

FRANCHISE DISCLOSURE DOCUMENT

MTY FRANCHISING USA, INC.

9311 East Via de Ventura
Scottsdale, Arizona, 85258
(888) 729-7482 or (480) 515-6250
rayz@mtygroup.com



The franchise is offered for the rights to operate a Thai Express franchised restaurant, a retail quick service restaurant selling “Thai-style” foods and drinks, and other menu items using the trademark THAI EXPRESS™.

The total investment necessary to begin operation of a Thai Express food court franchise ranges between \$337,900 and \$623,500, including \$30,000 to \$130,700 that must be paid to the franchisor or its affiliates. The total investment necessary to begin operation of a Thai Express Institutional License food court franchise ranges between \$314,160 to \$635,000 including a total of \$12,000 to \$112,700 that must be paid to the franchisor or its affiliates.

The total investment necessary to begin operation of a Thai Express street location franchise ranges between \$446,000 to \$753,700, including \$30,000 to \$166,200 that must be paid to the franchisor or its affiliates. The total investment necessary to begin operation of a Thai Express Institutional License street location franchise ranges between \$419,810 and \$742,200 including a total of \$12,000 to \$148,200 that must be paid to the franchisor or its affiliates.

The disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully. You must receive this disclosure document at least 14 days before you sign a binding agreement or make any payment in connection with the 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 Ray Zandi at 9311 East Via de Ventura, Scottsdale, Arizona, 85258, (888)729-7482 or (480) 515-6250.

The terms of your contract will govern your franchise relationship. Do not 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. Information comparing franchisors is available. Call your state agency or your public library for sources of information. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” is available from the FTC. You can contact the FTC at 1-877-FTC-HELP

or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information

There may be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: March 1, 2018

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in **Exhibit D** for information about the franchisor or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN PHOENIX, ARIZONA. OUT-OF-STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN PHOENIX, ARIZONA THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT STATES THAT ARIZONA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTION AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. WE AND OUR AFFILIATES MAY ESTABLISH OTHER CHANNELS OF DISTRIBUTION AND SELL OR DISTRIBUTE ANY PRODUCTS OR SERVICE TO THE GENERAL PUBLIC UNDER THE SAME AND/OR DIFFERENT TRADEMARK IN COMPETITION WITH THE FRANCHISE.
4. SPOUSE(S) OF FRANCHISE OWNERS AND DEVELOPERS MUST SIGN A PERSONAL GUARANTEE AND INDEMNITY MAKING SUCH SPOUSES JOINTLY AND SEVERALLY LIABLE FOR ALL OBLIGATIONS OF THE FRANCHISE, WHETHER OR NOT SUCH SPOUSES ARE INVOLVED IN THE OPERATION OF THE FRANCHISED BUSINESS. THIS REQUIREMENT PLACES THE PERSONAL AND MARITAL ASSETS OF THE FRANCHISE OWNERS AND SPOUSE(S) AT RISK IF YOUR FRANCHISE FAILS.
5. YOU MUST SIGN A SECURITY AGREEMENT GIVING US A FIRST PRIORITY INTEREST IN ALL PRESENT AND FUTURE ACCOUNTS, INVENTORY, EQUIPMENT, INTANGIBLES, PROCEEDS AND INTEREST IN THE FRANCHISE. THIS SECURITY INTEREST MAY IMPAIR YOUR ABILITY TO OBTAIN FINANCING FOR YOUR OPERATIONS.
6. PLEASE NOTE THAT APPROXIMATELY 95% OF FRANCHISOR'S ASSETS ARE INTANGIBLE OR INVESTMENTS IN SUBSIDIARIES. YOU MAY WANT TO TAKE THIS INTO CONSIDERATION WHEN MAKING A DECISION TO PURCHASE THIS FRANCHISE OPPORTUNITY.
7. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

**FRANCHISE DISCLOSURE DOCUMENT EFFECTIVE DATES
IN DESIGNATED STATES**

The following states require that the 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, exempt from registration, or otherwise effective in the following states with franchise registration and disclosure (or business opportunity*) laws as of the dates listed:

California	Effective date:	March 1, 2018
Florida	Effective date:	March 1, 2018
Hawaii	Effective date:	Not Registered
Illinois	Effective date:	March 1, 2018
Indiana	Effective date:	March 1, 2018
Kentucky*	Effective date:	May 12, 2017
Maryland	Effective date:	March 1, 2018
Michigan	Effective date:	March 1, 2018
Minnesota	Effective date:	Pending
Nebraska*	Effective date:	11/06/2017*
New York	Effective date:	March 1, 2018
North Dakota	Effective date:	Pending
Rhode Island	Effective date:	Not Registered
South Dakota	Effective date:	Not Registered
Texas*	Effective date:	March 20, 2015
Utah	Effective date:	March 1, 2018
Virginia	Effective date:	March 1, 2018
Washington	Effective date:	March 1, 2018
Wisconsin	Effective date:	April 5, 2018

In all other states, the effective date of this Franchise Disclosure Document is March 1, 2018

*Denotes one-time filing

TABLE OF CONTENTS

<u>Item</u>	<u>Page</u>
ITEM 1 THE FRANCHISOR AND ANY PARENT, PREDECESSORS, AND AFFILIATES	1
ITEM 2 BUSINESS EXPERIENCE	5
ITEM 3 LITIGATION.....	7
ITEM 4 BANKRUPTCY.....	20
ITEM 5 INITIAL FEES.....	20
ITEM 6 OTHER FEES	21
ITEM 7 ESTIMATED INITIAL INVESTMENT	28
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	42
ITEM 9 FRANCHISEE’S OBLIGATIONS.....	46
ITEM 10 FINANCING.....	48
ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING.....	50
ITEM 12 TERRITORY	59
ITEM 13 TRADEMARKS	61
ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	63
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS.....	65
ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL.....	66
ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION	66
ITEM 18 PUBLIC FIGURES.....	72
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS.....	73
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION	73
ITEM 21 FINANCIAL STATEMENTS	76
ITEM 22 CONTRACTS.....	76
ITEM 23 RECEIPTS	77

EXHIBITS:

Exhibit A:	Financial Statements
Exhibit B:	Franchise Agreement with Schedules
Exhibit B1:	Asset Purchase Agreement
Exhibit C:	Deposit and Application Agreement
Exhibit D:	List of State Franchise Administrators and Agents for Service
Exhibit E:	List of Franchisees, Multiple Unit Operators and Institutional Licensees
Exhibit F:	State Addendum
Exhibit G:	Operations Manual Table of Contents
Exhibit H:	Summary of Industry-Specific Laws
Exhibit I:	List of Franchisees, Multiple Unit Operators and Institutional Licensees Who Have Left the System
Exhibit J:	Institutional License Agreement

Exhibit K: Receipt

ITEM 1

THE FRANCHISOR AND ANY PARENT, PREDECESSORS, AND AFFILIATES

To simplify the language in this Franchise Disclosure Document, “**MTY**,” “**us**” or “**we**” means MTY Franchising USA, Inc., the franchisor. “**You**” means the person, corporation, partnership or other entity that buys the franchise, the franchisee. If a corporation, partnership or other entity is the franchisee, “you” includes the franchisee’s owners.

The Franchisor, Its Predecessors and Affiliates

MTY Franchising USA, Inc. is a Delaware corporation that was incorporated on March 14, 2001 to operate a franchising business in the United States under the name “The Extreme Pita.” We changed our corporate name from The Extreme Pita Franchising USA, Inc. in July 2014. You will see references to our former corporate name in our audited financial statements. Our principal business address in the United States is 9311 East Via de Ventura, Scottsdale, Arizona, 85258 and our head office for North America is 8150, Route Transcanadienne, Suite 200, Ville Saint-Laurent, Quebec, H4S 1M5, Canada. Our agents for service of process are disclosed in **Exhibit D**. Unless otherwise specified, our registered agent for service of process is Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808.

MTY is a franchising company which sells and grants franchises the operation of Master Franchises and Unit Franchises using the name “THAI EXPRESS,” for the operation of retail restaurant businesses using the name “EXTREME PITA” in the United States, for the operation of retail restaurant businesses using the name “MANCHU WOK” in the United States, and for the operation of retail restaurant businesses using the name “GINGER SUSHI BOUTIQUE” in the United States. We are not engaged in any other type of business activity.

We began offering Thai Express Unit Franchises in the United States in February 2015. We have offered Extreme Pita franchises in the United States since March 2001 under a separate Franchise Disclosure Document. As of the close of our last fiscal year end on November 30, 2017, we had 9 Extreme Pita franchised restaurants in the United States. We do not operate any company-owned Extreme Pita restaurants. On December 18, 2014, we acquired the United States operations of the Manchu Wok franchise system, which includes 28 franchised Manchu Wok restaurants and 1 company-owned Manchu Wok restaurants. We began offering Manchu Wok franchises under a separate Franchise Disclosure Document in March 2015. We began offering Ginger Sushi Boutique franchises under a separate Franchise Disclosure Document in September 2015. As of November 30, 2017, there were no Ginger Sushi Boutique restaurants in the United States.

Effective as of September 9, 2016, we entered into an agreement to purchase all outstanding membership interests of BF Acquisition Holdings, LLC (“BFAH”), a Delaware limited liability company having an address at 320 Commerce, Suite 100, Irvine, California 92602, including the rights to franchise the Baja Fresh® and La Salsa Mexican Grill® brands. The transaction closed on October 5, 2016. BFAH or its affiliate companies offer unit, multi-unit and area development Baja Fresh and La Salsa Mexican Grill franchises under separate disclosure documents. As of November 30, 2017, there were 135 Baja Fresh restaurants

(130 franchised and 5 company-owned) and 22 La Salsa Mexican Grill restaurants in the United States. Effective as of November 14, 2017, MTY USA entered into agreement to purchase all outstanding membership interests of CB Franchise Systems, LLC, (“The Counter”), a California limited liability company and Built Franchise Systems, LLC, a California limited liability company, both having an address at 8571 Higuera Street, Culver City, California 90232, including the rights to franchise The Counter® and Built Custom Burgers® brands. The transaction closed December 1, 2017. CB Franchise Systems, LLC, Built Franchise Systems, LLC, and or its affiliate companies offer the unit, and area development The Counter and Built franchises under separate disclosure documents. Currently, The Counter and Built networks combine 41 franchised locations and 3 corporate-owned locations. Of those 44 restaurants, 34 are located in the United States, 1 is located in Canada and 9 are located throughout the world.

Effective as of February 16, 2018, MTY USA entered into an agreement to acquire the assets of the Grabbagreen® brand from Eat Clean Holdings, LLC, an Arizona limited liability company having an address at 10789 North 90th Street, Suite 202, Scottsdale, Arizona 85260 and certain of its affiliated entities, including the rights to franchise the Grabbagreen brand. The transaction closed on March 15, 2018. The current franchisor, MTY USA, currently offers Grabbagreen unit franchises and, prior to 2017, the previous franchisor, Grabbagreen Franchising, LLC, had offered area representative Grabbagreen franchises. As of the February 21, 2018, there are 27 Grabbagreen restaurants (26 franchised and 1 company-owned) open and operating in the United States.

We do not have any predecessors, but we do have a parent and multiple affiliates.

On September 24, 2013, our parent, MTY Tiki Ming Enterprises Inc. (“**MTY Canada**”), acquired our stock (“**Acquisition**”). MTY Canada is a wholly owned subsidiary of MTY Food Group, Inc. (“**MTYFG**”). MTY Canada is a corporation that was initially incorporated under the Canada Business Corporations Act on February 13, 1979, under the name “Matoyee Enterprises Inc.” Its principal place of business is 8150 Route Transcanadienne, Suite 200, Ville Saint-Laurent, Quebec, H4S 1M5, Canada. MTYFG is a public corporation and its principal place of business is 8150 Route Transcanadienne, Suite 200, Ville Saint-Laurent, Quebec, H4S 1M5, Canada.

MTY Canada currently operates or has franchised approximately 2,560 quick service restaurants consisting of the following brands in the following countries: Au Vieux Duluth Express, Caferama, Country Style, Croissant Plus, Cultures, FranxSupreme, Jugo Juice, Kim Chi Korean Delights, Koryo, Koya Japan, La Cremiere, Mr. Sub, O’Burger, Panini Pizza Pasta, Sukiyaki, Sushi Go, Sushi Shop/Sushi Shop Express, Taco Time/Taco Time Cantina, Tandori, TCBY®, Thai Express/Pad Thai Delights Thai Cuisine, Tiki Ming, Tutti Frutti, Valentine, Vanellis, Veggirama, Vie & Nam, Villa Madina, and Mr. Souvlaki in Bahrain, Canada, Dubai, Jordan, Kuwait, Morocco, Qatar, Saudi Arabia, United Arab Emirates, United Kingdom, and Lebanon. MTYFG or one of its subsidiaries is the master licensee for the following brands: TCBY (Canada), Taco Time (Canada), and Au Vieux Duluth Express (Quebec and Ontario, Canada). MTY Canada also provides support services to Extreme Pita, Mucho Burrito, and Thai Express stores in the United States.

Except as described below, we do not do business under any name other than “MTY” or “MTY FRANCHISING USA, INC.,” nor have we offered franchises in other lines of business.

We have an affiliate that operates the Mucho Burrito brand in the United States. Mucho Burrito Franchising USA, Inc. (“**MBUSA**”) is a Delaware corporation that was incorporated on January 19, 2010 to sell and grant franchises in the United States under the name “MUCHO BURRITO”. On September 24, 2013, in connection with the Acquisition, our parent, MTY Canada acquired the stock of MBUSA. MBUSA’s principal business address in the United States is 9311 East Via de Ventura, Scottsdale, Arizona, 85258. MBUSA has been offering Mucho Burrito Unit franchises since February 2010, and offered Area Developer franchises in the United States from February 2010 to January 2013. However, as of January 2013, MBUSA no longer offers Area Developer franchises. MBUSA is not engaged in any other type of business activity.

We also have an affiliate that operates the Big Smoke Burger brand in the United States. BSB Franchising USA, Inc. (“**BSB**”) is a Delaware corporation that was incorporated on August 18, 2015 to sell and grant franchises in the United States under the name “**Big Smoke Burger**.” BSB’s address is 9311 East Via de Ventura, Scottsdale, Arizona 85258. BSB has been offering Big Smoke Burger unit franchises since February 2016. BSB is not engaged in any other type of business activity. As of November 30, 2017 there was 1 Big Smoke Burger restaurant in the United States.

On May 25, 2016, MTYFG entered into an agreement with Kahala Brands, Ltd., having an address at 9311 East Via de Ventura, Scottsdale, AZ 85258 (“**Kahala Brands**”), whereby Kahala Brands agreed to merge with a wholly-owned subsidiary of MTYFG (“**Kahala Brands Transaction**”). The Kahala Brands Transaction closed July 26, 2016. As of the date of this Franchise Disclosure Document, Kahala Brands or one or more of its subsidiaries has franchised or currently operates approximately 2,800 quick service restaurants which consist of the following 18 brands: America’s Taco Shop, Blimpie, Cereality, Cold Stone Creamery, Frullati Café & Bakery, Great Steak, Johnnie’s New York Pizzeria, Kahala Coffee Traders, Maui Wowi Hawaiian Coffees & Smoothies, NrGize Lifestyle Café, Pinkberry, Planet Smoothie, Ranch One, Rollerz, Samurai Sam’s, Surf City Squeeze, TacoTime, and Tasti D-Lite. One or more of those brands is currently located in the countries of Bahrain, Bangladesh, Brazil, Canada, China, Cyprus, Egypt, El Salvador, Indonesia, Japan, Kenya, Nigeria, Oman, Pakistan, Philippines, Qatar, Saudi Arabia, Singapore, Taiwan, Thailand, Trinidad and Tobago, Turkey, United Arab Emirates, and the United States, and the United States territories of Guam and Puerto Rico. Additionally, the Kahala Brands Transaction resulted in MTYFG or one of its subsidiaries becoming the master franchisee for the following brands in the following countries: Cold Stone Creamery (Antigua, Aruba, Bangladesh, Barbados, Bonaire, Costa Rica, Curacao, Dominica, El Salvador, Greece, Grenada, Guatemala, Guyana, Jamaica, Jordan, Kenya, Malaysia, Pakistan, Panama, South Africa, St. Kitts, St. Lucia, St. Martin, St Vincent, and Suriname) and Great Steak (Oman, Qatar, and Saudi Arabia).

The Business

A Thai Express restaurant (“**Thai Express Restaurant**”) is a retail quick service restaurant selling “Thai-style” foods and drinks, and other menu items related to the Thai Express concept. A Thai Express Restaurant serves its customers by operating a uniform system consisting of high standards of service, the use of consistent quality products, and in accordance with the business format created and developed by Thai Express (“**System**”). We authorize you

to use and sublicense the THAI EXPRESS® trademark of, to permit you or Franchisees to operate Thai Express Restaurants.

We also offer to select qualified persons and/or companies the opportunity to acquire the right to license our Marks and confidential recipes for use in operating at a food facility that services colleges, universities and other institutions. If you are purchasing an institutional license, you must execute a separate agreement, our Institutional License Agreement which you may request from us and is offered in this disclosure document. Due to the unique nature of these other channels of distribution, these institutional providers may pay reduced or may pay no Royalties, marketing contributions and advertising contributions in comparison to other Thai Express franchisees and may not be required to participate in Local Advertising Cooperatives.

In addition to the above, we license Thai Express franchises in certain non-traditional venues such as may be found in universities, colleges, hospitals, airports, highway rest stops, etc. Due to their unique nature, the operators of such other channels of distribution may pay a lower or no Initial Franchise Fee, Royalty, Marketing Contribution, and Advertising Contribution than other Thai Express franchisees and may not be required to participate in Local Advertising Co-Operatives or marketing initiatives.

In addition to non-traditional units described above, we license Thai Express franchises in certain downtown urban food court venues such as may be found in corporate office towers, large downtown urban shopping centers, etc. Due to their unique nature, the operators of such downtown urban food court venues may pay a lower or no Royalty, Marketing Contribution, and Advertising Contribution than other Thai Express franchisees and may not be required to participate in Local Advertising Co-Operatives.

To the extent required by law or in cases in which an exemption to disclosure is not available to us, the franchise opportunities described in the two previous paragraphs are offered in connection with this Franchise Disclosure Document.

Market and Competition

Throughout the United States, the food service industry is highly competitive with constantly changing market conditions, and is characterized by a profusion of operators, including well financed and highly sophisticated national and regional chains. You will compete with other franchised restaurants, fast food outlets and Thai and Asian-themed stores operated by national and regional chains. Thai Express Restaurants will compete with restaurants, fast food outlets and Thai-themed and Asian-themed stores operated by national and regional chains and independent operators and, to some extent, with grocery and convenience stores that sell various prepared food products. Thai Express Restaurants will compete with these competitors for market share, access to desirable locations, and food service personnel. Thai Express Restaurants will offer Thai Express Products (as defined in ITEM 16) primarily to individual consumers for on-site or off-site consumption. The market for Thai-themed and Asian-themed restaurants is well-developed in some areas and developing in other areas, depending on the number of restaurants and stores operating in the particular area. Thai Express Restaurants appeal to a wide range of customers because of their perceived quality, taste and health of its

products. You and your Franchisees are given the opportunity to enter into a unique and evolving market place.

Thai Express markets Thai Express Products to consumers seeking the convenience of quick food service while also seeking a fresh healthy alternative to typical fast food. You will have to compete with other food service businesses, including other franchised operations or restaurants. Investing in a Thai Express Restaurant is a speculative risk and there are no warranties for your success. You will also face normal business risks that could have an adverse effect on your Thai Express Restaurant. These include industry developments, such as pricing policies of competitors, supply and demand, and changing consumer tastes. Another potential risk factor is our dependence on personnel, the loss of whom could have an adverse effect on us. Our ability to fulfill our obligations under the Franchise Agreement with you depends in part on our present and future financial condition. Litigation risks also exist, including product liability litigation against you or us because of food-related illnesses and future litigation which may not be foreseeable.

Regulations

Your Thai Express Restaurant will be subject to various federal, state and local health and sanitation laws that apply to restaurant operations. See Exhibit H, which summarizes certain special laws applicable to this business. In addition, your business will be subject to various employment regulations concerning wage rates, mandated employee benefits, employment taxes, tip reporting, worker safety, unemployment compensation, workers' compensation, teenage labor practices, disabled employees and discrimination in employment practices. Environmental regulations will impact your restaurant operations, particularly in the area of sewer discharge. You will be subject to the Americans with Disabilities Act which prohibits practices that discriminate against physically and mentally challenged individuals regarding access to public accommodations and employment opportunities. Due to the permitted sale of alcoholic beverages, you will need to obtain all required liquor licenses and liquor liability (dram shop) insurance in addition to the required insurance policy. You must report and pay various sales, excise, property, income, use and inventory taxes. Additionally, you must obtain various licenses and permits at the federal, state and local level in order to conduct business including, but not limited to, those related to food preparation. The laws in your state or municipality may be more or less stringent, but failure to comply with the above governmental regulations could have a material adverse impact on you and your business. You should examine these laws before purchasing a Thai Express franchise.

ITEM 2 BUSINESS EXPERIENCE

President and Chief Executive Officer – Stanley Ma

Stanley has been a director and the President and Chief Executive Officer of our company since September 24, 2013. Stanley has also been a director and the President and Chief Executive Officer of our affiliate, MBUSA, since September 24, 2013. Stanley founded our parent, MTY Canada, of Quebec, Canada, in 1979 and has served as its President, Chief Executive Officer and Director since its founding.

Secretary – Claude St.-Pierre

Claude has been a director and the Secretary of our company since September 24, 2013. Claude has also been a director and the Secretary of our affiliate, MBUSA, since September 24, 2013. She is the Chief Operating Officer of our parent, MTY Canada, of Quebec, Canada, a position she has held since June 2012. From May 2004 to June 2012 she was MTY Canada's Chief Financial Officer. She originally joined MTY Canada in September 1986.

Director, Treasurer and Chief Financial Officer: - Eric Lefebvre

Eric has been Chief Financial Officer of MTY Franchising USA, Inc.'s ultimate parent, MTY Food Group, since June 2012. Eric served as Vice President of Finance of MTY Food Group from November 2009 until June 2012.

Senior Vice President of Restaurant Operations: - Anthony Crosby

Tony joined MTY's affiliate, Kahala Brands, in October 2009 as the Vice President of Restaurant Operations. In addition, from January 2010 through December 2012, Tony was the Johnnie's New York Pizzeria Brand President. In August 2011, Tony became the Senior Vice President of Restaurant Operations for Kahala Brands and the Senior Vice President of Operations for the Kahala Coffee Traders and Samurai Sam's Teriyaki Grill brands.

Senior Vice President of Development – John Wuycheck

John has served as MTY's affiliate, Kahala Brands', Senior Vice President of Development since September 2014. From September 2013 until September 2014, John was Vice President of Franchising for HomeSmart Realty in Phoenix, Arizona. From January 2013 through August 2013, John was Vice President of Franchise Sales for Edible Arrangements in Wallingford, Connecticut. Prior to that, John was a Risk Consultant for Wick Pilcher Insurance in Phoenix, Arizona from March 2012 until January 2013 and was Vice President, New Business Development for Starbucks Corporation in Seattle, Washington from August 2009 through October 2011.

Vice President of Development – USA – Ramin (Ray) Zandi

Ray is our Vice President of Development – USA, a position he has held since February 2009. Concurrently, Ray serves as Vice President of Development for our parent, MTY Canada, in Scottsdale, Arizona, a position he has held since September 24, 2013. Since February 2005, Ray has also served as the President of Extreme Pita's former Northern California regional director, Desertbay Development, Inc., in Scottsdale, Arizona.

Vice President of Operations - America's Taco Shop, Ginger Sushi Boutique and Thai Express: Nicolette Petrillo

Ms. Petrillo became the Vice President of Operations for the America's Taco Shop brand in May 2014. From May 2010 until May 2013, Ms. Petrillo was the Senior Director of Operations for Papa Murphy's in Vancouver, Washington. Ms. Petrillo became VP of Operations for Ginger Sushi Boutique and Thai Express since October 2017.

Brand Vice President, and Vice President of Business Development – Dennis Ng

Dennis has been our Brand Vice President, and Vice President of Business Development, since September 24, 2013. He is a Brand Vice President, and Vice President of Business Development of our parent, MTY Canada, of Quebec, Canada, a position he has held since August 2008.

Franchise Development Manager - Traci Zandi

Traci has been assisting the V.P. of US Business Development in awarding Extreme Pita franchise units since October 2016. She has also served as Office Manager and Executive Assistance for Extreme Pita from April 2011 until October 2016. As well as the Administrative Manager for our parent, MTY, in Scottsdale, Arizona, a position she has held since September 2013. From April 2005 through September 2013, Traci was the Director of Administrative Operations for our former Northern California regional director, DesertBay Development, Inc.

