and not-controlled foreign affiliates (Form T1134). Form T1134 is due no later than 10 months after the end of your taxation year or fiscal period.
2. Transferred or loaned property to a non-resident/off-shore trust any time after 1990 (Form T1141). Filing deadline is 6 months after the end of the taxation year.
3. Received distributions from or is indebted to a non-resident trust (Form T1142). Filing deadline is 6 months after the end of the taxation year.
4. Foreign property with a total cost of more than Cdn \$100,000 (Form T1135). Form T1135 is not required if the foreign property (such as shares of a foreign affiliate, an interest in an offshore trust) is reported on one of the other foreign reporting forms above. The filing deadline is six months after the end of the taxation year.

Failure to comply may result in significant penalties that are not deductible for income tax purposes. There are more penalties to those persons who make or participate in the making of a false statement or omission on the new information returns. Therefore, we must impress upon you the importance of carrying out due diligence to file these returns accurately and completely.

**Conclusion**

This engagement letter includes the relevant terms that will govern the Engagement for which it has been prepared. The terms of this letter supersede any prior oral or written representations or commitments by or between the parties. Any material changes or additions to the terms set forth in this letter will only become effective if evidenced by a written amendment to this letter, signed by all of the parties.

If you have any questions about the contents of this letter, please raise them with us. If the services outlined are in accordance with your requirements, and if the above terms are acceptable to you, please sign the attached copy of this letter in the space provided and return it to us.

We appreciate the opportunity of continuing to be of service to your company.

Yours truly,

Joozer Karimjee, CPA, CA  
 Partner  
 joozer@bklp.ca

Acknowledged and agreed to on behalf of 2430505 Ontario Inc. operating as Willowbrae Academyby:

As a representative of 2430505 Ontario Inc.(Operating as Willowbrae Academy)

*Kamal Al-Kabodi*

\_\_\_\_\_  
 Mr. Kamal Al-kabodi, Director  
 5/16/2024

\_\_\_\_\_  
 Date signed

As indemnifier for accounting fees

\_\_\_\_\_  
 Mr. Kamal Al-kabodi

\_\_\_\_\_  
 Date signed

## Appendix A - Expected Form of Report

To the Shareholders of 2430505 Ontario Inc. operating as Willowbrae Academy

### *Opinion*

We have audited the financial statements of 2430505 Ontario Inc., operating as Willowbrae Academy (the "company"), which comprise the balance sheet as at December 31, 2023, and the statements of income and retained earnings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2023, and the results of its operations and cash flow for the period then ended in accordance with Canadian accounting standards for private enterprises (ASPE).

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASPE, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

**Appendix A** *(continued)*

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

---

**2430505 ONTARIO INC.**  
*(Operating as Willowbrae Academy)*  
**10651 Chinguacousy Road**  
**Unit A2**  
**Brampton, Ontario**  
**L7A 0N5**

---

April 1, 2024  
Confidential

Bassi and Karimjee LLP  
504 - 7900 Hurontario Street  
Brampton Ontario L6Y 0P6

Attention: Joozer Karimjee, CPA, CA

Dear Sir:

Re: Client representation letter

This representation letter is provided in connection with your audit of the financial statements of 2430505 Ontario Inc., operating as Willowbrae Academy, for the year ended December 31, 2023 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian accounting standards for private enterprises (ASPE).

In making the representations outlined below, we took the time necessary to appropriately inform ourselves on the subject matter through inquiries of entity personnel with relevant knowledge and experience, and, where appropriate, by inspecting supporting documentation.

We confirm that (to the best of our knowledge and belief):

**Financial Statements**

We have fulfilled our responsibilities as set out in the terms of the audit engagement dated December 17, 2023 for:

- a) Preparing and fairly presenting the financial statements in accordance with ASPE;
- b) Providing you with:
  - i. Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as:
    - A. Accounting records, supporting data and other relevant documentation,
    - B. Minutes of meetings (such as shareholders, board of directors and audit committees) or summaries of actions taken for which minutes have not yet been prepared, and
    - C. Information on any other matters, of which we are aware, that is relevant to the preparation of the financial statements;
  - ii. Additional information that you have requested from us for the purpose of the audit; and
  - iii. Unrestricted access to persons within the entity from whom you determine it necessary to obtain audit evidence.
- c) Ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements; and
- d) Designing and implementing such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We have also communicated to you any deficiencies in the design and implementation or the maintenance of internal control over financial reporting of which management is aware.

*(continued)*

## **Fraud and Non Compliance**

We have disclosed to you:

- a. All of our knowledge in relation to actual, alleged or suspected fraud affecting the entity's financial statements involving:
  - i. Management;
  - ii. Employees who have significant roles in internal control; or
  - iii. Others where the fraud could have a material effect on the financial statements;
- b. All of our knowledge in relation to allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others;
- c. All known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements that should be considered when preparing the financial statements;
- d. All known, actual, or possible litigation and claims that should be considered when preparing the financial statements; and
- e. The results of our risk assessments regarding possible fraud or error in the financial statements.

## **Related Parties**

We confirm that there were no related-party relationships or transactions that occurred during the period.

## **Estimates**

We acknowledge our responsibility for determining the accounting estimates required for the preparation of the financial statements in accordance with ASPE. Those estimates reflect our judgment based on our knowledge and experience of past and current events, and on our assumptions about conditions we expect to exist and courses of action we expect to take. We confirm that the methods, significant assumptions and the data used by us in making accounting estimates and related financial statement disclosures, including those measured at fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with ASPE.

## **Subsequent Events**

All events subsequent to the date of the financial statements and for which ASPE requires adjustment or disclosure have been adjusted or disclosed.

## **Commitments and Contingencies**

There are no commitments, contingent liabilities/assets or guarantees (written or oral) that should be disclosed in the financial statements. This includes liabilities arising from contract terms, illegal acts or possible illegal acts, and environmental matters that would have an impact on the financial statements.

## **Adjustments**

We have reviewed, approved and recorded all of your proposed adjustments to our accounting records. This includes journal entries, changes to account coding, classification of certain transactions and preparation of, or changes to, certain accounting records.

## **Misstatements**

The effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole.

## **Accounting policies**

All significant accounting policies are disclosed in the financial statements and are consistent with those used in the previous period.

## **Contractual compliance**

We have complied with the terms and conditions of all contractual agreements that could have a material effect, in the event of non-compliance, on the financial statements.

*(continued)*

### **Direct liabilities**

We have recorded in the accounts all known liabilities of our company as at December 31, 2023 except for trivial amounts.

### **Future plans**

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

### **Intangible assets subject to amortization**

We have recorded intangible assets that have a finite life at cost less accumulated amortization. The provision for amortization is based on the cost and expected economic useful lives of the intangible assets using the straight-line basis.

We have evaluated intangible assets subject to amortization for recoverability in accordance with the provisions of the CPA Canada Handbook – Accounting, Part II, Section 3063 (Impairment of Long-Lived Assets). Impairment losses have been recognized in earnings when required.

### **Journal entries**

We have approved all journal entries and other adjustments proposed by you, and they have been included in our financial statements.

### **Liabilities and contingencies**

All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

### **Material measurement uncertainties**

The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.

### **Property, plant and equipment**

Property, plant and equipment are recorded at cost. We have good and valid title to all items of property and equipment reflected in the accounts relating thereto, and there are no liens or encumbrances on our assets. During the period ended December 31, 2023, no material amounts relating to additions or improvements of property, plant and equipment were charged to expense. The provision for amortization is based on the cost and expected economic useful lives of the property using the declining balance method.

The property, leasehold improvement and equipment accounts, and the related allowances for amortization have been adjusted for all important items of such assets that were idle, obsolete, sold, dismantled, abandoned or otherwise disposed of for the period ended December 31, 2023 and for all prior periods.