There can be no assurance that these persons will remain affiliated with Extreme Pita indefinitely or for any period of time, or that the scope of their involvement will not change.

ITEM 3 LITIGATION

Pending Arbitration and Litigation Involving Extreme Pita Franchising USA, Inc.

None

Concluded Arbitration and Litigation Involving Extreme Pita Franchising USA, Inc. *Purav Enterprises, LLC, Balwant Bahia, and Paramjit Samra v. The Extreme Pita Franchising USA, Inc., EP Development, Inc., and Feisal Ramjee*; Superior Court of the State of Washington for King County; Case No. 15-2-15120-7.

On June 22, 2015, Purav Enterprises, LLC, Balwant Bahia, and Paramjit Samra, (collectively “Plaintiffs”), filed a complaint against The Extreme Pita Franchising USA, Inc., EP Development, Inc. and Feisal Ramjee, (collectively “Defendants”). Plaintiffs alleged (i) Violations under the Franchise Investment Protection Act in the State of Washington (“FIPA”); (ii) Misrepresentation by the area developer of the financial performance of the franchise, omissions of mandatory and material information and inherently misleading information that were material factors in the Plaintiff’s purchase of the franchise; and (iii) The Area Developer was not a registered broker in the State of Washington. The Plaintiff sought: (i) Rescission of the franchise agreement, the corresponding personal guarantee and related agreements; (ii) Treble damages under FIPA; and (iii) Costs and attorney’s fees. The parties entered into a settlement agreement on March 11, 2016 in which Defendant paid Plaintiff the sum of \$20,000. The matter was dismissed on March 16, 2016.

Lawsuits Filed by Extreme Pita Franchising USA, Inc. Against Franchisees During Fiscal Year 2017:

None

Pending Arbitration and Litigation Involving MTY Tiki Ming Enterprises Inc.

2197643 Ontario Ltd., Gurmeet Bindra and Jessica Bindra v. MTY Food Group Inc., MTY Tiki Ming Enterprises Inc., Stanley Ma and Claude St-Pierre, Ontario Superior Court; Court File No. 00-14-498188.

On February 10, 2014, 2197643 Ontario Ltd., Grumeet Bindra and Jessica Bindra (collectively the “Plaintiffs”) filed a Statement of Claim against MTY Tiki Ming Enterprises, Inc. (“Defendant MTY Enterprises”); MTY Food Group, Inc.; Stanley Ma and Claude St-Pierre (collectively the “ MTY Defendants”). Plaintiffs alleged (i) Failure to provide a Disclosure Document pursuant to the Wishart Act; and (ii) Misrepresentation. Plaintiffs sought: (i) Declaration that Defendant MTY Enterprises failed to provide the Plaintiffs with a disclosure document pursuant to Section 5 of the Arthur Wishart Act, 2000, S.O. 2000, c. 3 (“Wishart Act”) and General O. Reg 581/00 (“Regulations”); (ii) Due to the aforementioned allegation a declaration that Plaintiffs are entitled to rescind the July 28, 2011 Franchise Agreement and accompanying documents without penalty or obligation pursuant to subsection 6(2) of the Wishart Act; (iii) Declaration that July 25, 2013 was the effective date of rescission. Plaintiffs are seeking from Defendant MTY Enterprises: (i) Declaration that Defendant MTY Enterprises must comply with its obligations to the Plaintiffs pursuant to subsection 6(6) of the Wishart Act; (ii) Damages of \$1.5 million pursuant to subsection 6(6) of the Wishart Act; (iii) An Order that would require Defendants MTY Enterprises to carry out the execution of such documents as may be required; (iv) Damages of \$1 million for breaches of duty of fair dealing and good faith pursuant to Section 3 of the Wishart Act; and (v) Damages of \$2 million for losses incurred due to Defendant MTY Enterprises failure to provide a disclosure document. Plaintiffs further sought against the MTY Defendants (i) A declaration that the MTY Defendants are Defendant MTY Enterprises associates as defined in Section 1 of the Wishart Act; and (ii) A declaration that the MTY Defendants are therefore, jointly and severally liable with Defendant MTY Enterprises for any obligations or damages to the Plaintiffs. In the alternative, should the Court determine that the disclosure document was provided to Plaintiffs in accordance with Section 5 of the Wishart Act and the Regulations Plaintiffs allege (i) Declaration that Plaintiffs are entitled to (i) Rescission at common law of the Franchise Agreement and damages; (ii) Damages of \$3 million for breach of contract and misrepresentation at common law; (iii) An accounting before a Master if required and judgment in accordance with the accounting; (iii) Pre-judgment and post-judgment interest; (iv) Costs of the proceeding and applicable taxes; and (v) any other relief the Court deems just.

1857490 Ontario Inc. and Adeel Bhayani v. RDHR Investments & Holdings Inc., 2234559 Ontario Inc., 2062127 Ontario Inc., Alex Rechichi, Sean Black, Mark Anthony Rechichi, Dynamic Franchising Group Inc., EME Inc., Scott Grandin, MTY Food Group Inc. and MTY Tiki Ming Enterprises Inc.; Ontario Superior Court of Justice; Court File No. CV-14-511948.

On January 9, 2015, 1857490 Ontario, Inc. and Adeel Bhayani (collectively “Plaintiffs”), filed a Statement of Claim against RDHR Investments & Holdings, Inc., 2234559 Ontario, Inc. 2062127 Ontario, Inc., Alex Rechichi, Sean Black, Mark Anthony Rechichi, Dynamic Franchising Group, Inc., EME, Inc., Scott Grandin, MTY Food Group, Inc. and MTY Tiki Ming Enterprises, Inc., (collectively “MTY Defendants”). Plaintiffs are seeking: rescission of the franchise agreement due to Defendant’s failure to comply with the applicable franchise disclosure laws and misrepresentation. The MTY Defendants denied the claims alleged and continue to vigorously defend the matter. The Parties are awaiting a trial date.

Margaret Roose, 1525804 Alberta Corp. v. Jugo Juice International Inc., MTY Tiki Ming Enterprises Inc.; Court of Queens’ Bench of Alberta; Court File No.: 1401-04571.

On April 28, 2014, Margaret Roose and 1525804 Alberta Corp. (collectively “Plaintiffs / Counter Defendants”), filed a Statement of Claim against Jugo Juice International, Inc. and MTY Tiki Ming Enterprises, Inc. (collectively “Defendants / Counter Plaintiffs”). Plaintiffs / Counter Defendants sought damages equivalent to the fair market value of the restaurant and costs. Plaintiffs / Counter Defendants alleged misrepresentation; breach of contract; unjust enrichment and unlawful termination. On June 5, 2015, Defendants/ Counter Plaintiffs filed their Answer and Counterclaim against Plaintiffs/ Counter Defendants alleging breach of contract and damages due to the closure and breach and costs of the suit. On October 24, 2017, the Court heard two concurrent Summary Judgment Applications. Defendants/ Counter Plaintiffs’ Application was for indemnity of the damages caused by Plaintiffs / Counter Defendants’ abandonment of the restaurant. Defendants / Counter Plaintiffs sought damages in the amount of \$253,375.66. Plaintiffs/ Counter Defendants’ Application was for payment by Defendants / Counter Plaintiffs for its termination and possession of the restaurant. Plaintiffs / Counter Defendants sought damages equivalent to the fair market value of the restaurant which was determined to be \$259,500.00. On November 10, 2017, the Court issued its Opinion. It granted both Summary Judgment Applications; therefore, granting Plaintiffs/ Counter Defendants damages in the amount of \$259,500.00 and Defendants/ Counter Plaintiffs damages in the amount of \$253,375.66. It further granted each party costs: Plaintiffs/ Counter Defendants were pursuant to Schedule C and Defendants / Counter Plaintiffs were according to the terms of the contract. The Parties have since disagreed as to the interpretation of the Order as to the award of costs and this issue has not yet been resolved. The litigation is still on going as to the other claims that have yet to be resolved. Defendants/ Counter Claimants will continue to vigorously defend itself in the matter.

2079948 Ontario, Inc. v. MTY Tiki Ming Enterprises, Inc.; Ontario Superior Court of Justice; Court File No.: 89948/14SR; and

MTY Tiki Ming Enterprises, Inc. v. EP Franchising International, Inc.; Extreme Pita Company/Compagnie Extreme Pita Limite’e, Extreme Pita Corporation Quebec Inc./ Corporation Extreme Pita Quebec, Inc., Extreme Pita International, Inc., Extreme Pita IP, Inc., Masco Retail, Inc., Mucho Burrito Corporation, Mucho Burrito Franchising Canada, Inc. Mucho Burrito Franchising Quebec, Inc./ Franchisage Mucho Burrito Quebec Inc., Mucho Burrito Holdings, Inc., Mucho Burrito International, Inc., Mucho Burrito International Pakistan, Inc., Mucho Burrito International UK, Inc., Mucho Burrito IP, Inc.,

Mucho Burrito Marketing Fund, Inc., Mucho Burrito Restaurants, Inc., Purbblendz International, Inc., Purbblendz IP, Inc., RDHR Investments & Holdings, Inc., The Extreme Pita Franchising Canada, Inc., The Extreme Pita National Marketing Fund Canada, Inc., The Extreme Pita Restaurants, Inc., The Extreme Pita Restaurants Limited, The Extreme Pita USA, Inc., and Mucho Burrito USA, Inc., Dynamic, 1857490 Ontario, Inc. and Adeel Bhayani; Ontario Superior Court of Justice; Court File No.: 89948/14SR-A1; and

EP Franchising International, Inc.; Extreme Pita Company/Compagnie Extreme Pita Limite'e, Extreme Pita Corporation Quebec Inc./ Corporation Extreme Pita Quebec, Inc., Extreme Pita International, Inc., Extreme Pita IP, Inc., Masco Retail, Inc., Mucho Burrito Corporation, Mucho Burrito Franchising Canada, Inc. Mucho Burrito Franchising Quebec, Inc./ Franchisage Mucho Burrito Quebec Inc., Mucho Burrito Holdings, Inc., Mucho Burrito International, Inc., Mucho Burrito International Pakistan, Inc., Mucho Burrito International UK, Inc., Mucho Burrito IP, Inc., Mucho Burrito Marketing Fund, Inc., Mucho Burrito Restaurants, Inc., Purbblendz International, Inc., Purbblendz IP, Inc., RDHR Investments & Holdings, Inc., The Extreme Pita Franchising Canada, Inc., The Extreme Pita National Marketing Fund Canada, Inc., The Extreme Pita Restaurants, Inc., The Extreme Pita Restaurants Limited, The Extreme Pita USA, Inc., and Mucho Burrito USA, Inc. v. Scott Grandin, Vito Romita and John Boynton; Ontario Superior Court of Justice; Court File No.: 89948/14SR-A2.

In December 2014, 2079948 Ontario, Inc. ("Plaintiff Ontario") filed a Statement of Claim against MTY Tiki Ming Enterprises, Inc. ("Defendant MTY") alleging Breach of Lease and seeking \$262,015.65 in damages. Defendant MTY commenced a third party action against EP Franchising International, Inc.; Extreme Pita Company/Compagnie Extreme Pita Limite'e, Extreme Pita Corporation Quebec Inc./ Corporation Extreme Pita Quebec, Inc., Extreme Pita International, Inc., Extreme Pita IP, Inc., Masco Retail, Inc., Mucho Burrito Corporation, Mucho Burrito Franchising Canada, Inc. Mucho Burrito Franchising Quebec, Inc./ Franchisage Mucho Burrito Quebec Inc., Mucho Burrito Holdings, Inc., Mucho Burrito International, Inc., Mucho Burrito International Pakistan, Inc., Mucho Burrito International UK, Inc., Mucho Burrito IP, Inc., Mucho Burrito Marketing Fund, Inc., Mucho Burrito Restaurants, Inc., Purbblendz International, Inc., Purbblendz IP, Inc., RDHR Investments & Holdings, Inc., The Extreme Pita Franchising Canada, Inc., The Extreme Pita National Marketing Fund Canada, Inc., The Extreme Pita Restaurants, Inc., The Extreme Pita Restaurants Limited, The Extreme Pita USA, Inc., and Mucho Burrito USA, Inc., (collectively "The Extreme Parties"), Dynamic, 1857490 Ontario, Inc. ("Defendant Ontario") and Abdeel Bhayani ("Defendant Bhayani"). , The Extreme Parties then commenced a fourth party action against Scott Grandin, Vito Romita and John Boynton. Following the filings the initial action involving Plaintiff Ontario and Defendant MTY settled. It was agreed that Defendant MTY would pay Plaintiff Ontario \$65,000 to settle the matter in full. MTY then served a Notice of Election to proceed with the Third Party Action. The Extreme Parties also served a Notice of Election to proceed with the Fourth Party Action. In November 2016, the Parties for all the actions executed a settlement agreement. It was determined that Defendants Dynamic, Scott Grandin, Vito Romita and John Boynton would pay the sum of \$10,000 to the Extreme Parties. All parties further entered into a mutual release and each action was subsequently dismissed.

2264184 Ontario Inc. v. Country Style, a division of MTY Tiki Ming Enterprises Inc. and Country Style Realty Limited.; Ontario Superior Court of Justice; Court File No.: CV15-530859

On June 22, 2015, 2264184 Ontario, Inc. (“Plaintiff”) filed a Statement of Claim against Country Style, a division of MTY Tiki Ming Enterprises, Inc. and Country Style Realty Limited (collectively “Defendants”). Plaintiff is alleging: (i) Misrepresentation and (ii) Breach of Duty of Good Faith and Fair Dealing; Plaintiff is seeking: (i) Damages in the amount of \$500,000; (ii) Punitive and exemplary damages in the amount of \$100,000; (iii) Pre-judgment and post-judgment interest in accordance with the Courts of Justice Act; (iv) Costs of the action on a substantial indemnity basis; and (v) Any other relief the Court deems fit. On August 18, 2015 the Defendants filed their Statement of Defense and Counter Claim and alleged Breach of Contract due to the Plaintiff’s arrears in rent and royalty payments. Defendants are seeking: (i) Judgment in the sum of \$90,881.11 or in the alternative damages in the sum of \$200,000; (ii) Prejudgment interest pursuant to the Court of Justice Act R.S.O. 1190. ch.C43; (iii) Costs of the action; and (iv) Any other relief the Court deems fit. Mediation is to occur in early 2018.

MTY Tiki Ming Enterprises Inc. v. Ravin Rathnasingam (also known as Ravindran Rathnasingam) and 1889641 Ontario Inc.; Superior Court of Justice; Court File No.: CV-16-550497

On April 7, 2016, MTY Tiki Ming Enterprises, Inc. (“Plaintiff/ Counter Defendant”) filed a Statement of Claim against Ravin Rathnasingam a.k.a. Ravindran Rathnasingam and 1889641 Ontario, Inc. (collectively “Defendants / Counter Plaintiffs”) seeking unpaid rent and unpaid royalties. Defendant / Counter Plaintiff filed a Counter Claim against Plaintiff/ Counter Defendant alleging breach of the Arthur Wishart Act, 2000 SO 2000 c.3. The Parties entered into a settlement agreement on October 18, 2017 in which Plaintiff/ Counter Defendant paid Defendant /Counter Plaintiff the sum of \$20,000.

Standardville Enterprises, Inc. v. MTY Tiki Ming Enterprises, Inc.; Superior Court; Province of Quebec; District of Montreal; Court File No.: 500-17-096576-163.

On December 2, 2016, Standardville Enterprises, Inc. (“Plaintiff”), filed a Statement of Claim against MTY Tiki Ming Enterprises, Inc. (“Defendant”). Plaintiff is alleging (i) Misrepresentation and (ii) Breach of Contract. Plaintiff is seeking \$220,892.00 in damages plus interest. Defendant will continue to vigorously defend these claims.

MTY Tiki Ming Enterprises Inc. vs. 2240950 Ontario Inc., Alpesh Mistry and Amit Bhasin; Ontario Superior Court of Justice; Court File No.: CV-16-1376-00.

In March 2016, MTY Tiki Ming Enterprises, Inc. (“Plaintiff / Counter Defendant”), served a Statement of Claim on 2240950 Ontario, Inc.; Alpesh Mistry and Amit Bhasin (collectively “Defendants / Counter Plaintiffs”). Plaintiff/ Counter Defendant alleged (i) Breach of Contract – Franchise Agreement and (ii) Breach of Contract – Lease/ Sublease Agreement. Plaintiff/ Counter Defendant is seeking (i) Judgment in the sum of \$212,859.00; (ii) Damages in the sum of \$250,000.00; (iii) prejudgment interest at the rate of the greater of 26% per annum on the unpaid balance pursuant to the terms of the Franchise Agreement or in the alternative interest

pursuant to the provisions of the Courts of Justice Act, R.S.O. 1990 c C-43; (iv) Costs of the action on a substantial indemnity basis; and (v) Any other relief the Court deems fit. On November 15, 2016 Defendants / Counter Plaintiffs filed their Answer and Counterclaim against Plaintiff/ Counter Defendant. Defendants/ Counter Plaintiffs allege (i) Breach of Sections 5 of the Wishart Act; and (ii) Negligent misrepresentation. They are seeking: (i) Damages in the amount of \$1,000,000.00 for breach of Section 5 of the Wishart Act; (ii) Damages in the amount of \$1,000,000.00 for negligent misrepresentation; (iii) Pre and post judgment interest in accordance with the Courts of Justice Act, R.S.O. 1990, c C.43; (iv) Costs of the Counterclaim plus all applicable taxes; and (v) Any other relief the Court deems fit. Plaintiff/ Counter Defendant will continue to vigorously defend itself in this matter.

MTY Tiki Ming Enterprises Inc. vs. Sadek Enterprise Corp., Sadek Baza and Mai Ghoneim; Court of Queen's Bench of Alberta; Court File No.: 161300270.

On April 25, 2016, MTY Tiki Ming Enterprises, Inc. ("Plaintiff / Counter Defendant"), filed a Statement of Claim against Sadek Enterprise Corp.; Sadek Baza and Mai Ghoneim (collectively "Defendants / Counter Plaintiffs"). Plaintiff/ Counter Defendant alleged (i) Breach of Contract – Franchise Agreement and (ii) Breach of Contract – Lease/ Sublease Agreement. Plaintiff/ Counter Defendant is seeking: (i) Judgment in the sum of \$106,119.88 for outstanding rental arrears, royalty payments and other expenses; (ii) Damages in the amount of \$1,000,000.00 for future rental payments due and lost royalty payments; (iii) Interest on the sums at the rate of 24% per annum per the Franchise Agreement or in the alternative interest pursuant to the Judgment Interest Act; (iv) Costs of the Action (v) Any other relief the Court deems fit. On September 29, 2016, Defendants/ Counter Plaintiffs filed their Answer and Counterclaim. They allege: (i) Breach of Contract – Franchise Agreement (ii) Misrepresentation; and (iii) Negligence. Defendants / Counter Plaintiffs are seeking: Damages in the amount of \$500,000 to Defendant Sadek Baza for the above referenced claims; Damages in the amount of \$500,000 to Defendant Sadek Enterprise Corp. for the above referenced claims; (iii) Damages in the amount of \$250,000 to Defendant Sadek Enterprise, Corp. for loss of business opportunity and sales profits; (iv) General damages in the amount of \$50,000 to Defendant Sadek Baza for pain and suffering; (v) General damages in the amount of \$50,000 to Defendant Mai Ghoneim for loss of consortium; (vi) Punitive or exemplary damages as may be determined at trial; and (vii) Costs. At the time of Defendants/ Counter Plaintiffs filing of its Counterclaim it further informed Plaintiff/ Counter Defendant that it filed an Assignment in Bankruptcy which stayed any action that Plaintiff/ Counter Defendant could take against Defendant/ Counter Plaintiff. In October 2016, Plaintiff/ Counter Defendant filed its Answer to Defendants/ Counter Plaintiffs Counterclaim in which it denied all allegations cited therein and sought the dismissal of the Counterclaim. On February 14, 2017, Plaintiff/ Counter Defendant was served with the Order of Absolute Discharge in the Matter of the Bankruptcy of Sadek Baza and Mai Ghoneim.

8314535 Canada Inc. vs. MTY Tiki Ming Enterprises Inc./ LES Enterprises MTY Tiki Ming, Inc., Calloway REIT (Ottawa Laurentian) Inc., I.G. Investment Management, Ltd.; Ontario Superior Court of Justice; Court File No.: 16-70570.

On June 13, 2017, 8314535 Canada Inc. ("Plaintiff") filed a Statement of Claim against MTY Tiki Ming Enterprises, Inc./ LES Enterprises MTY Tiki Ming, Inc. ("Defendant MTY"); Calloway REIT (Ottawa Laurentian), Inc., and I.G. Investment Management, Ltd. ("Defendant

Calloway and I.G”). Plaintiff is alleging: (i) Breach of Contract; (ii) Unjust Enrichment; (iii) Negligent Misrepresentation; (iv) Negligence; (v) Omissions & Improper Disclosure. Plaintiff is seeking: (i) Declaration that the Franchise Agreement between the Plaintiff and Defendant MTY is null and void; (ii) Reimbursement of the Franchise Fee in the sum of \$340,525.00; (iii) Reimbursement of the Eco Unit Fee in the sum of \$31,640.00; (iv) Special damages including damages for lost income and lost profits (past and future) in an amount to be determined prior to trial; (v) Aggravated, exemplary and punitive damages in the amount of \$500,000.00; (vi) Pre-judgment and post-judgment interest in accordance with s. 128 and s. 129 of the Courts of Justice Act RSO 1990, c. C. 43.; (vii) Costs of the action on a substantial indemnity basis; (viii) Any other relief the Court deems fit. In November 2017 Defendant MTY filed its Answer in which it denied the allegations made in the Statement of Claims and further filed a Cross Claim against Defendant Calloway and I.G. seeking: (i) Contribution and indemnity under sections 2 and 3 of the Negligence Act; R.S. O. 1990, c. N-1 for any amounts which Defendant MTY may be held responsible for; (ii) Contribution and indemnity under the common law and equity for any amount which Defendant MTY may be held responsible for; (iii) Costs of the main action plus applicable taxes; (iv) Costs of the crossclaims plus all applicable taxes; (v) Any other relief the Court deems fit.

9299-7626 Quebec Inc., Martin Belley and Carole Tremblay vs. Les Entreprises MTY Tiki Ming Inc.

On August 4, 2017, 9299-7626 Quebec, Inc., Martin Belley and Carole Tremblay (collectively “Plaintiffs”) filed a Statement of Claim against MTY Tiki Ming Enterprises, Inc. (“Defendant”). Plaintiff alleged (i) Misrepresentation; and (ii) Failure to act in good faith and fair dealing. Defendant denies the allegations and will continue to vigorously defend itself in the action. Mediation occurred in January 2018 but failed to be successful. Defendant will continue to vigorously defend the claims in this action.

MTY Tiki Ming Enterprises Inc. vs. Adel Faltas and 1778348 Ontario Inc. v. MTY Tiki Ming Enterprises, Inc.; Ontario Superior Court of Justice; Court File No.: 2722/17

On June 30, 2017, MTY Tiki Ming Enterprises, Inc. (“Plaintiff/ Counter Defendant”) filed a Statement of Claim against Adel Faltas (“Defendant”). Plaintiff / Counter Defendant alleged Breach of Contract as to the Guaranty of the Franchise Agreement. Plaintiff/ Counter Defendant is seeking: (i) Judgment in the sum of \$117,1137.33; (ii) Prejudgment interest pursuant to the provisions of the two Franchise Agreements, or in the alternative pursuant to the Courts of Justice Act, R.S.O. 1990, ch. C. 43; (iii) Costs of the Action; (iv) Any other relief the Court deems fit. On August 15, 2017 Defendant filed his Answer to Plaintiff/ Counter Defendant’s Statement of Claim. 1778348 Ontario Inc. (“Counter Plaintiff”) further filed a Counter Claim against Plaintiff/ Counter Defendant. Counter Plaintiff alleges (i) Breach of Contract as to both Franchise Agreements; (ii) Misrepresentation; (iii) Illegal Termination. Counter Plaintiff is seeking (i) \$100,000.00 relating to the Bank of Montreal loan; (ii) \$315,000 relating to the value of the Oakville Tower Franchise or in the alternative \$90,000 for the equipment and contents of the Oakville Tower Franchise; (iii) \$150,000 relating to the value of the Mississauga Traditional Franchise or in the alternative \$50,000 relating to the equipment and contents of the Mississauga Traditional Franchise; (iv) \$80,000 for the operating loss incurred at the Mississauga Traditional Franchise. In November 2017 Plaintiff/ Counter Defendant filed its Defense to the Counter

Claim in which it denied the allegations made in the Statement of Claim and requested dismissal of the action and reimbursement of its costs. Plaintiff/ Counter Defendant will continue to vigorously defend this claim.