We have evaluated property, plant and equipment for recoverability in accordance with the provisions of the CPA Canada Handbook – Accounting, Part II, Section 3063 (Impairment of Long-Lived Assets). Impairment losses have been recognized in earnings when required.

### **Receivables**

The accounts receivable reflected in the accounts constitute valid claims against customers and other debtors. They do not include amounts for goods shipped on consignment, approval or under repurchase commitments, or for goods shipped after December 31, 2023.

No abnormal returns have been made by customers since December 31, 2023 or are expected in respect of merchandise shipped prior to the close of business on December 31, 2023.

Receivables known to be uncollectible have been written off, and adequate provision has been made for anticipated adjustments or losses in connection with the collection of receivables.

### **Regulatory compliance**

We are up to date with all corporate filings and annual returns. This includes all Canada Revenue Agency and HST/GST/PST returns.

*(continued)*

**Revenue recognition**

We have recorded all revenue that met the following criteria:

- a. Persuasive evidence of an arrangement exists;
- b. Delivery has occurred, or services have been rendered;
- c. Price is fixed or determinable; and
- d. Collectability is reasonably assured.

**Subsequent events**

There have been no events between the balance sheet date and the date of this letter that would require recognition or disclosure in the financial statements.

There have been no events subsequent to the balance sheet date of the comparative financial statements that would require adjustment or disclosure in the current financial statements.

**Signed balance sheet**

We are aware of the provisions of sections 158(1) and (2) of the Canada Business Corporations Act, or the equivalent sections of other provincial or territorial Business Corporations Acts, which require the financial statements to be approved by the board of directors, such approval being evidenced by the signature at the foot of the balance sheet by two directors duly authorized to sign or by the director, where there is only one. We also undertake not to issue, publish or circulate copies of the financial statements unless these are approved and signed as aforementioned and are accompanied by the Audit Opinion.

**None of the shareholders were in debt to the company**

None of the directors, officers or shareholders were in debt to the company, other than in the ordinary course of business at the period-end or at any time during the period.

**No share capital reserved for options, warrants, conversions**

There is no share capital reserved for options, warrants, conversions or other requirements that has not been disclosed.

**No irregularities or shortages**

No irregularities or shortages have occurred and nothing has come to light which might reflect upon the honesty of any employee or officer of the company.

Acknowledged and agreed on behalf of 2430505 Ontario Inc. by:

*Kamal Al-Kabodi*

---

Mr. Kamal Al-kabodi, Director

April 1, 2024

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Date signed

# BASSI & KARIMJEE LLP

CHARTERED  
PROFESSIONAL  
ACCOUNTANTS  
Licensed Public Accountants

April 1, 2024

2430505 Ontario Inc.  
10651 Chinguacousy Road  
Unit A2  
Brampton Ontario L7A 0N5

Attention: Kamal Al-kabodi, Director

Dear Kamal:

Re: Management letter

During the course of our audit of 2430505 Ontario Inc., operating as Willowbrae Academy, for the year ended December 31, 2023, we identified matters that may be of interest to management. The objective of an audit is to obtain reasonable assurance whether the financial statements are free of material misstatement and it is not designed to identify matters that may be of interest to management. Accordingly, an audit would not usually identify all such matters.

## **1. Preparation of Board Minutes**

### **Weakness noted and implications**

Minutes of Board meetings were not formally prepared. Important decisions and approvals is not documented and this may result into misunderstandings at a later stage. This may also effect the overall strategic direction of the Company.

Recommendations

We recommend that Board minutes should be prepared and approved for each meeting held.

### **Conclusion**

This communication is prepared solely for the information of management and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication.

We trust you will implement our recommendations; however, should you require further clarification or information, please contact the undersigned.

Yours truly,



Joozer Karimjee, CPA, CA  
Partner  
joozer@bkllp.ca

---

**2430505 ONTARIO INC.**  
10651 Chinguacousy Road  
Unit A2  
Brampton, Ontario  
L7A 0N5

---

**RESOLUTION OF THE BOARD OF DIRECTORS**  
**OF**  
**2430505 ONTARIO INC.**

**BE IT RESOLVED THAT:**

1. The Audit Committee, or a designated person(s) from the Board of Directors is/are hereby given specific authorization on behalf of 2430505 Ontario Inc. to accept and approve the draft financial statements as accepted and approved by the Board, subject to any material changes.

**CERTIFIED:**

This document to be true copy of a resolution passed by the Board of Directors of 2430505 Ontario Inc., and which resolution is in full force and effect.

**DATED:**

As of April 1, 2024.

**2430505 ONTARIO INC.**

*Kamal Al-Kabodi*

---

Kamal Al-kabodi - Director

# BASSI & KARIMJEE LLP

CHARTERED  
PROFESSIONAL  
ACCOUNTANTS  
Licensed Public Accountants

April 1, 2024  
Confidential

2430505 Ontario Inc.  
Operating as Willowbrae Academy  
10651 Chinguacousy Road  
Unit A2  
Brampton Ontario L7A 0N5

Attention: Kamal Al-kabodi, Director

Dear Kamal:

Re: Audit findings letter

This letter has been prepared to assist you with your review of the financial statements of 2430505 Ontario Inc. for the year ending December 31, 2023. We look forward to meeting with you and discussing the matters outlined below.

## **Significant Matters Arising**

### ***Changes to Audit Plan***

There were no changes to the audit plan (as previously presented to you) other than the following:

- a.
- b.

### **Significant Difficulties Encountered**

There were no significant difficulties encountered during our audit other than the following:

- a.
- b.

### **Comments on Accounting Practices**

#### ***Accounting Policies***

The significant accounting policies used by the entity are outlined in Note X to the financial statements.

- a. There were no significant changes in accounting policies.
- b. We did not identify any alternative accounting policies that would have been more appropriate in the circumstances.
- c. We did not identify any significant accounting policies in controversial or emerging areas.

#### ***Significant Accounting Estimates***

The following significant estimates/judgments are contained in the financial statements:

- a. Allowanced for doubtful accounts;

**Comments on Accounting Practices** *(continued)*

**Significant Accounting Estimates** *(continued)*

- b. Accrued liabilities;
- c. Deferred revenue;
- d. Book value of capital assets; and
- e. Other – (specify).

Based on audit work performed, we are satisfied with the estimates made by management.

**Significant Financial Statement Disclosures**

We did not identify any financial statement disclosures that are particularly significant, sensitive or require significant judgments, that we believe should be specifically drawn to your attention.

**Written Representations**

In a separate communication, as attached, we have requested a number of written representations from management in respect to their responsibility for the preparation of the financial statements in accordance with Canadian accounting standards for private enterprises.

**Other Audit Matters of Governance Interest**

We did not identify any other matters to bring to your attention at this time.

We would like to thank management and staff for the assistance they provided to us during the audit.

We hope the information in this audit findings letter will be useful. We would be pleased to discuss them with you and respond to any questions you may have.

This letter was prepared for the sole use of TCWG of 2430505 Ontario Inc. to carry out and discharge their responsibilities. The content should not be disclosed to any third party without our prior written consent, and we assume no responsibility to any other person.

Yours truly,



Joozer Karimjee, CPA, CA  
Partner  
joozer@bkllp.ca

Encl.

# BASSI & KARIMJEE LLP

CHARTERED  
PROFESSIONAL  
ACCOUNTANTS  
Licensed Public Accountants

April 1, 2024

Confidential

2430505 Ontario Inc.  
Operating as Willowbrae Academy  
10651 Chinguacousy Road  
Unit A2  
Brampton Ontario L7A 0N5

Attention: Kamal Al-kabodi, Director

Dear Kamal:

Re: Audit planning letter

We are writing this letter in connection with our audit of the financial statements for the year ending December 31, 2023.