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

On October 13, 2017, 2423950 Ontario, Inc. and Sylvie Louchez (“Applicant”) filed a Notice of Application against MTY Tiki Ming Enterprises, Inc., Stanley Ma and Claude St-Pierre (collectively “Respondents”). Plaintiff alleges (i) Breach of the Wishart Act. Applicant is seeking: (i) A declaration that MTY Tiki Ming Enterprises, Inc. is a franchisor as defined in the Wishart Act; (ii) A declaration that Stanley Ma and Claude St Pierre are each “franchisor’s associates” as defined in the Wishart Act; (iii) A declaration that the Respondents were obligated to provide Applicants with a disclosure document and failed to do so; therefore, giving rise to a right to rescind the agreement; (iv) A declaration that any agreement, (including the franchise agreement and sublease) relating to the franchise between the Parties was rescinded by Notice of Rescission dated April 14, 2016; (v) An Order requiring Respondents to indemnify Applicants for any payments due to Respondents; (vi) Damages jointly and severally in the amount of \$269,863.00; (vii) In addition or in the alternative damages in the amount of \$269,863.00 from the Respondents jointly and severally pursuant to sections 7 and 8 of the Wishart Act for failure to comply with Section 5 of the Wishart Act; (viii) A declaration stating that the Respondents are jointly and severally liable to the Applicants pursuant to Sections 7 and 8 of the Wishart Act; (ix) Pre-judgment interest and post-judgment interest in accordance with the provisions of the Courts of Justice Act, RSO 1990 c. C-43; (x) Costs of the application on a full indemnity basis, including HST and any other applicable taxes; (xi) Any other relief the Court deems fit. Respondents vehemently deny the allegations made and continue to vigorously defend the matter.

Concluded Arbitration and Litigation Involving MTY Tiki Ming Enterprises Inc.

MTY Tiki Ming Enterprises Inc. v. 9137-6897 Quebec Inc. and Li Hui Wan, Quebec Superior Court of Justice; Court File No. 500-17-074459-127

In March 2012 MTY Tiki Ming Enterprises, Inc. (“Plaintiff/ Counter Defendant”) filed a Statement of Claim against 9137-6897 Quebec, Inc. and Li Hui Wan (collectively “Defendants/ Counter Plaintiff”). Plaintiff/Cross Defendant alleged Breach of Contract and sought \$16,790.21 in damages plus interest and additional indemnity provided for in the Civil Code of Quebec. On July 3, 2012, Defendants/Counter Plaintiffs filed a Counterclaim against Plaintiff/Counter Defendants alleging breach of good faith and misrepresentation. Defendants/ Counter Plaintiffs are seeking: \$289,910.17 with interest; dismissal of Plaintiff/Counter Defendant’s motion; and costs. On May 14, 2016 the parties executed a Mutual Release and Transaction in which it was agreed that Plaintiff/Counter Defendant would pay Defendant / Counter Plaintiff Ten Thousand dollars (\$10,000.00) to settle the matter. Both parties fully released the other.

Simbal Group Ltd. and Sintram Royce-Mayo and Jerome Balaramanpillai v. MTY Tiki Ming Enterprises Inc.; Quebec Superior Court; Court File No. 500-17-027505-059

On September 15, 2005, Group Ltd., Sintram Royce-Mayo and Jerome Balaramanpillai (collectively “Plaintiffs”), filed an originating motion to institute proceedings against MTY Tiki Ming Enterprises, Inc. (“Defendant”). Plaintiffs alleged: misrepresentation; unfair and deceptive business practice and misrepresentation. Plaintiffs sought (i) The initial investment and transaction amount of \$50,000; (ii) Additional sums invested to sustain the operations of the store from 2004 to 2010 in the amount of \$30,000; (iii) Loss of profit of \$35,000 and future annual sales in the amount of \$70,000; (iv) Legal costs in the amount of \$20,000 (v) Damages in the amount of \$1,220,000.00 for Plaintiff Royce-Mayo; (vi) Damages in the amount of \$55,000 for Plaintiff Balaramanpillai; and (vii) punitive and exemplary damages in the amount of \$1,000,000.00. Defendant MTY denied the allegations alleged. In December 2010 the Parties entered into a settlement agreement in which Defendant MTY paid the sum of \$65,000 to settle the claims and a mutual release without any admission of liability was executed by both parties.

2303333 Ontario Limited, Xiaoqin Wang, Cong Li and Yiqing Ruan v. MTY Tiki Ming Enterprises Inc. (Arbitration).

On April 25, 2014, 2303333 Ontario Limited and Xiaoqin Wang, Cong Li and Yiqing Ruan (collectively “Claimants”) filed a Demand for Arbitration against MTY Tiki Ming Enterprises, Inc. (“Respondents”). Claimants sought a rescission of the franchise agreement under the Arthur Wishart Act due to Respondents alleged failure to properly disclose the Claimant and a refund and damages in the amount of \$659,000.00, On January 26, 2015 Defendant filed its Defense and Counterclaim alleging Breach of Contract for Plaintiff’s failure to pay rent and royalties and for future damages. It sought \$177,768.14 in damages. In April 2015 the parties entered into a settlement agreement in which Respondent agreed to pay Claimant \$300,000.00 to settle all claims. All parties executed a mutual release against the other.

Lawsuits Filed by MTY Tiki Ming Enterprises Inc. Against Franchisees During Fiscal Year 2017:

Pending Arbitration and Litigation Involving Country Style Food Services, Inc.

None

Concluded Arbitration and Litigation Involving Country Style Food Services, Inc.

Dinesh Verman v. Country Style Food Services, A Division of MTY Tiki Ming Enterprises, Inc.; Matter of Arbitration Under the Arbitration Act of Ontario.

In November 2011 Dinesh Verman (“Plaintiff/ Counter Defendant”) filed a Statement of Claim on Country Style Food Services, A Division of MTY Tiki Ming Enterprises, Inc. (“Defendant/ Counter Plaintiff”). Plaintiff/ Counter Defendant alleged (i) Misrepresentation; and (ii) Bad Faith and Fair Dealing. Plaintiff/ Counter Defendant sought (i) \$750,000 in damages arising from the Defendant/ Counter Plaintiff’s alleged breach or in the alternative \$750,000 in damages arising from the Defendant/ Counter Plaintiff’s alleged breach of Section 7 of the AWA; (ii)

\$500,000 in punitive damages; (iii) Accounting of the assets seized by the Defendant/ Counter Plaintiff when it took over operation of the franchise in November 2011 and a payment for these assets to Plaintiff/ Counter Defendant; (iv) Costs of the arbitration including legal fees; (v) Prejudgment interest pursuant to the Courts of Justice Act; and (vi) Any other relief the Arbitrator permits. Defendant/ Counter Plaintiff filed its Answer denying Plaintiff/ Counter Defendant's allegations made in the Statement of Claims and further filed a Cross Complaint against Plaintiff/ Counter Defendant. Plaintiff/ Counter Defendant filed its Defense and Reply to the Counterclaim in November 2012. After a failed mediation the Parties proceeded to arbitration. On October 31, 2016, the Arbitrator rendered its decision. He found that Defendant/ Counter Plaintiff (i) failed to provide Plaintiff/ Counter Defendant with a copy of the head lease and therefore failed to provide the terms of the lease; (ii) The failure to provide Plaintiff/ Counter Defendant with the lease as well as its conduct in relation to the failures caused damage to the Plaintiff/ Counter Defendant in preventing a sale of Plaintiff/ Counter Defendant's business; (iii) Due to these failures Defendant/ Counter Plaintiff was held fifty percent responsible for the investment and operating losses of the Plaintiff/ Counter Defendant and was ordered to pay \$310,000 to Plaintiff/ Counter Defendants. Defendant/ Counter Plaintiffs were further ordered to pay Plaintiff/ Counter Defendant's interest and legal costs.

1159607 Ontario Inc., Joseph Sirianni and Eugene Sirianni v. Country Style Food Services Inc., Country Style Realty Limited and Melody Farms Specialty Foods and Equipment Limited; Ontario Superior Court of Justice; Court File No. 08-CL-7458

In April 2008, 1159607 Ontario, Inc., Joseph Sirianni and Eugene Sirianni (collectively "Plaintiff") filed a Statement of Claim against Country Style Food Services, Inc.; Country Style Realty Limited and Melody Farms Specialty Food and Equipment Limited (collectively "Defendants"). Plaintiffs alleged Misrepresentation and Breach of fair dealings. Plaintiffs sought: rescission of the renewal franchise agreement; reimbursement of amounts paid between February 28, 2006 and March 20, 2008; and punitive damages. Defendants denied the claim. On February 6, 2012 the Court found the Defendant's liable for default of providing an adequate disclosure document and awarded the Plaintiff's damages in the amount of \$187,730.05 and punitive damages in the amount of \$25,000. The Court further awarded the Defendants \$48,824.74 and ruled that the amount may off set the amount to be paid to the Plaintiffs. Lastly, the Court ordered that the Plaintiffs were entitled to \$99,876.00 in costs and \$7,820.98 in disbursements. Defendants were entitled to costs of \$1,925 for the counterclaim which they were allowed to offset. Defendants appealed the Judgment; but the lower court's ruling was affirmed by the appeals court on September 26, 2013.

1580943 Ontario, Inc. v. Country Style Food Services, Inc.; Country Style Food Services Holdings, Inc.; Patrick Gibbons; Ken Monteith and Jeff Young; Ontario Superior Court of Justice; Court File No.: 06-CV-309034PD1.

On April 4, 2006, 1580943 Ontario, Inc. (Plaintiff/ Counter Defendant) filed a Statement of Claim against Country Style Food Services, Inc.(Defendant Country Style/ Counter Plaintiff"); Country Style Food Services Holdings, Inc.; Manfred W. Yu; Cai Capital Partners and Company III; Patrick Gibbons; Ken Monteith and Jeff Young. On May 12, 2009, Plaintiff / Counter Defendant filed an Amended Statement of Claim in which it removed Defendants Manfred W.

Yu, Cai Capital Partners and Company III, Patrick M. Sampson, Rita McParland and Peter Keating. Therefore, the remaining named Defendants were Country Style Food Services, Inc.; Country Style Food Services Holdings, Inc.; Patrick Gibbons; Ken Monteith and Jeff Young. Plaintiff/ Counter Defendant alleged (i) Breach of Contract; (ii) Material Misrepresentation; (iii) Breach of the Franchise Act; (iv) Bad Faith and Fair Dealing. Plaintiff/ Counter Defendant sought: (i) \$350,000 in damages for misrepresentation and breach of fair dealing pursuant to the Arthur Wishart R.S.O. 2000 C.3 in the alternative \$300,000 in damages arising from Defendant Country Style/ Counter Plaintiff's alleged breach of the Franchise Agreement; (ii) \$500,000 in damages for loss of economic opportunities and consequential damages; (iii) \$500,000 in punitive and exemplary damages; (iv) Pre-Judgment interest pursuant to s. 128 of the Courts of Justice Act, R.S.O. 1990, c. C 44 as amended; (v) Costs of the action plus applicable GST; and (vi) Any other relief the Court deems fit. Defendant Country Style/ Counter Plaintiff vehemently denied the allegations and filed a Counter Claim against Plaintiff/ Counter Defendant alleging (i) Breach of Contract as to the Franchise Agreement; (ii) Breach of Contract as to the Sublease Agreement. The Parties entered into a settlement agreement on January 7, 2015 in which it was agreed that Defendant Country Style/ Plaintiff Counter Plaintiff would pay the sum of \$45,000 to Plaintiff/ Counter Defendant to settle all claims.

Andralex Food Services Inc. v. Country Style Food Services Holdings Inc., Country Style Food Services Inc., Jeff Young, Canadian Imperial Bank of Commerce, Sue Fedorink and Roger Noble; Ontario Superior Court of Justice; Case File No. 06-CV-314403PD2

In July 2006, Andralex Food Services, Inc. ("Plaintiff") filed a Statement of Claim against Country Style Food Services Holdings, Inc.; Country Style Food Services, Inc. (collectively "Defendants Country Style"); Jeff Young; Canadian Imperial Bank of Commerce; Sue Fedorink and Roger Noble. Plaintiff alleged Misrepresentation; Breach of fair dealings; and Conspiracy to use unlawful means. After discovery was completed, Defendant Canadian Imperial Bank of Commerce was dismissed. In February 2014 the Parties entered into a settlement agreement in which Defendants Country Style and Defendant Jeff Young paid Plaintiffs the sum of \$110,000 to settle all claims.

Hung Tring vs. Country Style Food Services Inc., Peter M. Gottsegen, Michael H. Vels, Pierre Lortie, George E. Michel and Rick Martens.

In September 2009, Hung Tring ("Applicant") filed an application against Country Style Food Services, Inc.; Peter M. Gottsegen; Michael H. Vels; Pierre Loritie; George E. Michel and Rick Martens ("Respondents") alleging: that the Respondents seized the assets contrary to the provisions of the PPSA; the monies received by the Respondents from the sale of the assets are being held in trust for the Applicant; damages; and interest and costs. The matter settled.

Lawsuits Filed by Country Style Food Services, Inc. Against Franchisees During Fiscal Year 2017:

None

Pending Arbitration and Litigation Involving Mucho Burrito Franchising USA, Inc.

None.

Concluded Arbitration and Litigation Involving Mucho Burrito Franchising USA, Inc.

MJ Beem Development, LLC and Jimmie Beem, III v. Mucho Burrito Franchising USA, Inc., EP Development, Inc., EP Development, Inc., MB Development, Inc., Feisal Ramjee, and William Roy Woolsey, Superior Court of the State of Washington in and for Snohomish County Case No. 14-2-03581-9.

In May 2014, the plaintiffs, a franchisee of a Mucho Burrito location and its owner, filed suit against our Affiliate, MBUSA, an area developer of MBUSA (“Area Developer”) and its owners and affiliate, alleging violations under the Franchise Investment Protection Act in the State of Washington (“FIPA”) relating to their purchase of a Mucho Burrito franchise which was facilitated by the Area Developer. The plaintiffs claimed one of the Area Developer’s owners provided them with financial performance representations which were not contained in any Franchise Disclosure Document, omitted mandatory, material information, were inherently misleading, and were a material factor in the plaintiffs’ purchase of the franchise; that the Area Developer and its affiliate were not registered brokers in the State of Washington even though the owners of the Area Developer and affiliate were aware of such requirement; and that certain owners of the Area Developer and its affiliate had not filed franchise seller disclosure forms with the State of Washington. In addition to demanding an order of rescission of the related franchise agreement and corresponding personal guarantee and related agreements, the plaintiffs sought treble damages under the FIPA and an award of their costs and reasonable attorney fees. On September 9, 2014, the parties entered into a Mutual Settlement and Release and Bill of Sale, Assignment and Assumption Agreement (“Settlement Agreement”). Under the Settlement Agreement, the Area Developer and its owners agreed to repurchase the franchise from the plaintiffs, with the consent of MBUSA, for the sum of \$334,829.03 plus an assumed liability of \$6,341.93, and to enter into a new personal guaranty and indemnity agreement and security agreement in favor of MBUSA. MBUSA also agreed to pay to the Area Developer \$9,499.70 in royalties it had withheld from the Area Developer and its owners, less the legal fees and expenses MBUSA incurred relating to the dispute and the preparation of the Settlement Agreement. Additionally, all of the parties entered into mutual releases without any admission of liability by MBUSA or the other defendants.

Concluded Arbitration and Litigation Involving CB Franchising Systems, LLC

Adonai Investors, Inc. and Kevin Fitzpatrick v. Craig Albert, Michael Bernstein, Larry Schwartz, CM Franchise Systems, Inc., CM Franchise Systems, LLC, and CB Franchise Systems, LLC, CK Franchise Systems, Inc., Los Angeles Superior Court Case No: BC409892, commenced March 17, 2009.

Plaintiffs, a regional director of “Tacone” (the restaurant concept franchised by CM Franchise Systems, LLC) sued one of our principals, Craig Albert, CB Franchise Systems, and a variety of other parties (“Defendants”), alleging 1) breach of written contract; 2) breach of implied covenant of good faith and fair dealing; 3) alter ego liability; 4) fraud; 5) negligent

misrepresentation; 6) tortious interference with contract; 7) intentional interference with prospective economic advantage; 8) fraudulent transfer; 9) negligent interference with prospective economic advantage; 10) anticipatory breach; and 11) unjust enrichment. The lawsuit was based on the allegation that CM Franchise Systems failed to pay royalties that Plaintiffs alleged they were owed to them under an area director agreement between the parties. Although the lawsuit stemmed from a relationship with Tacone and not The Counter, Plaintiffs contended that CB Franchise Systems, Craig Albert, and certain other defendants were liable under “alter ego” theories. The Defendants denied all liability for Plaintiff’s claims. The case was settled in December of 2009 pursuant to a confidential settlement agreement which included a dismissal with prejudice of all of Plaintiffs’ claims and the exchange of full and final releases. Under the settlement agreement, CM Franchise Systems agreed to sell the Tacone franchise system to an entity owned by plaintiff Mr. Fitzpatrick. Neither CB Franchise Systems nor Craig Albert were required to make any payments to Plaintiffs under the settlement agreement.

Double Play Restaurants, LLC v. Craig Albert, Michael Bernstein, Mark Bailey, Larry Schwartz, CM Franchise Systems, Inc., CM Franchise Systems, LLC, Flavor Firm, LLC, CB Franchise Systems, LLC, CK Franchise Systems, Inc., and Premiere Management Consultants, Inc., Los Angeles Superior Court Case No: SC105206, commenced October 9, 2009.

Plaintiff, a former Texas-based master franchisee and franchisee of “Tacone” (the restaurant concept franchised by defendants CM Franchise Systems, LLC, and formerly franchised by CM Franchise Systems, Inc.) sued CK Franchise Systems, Inc., Craig Albert a principal of the corporation and a variety of other parties, alleging 1) breach of written contract; 2) breach of implied covenant of good faith and fair dealing; 3) money had and received; 4) fraud and conspiracy; 5) negligent misrepresentation; 6) conversion and conspiracy; 7) violations of the California Franchise Investment Law; 8) fraudulent transfer; 9) violations of the federal RICO statute; 10) unfair business practices; and 11) unjust enrichment an constructive trust. At the core of Plaintiff’s complaint is the allegation that defendant Schwartz, as an agent for defendant CM Franchise Systems, Inc., agreed that CM Franchise Systems, Inc. would refund Plaintiff’s initial subfranchise and franchise fee of \$150,000 if Plaintiff was unable to procure suitable commercial financing to open its first Tacone restaurant, for which Plaintiff was ultimately unsuccessful. This action was settled in October 2011 pursuant to a negotiated settlement pursuant to which Plaintiff was paid a total of \$225,000.

CBO Foods, LLC, Roger Brunello and Craig Cappai v. CB Franchise Systems, LLC, Craig B. Albert, Tom and Grace Byers, et al., Los Angeles Superior Court, Case No. EC048441, filed November 3, 2008.

Plaintiffs, CBO Foods, LLC, Roger Brunello, and Craig Cappai, sued in Los Angeles Superior Court against CB Franchise Systems, LLC, Craig Albert, and Tom and Grace Byers. Defendants also sued the landlord for the Studio City, California property. Plaintiffs signed a Franchise Agreement with CB Franchise Systems, LLC, in December 2006 for a “The Counter” restaurant to be located in Pasadena, California. The Plaintiffs subsequently purchased a separate territory from Tom and Grace Byers for a location in Studio City, California. After encountering delays in connection with the Studio City location, CBO Foods, LLC filed suit in November 2008, asserting a variety of claims against the landlord, the local tenant association, Tom and Grace

Byers, CB Franchise Systems, LLC, and Craig Albert. Plaintiffs and Defendants negotiated their disputes through mediation and a Settlement and Release Agreement was executed in February 2009. Pursuant to the Settlement and Release Agreement, royalties for the Studio City franchise were reduced until the reduction totaled \$93,750, at which time the royalty rate would revert to the amount contained in the applicable Franchise Agreement. Six months later Tom and Grace Byers asserted claims against CBO Foods, the Landlord Defendant, CB Franchise Systems, and Craig Albert, the tenant association, and another restaurant owner, alleging numerous alternative theories. With respect to CB Franchise Systems, LLC, the Byers alleged CB Franchise Systems, LLC and Mr. Albert conspired with CBO Foods, LLC to breach CBO Foods, LLC's agreement to purchase rights from the Byers. These additional claims by the Byers were resolved in August 2010 by means of a global settlement in which the Byers were paid the balance due on their sales contract with CBO Foods, plus a limited portion of their attorney's fees. The settlement was funded equally by all of the parties against whom the Byers filed claims.

Fori Owurowa and Paula Owurowa v. Craig B. Albert and CB Franchise Systems, LLC, Los Angeles Superior Court, Case No. SC099998 filed October 1, 2008.

Plaintiffs filed a lawsuit in Los Angeles Superior Court against Craig Albert and CB Franchise Systems, LLC (“Defendants”) alleging (1) breach of written contract and the covenant of good faith and fair dealing; (2) fraud and deceit – intentional misrepresentation; (3) fraud and deceit – negligent misrepresentation; (4) intentional interference with contract or other economic advantage; and (5) negligent interference with contract or other economic advantage. Plaintiffs sought a trial by jury, compensatory, general and special damages in an amount totaling \$1,227,000, exemplary and punitive damages, and reasonable attorneys’ fees. Prior to trial, Defendants made a statutory compromise offer of \$200,000 to be paid over eighteen (18) months. Plaintiff accepted the statutory offer in October 2010 and the matter is now paid in full.

Except as noted directly above, no other litigation is required to be disclosed in this Item.

ITEM 4 BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5 INITIAL FEES

Prior to our evaluating your application for a franchise, and upon signing a Deposit and Application Agreement in the form attached as **Exhibit C**, we reserve the right to require you to make a \$5,000 lump sum deposit with us (“**Deposit**”). If we require you to make a deposit payment, and if you wish to cancel your application or if we decide not to award a franchise to you, the Deposit will be returned to you less \$3,500 to compensate us for time spent by us regarding your application and to cover any related expenses. We also reserve the right to

terminate the Deposit and Application Agreement at any time upon 30 days' notice to you. If we do so, you will be entitled to the refund described above.

Upon signing a Thai Express Franchise Agreement (“**Franchise Agreement**”), you pay a lump sum Initial Franchise Fee of \$30,000. Any Deposit we collect from you will be applied towards the Initial Franchise Fee as provided in the Deposit and Application Agreement. You must sign a separate Franchise Agreement for each Thai Express Restaurant you operate and pay the applicable Initial Franchise Fee when the Franchise Agreement is signed. The Initial Franchise Fee is deemed fully earned by us upon receipt and is not refundable under any circumstances. If you are a current Thai Express franchisee and if you refer a prospective Franchisee to us who ultimately purchases a franchise for a Thai Express Restaurant, we currently pay you \$1,000, although we reserve the right to cease this practice or change the amount at any time.

You and your attorney are solely responsible for negotiating the legal issues in your lease. If you request, or we determine in our discretion that you require, because you have failed to hire your own attorney, assistance from us or our designated outside attorneys, we may charge you a lease review fee (“**Lease Review Fee**”) of up to \$1,250 for these services. Depending on the type of Thai Express franchise you purchase, the cost for build-out, fixturing, fabrication, installation and opening advertising is estimated between \$125,000 and \$285,000.

We reserve the right to waive or reduce the Initial Franchise Fee for our affiliates, our subsidiaries, or for other franchise candidates.

You must pay any sales tax, use tax, gross receipt tax, or other excise tax imposed on your payments to us by the states where we, you or your Thai Express Restaurant is located.

Institutional Licensees

At our discretion, we may offer to qualified candidates an Institutional License Agreement, attached to this Franchise Disclosure Document as **Exhibit J**, pursuant to which the institutional licensee (“**Institutional Licensee**”) obtains a license to use our Marks, recipes, methods, processes, and other proprietary information at a location currently operated or to be operated by the Institutional Licensee. Each Institutional Licensee must pay Thai Express an institutional license fee (“**Institutional License Fee**”) equal to \$12,000. An Institutional Licensee is not required to utilize a marketing plan partially or totally directed by us. The Institutional License Fee is due upon execution of the Institutional License Agreement, is deemed fully earned by us upon receipt, and is non-refundable, in whole or in part, under any circumstances.