Our purpose in writing is to ensure effective two-way communication between us in our role as auditors and yourselves with the role of overseeing the financial reporting process. In this letter we will:

- a. Address our responsibilities as independent auditors and provide information about the planned scope and timing of our audit.
- b. Request a response to some audit questions and any additional information you may have that could be relevant to our audit.

## **Auditor Responsibilities**

The respective responsibilities of ourselves and of management in relation to the audit of financial statements are set out in the engagement letter that was signed by management on December 17, 2023. This engagement letter is attached as an appendix to this letter.

## **Planned Scope and Timing of Our Audit**

Our objective as auditors is to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with Canadian accounting standards for private enterprises.

In developing our audit plan, we worked with management to understand the nature of 2430505 Ontario Inc., operating as Willowbrae Academy, and to identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error. Our audit plan has been designed to focus on the identified areas of risk.

## **Materiality**

For the current year, we have determined an overall materiality amount of \$50,000. We have also considered misstatements that could be material in qualitative financial statement disclosures. Materiality will be used to:

- a. Plan and perform the audit; and,
- b. Evaluate the effects of identified and uncorrected misstatements on the audit procedures performed as well as on the financial statements.

The materiality amount will be reassessed prior to the end of the engagement to ensure it remains appropriate.

### Significant Changes During Period

The significant changes that we addressed in planning the audit for the current year are set out below:

- a. company operations and personnel;
- b. Accounting and control systems;
- c. Accounting and auditing standards; and
- d. Other.

### Internal Control

To help identify and assess the risks of material misstatement in the financial statements, we obtain an understanding of internal control relevant to the audit. This understanding is used in the design of appropriate audit procedures. It is not used for the purpose of expressing an opinion on the effectiveness of internal control. Should we identify any significant deficiencies in the internal control and accounting systems, we will communicate them to you in our audit findings letter.

### Significant Risks

In planning our audit, we identify significant financial reporting risks that, by their nature, require special audit consideration. The significant risks we have identified and our proposed audit response is outlined below:

Description of each significant risk	Proposed Audit Response
Revenue recognition and completeness	Analytical procedures  Substantive testing of revenues, including the consistent application of accounting policies  Review of cut-off procedures
Management override	Review of journal entries
Accounts payable - completeness	Analytical procedures  Substantive testing or tests of control
Accounts receivable - existence	Confirmation of receivable balances  Tests of controls over revenues

If there are specific areas that warrant our particular attention during the audit or where you would like us to undertake some additional procedures, please let us know.

### Uncorrected Misstatements

Where we identify uncorrected misstatements during our audit, we will communicate them to management and request that they be corrected. If not corrected by management, we will then request that you correct them. If not corrected by you, we will also communicate the effect that they may have individually, or in aggregate, on our audit opinion.

### Timing

The proposed timing of our audit (as discussed with management) is as follows:

Action	Planned Date
Planning meeting with <i>[directors-audit committee]</i>	March 12, 2024

**Timing (continued)**

Start of audit field work	March 13, 2024
End of audit field work	March 19, 2024
Present audit findings letter to [directors-audit committee]	March 20, 2024
Approval of financial statements by the Board of Directors	March 21, 2024
Provide the audit opinion on financial statements	March 22, 2024

**Engagement Team**

Our engagement team for this audit will consist of the following personnel:

Name	Role	Contact Details
Joozer Karimjee, CPA, CA	Engagement Partner	
Nikhil Rathod	Assurance Manager	
Pratik Bhatt	Staff Accountant	

**Audit Findings**

At the conclusion of our audit, we will prepare an audit findings letter to assist you with your review of the financial statements. This letter will include our views and comments on matters such as:

- a. Significant matters, if any, arising from the audit that were discussed with management;
- b. Significant difficulties, if any, encountered during the audit;
- c. Qualitative aspects of the company's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- d. Uncorrected misstatements; and
- e. Any other audit matters of governance interest.

**Audit Questions and Requests****Fraud**

To help us in identifying and responding to the risks of fraud within the company, we would appreciate your responses to the following questions:

1. What oversight, if any, do you provide over management's processes for identifying and responding to fraud risks? Management's processes could include policies, procedures, programs or controls that serve to prevent, detect and deter fraud.
2. Do you have any knowledge of any actual, suspected or alleged fraud, including misappropriation of assets or manipulation of the financial statements, affecting the company? If so, please provide details and how the fraud or allegations of fraud were addressed.

**Audit Questions and Requests** *(continued)*

***Other Matters***

Would you please bring to our attention any significant matters or financial reporting risks, of which you are aware, that may not have been specifically addressed in our proposed audit plan. This could include such matters as future plans, contingencies, events, decisions, non-compliance with laws and regulations, potential litigation, specific transactions (such as with related parties or outside of the normal course of business) and any additional sources of audit evidence that might be available.

We recognize your significant role in the oversight of the audit and would welcome any observations on our audit plan.

This letter was prepared for the sole use of those charged with governance of 2430505 Ontario Inc. to carry out and discharge their responsibilities. The content should not be disclosed to any third party without our prior written consent, and we assume no responsibility to any other person.

Yours truly,



Joozer Karimjee, CPA, CA  
Partner  
joozer@bkllp.ca

Encl.

**2430505 ONTARIO INC.**  
*(Operating as Willowbrae Academy)*  
**Financial Statements**  
**Year Ended December 31, 2022**

**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Index to Financial Statements**  
**Year Ended December 31, 2022**

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## INDEPENDENT AUDITOR'S REPORT

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To the Shareholders of 2430505 Ontario Inc. operating as Willowbrae Academy

### *Opinion*

We have audited the financial statements of 2430505 Ontario Inc., operating as Willowbrae Academy, (the Company), which comprise the balance sheet as at December 31, 2022, and the statements of income and retained earnings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises (ASPE).

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASPE, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

(continues)

Independent Auditor's Report to the Shareholders of 2430505 Ontario Inc. *(continued)*

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Bassi & Karimjee LLP*

Brampton, Ontario  
May 5, 2023

Chartered Professional Accountants  
Licensed Public Accountants

**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Balance Sheet**  
**December 31, 2022**

	2022	2021
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 1,143,668	\$ 671,105
Accounts receivable	82,056	49,745
Security deposits	34,096	23,932
Due from shareholder (Note 8)	27,784	-
	1,287,604	744,782
PROPERTY, PLANT AND EQUIPMENT (Note 3)	75,061	163,387
INTANGIBLE ASSETS (Note 4)	27,685	29,662
	\$ 1,390,350	\$ 937,831
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 63,890	\$ 70,973
Deferred revenue	156,602	94,864
Income taxes payable	74,074	41,577
Government funding repayable (Note 7)	210,810	134,232
Deferred construction allowance	20,525	20,525
Current portion of long term debt (Note 6)	39,346	35,475
	565,247	397,646
DEFERRED CONSTRUCTION ALLOWANCE	61,575	82,100
LONG TERM DEBT (Note 6)	124,597	165,556
DUE TO SHAREHOLDERS (Note 8)	-	215
	751,419	645,517
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 10)	200	200
Retained earnings	638,731	292,114
	638,931	292,314
	\$ 1,390,350	\$ 937,831

**ON BEHALF OF THE BOARD**

  
 \_\_\_\_\_ Director  
 \_\_\_\_\_ Director

See accompanying notes to financial statements

**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Statement of Income and Retained Earnings**  
**Year Ended December 31, 2022**

	2022	2021
<b>REVENUES</b>		
Fee assistance	\$ 814,118	\$ 741,654
Daycare services	<u>1,669,395</u>	<u>833,149</u>
	<u>2,483,513</u>	<u>1,574,803</u>
<b>COST OF SALES</b>		
Direct wages	443,908	436,163
Supplies	187,653	163,733
Royalties	<u>178,778</u>	<u>115,402</u>
	<u>810,339</u>	<u>715,298</u>
<b>GROSS PROFIT</b>	<u>1,673,174</u>	<u>859,505</u>
<b>EXPENSES</b> (Schedule 1)	<u>987,521</u>	<u>877,280</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>685,653</u>	<u>(17,775)</u>
<b>OTHER INCOME</b>		
Rent subsidy	-	112,532
Wage subsidy	1,859	281,269
Other government funding income (Note 3)	<u>18,179</u>	<u>198,717</u>
	<u>20,038</u>	<u>592,518</u>
<b>INCOME BEFORE INCOME TAXES</b>	<u>705,691</u>	<u>574,743</u>
<b>INCOME TAXES</b>		
Current (Note 11)	<u>119,074</u>	<u>41,577</u>
<b>NET INCOME</b>	<u>586,617</u>	<u>533,166</u>
<b>RETAINED EARNINGS (DEFICIT) - BEGINNING OF YEAR</b>	<u>292,114</u>	<u>(241,052)</u>
	<u>878,731</u>	<u>292,114</u>
<b>DIVIDENDS DECLARED</b>	<u>(240,000)</u>	<u>-</u>
<b>RETAINED EARNINGS - END OF YEAR</b>	<u>\$ 638,731</u>	<u>\$ 292,114</u>

See accompanying notes to financial statements

**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Statement of Cash Flows**  
**Year Ended December 31, 2022**

	2022	2021
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 586,617	\$ 533,166
Items not affecting cash:		
Amortization of property, plant and equipment	75,701	133,929
Amortization of intangible assets	1,978	1,978
Deferred construction allowance	(20,525)	(20,525)
Reduction in cost of property, plant and equipment	12,625	-
	<u>656,396</u>	<u>648,548</u>
Changes in non-cash working capital:		
Accounts receivable	(32,311)	17,696
Security deposits	(10,164)	10,164
Accounts payable and accrued liabilities	(7,084)	24,613
Deferred revenue	61,738	8,856
Income taxes payable	32,497	41,577
Government funding repayable	76,578	(144,679)
Government subsidies receivable	-	128,566
	<u>121,254</u>	<u>86,793</u>
Cash flow from operating activities	<u>777,650</u>	<u>735,341</u>
<b>INVESTING ACTIVITY</b>		
Purchase of property, plant and equipment	-	(20,340)
<b>FINANCING ACTIVITIES</b>		
Repayment of loan payable	-	(6,250)
Repayment of long term debt	(37,088)	(35,475)
Advances to shareholders	(27,999)	(358,529)
Dividends paid	(240,000)	-
Cash flow used by financing activities	<u>(305,087)</u>	<u>(400,254)</u>
<b>INCREASE IN CASH FLOW</b>	<b>472,563</b>	<b>314,747</b>
CASH - BEGINNING OF YEAR	<u>671,105</u>	<u>356,358</u>
<b>CASH - END OF YEAR</b>	<b>\$ 1,143,668</b>	<b>\$ 671,105</b>

See accompanying notes to financial statements

**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

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1. DESCRIPTION OF BUSINESS

2430505 Ontario Inc. (the Company) is incorporated under the Ontario Business Corporations Act. The Company's principal activity is providing daycare services at its facility located in Brampton, Ontario and is operating under the franchise name of Willowbrae Academy.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for private enterprises (ASPE).

Measurement uncertainty

The preparation of financial statements in conformity with ASPE requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

The main estimates relate to the impairment of financial assets, the useful life of property, plant and equipment, the impairment of intangible assets and the accrued liabilities.

Cash and cash equivalents

Cash consists primarily of cash held at Canadian chartered banks.

Revenue recognition

Revenue from daycare services is recognized as services are performed and when cash collection is reasonably assured. Deferred income consists of fees received from customers for future daycare services. Deferred income is recognized as revenue as the daycare services are performed. Deposits are made by customers as security for the final weeks services and are recognized as revenue as daycare services are provided or refunded if adequate notice is provided by the customers. Other miscellaneous revenues are recognized on a cash basis. Government subsidies are recognized as revenue when assessed by the government.

Royalties

Royalties are recognized as they accrue, in accordance with the terms of the relevant agreement. The Company entered into a franchise agreement to use certain Willowbrae Academy intellectual property in exchange for ongoing royalty payments.

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**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated amortization. Property, plant and equipment is amortized over its estimated useful life at the following rates and methods:

Equipment	20%	declining balance method
Leasehold improvements	20%	straight-line method

The Company regularly reviews its property, plant and equipment to eliminate obsolete items.

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use. In the year of acquisition and disposal, property, plant and equipment are amortized at 50% of the above annual rates.

Intangible assets

Franchise fees are recorded at cost less accumulated amortization. Franchise fees are being amortized on a straight-line basis over its estimated useful life of twenty years.

Income taxes

The Company uses the income taxes payable method of accounting for income taxes. Under this method, the Company reports as an expense (income) of the period only the cost (benefit) of current income taxes determined in accordance with the rules established by taxation authorities.

Deferred construction allowance

Deferred construction allowance relating to premises rent is accounted for as a reduction of the lease expense over the term of the lease.

Government assistance

Government assistance for acquiring fixed assets and related to expenses is recorded as deferred government assistance and is amortized on the same basis and according to the same rates as the related fixed assets or to income as eligible expenditures are incurred. Government assistance for current expenses is recorded as a reduction of the related expenditures.

Government assistance in the form of subsidies for wages and rent which is included in net income for the period. The amount of government assistance to be received is accrued in the accounts on the basis that there is reasonable assurance that the entity has complied with and will continue to comply with all the conditions of the assistance provided.

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**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments policy

*Measurement of financial instruments*

The Company initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Company subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable and amount due from shareholder.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, government funding repayable, long-term debt and amounts due to shareholders.

*Impairment*

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

*Transaction costs*

The Company recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

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3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	<b>2022 Net book value</b>	2021 Net book value
Equipment	\$ 202,312	\$ 131,822	<b>\$ 70,490</b>	\$ 88,112
Leasehold improvements	557,051	552,480	<b>4,571</b>	75,275
	<b>\$ 759,363</b>	<b>\$ 684,302</b>	<b>\$ 75,061</b>	<b>\$ 163,387</b>

During the year, leasehold improvements totalling \$Nil (2021 \$9,618) was acquired through funding assistance from the Region of Peel. The Company accounted for the funding as deferred government assistance and adjusted \$Nil (2021 \$962) out of this to be recognized as revenue during the year based on the amortization rate for leasehold improvements. As at the year end the total deferred government assistance recognized as a revenue is \$6,981 (2021 \$7,524).

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**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

4. INTANGIBLE ASSETS

	2022	2021
Franchise fee	\$ 39,550	\$ 39,550
Accumulated amortization	11,865	9,888
	\$ 27,685	\$ 29,662

The Franchise agreement provides for the operation of a Willowbrae Academy daycare centre and use of certain related intellectual property. The agreement was signed as of December 10, 2015 and is for a term of ten years plus two additional five year periods, depending on certain conditions.

5. CREDIT FACILITIES

The following credit facilities are available to the Company:

**Facilities:**

- (1) The Company has a small business financing loan of \$260,157 bearing interest at bank prime rate plus 2.50% payable over 7 years. The loan has an outstanding balance of \$163,943 (2021 \$201,031).
- (2) The Company has demand loan facility of \$75,000 bearing interest at bank prime rate plus 2.50%. The facility was not utilized during the year.
- (2) The Company has a corporate Mastercard credit facility, with a maximum borrowing limit of \$50,000. At year-end, \$8,671 (2021 \$22,361) of this facility was unutilized.

**Security:**

- (1) Personal guarantee from the shareholders in the amount of \$385,200.
- (2) First ranking general security agreement over the assets of the Company.