ITEM 6 OTHER FEES

Type of Fee(1)	Amount	Due Date	Remarks
Royalties (2)	6% of Gross Sales	Pre-authorized payments	“ Gross Sales ” includes all

Type of Fee(1)	Amount	Due Date	Remarks
		on or about the 7 th , 14 th , 21 st , and 28 th of each month, or such other method or frequency as we determine	revenue you receive from your customers previous month's Gross Sales. Gross Sales does not include any sales taxes collected by you.
Marketing Fund Contributions (2) and (3)	3% of Gross Sales	Pre-authorized payments on or about the 7 th , 14 th , 21 st , and 28 th of each month, or such other method or frequency as we determine	
Local Advertising Expense (4)	2% of Gross Sales	Payable monthly to your advertising supplier as determined by you	Used for promoting your Thai Express Restaurant in your local community. You may be required to submit reports to us.
Cooperative (2)	Proportionate share of regional and local advertising and public relations programs.	Monthly as required by your local cooperative	Payable only if a cooperative is formed in your area.
Insurance (5)	Approximately \$1,000 - \$3,500 per year (varies by location)	When invoice received	You must participate in the Thai Express Group Insurance Plan once the Plan has been established.
Manager Training or Retraining Costs (6)	\$500 to \$1,500	As incurred	Upon our determination that you require additional training.
Transfer fee (1)	\$15,000	Upon transfer	Payable when you transfer your franchise.
Transfer Escrow Fee (7)	As charged by third-party escrow agent	As agreed with escrow agent	Payable at closing when you transfer your franchise.

Type of Fee(1)	Amount	Due Date	Remarks
Transfer Advertising Requirement	\$5,000	Upon transfer	If you purchase an existing Thai Express Restaurant from a current franchisee, you must spend a minimum of \$5,000 in advertising to promote the transition to your ownership
Renewal Franchise Fee (1)	50% of the then-current Initial Franchise Fee	When new Franchise Agreement is signed at renewal	Applicable if you are renewing your Franchise Agreement. Renewal term is five years.
Relocation Fee (1)	\$500	At signing of relocation amendment to Franchise Agreement	Payable if we approve the relocation of your store.
Non-participation Fee	\$100 per day if you fail or refuse to participate in any required national, local, regional, seasonal, promotional or other program, initiative and campaign or in any new or modified product or service test or offering.	Upon failing or refusing to participate	Payable to us.
Document Administration Fee (15)	\$500	Lump Sum	Applicable for an Affiliate Transfer, including, but not limited to, a transfer of less than 50% of ownership or control.
Early Termination Fee (1)	The average monthly Royalty and Advertising Fees paid for any consecutive 12 month period within the preceding 48 month period multiplied by the number of months remaining in the term of the Franchise Agreement, and the product is divided by 2.	30 days prior to the early closing of the restaurant	You must provide us with 90 days prior written notice of the termination of your Franchise Agreement.
Fee for Lost Operations Manual	\$1,500	Upon delivery of new Operations Manual or transfer of your Store	
Audit Fee (8)	Cost of audit estimated at	As incurred	Payable only if audit

Type of Fee(1)	Amount	Due Date	Remarks
	\$2,000 - \$3,500		shows an understatement of at least 2%.
Administrative Fee	15% of expenses incurred by Thai Express to remedy any default by you	As incurred	Payable only if we must expend our time and money curing a default caused by you.
Interest on Overdue Amount due to Thai Express (9)	Prime Rate plus 5%	With payment of overdue amount	
Security Monitoring Costs	Up to - \$100 per month	Monthly	Applicable only if you install a security monitoring system.
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	Payable only if you do not comply with Franchise Agreement and do not require adjudication.
Indemnification	Will vary under circumstances	As incurred	You must reimburse us and our affiliates if any of us are held liable for claims related to Thai Express Restaurant operations
Renovating and remodeling expense (10)	\$30,000 to \$85,000	At least once every 6 years	We impose no cap or limitation on the amount of expense you may incur in renovating and remodeling your Thai Express Restaurant.
Cash Register Service Fees (11)	\$Up to \$180 per month (subject to reasonable annual and/or service enhancement increases)	Monthly	
Taxes on Fees	Varies by State	Payable when fee is due	
Technology Fees (12)	Up to \$200 per month (subject to reasonable annual and/or service enhancement increases)	As incurred	
Institutional License Royalty (13)	Will vary under circumstances	As incurred	Payable only if you enter into an Institutional License Agreement.
Liquidated Damages for failure to open (14)	Loss of the Initial Franchise Fee	Upon termination	Payable only if Franchisor terminates the Agreement prior to commencement of

Type of Fee(1)	Amount	Due Date	Remarks
			operations
Liquidated Damages for Deviation from system (14)	\$350 for Second Deviation	Within 10 days of receipt of notice	If Franchisee deviates from the requirements of the system during any calendar year
	\$600 for Third Deviation	Within 10 days of receipt of notice	
	\$1,500 for any additional deviations in a calendar year	Within 10 days of receipt of notice	

Type of Fee(1)	Amount	Due Date	Remarks
Liquidated Damages for Breach of Non-Compete Obligations under the Franchise Agreement (14)	Will vary under the circumstances.	As incurred	Payable to Franchisor
Late Payment Fee and Default Interest (1 and 9)	The greater of 5% of unpaid amount or \$100, plus interest at Key Bank prime rate plus 8%	Payable upon assessment	Payable on all overdue amounts.
Late Report Fee (1)	\$100 per report, per week or part thereof	Payable upon assessment	Payable if any required financial statement or report is delinquent.
Collection Costs (1)	All collection costs including reasonable attorneys' fees	Payable upon assessment	Payable only if we are required to retain an attorney or collection agency to collect delinquent payments from you. We will also collect as damages any attorneys' fees and costs incurred by us in defending claims that arise due to your actions as a Thai Express franchisee.
Non-Sufficient Funds Fee (1)	\$50 for each electronic funds transfer returned for non-sufficient funds; \$25 for each check or draft returned for non-sufficient funds	Payable upon assessment	Payable only if your electronic funds transfer from your depository account or any check you remit to us is returned for non-sufficient funds.
Draft draw charge (1)	\$100 per day for failure to provide us with any necessary information with respect to drawing drafts against your bank accounts	Payable upon assessment.	Payable to Franchisor

NOTES:

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

- (2) You must pay all royalties and marketing contributions to us by participating in a pre-authorized payment plan or any other method we may require in our sole discretion. In this plan, we will be authorized to make weekly withdrawals (or at other times specified by us) from your bank as specified below. We also reserve the right to demand payment from you of all royalties and advertising contributions due to us by other methods that we may specify in the Operations Manual, as modified by us periodically in our discretion (See Section 8.3 of the Franchise Agreement).
- (3) We reserve the right to increase the Marketing Fund Contributions to 4% of Gross Sales at any time provided that at least 75% of the franchisees in the system at the time vote in favor of the increase in Marketing Fund Contributions (See Section 5.7 of the Franchise Agreement).
- (4) You must spend a minimum of 2% of your Gross Sales on local and regional marketing, advertising and public relations each calendar month. You must make these expenditures directly, subject to approval by us, and we may request that you prepare and submit a report to us accounting for the use of these funds within five days following the end of each month. We reserve the right, in our sole discretion, to require that up to 100% of your Local Advertising Expense go toward cooperative advertising in your area. (See ITEM 11 for further descriptions of the cooperative advertising.)
- (5) The premiums payable by each individual Thai Express Restaurant vary depending on size, location, and claims made by the store. The amount quoted (\$1,000 to \$3,500) is the average fee we anticipate will be charged to the franchisees, excluding worker's compensation (See Section 6.1(f) and Section 6.2 of the Franchise Agreement). Specific insurance requirements are outlined in greater detail in ITEM 8.
- (6) Training sessions are paid for by us. You are responsible for all travel and accommodation costs associated with attending all initial training and retraining programs which may take place at our head office or at another location designated by us (See Section 4.4 of the Franchise Agreement). The precise amount of your expenses will depend upon the cost of your air fare and how long the training and retraining lasts.
- (7) We reserve the right to require transferring franchisees to use and pay for the services of a third-party escrow agent designated or approved by us.
- (8) The audit fees will be based on the amount charged by our accountants and will vary depending upon the complexity of the Thai Express Restaurant being audited and the state of the books and records kept by you (See Section 8.8 of the Franchise Agreement).
- (9) Interest will be charged from the date of underpayment (See Section 10.10 of the Franchise Agreement).
- (10) You are required to paint your Thai Express Restaurant once every two (2) years. You are required to renovate, modernize, remodel and refurbish your Thai Express Restaurant to comply with our then-current standards at least once every six years.
- (11) This amount is for the service and maintenance agreement with the point of sale supplier.

- (12) You will need to pay a fee of up to \$200 per month for a service and maintenance contract plus the cost of your Internet connection. This monthly fee covers the cost of ongoing maintenance and POS software upgrades.
- (13) You will be required to pay an institutional license royalty only if you sign an Institutional License Agreement. The form of Institutional License Agreement is attached as **Exhibit J**.
- (14) In the event of Franchisor's termination before commencement of operation for Franchisee's failure to comply with the terms of the Agreement. Franchisor may retain the Initial Franchise Fee paid as liquidated damages and not as a penalty (See Section 9.2 of the Franchise Agreement). Also, in the event of additional deviations from this Agreement in any calendar year under the agreement and/or mandatory provisions of the Operations Manual, Franchisee shall pay to Franchisor the specified amounts, as liquidated and agreed upon damages not as a penalty (See Section 9.5 of the Franchise Agreement).
- (15) The Document Administration Fee in the amount of \$500 will only be charged to you if an amendment to your franchise documents must be prepared due to a change in the name of franchisee, to add or remove an owner who has less than a 50% ownership interest in franchisee, or a change in the ownership due to divorce or separation.
- (16) Royalties will be increased up to eighteen percent (18%) of Gross Sales with respect to any period during which Franchisee is in breach or default of its/his/her obligations under this Agreement. The Royalties paid or owing to Franchisor with respect to the period during which Franchisee is in breach or default are referred to as "Breaching Royalties." Breaching Royalties will be charged for a minimum fourteen (14) day period, regardless of the length of the actual breach or default.

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT - RESTAURANT

Type of expenditure	Amount – Food Court Location	Amount – Street Location	Method of payment	When due	To Whom Payment is to be made
Initial Franchise Fee (1) (a) single unit Franchisees	(a) \$30,000	(a) \$30,000	(a) Lump sum	(a) Upon signing Franchise Agreement	Us

Type of expenditure	Amount – Food Court Location	Amount – Street Location	Method of payment	When due	To Whom Payment is to be made
Electricity, Water, Gas, Telephone and Landlord's Deposits (2)	\$5,000 to \$10,000	\$7,000 - \$10,000	As incurred	As incurred during training	Utilities and Landlord
Lease Deposit plus three months' rent (2, 23)	\$15,000 - \$45,000	\$9,500 - \$22,000	Lump sum	At signing of Lease	Landlord
Store Design Fees and Plans (3)	\$7,500 to \$15,000	\$7,000 - \$15,000	Lump sum	At signing of the Lease	Architects
Permits (4)	\$500 - \$2,500	\$1,000 - \$3,000	Lump sum	As incurred	State or Municipality
Landlord Capital Contribution / Construction Chargeback (5)	\$25,000 to \$50,000	\$0	Lump sum as per the Lease	Lump sum as per the Lease	Landlord
Store Construction, Leaseholds and Fixtures (6)	\$110,000 to \$260,000	\$180,000 - \$360,000	As incurred	Generally 30% payable upon signing with the general contractor, 30% 20 days after signing, 25% 35 days after signing and 10% 50 days after the signing and the balance 20 days after the restaurant is open.	General contractor
Exhaust (7)	\$15,000 - \$50,000	\$40,000 - \$60,000	As incurred	Generally 30% payable upon signing with the general contractor, 30% 20 days after signing, 25% 35 days after signing and 10% 50 days after the signing and the balance 20 days after the restaurant is	General contractor and/or exhaust supplier

Type of expenditure	Amount – Food Court Location	Amount – Street Location	Method of payment	When due	To Whom Payment is to be made
				open.	
Equipment Package (8)	\$75,000 - \$90,000	\$75,000 - \$100,000	As incurred	After signing the Offer to Lease	Us, landlord or contractor
Furniture (9)	\$0	\$20,000 - \$35,000	As incurred	Before store opening	Suppliers, third parties and/or vendors
Signs (10)	\$8,000 - \$15,000	\$15,000 - \$25,000	As incurred	Before store opening	Us and Suppliers
Menu Box (11)	\$9,000 - \$15,000	\$10,000 - \$17,500	As incurred	As agreed	General contractor and/or supplier
Opening Uniform Package (12)	\$300 - \$1,000	\$700 - \$1,200	As needed	As incurred	Us
Working Capital (22)	\$10,000	\$10,000	As incurred	Varied times	Us, Suppliers, third parties and /or vendors
Small Wares (13)	\$5,000 - \$10,000	\$10,000 - \$12,000	As incurred	As agreed	Suppliers
Opening Promotion and Advertising (14)	\$500- \$3,000	\$750 - \$5,000	As incurred	As agreed	Third parties
Grand Opening (15)	\$10,000	\$10,000	As incurred	As agreed	Suppliers, third parties and/or vendors
Security system (does not include monitoring cost) 21	\$0-\$3000	\$0 - \$3,000	As incurred	As agreed	Suppliers
Training Attendance (16)	\$500 - \$2,500	\$500 - \$2,500	As incurred	As agreed	Third parties and/or vendors
Insurance	\$850 - \$1,500	\$850 - \$1,500	As incurred	As agreed	Third parties and/or vendors
POS System (20)	\$3,000 to \$5,500	\$3,500 - \$5,500	As incurred	As per supplier agreement signed	Suppliers
Additional Funds – First 3 months (17)	\$15,250 - \$25,500	\$15, 250 - \$25,500	As incurred	Varied times	Suppliers
Total Unit (18):	\$337,900- \$623,500	\$446,000 - \$753,700			

NOTES:

- (1) Initial Franchise Fee: You will receive a credit against the Initial Franchise Fee for the amount of the Deposit paid by you. You must sign a separate Franchise Agreement for each Thai Express Restaurant you operate and pay the applicable Initial Franchise Fee when the Franchise Agreement is signed (See ITEM 5). Except as set forth in ITEM 5, neither the Initial Franchise Fee nor the Deposit is refundable. We do not offer refunds of any other fees or expenses. We do not finance any fees or expenses.
- (2) Electricity, Water, Gas, Telephone and Landlord's Deposits: A commercial lease normally requires payment of the first month's rent, a security deposit and a rent deposit equal to one month's rent. The estimated initial investment above includes the cost of a security deposit (\$2,500 to \$7,500) and three (3) months' rent (\$15,000 to \$45,000). A lease deposit may or may not be refundable and lease deposits vary widely from location to location. For example, downtown urban street front and food court locations as well as shopping centers may have higher first month's rent and a security deposit. The location of any commercial space must be approved in writing by us to ensure it meets our minimum criterion. You acknowledge and warrant that our approval of the location does not constitute a guarantee, recommendation, or endorsement of the Thai Express Restaurant and that the success of the Business to be operated at the Store depends on your abilities as an independent businessperson. You shall take all steps necessary to ascertain whether such location is acceptable to you. In addition to the lease deposit referred to above, you will be required to make monthly rental payments to your landlord or to us or one of our affiliates, as we may direct you in writing. These fees will vary based upon the square footage and the location of your Thai Express Restaurant. Rent for Thai Express Restaurants varies widely because of different locations, size of the premises, and market conditions in different areas. The landlord may impose other additional fees and expenses, depending on the terms and conditions of the lease or sublease, as the case may be. Additional fees and expenses, if any, will be as set out in the lease and sublease. For example, some additional expenses may include a capital contribution, promotion or advertising fees, or costs due to redevelopment of the shopping center or relocation of the premises.
- (3) Store Design Fees and Plans: This includes engineering drawings and architectural design layout drawings that may be purchased from your landlord or an architect.
- (4) Permits: This amount will vary depending on the municipality in which the project is located.
- (5) Landlord Capital Contribution / Construction Chargeback: This amount will vary depending on the landlord's requirement and criteria.
- (6) Store Construction, Leaseholds and Fixtures: This estimate is based on the cost to build out a food court Thai Express Restaurant consisting of 500 to 800 square feet and a street front Thai Express Restaurant (without any offices, apartments or other uses above the restaurant facility) consisting of 1,500 to 2,200 square feet. These costs also assume that the landlord provides you with a standard "Vanilla Shell" prior to the date you begin your leasehold improvements. The costs to complete your leasehold improvements will vary

widely and may be significantly higher than projected in this table, depending on such factors as the city or town in which you propose to operate, property location, population density, economic climate, prevailing interest rates and other financing costs, the conditions of the property, current building code requirements, current permit requirements, implementation and enforcement of the Americans With Disabilities Act in particular jurisdictions, and the extent of alterations required for the property. You should investigate all of these costs in the area where you wish to establish your Thai Express Restaurant and the costs associated with modifying the specific property in which you choose to locate your Thai Express Restaurant. In some limited cases, these costs have added more than \$50,000 to the cost of opening a Thai Express Restaurant. Your costs will also be higher if your landlord does not provide you with a Vanilla Shell finish or if you select a location greater than 1,200 square feet. To avoid excessive leasehold improvement costs, we strongly recommend that you select your contractor carefully by obtaining several bids prior to signing a construction contract. The estimates do not include exterior renovations to your Thai Express Restaurant. You may purchase leasehold improvements from us or third-party contractors. These payments are non-refundable.

- (7) Exhaust: Exhaust system requirement of 3000 - 5000 CFM together with approximate equivalent make up air and duct capabilities
- (8) Equipment Package: The amount will vary depending on the size of the project and whether or not extra or customised equipment is purchased. As an example, an equipment list may include printers, an Interac terminal, POS cash system, lid/cup dispenser, napkin dispenser, heat lamp, plate dispenser, soap dispenser, paper towel dispenser, box holder, lid holder, condiments box, utensil box, soda cooler, soda fountain, ice machine, coffee machine, soup unit, sneeze guard, work table, wok range, exhaust hood, hot water tank, mop sink, fryer, gas stock pot, refrigerators, sinks, cupboard, cabinet, doors, grease trap, freezer, dishwasher, shelves, hooks, digital menu board, radios, amplifiers, and speakers.
- (9) Furniture: Not required in food court locations. For street locations, furniture may include tables, chairs, benches, counters, waste receptacles, and shelves.
- (10) Signs: This includes window graphics and design, interior and exterior signage that may be purchased from us or third-party suppliers. Approximately \$8,000 to \$12,000 paid to us. These payments are non-refundable.
- (11) Menu Box: Variable amount depending on size of the project and on landlord's criteria. We require Digital Menu Board solution that implements multiple professional grade digital displays (number dependent on space available) to present the approved menu offering using a combination of static and dynamic content. Content including layout, animation and pricing to be managed by Thai Express.
- (12) Uniforms: You will be required to purchase an opening inventory of uniforms for your employees. At your discretion, you may charge your employees for their uniforms.

- (13) Small Wares. Small wares may include the following: bins, calculator, check spindle, chill pan, clear plastic shaker, clear food box, clipboards, clock, colander, gloves, cutting board, digital timer, dredger with handle, dust pan and broom, extra-large colander, file holder, first aid kit, food processor, forks, frying basket press, funnel, garbage bins, gas lighters, glove dispenser, heavy duty strainer, heavy duty can opener, holder for markers, hooks, ice scoop holder, kitchen scissor, ladle, large ice scoop kit, large ladle, magnet bar, mandolin, permanent marker, measuring cup, measuring spoon, mesh skimmer, mixing bowls, mop, mop bucket, mop handle, noodle strainer, oven mitts, p-touch, pans, pens, pitcher, rice paper tray, plastic rice spoon, pocket flashlight, pocket thermometer, retractable knife, ripple peeler, scale, scraper, slicer, soup bowls, spatulas, spice bins, sponges, spoon, squeegee, squeeze bottles, stapler, step ladder, stock pot, strainer, tape, thermometers, tongs, utility cart, vegetable peeler, whip, white board, white board marker, and woks.
- (14) Opening Promotion and Advertising: The promotional campaign will differ by region and may include printing and distribution of promotional coupons, newspaper advertisements, and charitable donations. You will use media we approve. The distribution of promotional food items is not included in this estimate, and you will incur additional costs in the preparation and distribution of sample food items at your grand opening event. These payments are non-refundable.
- (15) Grand Opening: These fees are incurred for marketing purposes in connection with the grand opening of your franchise.
- (16) Training Attendance: The estimated initial investment includes all travel and accommodation costs incurred by up to three (3) people attending the Initial Training Program at our head office or at another location designated by us. There is no fee charged to you for the training session itself. These payments are typically non-refundable.
- (17) Additional Funds (First 3 Months): This is the amount of additional funding that we recommend you have in your bank account upon store opening to cover various expenses during your first three months of operation, but is subject to change depending upon your circumstances and financing requirements imposed by your bank. The range is based on anticipated working capital required for the first three months including such items as estimated wage payments, food and beverage costs, supplies, utilities, ordinary maintenance and other operating expenses. You should consult with your independent advisors to develop your own business plan with a cash flow chart in order to ensure that you have the amount necessary to cover any cash short fall in the initial months of operation since the range provided is simply an estimate.
- (18) This includes a sufficient opening supply of food inventory, cleaning supplies and paper products. These payments are non-refundable.
- (19) These fees will vary based upon the square footage and the location of your Thai Express Restaurant. The landlord may impose other fees and expenses, depending on the terms and conditions of the lease and sublease. Additional fees and expenses, if any, will be as

set out in the lease and sublease. As well, the city or county may impose higher permit and license fees. Deposits may be refundable, but permit and license fees are non-refundable.

- (20) The estimated initial investment includes costs related to the purchase of specified computer hardware and software for a custom designated point-of-sale system. The estimated initial investment also includes costs related to the personal computer you must use in the operation of your Thai Express Restaurant and a letter quality printer you must use to print reports generated by your personal computer. You are required to secure an email account and PC-compatible computer software and hardware and any letter quality printer that meet the standards and specifications required by us. The standards and specifications we are currently using are set forth in the Operations Manual. These payments are non-refundable.
- (21) While we do not oblige you to do so, you may wish to install a security system and a safe at your Thai Express Restaurant. Our point of sale system is capable of supporting a security system and we advise to contact our point of sale system supplier should you require any additional information in this regard. We do not require or recommend any type of security system. The cost estimated in this ITEM 7 does not include any monthly monitoring fees. These payments are non-refundable.
- (22) We require that you have a minimum amount of \$10,000 of working capital at all times during the term of the Franchise Agreement. The amount of working capital is an estimation of wage payments, food and beverage costs, supplies, cleaning supplies, utilities, ordinary maintenance and other operating expenses. In addition, you should consider the cost of labor in operating your franchise when determining the right amount of working capital. Labor costs comprise a significant component of the costs of operating a franchise outlet. The cost of labor is influenced by factors such as the amount of time invested in a franchise outlet by the franchisee, the level of sales at the Thai Express Restaurant, the number of hours a franchised business is open and the average number of staff required and market rates for labor which can vary by location. As well, any incentive or bonus programs for employees of a franchisee would also form part of the labor costs for a franchised business. These costs are non-refundable. You should also be prepared to have cash available to pay your personal living expenses for at least the first six (6) months of the Thai Express Restaurant's operation. The exact amount of working capital required will vary considerably with each Thai Express Restaurant and economic conditions but must be sufficient to finance your operations until the Thai Express Restaurant produces positive cash flow. In addition, given the current negative economic conditions in the United States, you may want to consider having access to additional capital to cover slower sales. We have not included your personal living expenses in this estimate nor have we included any sales tax, or other use tax, income tax, or any other tax.
- (23) A commercial lease normally requires payment of the first month's rent, a security deposit and a rent deposit equal to one month's rent. The estimated initial investment above includes the cost of a security deposit (\$2,000-\$8,000) and three (3) months' rent (\$7,500-\$14,000). A lease deposit may or may not be refundable and lease deposits vary

widely from location to location. For example, downtown urban street front and food court locations as well as shopping centers may have higher first month's rent and a security deposit. The location of any commercial space must be approved in writing by us to ensure it meets our minimum criterion. You acknowledge and warrant that our approval of the location does not constitute a guarantee, recommendation, or endorsement of the Store and that the success of the Business to be operated at the Store depends on your abilities as an independent businessperson. You shall take all steps necessary to ascertain whether such location is acceptable to you.