**Covenants:**

On an annual basis, the Company is required to maintain a total debt service coverage ratio of at least 1.25:1. At the year end, the Company is in compliance with the above financial covenant.

**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

6. LONG TERM DEBT

	2022	2021
Bank of Montreal loan bearing interest at prime plus 2.50% per annum, repayable in monthly payments of \$2,956. The loan matures on February 28, 2027 and is secured as disclosed in Note 5.	\$ 163,943	\$ 201,031
Amounts payable within one year	(39,346)	(35,475)
	\$ 124,597	\$ 165,556

Principal repayment terms are approximately:

2023	\$ 39,346
2024	39,346
2025	39,346
2026	39,346
2027	6,559
	\$ 163,943

7. GOVERNMENT FUNDING REPAYABLE

During the year, the Company received excess funding from the Region of Peel in the amount of \$210,810 (2021 \$134,232) which have to be repaid subsequent to the year end.

8. DUE FROM (TO) SHAREHOLDERS

The amounts due from shareholder bears interest at 4% and is repayable by April 1, 2023. As a result the advance to shareholder has been classified as a current asset. The balance to shareholder is expected to be repaid 364 days after demand. Accordingly, the advances from shareholders have been classified as a long term liability.

9. RELATED PARTY TRANSACTION

During the year, the Company paid \$27,320 (2021 \$Nil) as consultancy fees to related parties that are related through common ownership. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

10. SHARE CAPITAL

Authorized:

Unlimited Class A shares  
 Unlimited Class B shares  
 Unlimited Common voting shares

	2022	2021
Issued:		
200 Common voting shares	<b>\$ 200</b>	<b>\$ 200</b>

11. INCOME TAXES

	2022	2021
Income before income taxes	<b>\$ 705,691</b>	\$ 574,743
Increase (decrease) resulting from:		
Amortization in excess of capital cost allowance	<b>9,098</b>	1,045
Non-taxable or non-deductible expenses	<b>4,362</b>	1,933
Non-capital losses utilized	-	(236,931)
Taxable income	<b>\$ 719,151</b>	\$ 340,790
Income taxes	<b>\$ 119,074</b>	\$ 41,577
Income tax rate	<b>16.56 %</b>	12.20 %

12. LEASE COMMITMENTS

The Company has a long term lease with respect to its premises, expiring September 30, 2026. The lease contains renewal options and provides for payment of utilities, property taxes and maintenance costs. The lease includes a construction allowance of \$188,145, which is being amortized over the term of the lease. The balance of the construction allowance as at December 31, 2021 is \$82,100 (current portion \$20,525, long term portion \$61,575). In addition, the company has a car lease for a 4 year term that expires in November 2025. Future minimum lease payments and amortization as at December 31, 2022, are as follows:

	Premises Lease	Construction Allowance	Car lease	Total
2023	\$ 413,407	\$ (20,525)	\$ 4,514	\$ 397,396
2024	413,407	(20,525)	4,514	397,396
2025	413,407	(20,525)	4,137	397,019
2026	310,055	(20,525)	-	289,530
	<b>\$ 1,550,276</b>	<b>\$ (82,100)</b>	<b>\$ 13,165</b>	<b>\$ 1,481,341</b>

**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

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13. FINANCIAL INSTRUMENTS

The Company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Company's risk exposure and concentration as of December 31, 2022.

**(a) Credit risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk from customers. In order to reduce its credit risk, the Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. There has been no significant change to the credit risk exposure from the previous year.

**(b) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, accounts payable and accrued liabilities, government funding repayable, loan payable and long term debt. There has been no significant change to the liquidity risk exposure from the previous year.

**(c) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company is mainly exposed to interest rate risk.

**(d) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities. There has been no significant change to the interest rate risk exposure from the previous year.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant currency risk and other price risks arising from these financial instruments.

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14. NOVEL CORONAVIRUS ("COVID 19")

The impact of the Coronavirus ("COVID-19") outbreak on the financial results of the Company will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions. These developments and the impact of COVID-19 on the operations of the Company and the overall economy are highly uncertain and cannot be predicted. If the operations of the Company and/or the overall economy are impacted for an extended period, the Company's results may be materially adversely affected.

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**2430505 ONTARIO INC.**  
**(Operating as Willowbrae Academy)**

**Expenses**  
**Year Ended December 31, 2022**

**(Schedule 1)**

	<b>2022</b>	<b>2021</b>
Advertising and promotion	\$ 58,130	\$ 37,285
Amortization of intangible assets	1,978	1,978
Amortization of property, plant and equipment	75,701	133,929
Bad debts	5,976	2,412
Business taxes, licences and memberships	769	762
Insurance	6,291	5,404
Interest and bank charges	8,024	5,694
Interest on long term debt	12,089	10,907
Meals and entertainment	8,723	3,866
Office and general	28,444	25,758
Professional fees	69,097	35,516
Rent	417,226	407,818
Repairs and maintenance	18,515	15,533
Salaries and wages	212,863	158,672
Telephone	16,249	10,461
Travel	18,686	943
Utilities	19,767	17,851
Vehicle	8,993	2,491
	<b>\$ 987,521</b>	<b>\$ 877,280</b>

See accompanying notes to financial statements

THE FOLLOWING FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

# Management Report

Willowbrae Academy®

For the period ended July 31, 2025

Prepared on

**August 22, 2025**

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# Profit and Loss

January - July, 2025

	<b>Total</b>
<b>INCOME</b>	
2025-CWELCC Fundings	
2025 CWELCC Cost-Based Funding	1,891,346.33
2025 CWELCC – Allocation in Lieu of Profit/Surplus	175,533.25
<b>Total 2025-CWELCC Fundings</b>	<b>2,066,879.58</b>
Revenues	
Childcare	
2025-CWELCC Child care fee	-936,827.34
Infant	207,484.62
Preschool - FT	725,905.83
Subsidy	111,888.03
Toddler	505,512.82
<b>Total Childcare</b>	<b>613,963.96</b>
Registration fee	200.00
Sales	-1,591.74
<b>Total Revenues</b>	<b>612,572.22</b>
<b>Total Income</b>	<b>2,679,451.80</b>
<b>COST OF GOODS SOLD</b>	
Cost of Goods Sold	
Braeview Software Fee	2,711.64
Direct Employee Benefits	43,860.23
Direct Labor	974,315.68
Food Supply	79,323.05
Kitchen Supplies and materials - COS	1,132.33
Program Supply	21,217.49
<b>Total Cost of Goods Sold</b>	<b>1,122,560.42</b>
Indirect Overhead	
Convention Fee	429.00
Franchise Royalty Fee	99,442.44
Janitorial	50,971.04
Travel	7,805.72
<b>Total Indirect Overhead</b>	<b>158,648.20</b>
Region of Peel- COGS	
WEG COGS	2,522.08
<b>Total Region of Peel- COGS</b>	<b>2,522.08</b>
<b>Total Cost of Goods Sold</b>	<b>1,283,730.70</b>
<b>GROSS PROFIT</b>	<b>1,395,721.10</b>
<b>EXPENSES</b>	
Automobile Expense	8,924.91
Mazda Insurance	2,333.52
Mazda Lease	2,632.63
<b>Total Automobile Expense</b>	<b>13,891.06</b>
EHT- Employer Health Tax	291.49