In addition to the lease deposit referred to above, you will be required to make monthly rental payments to your landlord or to us or one of our affiliates, as we may direct you in writing. These fees will vary based upon the square footage and the location of your Thai Express Store. Rent for Thai Express Stores varies widely because of different locations, size of the premises, and market conditions in different areas. The landlord may impose other additional fees and expenses, depending on the terms and conditions of the lease and sublease as the case may be. Additional fees and expenses, if any, will be as set out in the lease and sublease, as the case may be. For example, some additional expenses may include a capital contribution, promotion or advertising fees, or costs due to redevelopment of the shopping center or relocation of the premises.

YOUR ESTIMATED INITIAL INVESTMENT – INSTITUTIONAL LICENSE

Type of expenditure	Amount – Food Court Location	Amount – Street Location	Method of payment	When due	To Whom Payment is to be made
Institutional License Fee (1)	\$12,000	\$12,000	Lump sum	Upon execution of Institutional License Agreement	Us
Electricity, Water, Gas, Telephone and Landlord's Deposits (2)	\$5,000 - \$10,000	\$7,000 to \$10,000	As incurred	As incurred during training	Utilities and Landlord
Store Design Fees and Plans (3)	\$7,500 - \$15,000	\$7,000 to \$15,000	Lump sum	At signing of the Lease	Architects
Permits (4)	\$500 - \$2,500	\$1,000 to \$3,000	Lump sum	As incurred	State or Municipality
Landlord Capital Contribution / Construction Chargeback (5)	\$25,000 - \$50,000	\$0	Lump sum as per the Lease	Lump sum as per the Lease	Landlord
Store Construction, Leaseholds and Fixtures (6)	\$110,000 - \$260,000	\$180,000 to \$360,000	As incurred	Generally 30% payable upon signing with the general	General contractor

Type of expenditure	Amount – Food Court Location	Amount – Street Location	Method of payment	When due	To Whom Payment is to be made
				contractor, 30% 20 days after signing, 25% 35 days after signing and 10% 50 days after the signing and the balance 20 days after the restaurant is open.	
Exhaust (7)	\$15,000 - \$80,000	\$40,000 - \$80,000	As incurred	Generally 30% payable upon signing with the general contractor, 30% 20 days after signing, 25% 35 days after signing and 10% 50 days after the signing and the balance 20 days after the restaurant is open.	General contractor and/or exhaust supplier
Equipment Package (8)	\$75,000 - \$90,000	\$75,000 - \$100,000	As incurred	After signing the Offer to Lease	Us, landlord or contractor
Furniture (9)	\$0	\$20,000 - \$35,000	As incurred	Before store opening	Suppliers, third parties and/or vendors
Signs (10)	\$8,000 - \$18,000	\$15,000 - \$25,000	As incurred	Before store opening	Us and Suppliers
Menu Box (11)	\$9,000 - \$15,000	\$10,000 to \$17,500	As incurred	As agreed	General contractor and/or supplier
Opening Uniform Package (12)	\$300 - \$1,000	\$700 - \$1,200	As needed	As incurred	Us

Type of expenditure	Amount – Food Court Location	Amount – Street Location	Method of payment	When due	To Whom Payment is to be made
Small Wares (13)	\$5,000 - \$12,000	\$10,000 - \$12,000	As incurred	As agreed	Suppliers
Opening Promotion and Advertising (14)	\$500 - \$3,000	\$750 - \$5,000	As incurred	As agreed	Third parties
Grand Opening (15)	\$10,000	\$10,000	As incurred	As agreed	Suppliers, third parties and/or vendors
Training Attendance (16)	\$500 - \$2,500	\$500 - \$2,500	As incurred	As agreed	Third parties and/or vendors
Insurance	\$850 - \$1,500	\$850 - \$1,500	As incurred	As agreed	Third parties and/or vendors
POS System (20)	\$4,760 to \$14,000	\$4,760 to \$14,000	As incurred	As per supplier agreement signed	Suppliers
Security system (21)	\$0 - \$3,000	\$0 - \$3,000	As needed	As incurred	Suppliers
Working Capital (22)	\$10,000	\$10,000	As Incurred	Varied times	Us, Suppliers, third parties and/or vendors
Additional Funds – First 3 months (17)	\$15,250 - \$25,500	\$15,250 - \$25,500	As incurred	Varied times	Suppliers
Total Institutional License	\$314,160 to \$635,000	\$419,810 to \$742,200			

NOTES:

- (1) Institutional License Fee: You will be required to pay the Institutional License Fee, and not an Initial Franchise Fee, only if you sign an Institutional License Agreement with us.
- (2) Electricity, Water, Gas, Telephone and Landlord's Deposits: A commercial lease normally requires payment of the first month's rent, a security deposit and a rent deposit equal to one month's rent. The estimated initial investment above includes the cost of a security deposit (\$2,500 to \$7,500) and three (3) months' rent (\$15,000 to \$45,000). A lease deposit may or may not be refundable and lease deposits vary widely from location to location. For example, downtown urban street front and food court locations as well as shopping centers may have higher first month's rent and a security deposit. The location of any commercial space must be approved in writing by us to ensure it meets our minimum criterion. You acknowledge and warrant that our approval of the location does not constitute a guarantee, recommendation, or endorsement of the Thai Express Restaurant and that the success of the Thai Express franchise to be operated at the Licensed Location depends on your abilities as an independent businessperson. You shall take all steps necessary to ascertain whether such location is acceptable to you. In addition to the lease deposit referred to above, you will be required to make monthly

rental payments to your landlord or to us or one of our affiliates, as we may direct you in writing. These fees will vary based upon the square footage and the location of your Thai Express Restaurant. Rent for Thai Express Restaurants varies widely because of different locations, size of the premises, and market conditions in different areas. The landlord may impose other additional fees and expenses, depending on the terms and conditions of the lease. Additional fees and expenses, if any, will be as set out in the lease. For example, some additional expenses may include a capital contribution, promotion or advertising fees, or costs due to redevelopment of the shopping center or relocation of the premises.

- (3) Store Design Fees and Plans: This includes engineering drawings and architectural design layout drawings that may be purchased from your landlord or an architect. These payments are non-refundable.
- (4) Permits: This amount will vary depending on the municipality in which the project is located.
- (5) Landlord Capital Contribution / Construction Chargeback: This amount will vary depending on the landlord's requirement and criteria.
- (6) Store Construction, Leaseholds and Fixtures: This estimate is based on the cost to build out a food court Thai Express Restaurant consisting of 500 to 800 square feet and a street front Thai Express Restaurant (without any offices, apartments or other uses above the restaurant facility) consisting of 1,500 to 2,200 square feet. These costs also assume that the landlord provides you with a standard "Vanilla Shell" prior to the date you begin your leasehold improvements. The costs to complete your leasehold improvements will vary widely and may be significantly higher than projected in this table, depending on such factors as the city or town in which you propose to operate, property location, population density, economic climate, prevailing interest rates and other financing costs, the conditions of the property, current building code requirements, current permit requirements, implementation and enforcement of the Americans With Disabilities Act in particular jurisdictions, and the extent of alterations required for the property. You should investigate all of these costs in the area where you wish to establish your Thai Express Restaurant and the costs associated with modifying the specific property in which you choose to locate your Thai Express Restaurant. In some limited cases, these costs have added more than \$50,000 to the cost of opening a Thai Express Restaurant. Your costs will also be higher if your landlord does not provide you with a Vanilla Shell finish or if you select a location greater than 1,200 square feet. To avoid excessive leasehold improvement costs, we strongly recommend that you select your contractor carefully by obtaining several bids prior to signing a construction contract. The estimates do not include exterior renovations to your Thai Express Restaurant. You may purchase leasehold improvements from us or third-party contractors. These payments are non-refundable.
- (7) Exhaust: Exhaust system requirement of 3000 - 5000 CFM together with approximate equivalent make up air and duct capabilities

- (8) Equipment Package: The amount will vary depending on the size of the project and whether or not extra or customised equipment is purchased. As an example, an equipment list may include printers, an Interac terminal, POS cash system, lid/cup dispenser, napkin dispenser, heat lamp, plate dispenser, soap dispenser, paper towel dispenser, box holder, lid holder, condiments box, utensil box, soda cooler, soda fountain, ice machine, coffee machine, soup unit, sneeze guard, work table, wok range, exhaust hood, hot water tank, mop sink, fryer, gas stock pot, refrigerators, sinks, cupboard, cabinet, doors, grease trap, freezer, dishwasher, shelves, hooks, digital menu board, radios, amplifiers, and speakers.
- (9) Furniture: Not required in food court locations. For street locations, furniture may include tables, chairs, benches, counters, waste receptacles, and shelves.
- (10) Signs: This includes window graphics and design, interior and exterior signage that may be purchased from us or third-party suppliers. Approximately \$8,000 to \$12,000 paid to us. These payments are non-refundable.
- (11) Menu Box: Variable amount depending on size of the project and on landlord's criteria. We require Digital Menu Board solution that implements multiple professional grade digital displays (number dependent on space available) to present the approved menu offering using a combination of static and dynamic content. Content including layout, animation and pricing to be managed by Thai Express.
- (12) Uniforms: You will be required to purchase an opening inventory of uniforms for your employees. At your discretion, you may charge your employees for their uniforms.
- (13) Small Wares. Small wares may include the following: bins, calculator, check spindle, chill pan, clear plastic shaker, clear food box, clipboards, clock, colander, gloves, cutting board, digital timer, dredger with handle, dust pan and broom, extra-large colander, file holder, first aid kit, food processor, forks, frying basket press, funnel, garbage bins, gas lighters, glove dispenser, heavy duty strainer, heavy duty can opener, holder for markers, hooks, ice scoop holder, kitchen scissor, ladle, large ice scoop kit, large ladle, magnet bar, mandolin, permanent marker, measuring cup, measuring spoon, mesh skimmer, mixing bowls, mop, mop bucket, mop handle, noodle strainer, oven mitts, p-touch, pans, pens, pitcher, rice paper tray, plastic rice spoon, pocket flashlight, pocket thermometer, retractable knife, ripple peeler, scale, scraper, slicer, soup bowls, spatulas, spice bins, sponges, spoon, squeegee, squeeze bottles, stapler, step ladder, stock pot, strainer, tape, thermometers, tongs, utility cart, vegetable peeler, whip, white board, white board marker, and woks.
- (14) Opening Promotion and Advertising: The promotional campaign will differ by region and may include printing and distribution of promotional coupons, newspaper advertisements, and charitable donations. You will use media we approve. The distribution of promotional food items is not included in this estimate, and you will incur additional costs in the preparation and distribution of sample food items at your grand opening event. These payments are non-refundable.

- (15) Grand Opening: These fees are incurred for marketing purposes in connection with the grand opening of your franchise.
- (16) Training Attendance: The estimated initial investment includes all travel and accommodation costs incurred by up to three (3) people attending the Initial Training Program at our head office or at another location designated by us. There is no fee charged to you for the training session itself. These payments are typically non-refundable.
- (17) Additional Funds (First 3 Months): This is the amount of additional funding that we recommend you have in your bank account upon store opening to cover various expenses during your first three months of operation, but is subject to change depending upon your circumstances and financing requirements imposed by your bank. The range is based on anticipated working capital required for the first three months including such items as estimated wage payments, food and beverage costs, supplies, cleaning supplies, utilities, ordinary maintenance and other operating expenses. You should consult with your independent advisors to develop your own business plan with a cash flow chart in order to ensure that you have the amount necessary to cover any cash short fall in the initial months of operation since the range provided is simply an estimate.
- (18) This includes a sufficient opening supply of food inventory, cleaning supplies and paper products. These payments are non-refundable.
- (19) These fees will vary based upon the square footage and the location of your Thai Express Restaurant. The landlord may impose other fees and expenses, depending on the terms and conditions of the lease. Additional fees and expenses, if any, will be as set out in the lease. As well, the city or county may impose higher permit and license fees. Deposits may be refundable, but permit and license fees are non-refundable.
- (20) The estimated initial investment includes costs related to the purchase of specified computer hardware and software for a custom designated point-of-sale system. The estimated initial investment also includes costs related to the personal computer you must use in the operation of your Thai Express Restaurant and a letter quality printer you must use to print reports generated by your personal computer. You are required to secure an email account and PC-compatible computer software and hardware and any letter quality printer that meet the standards and specifications required by us. The standards and specifications we are currently using are set forth in the Operations Manual. These payments are non-refundable.
- (21) While we do not oblige you to do so, you may wish to install a security system and a safe at your Thai Express Restaurant. Our point of sale system is capable of supporting a security system and we advise to contact our point of sale system supplier should you require any additional information in this regard. We do not require or recommend any type of security system. The cost estimated in this ITEM 7 does not include any monthly monitoring fees. These payments are non-refundable.

- (22) We require that you have a minimum amount of \$10,000 of working capital at all times during the term of the Franchise Agreement. The amount of working capital is an estimation of wage payments, food and beverage costs, supplies, utilities, ordinary maintenance and other operating expenses. In addition, you should consider the cost of labor in operating your franchise when determining the right amount of working capital. Labor costs comprise a significant component of the costs of operating a franchise outlet. The cost of labor is influenced by factors such as the amount of time invested in a franchise outlet by the franchisee, the level of sales at the Thai Express Restaurant, the number of hours a franchised business is open and the average number of staff required and market rates for labor which can vary by location. As well, any incentive or bonus programs for employees of a franchisee would also form part of the labor costs for a franchised business. These costs are non-refundable. You should also be prepared to have cash available to pay your personal living expenses for at least the first six (6) months of the Thai Express Restaurant's operation. The exact amount of working capital required will vary considerably with each Thai Express Restaurant and economic conditions but must be sufficient to finance your operations until the Thai Express Restaurant produces positive cash flow. In addition, given the current negative economic conditions in the United States, you may want to consider having access to additional capital to cover slower sales. We have not included your personal living expenses in this estimate nor have we included any sales tax, or other use tax, income tax, or any other tax.

The high/low amounts in both tables will vary and may exceed our estimates based on the size of your Thai Express Restaurant. These estimates are based on a typical court Thai Express Restaurant consisting of 500 to 800 square feet and a street front Thai Express Restaurant (without any offices, apartments or other uses above the restaurant facility) consisting of 1,500 to 2,200 square feet.

In addition, you should consider the cost of labor in operating your franchise. Labor costs comprise a significant component of the costs of operating a Thai Express Restaurant. The cost of labor is influenced by factors such as the amount of time invested in a Thai Express Restaurant by you, the level of sales at the Thai Express Restaurant, the number of hours your Thai Express Restaurant is open and the average number of staff required and market rates for labor which can vary by location. Labor costs also typically include pension plan, unemployment insurance, worker's compensation, vacation and other payments which you as an employer would be required to make for employees. As well, any incentive or bonus programs for employees of yours would also form part of the labor costs of a franchised business.

We relied on the experience of certain officers of the Thai Express in the quick service restaurant business to complete these estimates. This is only an estimate of your initial investment and is based on our estimate of nationwide costs and market conditions prevailing as of the date of this Franchise Disclosure Document. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. Neither Thai Express, nor any of our affiliates, provides or assists with financing arrangements for you. If you obtain financing from others to pay for some of the expenditures necessary to establish and operate your Thai Express franchise, the cost of financing will depend on many factors, such as your credit worthiness, collateral, the financier's lending policies, the financial condition of the lender, and the regulatory environment. In addition, you are encouraged to visit existing

franchisees that may be willing to answer any questions you might have with respect to the foregoing matters.

The amounts expended may vary from one location to another. These amounts do not include the cost to you of any financing that may be required to establish your Thai Express Restaurant. Your costs will also depend on factors such as how well you follow the Thai Express System, your management skills, your experience, your business acumen, your active involvement at the Thai Express Restaurant, general and local market conditions, the location of your Thai Express Restaurant, the presence of any competition, prevailing wage rates, and the level of sales obtained by you during the initial period of operating your franchise.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Product Purchases

In order to maintain our standards of consistent and high quality Thai Express Products and uniformity in Thai Express Restaurants, you must purchase all products and services required for the operation of your Store from suppliers that we have identified and approved as meeting all of our specifications and standards or from us directly. We will give to you and you must comply with our standards and specifications for the services and products offered at your Thai Express Restaurant regarding food and beverages, menu, food type and quality, promotional items, uniforms, smallwares, computer software and hardware, payroll services, facility services (for example, mats, mops and towels), telephone equipment, services, furnishings, fixtures, and equipment used in connection with operating your Thai Express Restaurant, leasehold improvements, food preparation and storage, supplies, recipes, materials, forms, and other Products sold or used through a Thai Express Restaurant. We reserve the right to change the standards and specifications from time to time on written notice to you or as may be specified by the Operations Manual. We do not provide material benefits to franchisees based on their purchase of particular products or services. None of our officers owns an interest in any of our suppliers. We are approved suppliers of goods and services, including lease review services, leasehold improvements, equipment, furniture, freight services, signage, engineering drawings and architectural layout drawings. Our consolidated revenue derived revenue of \$4,203,759 from providing these goods and services to franchisees during our most recent fiscal year ended November 30, 2017, which represents approximately 4% of our total revenue during our fiscal year ended November 30, 2017, which was \$103,351,774. This amount reflects the total payments made by the franchisees for these goods and services. We estimate that these items range between 5% and 10% of your cost in establishing the Thai Express business and less than 10% of the on-going operation of the business.

Rebates

We receive rebates from certain of the approved suppliers, ranging from 1% to 2% of the amount of purchases by franchisees from those suppliers. We retain these payments to partially compensate us for our ongoing efforts in establishing and maintaining quality sources of supply, in evaluating potential new suppliers, and in monitoring and evaluating approved suppliers and upstream manufacturers to insure that those suppliers and manufacturers meet our quality and

performance standards. Our consolidated revenue received \$15,034,286 in rebates during our fiscal year ended November 30, 2017 which represents approximately 15% of our total revenue during our fiscal year ended November 30, 2017, which was \$103,351,774. This information was taken from our audited financial statements. We do not presently participate in any purchasing or distribution cooperatives, but we reserve the right to do so in the future.

Standards and Specifications; Suppliers

We have developed and, in the future may modify, our standards and specifications based on our commitment to provide Thai Express Products of a consistent quality and to protect and enhance the value of the System and the Marks. Standards and specifications for the items that we require you to use in developing and operating your Restaurant are available to you and suppliers from time to time through the Operations Manual.

We have approved the suppliers identified in the Operations Manual as approved suppliers based on our evaluation of, among other things, their price terms, their national distribution abilities, and their ability to meet our quality standards. If you wish to use suppliers that are not on our list of approved suppliers, you are required to notify us in writing before using your preferred supplier and, if we request, provide us with samples of the product and any relevant data. We will, upon receiving such request, determine whether the product meets our specifications and will notify you whether that is the case within 60 days of receiving samples of the product and other relevant data. If we determine that your preferred supplier does not meet our specifications, you must continue to use our approved supplier. When making our determination, some of our considerations will include whether or not your proposed supplier:

- (a) meets our specifications, including our quality, quantity, warranty, variety, service, health and safety specifications, for the product and for the facilities used in the production and distribution of the product;
- (b) has the capacity to supply your requirements;
- (c) has a sound financial condition and business reputation;
- (d) will supply product to a sufficient number of Thai Express franchisees to enable us to economically monitor compliance by the supplier with our specifications; and
- (e) has met such other criteria as may be established by us, acting reasonably, from time to time and as set out in the Operations Manual.

Other than making the System available to you as provided in the Franchise Agreement, we do not provide any specific benefits to you based on your use of approved sources of supply. However, your failure to use approved sources of supply or to comply with our standards and specifications would be a breach of the Franchise Agreement, and we would have the right to exercise our remedies for your breach of the Franchise Agreement, including our rights to terminate your Franchise Agreement. We may negotiate purchase arrangements with suppliers for your benefit, although we are not obligated to do so. You should not rely on the availability of any particular purchasing arrangements in deciding whether to purchase the franchise. You

will not receive a material benefit from us based on your use of any particular designated or approved sources. (See Section 5.5 of the Franchise Agreement).

Computer Hardware and Software

You must purchase or lease, use, maintain and update computer, POS, and other systems and software programs which meet our specifications as they evolve over time and which, in some cases, may only be available through us, our affiliates and/or designated suppliers.

We may change the designated suppliers from time to time on written notice to you. You acknowledge that we may receive a rebate or commission in connection with the point of sale computer software and hardware purchased, leased, or obtained by you from designated suppliers and that the benefit of such rebate or commission may not necessarily be passed onto you and that we and/or our subsidiaries and/or affiliates are entitled to keep such rebates or commissions for our own use and benefit.

We do require that you connect your point-of-sale hardware, at your expense, with a computer facility designated by us so as to enable us to collect information concerning Gross Sales and you must sign all documents and do such further acts as may be required by us from time to time in order to effect the foregoing. Without limiting the generality of the foregoing, you must purchase such point-of-sale computer software and hardware and telephone equipment as may be required to implement the point-of-sale program and/or for any other purposes that we may designate from time to time in the Operations Manual or by notice in writing from suppliers designated by us and you must assume and pay all costs related to the program.

You further acknowledge and agree that you shall purchase (or lease), use, maintain and update computer and other systems and software programs which meet our specifications as they evolve over time and which, in some cases, may only be available through us, our affiliate and/or designate suppliers. You shall maintain your systems network and must promptly update and otherwise change your computer and point of sale hardware and software systems, as we may require from time-to-time at your expense. You shall pay all amounts charged by any supplier or licensor of the system and programs used by you, including charges for use, maintenance, support and/or update of these systems or programs.

Insurance

You must obtain and maintain the following minimum insurance coverage at your cost from an insurer acceptable to us, and provide us with certified copies of each insurance policy:

- (a) insurance on your inventory, fixtures, furniture, equipment and wares in an amount not less than the full replacement cost thereof with coverage against the perils of fire and standard extended coverage, including malicious mischief and burglary;
- (b) comprehensive public liability and property damage insurance, including personal injury liability, contractual liability, public liability and employer's liability, with coverage of not less than \$2,000,000 for any one occurrence and such greater amount as we may specify from time to time;

(c) business interruption insurance in such amount as will reimburse you for direct or indirect loss of earnings attributed to all perils commonly insured against by prudent restaurant owners, or attributable to prevention of access to the Store, with coverage for a period of interruption of 180 days and such longer period as we may specify from time to time;

(d) such insurance as we may require for the purpose of insuring our interest in any and all Royalties, lease payments and/or Marketing Fund Contributions due to us hereunder against any loss resulting from any interruption in your business attributable to damage or destruction to the Store or to prevention of access to the Store or your death or disability (if you are an individual) or of the Equity Manager or the Guarantor (as such terms are defined in the Franchise Agreement);

(e) tenant's liability insurance;

(f) any other insurance required by law, including Workers' Compensation Insurance, in such amounts as required by statute; and

(g) such other insurance coverage as we or the Landlord may reasonably require from time to time.

Such insurance coverage shall be taken out in your name and shall name us as an additional insured and be placed with insurers designated by us or acceptable to us. You must furnish us with certified copies of each of the insurance policies described above thirty (30) days before the opening of the Store for business. Each such policy shall provide that it cannot be canceled without thirty (30) days' prior written notice to us and that we shall receive at least thirty (30) days prior written notice of its expiration. You shall promptly refer all claims or potential claims against you or us to each of us and our insurer.

In addition to the above insurance requirements, if you operate an Thai Express restaurant that sells alcoholic beverages, you will also need to obtain a Liquor Liability (dram shop) Insurance policy with a minimum limit in the amount of One Million Dollars (\$1,000,000) per occurrence and an aggregate amount of not less than Two Million Dollars (\$2,000,000) or such higher amounts in accordance with state law requirements or your landlord's requirements. Such insurance must also name us, our directors, officers, employees and affiliates as additional insured.

If you fail to take out or keep in force any of the above minimum insurance or should any of that insurance not be approved by us or the landlord, and should you not commence to diligently rectify (and afterwards to proceed diligently to rectify) the situation within 48 hours after notice by us or the landlord, we may, without obligation, effect such insurance at your sole cost and all of our costs and the costs of the landlord will be immediately paid by you to us together with a fee of 15% of such costs representing our overhead.

We reserve the right to require you to subscribe to our group insurance plan for the purpose of providing all or part of the insurance coverage to be taken out by you. We may modify the group insurance plan from time to time as we may specify in the Operations Manual or by other written notice. If we offer the plan, you must participate in the plan. If the

underwriters of the plan increase the premiums under the plan as a result of any act or occurrence at the Thai Express Restaurant, or as a result of any act or omission on your part, then you must, for the duration of the Franchise Agreement, pay the amount of such increase in premiums. You must comply with all recommendations made by the underwriters of the plan. You acknowledge that we may receive a rebate, commission or some other benefit in connection with the purchase of group insurance and that we are entitled to keep such rebate, commission or other benefit for our own use and benefit. (See Sections 6.1(f) and 6.2 of the Franchise Agreement).