	<b>Total</b>
General & Administrative Expenses	
Advertising and Promotion	13,085.33
Donations	10,325.00
Job Posting Ad - Indeed	20,096.62
<b>Total Advertising and Promotion</b>	<b>43,506.95</b>
Bank Service Charges	4,194.73
Interchange credit card fee	-1,944.48
<b>Total Bank Service Charges</b>	<b>2,250.25</b>
Consultancy fees	33,123.50
Dues Subscription, Taxes, Fees & Licenses	754.91
Insurance	5,298.34
Office Expense	14,709.31
Payroll Processing Fees	1,468.43
Professional Fees	24,778.07
Repairs and Maintenance	3,026.87
Telephone Expense	10,539.42
<b>Total General &amp; Administrative Expenses</b>	<b>139,456.05</b>
Indirect Labor	74,764.85
Admin Indirect- Employee Benefits	2,187.78
Admin-Indirect	13,826.27
Cook	30,022.87
Cook - Employee Benefits	-533.60
<b>Total Cook</b>	<b>29,489.27</b>
Indirect Employee Benefits	2,187.78
<b>Total Indirect Labor</b>	<b>122,455.95</b>
Meals and Entertainment	2,484.21
Rent Expense	276,152.56
Utilities	11,214.98
<b>Total Expenses</b>	<b>565,946.30</b>
<b>OTHER INCOME</b>	
Interest earned	9,605.79
Refund interest	117.68
<b>Total Other Income</b>	<b>9,723.47</b>
<b>OTHER EXPENSES</b>	
Ask My Accountant	6,771.43
<b>Total Other Expenses</b>	<b>6,771.43</b>
<b>PROFIT</b>	<b>\$832,726.84</b>



# Balance Sheet

As of July 31, 2025

	<b>Total</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Cash and Cash Equivalent</b>	
BMO Chequing	1,031,285.19
BMO Saving Account	4,071.28
Craft Money	1,267.10
RBC Chequing 8753	115,885.11
Social Committee cash	2,100.00
<b>Total Cash and Cash Equivalent</b>	<b>1,154,608.68</b>
<b>Accounts Receivable (A/R)</b>	
Accounts Receivable	-186,974.18
Subsidy (A/R)	210,736.68
<b>Total Accounts Receivable (A/R)</b>	<b>23,762.50</b>
Prepaid Expenses	3,628.24
Rental deposit	33,970.64
Uncategorized Asset	314.61
<b>Total Current Assets</b>	<b>1,216,284.67</b>
<b>Non-current Assets</b>	
<b>Property, plant and equipment</b>	
Accumulated Depreciation	-564,599.27
Accumulated Depreciation - Furniture	-164,149.82
Computer and equipment	8,158.51
Accumulated Depreciation - Computer	-2,243.59
<b>Total Computer and equipment</b>	<b>5,914.92</b>
Furniture and Equipment	240,359.00
Leasehold Improvements	692,142.59
<b>Total Property, plant and equipment</b>	<b>209,667.42</b>
Accumulated Amortization	-15,820.00
Franchise fee	39,550.00
Security Deposits Asset	125.00
<b>Total Non Current Assets</b>	<b>233,522.42</b>
<b>Total Assets</b>	<b>\$1,449,807.09</b>

## LIABILITIES AND EQUITY

### Liabilities

#### Current Liabilities

##### Accounts Payable (A/P)

Accounts Payable	34,356.72
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<b>Total Accounts Payable (A/P)</b>	<b>34,356.72</b>
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##### Credit Card

BMO Master card New xxx3038	19,184.72
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<b>Total Credit Card</b>	<b>19,184.72</b>
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Accruals	8,925.00
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	<b>Total</b>
Advance Customer Payments	7,177.51
Corporate tax payable	-64,036.39
loan from Kamal	0.51
Loan to Related Company -1000344901 Ontario Inc	-1,232,500.00
Region of Peel Funding	
2022- Program Support Funding for special need	
2022- Program Support Funding- Income	5,000.00
Program Support Funding for special need - Payout	-5,000.00
<b>Total 2022- Program Support Funding for special need</b>	<b>0.00</b>
2025-CWELCC funding Balance	189,806.32
CWELCC Funding	
CWELCC Child Care Fee Funding - Income	1,413,338.37
CWELCC Child Care Fee Funding- Payout	-1,230,926.60
CWELCC - WCF ( wage compensation)	
CWELCC - WCF ( Income)	406,022.74
CWELCC - WCF ( payout)	-298,442.36
<b>Total CWELCC - WCF ( wage compensation)</b>	<b>107,580.38</b>
CWELCC- Cost Escalation Funding- Income	236,383.00
CWELCC- Cost Escalation Funding- Payout	-236,383.00
Minimum Wage Offset- Income	40,688.00
<b>Total CWELCC Funding</b>	<b>330,680.15</b>
CWELCC-Other TOG Part A (Transitioning fund / Inflationary))	
CWELCC-Other TOG Part A (Change in cost)- Income	140,547.00
CWELCC-Other TOG Part A (change in cost)- Payout	-140,547.00
<b>Total CWELCC-Other TOG Part A (Transitioning fund / Inflationary))</b>	<b>0.00</b>
Enhanced program support	
Enhanced program support- Income	63,700.27
Enhanced Program support- payout	-63,700.29
<b>Total Enhanced program support</b>	<b>-0.02</b>
GOF	
GOF 1&2	
GOF Top up	
GOF Top up- Income	127,757.00
GOF Top up- Payout	-127,757.00
<b>Total GOF Top up</b>	<b>0.00</b>
GOF 1&2 Income	186,058.02
GOF 1&2 Payout	-186,058.02
<b>Total GOF 1&amp;2</b>	<b>0.00</b>
<b>Total GOF</b>	<b>0.00</b>
WEG	
WEG Regular	
WEG Regular Income	275,719.94
WEG Regular Payout	-223,446.25
<b>Total WEG Regular</b>	<b>52,273.69</b>
<b>Total WEG</b>	<b>52,273.69</b>

	<b>Total</b>
Workforce Innovation Funding (WIF)	
Workforce Innovation Funding (WIF)-Income	102,483.99
Workforce Innovation Funding (WIF)-Payout	-50,981.01
<b>Total Workforce Innovation Funding (WIF)</b>	<b>51,502.98</b>
<b>Total Region of Peel Funding</b>	<b>624,263.12</b>
Shareholder Loan	215.33
Unearned Revenue	131,492.69
<b>Total Current Liabilities</b>	<b>-470,920.79</b>
<b>Non-current Liabilities</b>	
Deferred Construction Allowance	20,524.90
Deferred Construction Allowance- Current	20,524.91
Deferred Furniture & Equipment Allowance	41,516.90
Deferred Leasehold Improvement Allowance	45,352.72
<b>Total Non-current Liabilities</b>	<b>127,919.43</b>
<b>Total Liabilities</b>	<b>-343,001.36</b>
<b>Equity</b>	
Dividends Paid	-208,000.00
Share capital	200.00
Retained Earnings	1,167,881.61
Profit for the year	832,726.84
<b>Total Equity</b>	<b>1,792,808.45</b>
<b>Total Liabilities and Equity</b>	<b>\$1,449,807.09</b>

# Statement of Cash Flows

January - July, 2025

	<b>Total</b>
<b>OPERATING ACTIVITIES</b>	
Net Income	832,726.84
Adjustments to reconcile Net Income to Net Cash provided by operations:	
Accounts Receivable	4,505.60
Subsidy (A/R)	35,491.20
Prepaid Expenses	-3,628.24
Accounts Payable	18,068.41
BMO Master card New xxx3038	-35,551.32
Advance Customer Payments	7,177.51
Corporate tax payable	-28,117.68
Loan to Related Company -1000344901 Ontario Inc	-500,000.00
Region of Peel Funding:2025-CWELCC funding Balance	189,806.32
Region of Peel Funding:Enhanced program support:Enhanced Program support- payout	-25,447.28
Region of Peel Funding:WEG:WEG Regular:WEG Regular Payout	2,522.08
Unearned Revenue	8,850.82
<b>Total Adjustments to reconcile Net Income to Net Cash provided by operations:</b>	<b>-326,322.58</b>
<b>Net cash provided by operating activities</b>	<b>506,404.26</b>
<b>INVESTING ACTIVITIES</b>	
Furniture and Equipment	-3,781.15
Leasehold Improvements	-60,879.76
<b>Net cash provided by investing activities</b>	<b>-64,660.91</b>
<b>FINANCING ACTIVITIES</b>	
Dividends Paid	100,000.00
Retained Earnings	-308,000.00
<b>Net cash provided by financing activities</b>	<b>-208,000.00</b>
<b>NET CASH INCREASE FOR PERIOD</b>	<b>233,743.35</b>
Cash at beginning of period	920,865.33

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CASH AT END OF PERIOD

Total  
\$1,154,608.68

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GUARANTEE OF PERFORMANCE

For value received, 2430505 Ontario Inc. a Ontario corporation (the “**Guarantor**”), located at 2265 Osprey Lane, Oakville, ON, L6M 3Z9, Canada absolutely and unconditionally guarantees to assume the duties and obligations of Mutabak Karak Global Inc. located at 2332 Guildstone Crescent, Oakville, Ontario L6M 3Y8 (the “**Franchisor**”), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its Franchise Disclosure Document issued March 18, 2025, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, which ever occurs first. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor executes this guarantee at Oakville, Ontario on 5/22/2025.

**Guarantor: 2430505 Ontario Inc.**

By:  \_\_\_\_\_

Name: Mohammad Al-Udayni

Title: Director \_\_\_\_\_



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## **ADDITIONAL DISCLOSURES REQUIRED BY THE STATE OF MICHIGAN**

For franchises to be operated in the State of Michigan:

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a Franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a Franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration, of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the Franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of Franchisor's intent not to renew the franchise.
- (e) A provision that permits the Franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a Franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a Franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) the failure of the proposed transferee to meet the Franchisor's then current reasonable qualifications or standards.

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

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

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

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

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

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

Any questions regarding these Additional Disclosures shall be directed to the Department of the Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48913, (517) 373-7717.

## **ADDITIONAL DISCLOSURES REQUIRED BY THE STATE OF ILLINOIS**

For franchises to be operated in the State of Illinois:

### **Cover Page, Additional Disclosures.**

THE GOVERNING LAW, VENUE AND JURISDICTION REQUIREMENTS IN THE DISCLOSURE DOCUMENT AND IN THE FRANCHISE AGREEMENT ARE SUBJECT TO THE PROVISIONS OF THE ILLINOIS FRANCHISE DISCLOSURE ACT, AND NOTHING IN THESE DOCUMENTS SHALL BE CONSIDERED A WAIVER OF ANY RIGHT CONFERRED UPON YOU BY THE ILLINOIS FRANCHISE DISCLOSURE ACT.

### **Item 17, Additional Disclosures.**

The conditions under which the Franchise Agreement can be terminated and your rights upon non-renewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Pursuant to Section 4 of the Illinois Franchise Disclosure Act, any provision in the Franchise Agreement that designates jurisdiction or venue for litigation in a forum outside of Illinois is void.

The Illinois Franchise Regulations, Section 200.608, require that Illinois law govern Franchise Agreements entered into in Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of Illinois is void.

### **Item 22, Additional Disclosure.**

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

**ADDENDUM TO MUTABAK KARAK GLOBAL INC.  
FRANCHISE AGREEMENT FOR ILLINOIS FRANCHISEES**

In recognition of the Illinois Franchise Disclosure Act of 1987 (the “Act”), Illinois Compiled Statutes, Chapter 815, Sections 705/1 to 705/44, the parties agree to modify the Franchise Agreement for franchises to be operated in the State of Illinois as follows:

1. Termination. Section 14 is amended to add the following:

If anything in this Section concerning termination is inconsistent with Section 19 of the Illinois Franchise Disclosure Act of 1987, then the Act shall apply.

2. Renewal. Section 18 is amended to add the following:

If anything in this Section concerning non-renewal is inconsistent with Section 20 of the Illinois Franchise Disclosure Act of 1987, then the Act shall apply.

3. Governing Law. Section 22.1 of the Franchise Agreement is deleted. The Illinois Franchise Regulations, Section 200.608, require that Illinois law govern franchise agreements entered into in Illinois.

4. Venue for Litigation. Section 22.5 is amended to add the following:

Section 4 of the Act states that any provision in a franchise agreement that designates jurisdiction or venue for litigation in a forum outside of Illinois is void with respect to any action which is otherwise enforceable in Illinois.

5. Time Limit on Filing. Section 22.4 is amended to add the following:

Notwithstanding the foregoing, any claims arising under the Act shall be commenced within the period of limitation established in Section 27 of the Act.

6. Section 41 of the Act states that any condition, stipulation, or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of the Act or any other law of Illinois is void. Section 41 will control over any inconsistent provisions in the Franchise Agreement.

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

8. This Addendum will have effect only if the Franchise Agreement and/or the relationship between Mutabak Karak and you satisfy all of the jurisdictional requirements of the Act,

without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

**Mutabak Karak Global Inc.**

\_\_\_\_\_,  
**Franchisee**

By: \_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

## **ADDITIONAL DISCLOSURES REQUIRED BY THE STATE OF MINNESOTA**

For franchises to be operated in the State of Minnesota:

### **Item 13, Additional Disclosure.**

As provided in Section 9.2.9.2(a) of the Franchise Agreement, Mutabak Karak will indemnify you against liability to a third party resulting from claims that your use of the Marks infringes trademark rights of the third party, provided that your use of the Marks is in accordance with the requirements of the Franchise Agreement and the System.

### **Item 17, Additional Disclosures.**

Mutabak Karak will comply with Minnesota Statutes Section 80C.14, subdivisions 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 for non-renewal of the Franchise Agreement.

Minnesota Statutes § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring you to waive your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statutes §§ 80C.01 - 80C.22.

Minnesota Rule 2860.4400J prohibits us from requiring you to waive your rights to a trial or to consent to liquidated damages, termination penalties, or judgment notes. This rule does not bar a voluntary arbitration of any matter.

### **Item 22, Additional Disclosure.**

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

## **MINNESOTA ADDENDUM TO THE FRANCHISE AGREEMENT**

In recognition of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 to 80C.22, and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, for franchises to be operated in the State of Minnesota as follows:

1. **Trademarks.** Section 9.2.9.2(a) of the Franchise Agreement is amended by adding the following text:

As provided in this Section 9.2.9.2(a), Mutabak Karak will indemnify you against liability to a third party resulting from claims that your use of the Proprietary Marks infringes trademark rights of the third party, provided that your use is in accordance with the requirements of the Franchise Agreement and the System.

2. **Releases.** The following is added to Sections 13.2.4 and 18.1.7 of the Franchise Agreement:

Notwithstanding the foregoing, you will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Stat. §§ 80C.01 to 80C.22, provided that the foregoing shall not bar the voluntary settlement of disputes.

3. **Renewal and Termination.** Section 14 and Section 18 of the Franchise Agreement are amended by adding the following:

Notwithstanding anything to the contrary in Sections 3, 21.1, 21.2, or 21.3, Mutabak Karak will comply with Minnesota Stat. § 80C.14, Subdivision 3, 4, and 5, which require, except in certain cases, that Minnesota franchisees be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

4. **Entire Agreement.** Section 21.10 of the Franchise Agreement is amended to add the following:

Pursuant to Minn. Stat. § 80C.21 and Minn. Rule Part 2860.4400J, nothing in the Agreement shall in any way abrogate or reduce any of your rights as provided for in the Minnesota Franchises Law, Minnesota Stat., Chapter 80C.

5. **Limitation of Claims.** Section 22.4 of the Franchise Agreement is amended to add the following:

Notwithstanding anything to the contrary in this Section, any claim or action arising out of or relating to the Minnesota Franchises Law must be commenced within three (3) years from the occurrence of the facts giving rise to the claim or action, or the claim or action is barred.