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 franchise disclosure document.

Obligation	Section in Franchise Agreement (unless otherwise indicated)	Disclosure Document Item
a. Site selection and acquisition/lease	1.1, 4.1, 4.2	ITEM 11
b. Pre-opening purchases/leases	8.10 Construction Agreement: 1(c), 3, 13	ITEM 7 & ITEM 8
c. Site development and other pre-opening requirements	Construction Agreement: 1(b), 2	ITEM 7 & ITEM 11
d. Initial and ongoing training	4.4, 5.3	ITEM 11
e. Opening	4.5	ITEM 7, ITEM 8 & ITEM 11
f. Fees	2.2(i), 4.6(b)(iv), 5.8, 8.1 - 8.3, 8.8, 8.9, 8.14, 9.5(b), 9.8, 9.9, 10.10 and Sections 2 and 5 of Application	ITEM 5, ITEM 6, ITEM 7 & ITEM 17
g. Compliance with standards and policies/Operations Manual	5.6, 5.9, 5.12, 5.15, 5.16, 5.17	ITEM 11
h. Trademarks and proprietary information	3	ITEM 13 & ITEM 14
i. Restrictions on products/services offered	5.4	ITEM 8 & ITEM 16
j. Warranty and customer service requirements	Not applicable	None
k. Territorial development and sales quotas	Not applicable	None
l. Ongoing product purchases	5.5	ITEM 8
m. Maintenance, appearance and remodeling requirements	2.2(d), 5.10, 5.11	ITEM 17
n. Insurance	6.1(f), 6.2	ITEM 6 & ITEM 8
o. Advertising	5.7, 8.9	ITEM 6 & ITEM 11

Obligation	Section in Franchise Agreement (unless otherwise indicated)	Disclosure Document Item
p. Indemnification	10.9, 11 Guarantee and Indemnity	ITEM 6, ITEM 13 & ITEM 14
q. Owner's participation/management/ staffing	5.2, 5.3, 8.11	ITEM 15
r. Records and reports	8.4, 8.5, 8.7	ITEM 6
s. Inspection and audits	8.8	ITEM 6
t. Transfer	12	ITEM 17
u. Renewal	2.2	ITEM 17
v. Post-termination obligations	10.2 - 10.5, 10.8, 10.11, 10.12, 10.15 and Section 8 of Application	ITEM 17
w. Non-competition covenants	15.1, 15.2	ITEM 17
x. Dispute resolution	16.14	ITEM 17
y. Guaranty	11 and Schedule F	ITEM 15

Additional Provisions for Institutional Licensors

Obligation	Section in Institutional License Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	1.5, Exhibit A, Exhibit B	ITEM 11
b. Pre-opening purchases/leases	Not applicable	ITEM 5, ITEM 7 and ITEM 8
c. Site development and other pre- opening requirements	Not applicable	ITEM 5, ITEM 7 and ITEM 11
d. Initial and ongoing training	3.1, 5.2	ITEM 11
e. Opening	3.1	ITEM 11
f. Fees	5	ITEM 5, ITEM 6 & ITEM 7
g. Compliance with standards and policies/Operating Manual	1.5, 3	ITEM 11
h. Trademarks and proprietary information	1, 2, 3, 4, 12	ITEM 13 and ITEM 14
i. Restrictions on products/services offered	2	ITEM 16
j. Warranty and customer service requirements	Not applicable	Not applicable
k. Territorial development and sales quotas	Not applicable	ITEM 12
l. Ongoing product/service purchases	2, 7, Exhibit C	ITEM 8
m. Maintenance, appearance and remodeling requirements	3	Not applicable

Obligation	Section in Institutional License Agreement	Disclosure Document Item
n. Insurance	9	ITEM 6, ITEM 7 and ITEM 8
o. Advertising	4	ITEM 6 and ITEM 11
p. Indemnification	9	ITEM 6, ITEM 13 & ITEM 14
q. Owner's participation/management/staffing	3.1	ITEM 11 and ITEM 15
r. Records and reports	5	ITEM 17
s. Inspections and audits	3.1	ITEM 6 and ITEM 11
t. Transfer	8	ITEM 6 and ITEM 17
u. Renewal	6	ITEM 6 and ITEM 17
v. Post-termination obligations	12	ITEM 17
w. Non-competition covenants	7	ITEM 17
x. Dispute resolution	11	ITEM 17

ITEM 10 FINANCING

Neither we nor our agents or affiliates offer, either directly or indirectly, any financing arrangements. We do not guarantee your note, or other obligations, except potentially of the lease for your site or if you purchase a restaurant corporate-owned “as-is” by one of our affiliates, and only in our sole and absolute discretion.

If, in order to obtain the lease agreement for the site of your *Thai Express* restaurant, the landlord requires you to obtain a third party lease guarantee, and we or one of our affiliates agrees to serve as such guarantor (with such determination to be made in our sole and absolute discretion), you will pay to us a lease guarantee fee in the amount of 10% of the total amount of the rental obligations being guaranteed under the lease during its term up to a maximum payment of \$10,000. If the franchisee is an individual, the individual franchisee (and his/her spouse, if married) must personally guarantee the debt. If the franchisee is a corporation, limited liability company, partnership, or other entity, each of the principals of the entity (and each of their respective spouses, if married) must personally guarantee the debt. Once paid, the lease guarantee fee is non-refundable under all circumstances. We do not offer financing for the lease guarantee fee as it is payable in full upon the execution of the guarantee. Neither we, nor any of our affiliates, are required to serve as a guarantor of your lease for the site of your restaurant. The decision of whether to serve as a guarantor of your lease shall be made at our sole and absolute discretion.

If you purchase a corporate restaurant “as-is” that is owned and operated by one of our affiliates, we may finance up to 100% of the purchase price, at our sole discretion. When you purchase a corporate-owned restaurant from one of our affiliates, you will enter into an “Asset Purchase Agreement” (See **Exhibit B1**: Asset Purchase Agreement). If you finance any portion of the purchase price of the corporate-owned restaurant through us or one of our affiliates you will also enter into a “Promissory Note and Security Agreement,” and a Guaranty which are

exhibits to the Asset Purchase Agreement. The purchase price includes the initial franchise fee and all leasehold improvements including furniture, fixtures, and equipment that are contained in the restaurant at the time of purchase, along with any inventory that is in the restaurant at the time of purchase. The lender providing the financing is us or one of our affiliates, whichever entity owns the restaurant (“**APA Lender**”). The annual rate of interest charged will be between 0% and 12% and will depend on the creditworthiness of the franchisee, the amount being financed, and the dollar amount being paid up-front by the franchisee. There are no finance charges associated with the Promissory Note and Security Agreement. The amount being financed will be required to be re-paid in equal monthly installments and the period of repayment will be between 12 months and 60 months, depending on the amount being financed. The security interest required by us is a first position lien on all equipment. If the franchisee is an individual, the franchise (and his/her spouse, if married) must personally guarantee the debt. If the franchisee is a corporation, limited liability company, partnership, or other entity, each of the principals of the entity (and their respective spouses, if married) must personally guarantee the debt. The Promissory Note and Security Agreement may be pre-paid in full or in part at any time and from time to time without penalty. The franchisee’s potential liabilities upon default include: (i) an accelerated obligation to pay the entire amount due, including all accrued and unpaid interest, if the default is not cured within ten calendar days; and the interest rate will be increased to an annual rate of 18%; (ii) obligation to pay costs and attorneys’ fees incurred in collecting the debt; (iii) termination of the franchise; and (iv) liabilities from cross defaults resulting from non-payment or from the loss of business property; on franchisee’s other restaurants name in the Promissory Note and Security Agreement and granting APA Lender the right to take back the restaurant(s). The Promissory Note and Security Agreement requires franchisees to waive the following legal rights: demand, notice, diligence protest, presentment for payment, and notice of extension, dishonor, protest, demand and nonpayment of the promissory note; any release or discharge as a result in any change in security given or change in person or entity who may become liable for the note or any modification of the note; rights to contest or appeal our exercise of the take back rights; and not receiving compensation for the restaurant after the take back rights have been exercised. The Promissory Note and Security Agreement also bars the franchisee’s right to contest the take back rights.

We require a first lien position in all equipment as a security interest to be given by the franchisee. We do not intend to sell, assign or discount to a third party any financing arrangement. We do not arrange financing from other sources; therefore, we do not receive direct or indirect payments from placing financing.

The lease for a corporate restaurant is entered into by one of our affiliates. When you purchase the corporate restaurant, you will enter into a Sublease with our affiliate using our standard form of Sublease where you pay all monies owing under the Master Lease directly to the property owner, or our standard form of Sublease in which you pay all monies owing under the Master Lease to our affiliate and the affiliate will pay the property owner, which are schedules to the Franchise Agreement (see Sublease, **Schedule K** of the Franchise Agreement). The Sublease will contain substantially the same terms as the Master Lease. The term of the Sublease will be for the entire term of the Master Lease, less one day. If you are an individual, you (and your spouse, if married) must sign the Guaranty of Sublease (see **Schedule K** of the Franchise Agreement). If you are a corporation, limited liability company, partnership or other business entity, each of your shareholders, members, partners or other owners (and their respective spouses, if married) must sign the Guaranty of Sublease.

Please note, if you intend to lease the site of your restaurant, the lease must include certain required provisions (See Addendum to Lease, **Schedule C** of the Franchise Agreement; Franchise Agreement, Sections 4.1 and 4.2).

You agree in the Franchise Agreement that you will not, without our prior written consent, borrow more than the maximum allowed debt we prescribe for you. Currently, the maximum amount of debt we allow you to service is sixty percent (60%) of the total project costs for establishing a Thai Express Franchise. We will establish your maximum allowed debt based upon your financial condition, the initial investment necessary to open your particular Restaurant, and the location of your Thai Express Restaurant. We periodically may change this amount for you and other franchisees (that is, the amount may differ from franchisee to franchisee because of each franchisee's particular circumstances). We impose this requirement because excess debt may adversely affect your Thai Express Restaurant's operational results.

ITEM 11

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

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

Pre-Opening Assistance

1. Site Selection: We will assist you in selecting a site for your Thai Express Restaurant (See Section 1.1 and **Schedule A** of the Franchise Agreement). Factors we use in reviewing a potential site include neighborhood, proximity to schools and businesses, traffic patterns, condition and size of premises, lease terms, parking and ease of access to the site. If a site cannot be agreed upon by you and us, the Franchise Agreement could be terminated.

2. Operations Manual. We will loan you a copy (paper, electronic or other format) of our confidential operations manual ("**Operations Manual**"), which contains mandatory and suggested specifications, standards, operating procedures and rules, recipes, food preparation instructions, and required product purchases, as prescribed from time to time by us. The Operations Manual is confidential and remains our property. We reserve the right to require you to use an electronic version of the Operations Manual and require you to access the document using the Internet or an intranet created and supported by us. You will have the opportunity to view the Operations Manual at our headquarters before purchasing your Thai Express Restaurant. The Operations Manual contains approximately 46 pages. We have included a copy of the Table of Contents for our Operations Manual as **Exhibit G** to this Franchise Disclosure Document. If your copy of the Operations Manual is lost, destroyed, or significantly damaged, you agree to obtain a replacement copy from us at our then applicable charge. Our current replacement cost is one thousand five hundred dollars (\$1,500.00), but it may be increased or decreased by us at any time, within our sole and absolute discretion.

3. Store Specifications: We will provide you with specifications for the Thai Express Restaurant, including space requirements, build-out requirements, design and decoration requirements, plus specifications concerning signs, decor and equipment. Alternatively, should

you wish to prepare the construction plans and specifications yourself, you must submit such construction plans and specifications to us for our approval before construction of the Store commences, and you must submit all revised plans and specifications to us for our approval during the course of construction. (See Section 4.1 of the Franchise Agreement).

Upon completion of construction, you may be required to provide us with a set of “as built” plans and specifications. You may also be required by us to renovate, remodel and refurbish your Store as a condition precedent for renewal of the Franchise Agreement to comply with our then current standards as close to the date of renewal as possible.

4. Purchase of Equipment and Furniture: We will assist you in obtaining the furniture and equipment required for your Thai Express Restaurant, and you must obtain such furniture and equipment from us or a designated supplier (See Section 5.5 of the Franchise Agreement).

Whether or not you build out the Licensed Location yourself, you will be required to pay us or our affiliate or subsidiary, before any work is commenced at the Licensed Location, for the supply and installation of the furniture and equipment to be purchased or leased by you. We will coordinate the installation of any leased equipment, but, unless otherwise provided, the lessor of the leased equipment will be responsible for its installation at the Licensed Location.

5. Training: Before the opening, you will have to attend five (5) day of in-class training and then eleven (11) days of in-store training. We will train up to two (2) individuals, including the Designated Manager (as defined in ITEM 15 of this Franchise Disclosure Document) (“**Initial Training Program**”). The Initial Training Program is held each time a new franchisee joins the franchise system. You and your Designated Manager must attend and successfully complete the Initial Training Program, which includes classroom (administrative and theoretical training) and on-site training (“**On-Site Training**”). (See Section 4.4 of the Franchise Agreement, Section 3.1 of the Institutional License Agreement).

You must complete to our full satisfaction all phases of our training program before you are entitled to open your Thai Express Restaurant for operation. If we indicate to you that you are so entitled to open your Thai Express Restaurant, then we will also provide you with up to seven full and consecutive days of on-site training and support at your Thai Express Restaurant in the first week of your franchise operations.

Schedule for Opening

You will have a maximum of 12 months from the date you sign the Franchise Agreement (“**Site Location Period**”) to locate a site approved by us and sign a lease or sublease for your Thai Express Restaurant. If you do not find a site and sign a lease or sublease by the end of that time period, we have the right to terminate your Franchise Agreement and retain the full amount of the Initial Franchise Fee or, in our sole discretion, to provide you with an extension to locate a site and sign a lease or sublease for your Thai Express Restaurant. You understand and agree that in certain circumstances it may take longer than 12 months to locate an appropriate site acceptable to us and to sign a lease or sublease for your Thai Express franchise.

Furthermore, if you fail to (a) locate a suitable location acceptable to us or fail to enter into a lease for the Thai Express Restaurant in the manner required by the Franchise Agreement; operations of your Thai Express Restaurant in accordance with the terms of the Franchise Agreement; or (d) successfully complete the initial training as required by the Franchise Agreement, then we may retain the full amount of the Initial Franchise Fee.

In some markets, it may very well take in excess of the Site Location Period to locate a site and to sign a lease or sublease for your Thai Express franchise.

We estimate there will be an interval of approximately 60 days to 1 year between the execution of the Franchise Agreement and the opening of a Thai Express Restaurant. The interval may be affected by the weather, finding of a location, negotiation of a lease, the location and condition of the proposed store, delays in obtaining construction and food-related permits, the construction schedule for the Thai Express Restaurant, and the construction schedule of the landlord to build or renovate the base building. We will notify you of our approval or disapproval of a proposed site within 30 days of receipt of your proposal. If we do not approve the proposed site, you will need to locate an alternative location. Franchisor shall be entitled to terminate this Agreement by written notice to Franchisee if the Franchisee is unable to find a suitable location within twelve (12) months following execution of this Agreement, and in such event, Franchisor may retain any and all monies paid to Franchisor, including the Initial Franchise Fee paid as liquidated damages and not as a penalty. (See Section 4.1 and 8.1 of the Franchise Agreement).

You may not open the Thai Express Restaurant for business until: (1) we notify you in writing that all of your development obligations have been fulfilled; (2) pre-opening training of your personnel has been completed to our satisfaction; (3) all amounts then due to us have been paid; (4) we have been furnished with copies of all insurance policies and certificates required under the Franchise Agreement, or other evidence of insurance coverage and payment of premiums that we request; (5) you notify us that all approvals and conditions set forth in the Franchise Agreement have been met; and (6) have provided us with a voided check for the payment of Royalties and Marketing Fund Contributions. Within 8 days after we notify you in writing that your pre-opening obligations have been met, we will visit the location and give final approval to open the Thai Express Restaurant. You must comply with these conditions and be prepared to open the Thai Express Restaurant for business and begin conducting business within 5 days after we advise you that the Thai Express Restaurant is ready to open. (See Sections 4.3, 4.4, 4.5, 6.1(f) and **Schedule E** of the Franchise Agreement).

On-Going Assistance

1. Continuing Research. We will research new products, new items, services and methods of doing business and provide you with information concerning developments of this research (See Section 7.1 of the Franchise Agreement).

2. On-Going Consultation. We will be available to you on a reasonable basis via telephone or electronic mail during regular business hours to discuss your operational questions and experiences. (See Section 7.1 of the Franchise Agreement).

3. Operational Guidance. In our discretion and at your reasonable request, we will furnish guidance to you with respect to: (1) recipes, methods, specifications, standards and operating procedures used in Thai Express Restaurants along with any modifications; (2) purchasing approved equipment, fixtures, furnishings, signs, products, materials and supplies; (3) development and implementation of local advertising and promotional programs, (4) general operating and management procedures of Thai Express Restaurants; and (5) establishing employee training programs at your Thai Express Restaurant. Any guidance will, in our discretion, be furnished in the form of Thai Express manuals, bulletins, video or audio cassette tapes, computer diskettes, written materials, reports and recommendations, other materials and intangibles, refresher training programs and/or telephonic consultations or consultations at our offices or at your Thai Express Restaurant. (See Section 7.1 of the Franchise Agreement).

4. Annual Meetings. We may hold annual conferences to discuss sales techniques, new product developments, preparation of new menu items, new service suggestions, bookkeeping, inventory control, performance standards, advertising programs and merchandising procedures. There is no conference fee, but you must pay all of your travel and living expenses. We require you or your Equity Manager to attend these conferences. These conferences are held at a location chosen by us. In the event you fail to attend a conference or fail to send a representative to a conference, we may require you or your Equity Manager to attend a mandatory training seminar at your expense to learn about all of the topics covered at the conference.

5. Newsletter. We may send to you, on a quarterly basis, a copy of the then current newsletter if we elect to publish a newsletter.

6. Advertising. At our option, we will provide advertising materials to you in the form of an arts and graphics package, which will be included in your Operations Manual. We may use outside advertising and marketing agencies to create advertising material. You may develop your own advertising or promotional materials (including any use of the Internet, World-Wide Web, or other electronic media or media) for your own use, at your own cost. If you elect to develop your own website, with our approval, you must also engage your Internet service provider to host your website. We must approve the advertising materials in advance and in writing. If we do not advise you in writing that your advertising is approved, it will be deemed disapproved. You will not use any advertising or promotional materials or programs that we have disapproved or that does not include the copyright, trademark and other notices required by us (See Section 5.7 of the Franchise Agreement). We reserve the right to require that: (a) you include a brief statement regarding the availability of information regarding the purchase of Thai

Express Restaurants in all advertising used by you, (b) a brochure regarding purchase of Thai Express Restaurants be placed in a prominent location in your Thai Express Restaurants, and (c) you hang a sign produced by us indicating that you are an independent contractor, that you own your franchise, and that all debts and liabilities incurred by you are for your own account. (See Section 6.1(a) of the Franchise Agreement).

Marketing

You must actively participate in and cooperate with our national, regional and local advertising and sales promotion campaigns, and (without limiting the generality of the foregoing) you must:

1. obtain our prior approval to all promotions, special events, sales promotion materials and advertising used by you (including, without limitation, on-site, internet, direct mail, newspaper, radio and television advertising, and advertising by third parties at the Store or at any other location if in connection with the Thai Express Restaurant);
2. display in the Thai Express Restaurant, and in the manner specified by us, advertising material that we may present to you from time to time;
3. conduct such promotions and special events, offer such promotional items and accept such coupons and gift certificates as we may from time to time require;
4. not make any television or radio appearance or make any statement to any media in connection with the Thai Express System without first obtaining our written consent;
5. advertise and display such advertisements and solicitations at the Thai Express Restaurant to attract potential franchisees to the Thai Express System as we may require from time to time;
6. conduct a grand opening advertising and promotional program for the Thai Express Restaurant at the time and in the manner specified by us and agree to spend a minimum of \$10,000 for the grand opening program, plus the cost of any promotional food. You must also agree to provide us with a summary of your grand opening program expenditures within 75 days after the Thai Express Restaurant opens. Your grand opening program must utilize the marketing and public relations programs and media and advertising materials that we have approved; and
7. If you purchase an existing Thai Express Restaurant, you must spend a minimum of \$5,000, plus the cost of promotional food, in additional advertising to promote the transition to your ownership.

All Marketing Fund Contributions, together with amounts contributed by you and other franchisees, will be maintained in a fund (“**Marketing Fund**”) administered by us. We will use such funds for the purpose of advertising and promoting the licensed and company-owned operations associated with the Marks and producing such advertisement and promotion. However, we cannot and do not ensure that you will benefit directly or pro-rata or at all from the placement of advertising and promotion. We may consult with you from time to time concerning

the advertising programs to be established by us and, for that purpose, may invite you to participate in a franchisee advisory board. The cost of establishing and maintaining such an advisory board may be charged to the Marketing Fund. We have the right to make all decisions concerning advertising and promotion in our sole discretion. This includes the right to use the Marketing Fund Contributions for broadcast or print advertising, the creation, development and production of advertising and promotional materials, including, but not limited to, ad slicks, radio, film and television commercials, videotapes, direct mail pieces, and other print advertising; any marketing or related research and development; developing, enhancing and maintaining our Website; vehicle advertising, menu development, point-of-sale advertising, retaining public relations firms, and uniform designs; and advertising and marketing expenses, including payment for research and development on new Thai Express Products and services, services provided by advertising agencies or other marketing, research or consulting firms or agencies, customer incentive programs, sponsorships, marketing meetings and sales incentives, development of the Internet, Internet access provider costs, personnel to support the marketing function, subscriptions to industry newsletters or magazines, and administrative costs. We may reimburse ourselves or our designated representatives (which may be one or more of our subsidiaries or affiliates) for administrative costs, independent audits, reasonable accounting, bookkeeping, reporting, and legal expenses, taxes, and other reasonable direct and indirect expenses incurred by us or our representatives in connection with the programs funded by and the administration and operation of the Marketing Fund. We and our representatives will not be liable for any act or omission that is consistent with your Franchise Agreement and done in good faith. We and our representative may spend in any fiscal year more or less than the aggregate Marketing Fund Contribution of all stores to the Marketing Fund in that year, and the Marketing Fund may borrow from us or others (including our affiliates) to cover deficits or invest surplus for future use. We may incorporate the Marketing Fund or operate it through a separate entity as we deem appropriate. We and our representatives have no obligation to ensure that the Marketing Fund benefits your Thai Express Restaurant in proportion to your respective Marketing Fund Contributions or at all. You must acknowledge and agree that the Marketing Fund's primary purpose is to support sales by the entire Thai Express System and to build brand identity. You also must agree to participate in any promotional campaigns and advertising and other programs that the Marketing Fund periodically establishes.

We have the right to increase the Marketing Fund Contributions to four percent (4%) of Gross Sales instead of the three percent provided for in the Franchise Agreement if the owners of at least 75% of the franchises in the United States agree to pay such increased percentage of sales to the Marketing Fund. Once such 75% agreement is reached, no further or continuing agreement shall be required in order to maintain the Marketing Fund Contributions at four percent of Gross Sales. You will be provided with an unaudited annual statement of funds received by the Marketing Fund, and expenditures made from the Marketing Fund if you request such a statement in writing. The cost of preparing the statement shall be paid by the Marketing Fund. The reporting period used for the purpose of this accounting will coincide with our fiscal year. None of the Marketing Fund Contributions will be used to solicit the sale of new franchises.

Although we intend the Marketing Fund to be of perpetual duration, we have the right to terminate the Marketing Fund. We will not terminate the Marketing Fund, however, until all monies in the Marketing Fund have been expended for advertising and promotional purposes.

We and our representatives have the right, but not the obligation, to use collection agents and to institute legal proceedings to collect Marketing Fund Contributions at the Marketing Fund's expense. We and our representatives also may forgive, waive, settle, and compromise any claims by or against the Marketing Fund. We and our representatives, reserve the right, in our sole discretion, to at any time defer or reduce Marketing Fund Contributions and operations for periods of any length.

During our most recent fiscal year ended November 30, 2017, we collected a total of \$6,485.92 in Marketing Fund Contributions. Approximately 41% of those funds were spent for administrative and 15% for other. Each region received an allocation of Marketing Fund Contributions in direct proportion to Marketing Fund Contribution made to the Marketing Fund from that particular geographic region. The remaining 43% of the Marketing Fund contributions collected were retained and carried forward.