6. **Venue.** Section 22.5 of the Franchise Agreement is amended to add the following:

Under Minnesota Statutes Section 80C.21, this section will not in any way abrogate or reduce any rights of the Franchisee as provided for in Minnesota Stat., Ch. 80C and Minnesota Rule 2860.4400J.

7. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
8. This Addendum will have effect only if the Franchise Agreement and/or the relationship between Mutabak Karak and you satisfy all of the jurisdictional requirements of Minnesota Stat. §§ 80C.01 to 80C.22. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

**Mutabak Karak Global Inc.**

\_\_\_\_\_  
**Franchisee**

By: \_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

## **ADDITIONAL DISCLOSURES REQUIRED BY THE STATE OF NEW YORK**

For franchises to be operated in the State of New York:

1. **State Cover Page.** 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 E 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. **Item 3, Additional Disclosure.** The following is added to 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. **Item 4, Additional Disclosure.** The following is added to the end of Item 4:

Except as indicated, none of the Franchisor, its affiliates, predecessors, officers, or a general partner has, during the 10-year period immediately before the date of this offering circular: (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 that officer or general partner of the Franchisor held this position in the company or partnership.

4. **Item 5: Initial Fees.** 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. **Item 17: Renewal, Termination, Transfer and Dispute Resolution**

A. The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for franchisee to renew or extend,” 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 issued thereunder shall remain in force; it being the intent of this provision that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

B. 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.

C. The following is added to the end of the “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.

D. 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.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of New York General Business Law, Article 33, Section 680 through 695, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, Section 200.1 through 201.16, are met independently without reference to these Additional Disclosures.

**ADDENDUM TO MUTABAK KARAK GLOBAL INC.  
FRANCHISE AGREEMENT FOR NEW YORK FRANCHISEES**

This Addendum to the Mutabak Karak Global Inc. Franchise Agreement dated \_\_\_\_\_ (“**Franchise Agreement**”) is entered into by and between **Mutabak Karak Global Inc.**, a Canadian corporation (“**we**”, “**us**”, “**our**” or “**Franchisor**”) and \_\_\_\_\_, a \_\_\_\_\_ [resident of] [corporation organized in] [limited liability company organized in] the State of \_\_\_\_\_ (“**you**”, “**your**” or “**Franchisee**”) as of the Effective Date (which is the date indicated on the signature page of this Addendum).

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This Addendum is being executed because: (A) the offer or sale of a franchise to you was made in the State of New York; (B) you are a resident of the State of New York; and/or (C) if the franchisee is domiciled in this state and the franchised business is or will be operated in this state.
2. Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Sections 680 – 695, may not be enforceable.
3. The following sentence is added to the end of Section(s) 2.2.7 and 16.5.1:  
  
Any provision in this Agreement requiring you to sign a general release of claims against us does not release any claim you may have under New York General Business Law, Article 33, Sections 680-695.
4. The following sentence is added to Section 16.1:  
  
We will not assign our rights under this Agreement, except to an assignee who in our good faith and judgment is willing and able to assume our obligations under this Agreement.
5. The following sentence is added to the end of Section 27.5:  
  
Our right to obtain injunctive relief exists only after proper proofs are made and the appropriate authority has granted such relief.
6. The following sentence is added to the end of Section 27.1:  
  
Notwithstanding the foregoing, the New York Franchises Law shall govern any claim arising under that law.
7. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any Franchisor, franchise seller, or other person acting on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
8. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

9. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.
10. This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by electronic transmission (including an electronic signature platform or the transmission of a scanned PDF document) shall be as effective as delivery of a manually executed counterpart of this Addendum.

**IN WITNESS WHEREOF**, the parties have duly executed, sealed and delivered this Addendum as of the Effective Date identified below.

**Mutabak Karak Global Inc.**

Franchisor

\_\_\_\_\_  
Franchise

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

*The following is our current general release language that we expect to include in a release that a franchisee and/or transferor may sign as part of a renewal or an approved transfer. We have the right to periodically modify the form of this release.*

[Franchisee] [Transferor], its officers and directors and Principals, and their respective agents, heirs, administrators, successors and assigns (the "**Franchisee Group**"), hereby forever release and discharge, and forever hold harmless Franchisor, its current and former affiliates and predecessors, and their respective shareholders, partners, members, directors, officers, agents, representatives, heirs, administrators, successors and assigns (the "**Franchisor Group**") from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which [Franchisee] [Transferor] and/or its Principals had, have or may have against any member of the Franchisor Group, including, without limitation, any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Franchise Agreement, the relationship created by the Franchise Agreement, or the development, ownership or operation of the Franchised Business. The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense or damages (actual or consequential) including, without limitation, reasonable attorneys', accountants' and expert witness fees, costs of investigation and proof of facts, court costs and other litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any customer, creditor or other third party now has, ever had, or hereafter would or could have, as a result of, arising from or relating to the Franchise Agreement or the Franchised Business. The Franchisee Group and its Principals represent and warrant that they have not made an assignment or any other transfer of any interest in the claims, causes of action, suits, debts, agreements or promises described herein.

This Release constitutes the entire, full, and complete agreement between the parties concerning the subject matter hereof, and supersedes all prior agreements and communications concerning the subject matter hereof. This includes the waiver of state laws that might apply to limit a release (such as Calif. Civil Code Section 1542, which states that "[a] general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party"). No other representations have induced the parties to execute this Release. The parties agree that they have not relied upon anything other than the words of this Release in deciding whether to enter into this Release.

**Exhibit J:****State Effective Dates**

The following states 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 Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

STATE	EFFECTIVE DATE
Illinois	<i>Pending</i>
Michigan	April 3, 2025
Minnesota	<i>Pending</i>
New York	<i>Pending</i>

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.

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 Mutabak Karak Global Inc. ("**Mutabak Karak**") offers you a franchise, then Mutabak Karak must provide this disclosure document to you at least 14 calendar days (but in Michigan and Rhode Island 10 business days; and in New York, 10 business days or at the earlier of the first personal meeting if earlier) before you sign a binding agreement with (or make a payment to) us or an affiliate in connection with the proposed development agreement or franchise agreement.

If Mutabak Karak 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, DC 20580 and to the appropriate state agency listed in Exhibit B. Mutabak Karak authorizes the agents listed in Exhibit C to receive service of process.

Mutabak Karak is the franchisor, with its offices at 2332 Guildstone Crescent, Oakville, Ontario L6M 3Y8 Canada (tel. 905-606-2226). The franchise seller is Salem Al-Wuhaishi at Mutabak Karak's offices noted above.

The issuance date of this Franchise Disclosure Document is: June 10, 2025, as amended August 20, 2025.

I received a Franchise Disclosure Document dated June 10, 2025, as amended August 20, 2025, and with effective dates of state registration as listed on the State Effective Dates Page. This Disclosure Document includes the following included the following Exhibits:

- |   |   |   |   |
|---|---|---|---|
| A | Franchise Agreement and Related Exhibits        | F | Financial Statements                      |
| B | List of Administrators                          | G | Table of Contents: Brand Standards Manual |
| C | Agents for Service of Process                   | H | State-specific Disclosures                |
| D | List of Current and Former Franchisees          | I | General Release                           |
| E | List of Company-Owned Mutabak Karak Restaurants | J | State Effective Dates                     |
|   |   | K | Receipts (2 copies)                       |

\_\_\_\_\_  
Date Received

\_\_\_\_\_  
Prospective Franchisee

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Home Address

*Please keep this copy of the receipt for your records.*

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

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\_\_\_\_\_  
Date Received

\_\_\_\_\_  
Prospective Franchisee

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Home Address

*Please sign and date this copy of the receipt and return it to us by mail or to **franchise@mutabakkarak.com**.*