We may, in our sole discretion, establish one or more associations and/or sub-associations of Thai Express franchisees covering territories that include your Thai Express location, to be known collectively as the Thai Express Franchise Owner Association ("**TEFOA**"). You must join and actively participate in TEFOA and must contribute to TEFOA such amounts as are determined from time-to-time by TEFOA. TEFOA may adopt, with our consent, its own rules, regulations and procedures, which you must follow. Your failure to timely contribute the amounts required by, or comply with the rules, regulations and procedures of, TEFOA constitutes a material breach of the provisions of the Franchise Agreement. We may offset against amounts we owe to you the amount of your unpaid TEFOA contributions.

In addition to the Marketing Fund Contributions to be made by you, you also must agree to spend an amount equal to two percent (2%) of your Gross Sales for purposes of conducting local advertising marketing campaigns ("**Local Marketing Expenses**"). You must spend this amount on a quarterly basis. We may require that you prepare and submit five days after the end of every quarter a report setting out the Local Marketing Expenses actually disbursed by you for that quarter during each month of the Term and any renewal term. (See Section 5.8(a) of the Franchise Agreement).

In regional and metropolitan areas where there are two or more Thai Express franchisees, you may be required to participate in an advertising and public relations cooperative ("**Local Advertising Cooperative**") and, if approved by a majority of such Thai Express franchisees, pay your proportionate share of the cost of joint regional and local public relations and advertising programs. Any contributions made by you towards your Local Advertising Cooperative shall be credited towards the Local Marketing Expenses that you are required to make. In determining the level of expenditure and the type of advertising and public relations programs to be used, each Thai Express franchisee within the area participating in the Local Advertising Cooperative shall have one vote for each Thai Express Restaurant in operation and scheduled to be in operation during the promotional period ("**Total Operational Stores**"). Your share of the expenses for public relations and electronic media advertising shall be the ratio of the number of the Thai Express Restaurants you have open and operating in the metropolitan area covered by the Local Advertising Cooperative to the Total Operational Stores in the relevant regional and metropolitan area. Your share of expenses for print media advertising shall be the ratio of the circulation of the publication within 250 feet from the front door of your restaurant to the

circulation of that publication within 250 feet from the door of each of the franchisees' restaurants in that relevant regional and metropolitan area. The rules of the Local Advertising Cooperative shall be in writing and established by its members, but must be submitted to us for prior approval. Each Local Advertising Cooperative must provide quarterly financial reports to us as required by us in the Operations Manual. We reserve the right, in our sole discretion, to form, change, merge or dissolve any Local Advertising Cooperative.

Computer System

We designate point of sale equipment and systems ("**POS System**"), including point of sale equipment and systems, used in connection with operating your Thai Express Restaurant, which you must obtain from suppliers designated by us or from us directly. You must purchase such computer software and hardware from our designated suppliers or from us directly. We may designate additional computer software and hardware from time to time. We may change the designated suppliers from time to time on written notice to you. You acknowledge that we may receive a rebate or commission in connection with the computer software and hardware purchased, leased, or obtained by you from designated suppliers and that the benefit of such rebate or commission may not necessarily be passed onto you and that we and/or our subsidiaries and/or affiliates are entitled to keep such rebates or commissions for our own use and benefit. (See Section 5.5 of the Franchise Agreement)

We may require that you connect your POS System, at your expense, with a computer facility designated by us so as to generate or store the following information concerning Gross Sales, Period Totals, Royalties, Demographic Reports, Transaction Specifics, Discounts and Periodic Tax Summaries as an example of some of the information the POS vendor will collect and make available to us via a website. The system will include computer(s), modem(s), cash drawer(s), receipt printer(s) and report printer as well as POS software. You must sign all documents and do such further acts as may be required by us from time to time in order to effect the foregoing. Without limiting the generality of the foregoing, you must purchase such POS System and high speed telephone equipment as may be required to implement the cash register program and/or for any other purposes that we may designate from time to time in the Operations Manual or by notice in writing from suppliers designated by us and you must assume and pay all costs related to the program. (See Section 8.10 of the Franchise Agreement).

You must purchase or lease, use, maintain and update computer and other systems and software programs which meet our specifications as they evolve over time and which, in some cases, may only be available through us, our affiliates and/or designated suppliers. You must maintain your systems network and you must promptly update and otherwise change your computer and point of sale hardware and software system as we require from time-to-time, at your expense. You will pay all amounts charged by any supplier or licensor of the systems and programs used by you, including charges for use, maintenance, support and/or update of these systems or programs.

We estimate the cost of purchasing the computer system and POS system will range from \$4,760 to \$14,000 (per cash register). In addition, you will need to pay up to \$90 a month for a service and maintenance contract plus the cost of your Internet connection. This monthly fee covers the cost of ongoing maintenance and POS software upgrades. Other than as set forth in

the agreements between you and our POS System vendors, which you will sign prior to the date you open your Thai Express Restaurant, we have no contractual obligation to provide you with support services, upgrades or updates.

We have the right to independently access your electronic information and data, and to collect and use your electronic information and data in any manner we choose to promote the development of the System and the sale of franchises. There is no contractual limitation on our right to receive or use your electronic information and data.

Training Program

We will make a Training Program available to you and your designated representative after you sign the Franchise Agreement. The following Table indicates the general subject matter, the number of hours of classroom training, and the number of hours of on-the-job training for each subject to be covered during the Training Program, and the location of the training. Our instructors have been adequately trained in the ownership and operation of a *Thai Express* franchise, including having, at a minimum, completed the entire *Thai Express* Training Program, and having experience in training each of the subjects listed in the table below, with some trainers having five years' experience or more in training each of the subjects. Other personnel involved with on-the-job training of franchisees are Regional Directors of Operation, all who have more than one year experience with on-the-job training. During the classroom portion of the Training Program, New Owner Training will be taught using the following instructional materials: manuals, videos, and tests. In-store training will be taught in a *Thai Express* restaurant using the following instructional materials: manuals, job aids and tests. Certain portions of the entire Training Program may be adjusted as necessary as determined by us and based upon your skill sets. Further, substitute instructors may present certain portions of the Training Program.

TRAINING PROGRAM

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of on-the-job training	Column 4 Location
New Owner Training	40	---	KTEC (Kahala Training & Education Center) in Scottsdale, AZ
In-Store Training	---	160	Franchisee's restaurant location or such other location designated by us

You will need to begin operations of your franchise unit within 90 days of the completion of training or as soon as we have certified that your Thai Express Restaurant is ready to open for business (See Section 4.5 of the Franchise Agreement).

If, whether as a result of observations, test results or otherwise during initial training or thereafter (including during operation of your Thai Express Restaurant) we determine that you are not meeting Thai Express System standards, after written notice and a 10-day opportunity to

cure, we can require that: (1) a manager or other person designated by us be placed in your Thai Express Restaurant to supervise day-to-day operations for the purpose of assuring compliance with our standards. You will pay all costs in connection therewith, including salary, benefits, travel, meals, lodging, and incidental expenses; and/or (2) you (or a managing partner or shareholder consented to by us) and/or your equity manager, re-attend and successfully complete training, at your sole cost and expense.

You (or a managing partner or shareholder consented to by us) and your Designated Manager (as defined in ITEM 15) must attend additional and/or refresher training programs (if we designate them as mandatory) conducted at location(s) specified by us, whether on a national or regional basis, and your other employees may be required to attend mandatory training programs presented by us at your Thai Express Restaurant location. We will not require you to attend national training programs more often than once every 12 months, but this limitation shall not apply to annual conventions and/or any other regional training or other programs. You and your managers and employees may attend any additional training programs offered by us from time to time, which we designate as optional. We may charge a fee for any optional training programs. You will be responsible for all travel, living, incidental and other expenses and compensation of you and your personnel attending any training program. (See Sections 4.4 and 5.3 of the Franchise Agreement).

ITEM 12 TERRITORY

Franchise Agreement

The franchise is granted for a specific location (“**Licensed Location**”). The Licensed Location is identified on **Schedule A** to the Franchise Agreement. You must operate from the Licensed Location and you must receive our written permission before relocating your Thai Express Restaurant. You may not conduct business from any site other than the Licensed Location without our written consent, including unapproved catering or delivery services, and you may not use other channels or methods of distribution, including the Internet (or any existing or future form of electronic commerce), to conduct sales outside of your Licensed Location. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Other than as set forth in the Franchise Agreement, there are no conditions for keeping the rights to your Licensed Location, though we may terminate your Franchise Agreement on the grounds listed in ITEM 17 of this Franchise Disclosure Document. There are no minimum sales quotas. You maintain the same rights to your Licensed Location even if the population increases or decreases in the area surrounding your Licensed Location. You do not receive the right to acquire additional franchises.

Institutional License Agreement

The license under the Institutional License Agreement is granted for a specific location to be approved by us. The specific location may be a food facility (kiosk, serving station or other point of retail service) that is currently operated by you, or a location that will be operated by

you. To obtain approval for your location, you must submit a site analysis report to us. We will review the report and notify you regarding whether your location has been approved or denied. We have the right to approve or deny your request on any basis which we deem reasonable, including the proximity of the proposed location to franchised or company-owned stores.

Rights Reserved By Thai Express

Except as expressly limited in the Franchise Agreement, we (for ourselves, our affiliates and our designees) retain all rights with respect to Thai Express Restaurants, the Marks, the Copyrighted Works and the sale of Thai Express Products anywhere in the world, including the right to:

- (a) establish, operate or license to any other person or entity the right to establish or operate, a Thai Express Restaurant owned or licensed by the Franchisor at any location;
- (b) develop, market, own, operate or participate in any other business under the Marks or any other trademarks;
- (c) develop, lease and license the use of, at any location, trademarks other than the Marks, in connection with the operation of a system which offers products or services which are the same as or similar to those offered under the System on any terms or conditions which we deem advisable;
- (d) merge with, acquire or be acquired by any other business, including a business that competes with your Thai Express Restaurant, or to acquire and convert to the System operated by us any retail stores, including retail stores operated by competitors at any location, or otherwise operated independently or as part of, or in association with, any other system or chain, whether franchised or corporately owned;
- (e) distribute, sell or license other persons to distribute or sell non-System products and Thai Express Products, at any location, through all other channels without providing any compensation to you. “**Other Channels**” means locations other than traditional restaurants owned, franchised or licensed by us, and includes sale by or through other channels of trade including, without limitation, kiosks, carts, grocery stores, convenience stores, food chains, electronic mail, Internet sales, malls, universities, schools, hospitals, military bases, casinos, convention centers, arenas, stadiums, health and fitness facilities, office buildings, theme parks, movie theatres, and amusement facilities; and
- (f) implement multi-area marketing programs which may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such multi-area marketing programs.

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

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

Effective as of September 9, 2016, we entered into an agreement to purchase all outstanding membership interests of BFAH, including the rights to franchise the Baja Fresh® and La Salsa Mexican Grill® brands. The transaction closed on October 5, 2016.

Effective as of November 14, 2017, MTY USA entered into agreement to purchase all outstanding membership interests of CB Franchise Systems, LLC and Built Franchise Systems, LLC, including the rights to franchise The Counter® and Built Custom Burgers® brands. The transaction closed December 1, 2017.

Effective as of February 16, 2018, MTY USA entered into an agreement to acquire the assets of the Grabbagreen® brand from Eat Clean Holdings, LLC including the rights to franchise the Grabbagreen brand. If the closing conditions are satisfied, the transaction is expected to close in March 2018.

Neither BFAH's, The Counter, Built, or Grabbagreen restaurant concepts sell goods or services similar to those you will offer under the Thai Express brand.


ITEM 13 TRADEMARKS

The Franchise Agreement grants you the nonexclusive right to use our trademarks, including the trademark "THAI EXPRESS®," and various designs and logo types associated with our products and services (the "**Marks**"). You may also use our other current or future Marks as we may designate to operate your Thai Express Restaurant. You agree not to file any trademark, copyright or any other intellectual property application regarding the Marks, under which you could be recognized as the owner of the Marks or having any interest in the Marks, except as expressly permitted in the Franchise Agreement or by us in writing. Furthermore, the Franchise Agreement requires that you renounce to any and all of your common law interest in said Marks. You must indicate, as required in the Franchise Agreement and specified in the Operations Manual, that you are an independent operator of the Thai Express Restaurant and you shall use only the appropriate and authorized Marks as indicated by us.

The Marks are owned by our parent, MTY Canada, which licenses the Marks to us for purposes of franchising the Thai Express System in the United States. The license agreement

between us and MTY Canada commenced on February 27, 2015 and extends for a term of 20 years.

MTY Canada has registered the following Mark with the United States Patent and Trademark Office (“USPTO”) on the Principal Register.

Mark	Serial/ Registration Number	Filing/ Registration Date	Status
	4,623,121	October 21, 2014	Registered on the Principal Register

We have not applied for a federal registration of the Mark identified in the table below.

THAI EXPRESS	COMMON LAW	COMMON LAW	COMMON LAW
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Therefore, this trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use this trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

We carry on business under the trademark “THAI EXPRESS®”. In addition, we use a number of unregistered trade-names, trade-marks and logos. You must follow our rules when you use any of the Marks. You may not use any of the Marks alone or with modifying words, designs or symbols as part of a corporate or business name or in any form on the Internet, including but not limited to URLs, domain names, e-mail addresses, locators, links, metatags or search techniques, except as we license to you. You must get our prior written approval of your company name before you file any registration documents. Guidelines regarding proper trademark use and notices are in the Operations Manual and will be updated periodically in our discretion.

You cannot establish a website on the internet using any domain name containing the words “Thai Express”, “ThaiExpress.ca”, or any variation thereof. Any website, including any social networking site, designed or used by you, which contains any of the Marks and/or logos must be approved by us in advance in writing. If you elect to develop your own website, you must engage our Internet service provider to host your website. You may be required to use our pre-approved website template. We shall at all times have the right to approve the design and content of your website or any social networking site used by you in advance and in writing. We retain the right to pre-approve your use of linking and framing between our web pages and all other websites. You must within two days, dismantle any frames and links between our websites and any other websites, if and as requested by us.

You may not use our Marks with an unauthorized product or service, or in a manner not authorized in writing by us.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, any pending infringement, opposition or cancellation proceedings or any pending material litigation involving any of our Marks which are relevant to the use of these Marks. No currently effective litigation affects our use or ownership rights in any Mark. No currently effective agreement limits our right to use or license the use of our Marks.

You must notify us within three days of when you learn about an infringement of or challenge to your use of our Marks. We will take the action necessary, in our sole discretion, to protect the unauthorized use of our Marks, which may include payment of reasonable costs associated with the action. We are not obligated to protect your rights to use the Marks or protect you against any claims of infringement or unfair competition arising out of your use of Marks. We will have no obligation to defend or indemnify you if a claim against you relates to your use of the Marks in violation of the Franchise Agreement.

You must modify or discontinue the use of a Mark if we modify or discontinue its use. If this happens, we will not reimburse you for your reasonable out-of-pocket costs, if any, of changing your identifying signage at the Thai Express Restaurant and we will not be liable for any other costs, expenses or damages you incur as a result of our decision to modify or discontinue use of the Marks. To receive reimbursement you must have notified us immediately when you learned about the infringement or challenge and have used the Marks only in accordance with the Franchise Agreement. You must not directly or indirectly contest our right to our Marks, trade secrets or business techniques that are part of our business or the Thai Express System.

We do not know of any infringing uses that could materially affect your use of our Marks. You should understand that there could be other businesses operating in or near the areas where you may do business or otherwise, using trademarks, trade names, or other commercial symbols similar to our Marks with superior rights to our rights. Before opening your Thai Express Restaurant, we strongly urge you to research this possibility, using telephone directories, trade directories, Internet directories, or otherwise prior to your signing the Franchise Agreement, any other documents, or expending or paying any sums or making any commitments, in order to avoid the possibility of having to change your Thai Express Restaurant name.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

The information contained in the Operations Manual is proprietary and is protected by copyright. The designs contained in the Marks, including the THAI EXPRESS® logo, and the layout of our advertising materials are also protected by copyright. Although we have not filed an application for copyright registration for the Operations Manual, the Marks, including the THAI EXPRESS® logo, or the advertising materials, we claim copyrights in these items. We grant you the right to use this proprietary and copyrighted information (“**Copyright Works**”) in connection with your operation of a Thai Express Restaurant.

You must notify us within three days after you learn about another's use of language or a visual image that you perceive to be identical or substantially similar to one of our Copyright Works or if someone challenges your use of our Copyright Works. We will take whatever action we deem appropriate, in our sole discretion, to protect our rights in and to the Copyright Works.

We will indemnify, hold harmless, and reimburse you for your liability and reasonable costs in connection with defending your use of our Copyright Works. To receive reimbursement you must have notified us within three days from the day on which you learned about the identical or substantially similar language or visual image and you must have used the Copyright Works only in accordance with the terms of the Franchise Agreement.

You must add, modify, or discontinue the use of a Copyright Work if we instruct you to do so. If this happens, we will reimburse you for your tangible cost of changing your identifying signage but we will not be liable for any other costs, expenses, or damages you incur as a result of our decision to add, modify, or discontinue use of a Copyright Work. You must not directly or indirectly contest our rights to our Copyright Works, trade secrets, or business techniques that are part of our business.

We do not know of any infringing uses that could materially affect your use of our Copyright Works.

We will disclose certain confidential or proprietary information and trade secrets ("**Confidential Information**") to you, as we periodically deem necessary or advisable for the development of Thai Express Restaurants during the term of the Franchise Agreement. You must agree to disclose the Confidential Information to your owners and employees only to the extent reasonably necessary and only if those individuals have agreed to maintain the information in confidence by entering into an agreement that we can enforce.

The Confidential Information is disclosed to you on the condition that you, and your owners and employees who have access to the Confidential Information, agree that during and after the term of the applicable agreement they: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible form; and (4) will adopt and implement all reasonable procedures we periodically require to prevent unauthorized use or disclosure of the Confidential Information including requiring employees and owners who have access to the Confidential Information to execute non-competition and confidentiality agreements as we otherwise require periodically, and provide us, at our request, with signed copies of each of those agreements.

We claim proprietary rights to all confidential information, including proprietary recipes, contained in the Operations Manual. Certain information in the Operations Manual also constitutes Trade Secrets and is identified as such. All such information may be maintained in print or in electronic form as we deem appropriate in our discretion.

No patents or pending patent applications are material to the franchise at this time.

We own all records with respect to the customers, suppliers, and other service providers of, and related in any way to, your Thai Express Restaurant including, without limitation, all databases (whether in print, electronic, or other form), including all names, addresses, phone numbers, e-mail addresses, customer purchase records, etc., and may use, transfer, etc. such records in any way we wish, both before and after any termination, expiration, repurchase, transfer or otherwise. (See Section 5.18 of the Franchise Agreement). We may contact any or all of your customers, suppliers and other service providers for quality control, market research and such other purposes as we deem appropriate, in our sole and absolute discretion. (See Section 5.8 of the Franchise Agreement).

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

If you are an individual, you must personally supervise the operation of the Thai Express Restaurant at the Licensed Location. You also must attend and satisfactorily complete our training program. If you are a corporation, partnership or other business entity, the shareholders or partners do not need to personally supervise the operation of the Thai Express Restaurant at the Licensed Location. However, one of the shareholders and/or partners must attend and satisfactorily complete our training program. We require that you also send your manager (“**Designated Manager**”) to training. We require that your Thai Express Restaurant at the Licensed Location be under the direct, on-site supervision of a Designated Manager who has successfully completed our training program. Even if you chose to employ a Designated Manager to supervise your Thai Express Restaurant at the Licensed Location, we strongly recommend that you personally devote a substantial amount of time to the Thai Express Restaurant. Franchisees who do not devote their full time to the managing, operation, marketing of their Thai Express Restaurant may have lower sales, higher costs, and less name recognition than franchisees who devote their full time attention to the business. Your day to day tasks could include managing and training employees, bookkeeping, ensuring proper customer service, ensuring smooth and efficient operations, marketing the business, and reviewing sales and food costs.

Each individual who owns, directly or indirectly, a 5% or greater interest in the Franchisee entity must sign The Thai Express Guaranty and Indemnity assuming and agreeing to discharge all obligations of the Franchisee and to comply with all restrictions under the Franchise Agreement. (See **Schedule F** to the Franchise Agreement). A reduction in an owner’s equity interest in the entity that holds the franchise below 5% will not affect that equity owner’s status as an owner and a guarantor unless expressly agreed to by us. Certain provisions of the Franchise Agreement and the Guaranty and Indemnity restrict you, your owners, and the immediate family members (your spouse and children) of each owner from participating in a competing business. (See ITEM 17).

You must sign The Thai Express Security Agreement giving us a priority interest in all present and future accounts, inventory, equipment, intangibles, proceeds and interest in the franchise. (See **Schedule L** to the Franchise Agreement).

You agree in the Franchise Agreement that you will not, without our prior written consent, borrow more than the maximum allowed debt we prescribe for you. Currently, the

maximum amount of debt we allow you to service is sixty percent (60%) of the total project costs for establishing a Thai Express franchise. We will establish your maximum allowed debt based upon your financial condition, the initial investment necessary to open your particular Store, and the location of your Thai Express Restaurant. We periodically may change this amount for you and other franchisees (that is, the amount may differ from franchisee to franchisee because of each franchisee's particular circumstances). We impose this requirement because excess debt may adversely affect your Thai Express Restaurant's operational results.

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale and sell all those products ("**Thai Express Products**") and services that we designate as required. You must not offer or sell any other types of products or services or operate or engage in any other type of business or profession from or through your Thai Express Restaurant. You acknowledge that it is essential to sell Thai Express Products made from confidential proprietary recipes and obtained from designated sources in order to assure the consistency and quality of the Thai Express System and the services offered at your Thai Express Restaurant. We have the right to change the types of authorized Thai Express Products and services, and there are no limits on our right to do so, although we will provide you with written notice 30 days before any changes become effective. Supplies and equipment used in your Thai Express Restaurant must be purchased from us or a vendor approved by us or meet the standards and specifications set by us from time to time in the Operations Manual. We do not impose any restrictions that would limit your access to customers.

ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Single Unit Franchises

Provision	Section in Franchise Agreement (unless otherwise indicated)	Summary
a. Length of the franchise term	2.1	<u>If you are purchasing a new or existing non-operating Thai Express restaurant</u> , the term is (i) 10 years from the date the restaurant opens to the public if you own the property, or enter into a lease directly with the landlord or other

Provision	Section in Franchise Agreement (unless otherwise indicated)	Summary
		<p>third party, or (ii) the term of the sublease if you enter into a sublease with MTY affiliate, excluding any extensions and renewal options. <u>If you are purchasing an existing and operating Thai Express restaurant</u>, the term is (i) 10 years from the effective date of the franchise agreement if you own the property, or enter into a lease directly with the landlord or other third party, or (ii) the term of the sublease if you enter into a sublease with a MTY affiliate, excluding any extensions or renewal options. <u>If you are purchasing a Thai Express restaurant that will be co-branded into another MTY or MTY affiliate brand restaurant</u>, the term of your franchise agreement for this brand will equal the remaining term of the existing franchise agreement for the store which this brand will be co-branded into, so both franchise agreements will expire concurrently.</p>
b. Renewal of the term	2.2	<p>You have the right to operate the franchised business beyond the Term, for two (2) renewal terms of five (5) years, so long as you comply with the renewal requirements.</p>
c. Requirements for franchisee to renew	2.2	<p>“Renewal” means to sign a renewal Franchise Agreement (which will be in the form of the Franchise Agreement then customarily used by us in renewing franchises) and all other agreements then customarily used by us in the granting of franchises. The renewal Franchise Agreement may have materially different terms and conditions than the original franchise agreement, including higher royalty and advertising fees. If offered, you must: give 120 days’ notice prior to the expiration date of the term and each renewal period; not be in default; be in compliance with the terms of the then-current Franchise Agreement and Operations Manual; not have received more than 3 notices of default or breach of the then-current Franchise Agreement during its term, nor more than 2 such notices during the 5 years immediately before the proposed renewal date; have a premises; sign a new Franchise Agreement which may have materially</p>

Provision	Section in Franchise Agreement (unless otherwise indicated)	Summary
		different terms and conditions than the then-current Franchise Agreement; pay a renewal franchise fee; remodel or refurbish if necessary; and be current on all financial obligations to us. You must also sign the general release provided by us.
d. Termination by franchisee	None	Not Applicable
e. Termination by franchisor without cause	None	Not Applicable
f. Termination by franchisor with cause	9.2 - 9.5	We can terminate if you are in default of any of the listed provisions below and in the Franchise Agreement.
g. “Cause” defined – curable defaults	9.5	Including, but not limited to, breach of lease or sublease; material breach of other agreement with Franchisor or its affiliates, failing to file reports on time that are more than five days late on two or more occasions, operating in a hazardous manner after receiving a notice to correct such actions from any governmental body, us or the landlord, failure to pay amounts due Franchisor within five (5) days after a demand for payment or fails to honor on two (2) or more occasions checks presented for payment or repeatedly and consistently pays any amount due after its due date; selling any unauthorized product or service; selling any merchandise having an adverse effect on the System, the Marks or goodwill associated with the Marks; failing to comply with any provision of the Franchise Agreement or Operations Manual; taking or threatening any action to liquidate assets, or not making payments in the usual course of business, failing to complete Franchisor’s required training or retraining courses(s), failing to participate in Franchisor’s group insurance plan.
h. “Cause” defined – non-curable defaults	9.2, 9.3 and 9.4	Including, but not limited to, beginning the operation of the business without Franchisor’s written consent, subject lease is terminated, or if Franchisor or landlord, under the lease becomes entitled to terminate the lease, being

Provision	Section in Franchise Agreement (unless otherwise indicated)	Summary
		convicted of a criminal offense, amends the lease without receiving Franchisors prior written consent, filing bankruptcy, assigning franchise without prior consent.
i. Franchisee's obligations on termination/non-renewal	10.2, 10.3, 10.4, 10.8, 10.11, 10.12, 10.15 (Section 8 of Application)	Obligations include: you must stop using the Marks, pay all amounts owed to us and the landlord, provide accounting, cancel trademark registrations
j. Assignment of contract by franchisor	12.9	We are unrestricted in our right to assign your contract
k. "Transfer" by franchisee – definition	12.1(a), 12.2(a), 12.7	Transfer includes granting a security interest, subletting the premises, or granting a license to use any part of the premises
l. Franchisor approval of transfer by franchisee	12.1(a), 12.1(b) 12.4, 12.7	You may transfer the franchise if you meet the criteria set out in the Franchise Agreement, and you secure our reasonable consent
m. Conditions for franchisor approval of transfer	12.2, 12.3, 12.4, 12.7	Transfer must be of all or substantially all of your assets or all of the shares of the franchisee, you must not be in default, you must pay transfer fee, the assignee must qualify as a franchisee and current agreements, assignee must give guarantee and attend training, release must be given by you, landlord must consent; a new Franchise Agreement must be executed upon transfer. We reserve the right to require transferring franchisees to use and pay for the services of a third-party escrow agent designated or approved by us.
n. Franchisor's right of first refusal to acquire franchisee's business	12.5	We can match any offer for your business
o. Franchisor's option to purchase franchisee's business	10.4, 10.5	Upon termination of your franchise agreement, we may purchase any part of your business and receive an assignment of your interest in leases of equipment or the premises
p. Death or disability of franchisee	13.2	Your rights may be transferred to your heirs if you have our prior written consent and in accordance with the rules regarding transfers
q. Non-competition covenants	15.1(a), 15.1(c)	You must not be involved in the operation of

Provision	Section in Franchise Agreement (unless otherwise indicated)	Summary
during the term of franchise		any other business which consists substantially of the sale of Thai food items as its main product line
r. Non-competition covenants after the franchise is terminated or expires	15.1(b), 15.1(c)	For 2 years, you must not be involved in the operation of any other business which consists substantially of the sale of Thai food items as its main product line and which is located within 10 miles of your restaurant or any Thai Express franchise
s. Modification of agreement	16.1, 16.5	All modifications/waivers must be in writing, though we may adjust operating standards in accordance with the franchise agreement and/or in the Operations Manual
t. Integration/merger clause	16.5	Only the Franchise Agreement applies (subject to state and federal law); all other agreements or promises not enforceable; nothing in the Franchise Agreement is intended to disclaim the representations made in the Franchise Disclosure Document. Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	16.14	Disputes will be resolved by a single arbitrator
v. Choice of forum	16.14	Phoenix, Arizona (except as provided in a state specific Addendum)
w. Choice of law	16.2	Arizona law applies (except as provided in a state specific Addendum)

Institutional License

Provision	Section in Institutional License Agreement (unless otherwise indicated)	Summary
a. Length of the term of the Institutional License Agreement	1.1	Five (5) years
b. Renewal of the term	6.1	You may renew for two (2) additional five (5) year periods
c. Requirements for licensee to renew	6.1	At the time of expiration of the term and renewal period, you must have complied with your obligations under the Institutional License Agreement to renew your Institutional License Agreement which may have materially different terms and conditions than your current Institutional License Agreement
d. Termination by licensee	10.1, 10.3	You may terminate the Agreement, at any time, for any reason or no reason, upon thirty (30) days' prior written notice to Thai Express. You may terminate the Agreement if Thai Express breaches any term of the Agreement and fails to cure such breach within thirty (30) days after receipt of written notice.
e. Termination by franchisor without cause	10.1	Thai Express may terminate the Agreement, at any time, for any reason or no reason, upon thirty (30) days' prior written notice to you.
f. Termination by franchisor with cause	10.2	Thai Express may terminate the Agreement if you breach any term of the Agreement and fail to cure such breach within thirty (30) days of written notice from Thai Express.
g. "Cause" defined – curable defaults	None	Not applicable
h. "Cause" defined – non-curable defaults	None	Not applicable
i. Licensee's obligations on termination/ non-renewal	12	You must not disclose confidential information to any third party; you must discontinue use of the Marks.
j. Assignment of contract by franchisor	8.2	No restriction on Thai Express's right to assign.
k. "Transfer" by licensee – definition	8.2	Includes transfer of the Agreement and any interest therein.
l. Franchisor's approval of transfer by you	8.2	You may not transfer the Agreement without Thai Express's prior written consent, except to an affiliate or parent corporation.

Provision	Section in Institutional License Agreement (unless otherwise indicated)	Summary
m. Conditions for franchisor's approval of transfer	None	Not applicable
n. Franchisor's right of first refusal to acquire licensee's business	None	Not applicable
o. Franchisor's option to purchase licensee's business	None	Not applicable
p. Death or disability of licensee	None	Not applicable
q. Non-competition covenants during the term of the license	7	You may not have any other national competing brand or franchisees that sell any products containing Thai-style foods and drinks at the server or food court at your location.
r. Non-competition covenants after the license is terminated or expires	None	Not applicable
s. Modification of the Agreement	12.6	The Agreement may be modified by a writing executed by both parties.
t. Integration/merger clause	12.6	Only the Institutional License Agreement applies (subject to state and federal law). Any representations or promises outside of the disclosure document and license agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	None	Not applicable
v. Choice of forum	None	Not applicable
w. Choice of law	11	Arizona law applies (except as provided in a state specific Addendum)

You should refer to the State Addenda attached to this Franchise Disclosure Document as Exhibit F for exceptions to this ITEM 17.

ITEM 18 PUBLIC FIGURES

We do not currently use any public figure to promote the System.

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to disclose information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and 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 performance at a particular location or under particular circumstances.

We do not make any representations about a Franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to franchisor's management by contacting Ray Zandi at 1-888-729-7482 or (480) 515-6250, 9311 East Via de Ventura, Scottsdale, Arizona, 85258, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

Systemwide Outlet Summary
For Years 2015-2017

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2015	0	0	0
	2016	0	0	0
	2017	0	3	3
Company-Owned	2015	0	0	0
	2016	0	0	0
	2017	0	0	0
Total Outlets	2015	0	0	0
	2016	0	0	0
	2017	0	3	3

Table No. 2

Transfers of Franchised Outlets from Franchisees to New Owners (other than Franchisor)
For Years 2015-2017

State	Year	Number of Transfers
All States	2015	0
	2016	0
	2017	0
Totals	2015	0
	2016	0
	2017	0

Table No. 3

Status of Franchised Outlets
For Years 2015-2017

State	Year	Outlets at Start of the Year	Outlets Added	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of the Year
Minnesota	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
Nevada	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	2	0	0	0	0	2
Total	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	3	0	0	0	0	3

Table No. 4

Status of Company-Owned Outlets
For Years 2015-2017

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Total Outlets	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0

Table No. 5

Projected Openings as of
November 30

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Arizona	3	5	2
California	7	7	0
Georgia	3	1	0
Minnesota	0	1	0
Mass	2	2	0
New Jersey	1	1	0
Texas	5	5	0
Washington	2	2	0
Total	27	24	2

As of the date of this Franchise Disclosure Document, we do not own and operate any company-owned stores. See Exhibit E for a list of our franchised Thai Express Restaurants in the United States.

The name and last known address and telephone number of every Franchisee who, during the last fiscal year ended November 30, 2017, had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement, or who has not communicated with us within 10 weeks of this Franchise Disclosure Document, is listed on **Exhibit I**. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you. We have not signed confidentiality agreements with any franchisees in the last three years.

There are no trademark-specific franchisee organizations associated with the franchise system.

ITEM 21 FINANCIAL STATEMENTS

Attached as **Exhibit A** are our audited financial statements for the years ended November 30, 2017, November 30, 2016, and November 30, 2015, along with the independent auditor's reports for years ended November 30, 2016 and November 30, 2017.

ITEM 22 CONTRACTS

Exhibit B Franchise Agreement:

Schedule A	Licensed Location
Schedule B	Acknowledgement
Schedule C	Addendum to Lease
Schedule D	Request for Pre-Authorized Payments
Schedule E	Guaranty and Indemnity
Schedule F	Shareholders/Members/Partners
Schedule G	Address for Notice
Schedule H	Collateral Assignment of Telephone Numbers, Addresses and Listings
Schedule I	Statement of Franchisee
Schedule J	Security Agreement
Schedule K	Sublease
Schedule L	Sample Acknowledgement of Termination and Release Agreement
Schedule M	SBA Addendum

Exhibit B1 Asset Purchase Agreement

Exhibit C Deposit and Application Agreement

Exhibit F State Addendum

Exhibit J Institutional License Agreement

We do not currently use any other contracts or agreements.

ITEM 23

RECEIPTS

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



EXHIBIT A

FINANCIAL STATEMENTS

Consolidated financial statements of
MTY Franchising USA, Inc.

November 30, 2017

Independent Auditor's Report	1
Consolidated statement of operations and comprehensive income (loss)	2
Consolidated statement of changes in stockholder's equity	3
Consolidated balance sheet	4
Consolidated statement of cash flows.....	5-6
Notes to the consolidated financial statements	9-33



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Independent Auditor's Report

To the Board of Directors and Stockholder of MTY Franchising USA, Inc.

We have audited the accompanying consolidated financial statements of MTY Franchising USA, Inc. (the "Company"), which comprise the consolidated balance sheet as at November 30, 2017, and the consolidated statements of operations and comprehensive income (loss), changes in stockholder's equity and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MTY Franchising USA, Inc. as at November 30, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Deloitte LLP*¹

February 21, 2018

¹ CPA auditor, CA, public accountancy permit No. A116933

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

Year ended November 30, 2017

	Notes	2017	2016
		\$	\$
Revenue	19	103,351,774	38,191,929
Cost and expenses			
Operating expenses	20	72,530,001	28,620,362
Amortization – property, plant and equipment	8	820,774	502,591
Amortization – intangible assets	9	10,853,392	3,524,603
Interest charged by parent company	3	3,255	43,721
Interest charged by companies under common control	3	11,191,600	3,697,987
Accreted interest expense on-interest-bearing holdbacks		1,434,003	528,769
Management fees charged by parent company	3	1,235,393	756,648
		98,068,418	37,674,681
Other income (charges)			
Gain (Loss) on disposal of property, plant and equipment		404,116	(15,242)
Interest revenue from parent company	3	117,699	—
Impairment charge of intangible assets	9	(783,371)	—
		(261,556)	(15,242)
Income before income taxes		5,021,800	502,006
Income tax expense (recovery)	21		
Current		193,441	2,083,431
Deferred		790,882	(1,454,759)
		984,323	628,672
Net income (loss) and comprehensive income (loss)		4,037,477	(126,666)

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

MTY Franchising USA, Inc.**Consolidated statement of changes in stockholder's equity**

Year ended November 30, 2017

	Common stock issued	Common stock value	Additional paid-in capital	Retained earnings	Total stockholder's equity
		\$	\$	\$	\$
Balance as at November 30, 2015	1,000	1	99	897,838	897,938
Share Issuance (note 18)	4,001	89,153,736	—	—	89,153,736
Acquisition of net assets of Mucho Burrito Franchising USA, Inc. (note 4)	—	—	(99)	(89,901)	(90,000)
Net loss	—	—	—	(126,666)	(126,666)
Balance as at November 30, 2016	5,001	89,153,737	—	681,271	89,835,008
Net Income	—	—	—	4,037,477	4,037,477
Balance as at November 30, 2017	5,001	89,153,737	—	4,718,748	93,872,485

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

MTY Franchising USA, Inc.
Consolidated balance sheet
As at November 30, 2017

	Notes	2017	2016
		\$	\$
Assets			
Current assets			
Cash		38,056,627	19,266,443
Accounts receivable	5	10,317,297	12,901,366
Inventories		258,913	438,388
Loans receivable	6	2,001,472	2,353,231
Prepaid expenses and deposits		3,212,701	4,975,951
Advances to parent company	3 and 7	227,316	86,209
		54,074,326	40,021,588
Loans receivable	6	2,284,355	3,334,102
Property, plant and equipment	8	863,208	2,893,750
Intangible assets	9	309,514,014	321,075,777
Goodwill	10	119,497,863	117,952,987
		432,159,440	445,256,616
		486,233,766	485,278,204
Liabilities			
Current liabilities			
Accounts payable		4,807,133	5,787,960
Accrued liabilities		8,212,917	5,140,046
Gift card liability	11	57,391,369	56,312,249
Promotional funds payable		4,041,713	3,300,647
Deferred revenue and deposits	12	10,730,565	8,586,237
Income taxes payable	21	12,708,759	13,487,370
Advance from parent company	3 and 13	1,296,249	2,587,853
Advances from companies under common control	3 and 13	283,801	75,852
Current portion of long-term debt	15	2,701,380	4,832,883
		102,173,886	100,111,097
Long-term loans from company under common control	14	199,850,000	199,850,000
Long-term debt	15	4,989,124	8,500,511
Deferred revenue and deposits	12	1,509,579	2,480,640
Deferred income taxes	21	83,838,692	84,500,948
		392,361,281	395,443,196
Stockholder's equity			
Common stock	17	89,153,737	89,153,737
Retained earnings		4,718,748	681,271
		93,872,485	89,835,008
		486,233,766	485,278,204

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

Approved by the Board

_____, Director

MTY Franchising USA, Inc.
Consolidated statement of cash flows
Year ended November 30, 2017

	Notes	2017	2016
		\$	\$
Operating activities			
Net income (loss)		4,037,477	(126,666)
Items not affecting cash			
Amortization – property, plant and equipment		820,774	502,591
Amortization – intangible assets		10,853,392	3,524,603
Interest on advance from (to) parent company		(114,444)	43,721
Interest on advance from companies under common control		11,191,600	3,697,987
Accreted interest expense on-interest-bearing holdbacks		1,434,003	528,769
(Gain) loss on disposal of property, plant and equipment		(404,116)	15,242
Impairment charge of intangible assets		783,371	—
Income tax expense		790,882	(1,454,759)
		29,392,939	6,731,488
Interest paid		(11,191,600)	(3,697,987)
Changes in non-cash working capital items			
Accounts receivable		2,346,590	(2,654,016)
Inventories		179,475	(6,060)
Prepaid expenses and deposits		1,763,250	(1,780,458)
Loans receivable		1,263,506	(675,258)
Income taxes		(778,952)	1,380,279
Accounts payable		(2,118,365)	(3,751,221)
Accrued liabilities		3,072,871	4,066,015
Promotional funds payable		(1,340,083)	2,075,064
Gift card liability		1,079,120	2,558,749
Deferred revenue and deposits		1,173,267	(506,614)
Net cash from operating activities		24,842,018	3,739,981
Investing activities			
Net cash outflow on acquisitions		(224,808)	(28,818,500)
Additions to property, plant and equipment		(187,500)	(54,500)
Additions to intangible assets		(75,000)	—
Issuance of advances to parent company		481,733	3,271
Issuance of advances to companies under common control		207,949	8,489
Proceeds on disposal of property, plant and equipment		1,801,384	294,100
Net cash from investing activities		2,003,758	(28,567,140)

MTY Franchising USA, Inc.
Consolidated statement of cash flows (continued)
Year ended November 30, 2017

	Notes	2017	2016
		\$	\$
Financing activities			
Issuance of long-term debt		—	30,000,000
(Repayment) Issuance of advance from parent company		(1,800,000)	819,375
Issuance of advances from company under common control		—	19,818,500
Issuance of shares to parent company		—	8,500,000
(Repayment) of long-term debt		(6,255,592)	(31,263,500)
Net cash from financing activities		(8,055,592)	27,874,375
Net increase in cash		18,790,184	3,047,216
Cash, beginning of year		19,266,443	899,018
Cash acquired		—	15,320,209
Cash, end of year		38,056,627	19,266,443

Non-cash transactions

4 and 22

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

1. Nature of operations

MTY Franchising USA, Inc. (the "Company" or "MTY USA") was incorporated on March 14, 2001. The Company develops and franchises restaurants under a multitude of different banners in the United States of America.

2. Significant accounting policies

Basis of presentation

The accounting policies of the Company are in accordance with accounting principles generally accepted in the United States of America. The Company uses the United States dollar as its functional and reporting currency.

On July 26, 2016, the Company acquired all of the equity ownership of Kahala Brands Ltd. having 2,879 locations under a multitude of banners operating in the United States of America, whose financial results are reported with those of the company from the date of acquisition onward.

On October 5, 2016, the Company acquired all of the equity ownership of BF Acquisition Holdings, LLC, having 185 locations under two banners operating in the United States of America, whose financial results are reported with those of the company from the date of acquisition onward.

On November 30, 2016, the Company acquired the net assets of BSB Franchising USA Inc, having 4 locations in the United States of America, whose financial results are reported with those of the Company from the date of acquisition onward.

On November 30, 2016, the Company acquired the net assets of Mucho Burrito Franchising USA Inc, having 1 location in the United States of America, whose financial results are reported with those of the Company from the date of acquisition onward.

Presented below are those policies considered particularly significant:

Basis of consolidation

Our consolidated financial statements reflect the financial position and operating results of the Company, including wholly-owned subsidiaries and investees that we control. Investments in entities that we do not control, but have the ability to exercise significant influence over operating and financial policies, are accounted for under the equity method. Investments in entities in which we do not have the ability to exercise significant influence are accounted for under the cost method. Intercompany transactions and balances have been eliminated.

The principal subsidiaries of the Company are as follows:

BF Acquisition Holdings, LLC	100%
Kahala Brands Ltd.	100%

Revenues and expenses of subsidiaries are included in the consolidated statement of operations and comprehensive income from the effective date of acquisition. The subsidiaries are consolidated from the acquisition date until the date on which the Company ceases to control them.

All intercompany transactions, balances, revenues and expenses are eliminated in full upon consolidation.

2. Significant accounting policies (continued)

Business combinations between entities under common control

The Company accounts for acquired businesses using the acquisition method of accounting in accordance with FASB ASC 805, Business Combinations. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination between entities under common control are to be initially recognized by the receiving entity at the transfer date. The acquired net assets shall initially be transferred at their carrying amounts in the accounts of the transferring entity. Any excess of the purchase price over the carrying amounts in the accounts of the transferring entity is recognized as an equity transaction within the statement of changes in stockholder's equity.

The financial statements of the receiving entity shall report results of operations for the period in which the transfer occurs as though the transfer of net assets or exchange of equity interests had occurred at the beginning of the period. Results of operations for that period will thus comprise those of the previously separate entities combined from the beginning of the period to the date the transfer is completed and those of the combined operations from that date to the end of the period.

Business combinations

The Company accounts for acquired businesses using the acquisition method of accounting in accordance with FASB ASC 805, Business Combinations. The consideration transferred for the acquisition is the fair values of the assets transferred, the liabilities incurred and the equity interest issued. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill.

Goodwill

Goodwill represents the excess of cost over the net tangible assets and identifiable intangible assets of acquired businesses. Goodwill is carried at cost less accumulated impairment losses, if any.

Functional currency

The functional currency of the Company and its subsidiaries is the US dollars. The Company translates monetary assets and liabilities that are denominated in currencies other than the US dollar at the exchange rates prevailing at the end of the reporting period; non-monetary assets denominated in foreign currencies are translated using the exchange rate prevailing at the transaction date; all revenue and expense items denominated in foreign currencies are translated at the exchange rate prevailing at the transaction date. All foreign exchange gains and losses are reported in profit or loss.

2. Significant accounting policies (continued)

Revenue recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, price is fixed or determinable and collectability is reasonably assured.

(a) Revenue from franchise locations

The Company recognizes revenue in accordance with the accounting guidance of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 952-605, Franchisors, Revenue Recognition.

Royalties are based either on a percentage of gross sales as reported by the franchisees or on a fixed monthly fee. They are recognized on an accrual basis in accordance with the substance of the relevant agreement, provided collectability is reasonably assured and price is fixed or determinable.

Initial franchise fees are recognized when substantially all of the initial services as required by the franchise agreement have been performed. This usually occurs when the location commences operations.

Revenue from the sale of franchise locations is recognized at the time the franchisee assumes control of the franchise location.

Master license fees are recognized when the Company has performed substantially all material initial obligations under the agreement, which usually occurs when the agreement is signed, which is recorded in franchise fees, transfer fees and master license fees.

Renewal and transfer fees are recognized when substantially all applicable services required by the Company under the franchise agreement have been performed. This generally occurs when the agreement is signed. This revenue is recorded in franchise fees, transfer fees and master license fees.

Revenue from equipment sale is recognized when the risk and rewards of ownership and title pass to buyer, generally upon the shipment of the equipment. This revenue is recorded in other revenue.

The Company earns rent revenue on certain leases it holds; the Company's policy is described below.

The Company receives considerations from certain suppliers called program allowances. Program allowances are recognized as revenues as they are earned.

(b) Revenue from corporate-owned locations

Revenue from corporate-owned locations is recorded when goods are delivered to customers.

Leasing

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

2. Significant accounting policies (continued)

Leasing (continued)

The Company as lessor

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

The Company as lessee

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

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

Income taxes

The Company accounts for income taxes pursuant to ASC 740, Income Taxes ("ASC 740"). Deferred tax assets and liabilities are recorded for differences between the financial statement and tax basis of the assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is recorded for the amount of income tax payable or refundable for the period increased or decreased by the change in deferred tax assets and liabilities during the period.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

Allowance for Doubtful Accounts

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

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated balance sheet at their historical costs less accumulated depreciation (buildings) and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, including any costs directly attributable to bringing the asset to a working condition for its intended use.

Equipment, leasehold improvements, rolling stock and computer hardware are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost or valuation of assets (other than land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

2. Significant accounting policies (continued)

Property, plant and equipment

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Depreciation is based on the following terms:

Equipment	Straight-line	3 to 10 years
Leasehold improvements	Straight-line	Term of the lease
Rolling stock	Straight-line	5 to 7 years
Computer hardware	Straight-line	3 to 7 years

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if applicable. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful lives and amortization methods are reviewed at the end of each year, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses, if applicable.

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets having a finite life acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, if applicable, on the same basis as intangible assets that are acquired separately. Intangible assets having an indefinite life are not amortized and are therefore carried at cost less accumulated impairment losses, if applicable.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

The Company currently carries the following intangible assets in its books:

Franchise rights

The franchise rights acquired through business combinations are recognized at the fair value of the estimated future cash inflows related to the acquisition of franchises. The franchise rights are generally amortized on a straight-line basis over the term of the agreements which typically range between 10 to 20 years.

2. Significant accounting policies (continued)

Trademarks

Trademarks acquired through business combinations are recognized at their fair value at the time of the acquisition and are not amortized. Trademarks are determined to have an indefinite useful life based on their strong brand recognition and their ability to generate revenue through changing economic conditions with no foreseeable time limit.

Impairment of long lived assets other than goodwill

The Company continually reviews whether events or circumstances subsequent to the acquisition of any long-lived assets, including intangible assets with finite useful lives, have occurred that indicate the remaining estimated useful lives of those assets may warrant revision or that the remaining balance of those assets may not be recoverable. If events and circumstances indicate that the long-lived assets should be reviewed for possible impairment, the Company uses projections to assess whether future cash flows on an undiscounted basis related to the assets exceeds the recorded carrying amount of those assets to determine if an asset is impaired. Should an impairment be identified, a loss would be recorded to the extent that the carrying value of the impaired assets exceeds their fair values as determined by valuation techniques appropriate in the circumstances that could include the use of similar cash flow projections on a discounted basis.

Impairment of goodwill

Goodwill is tested for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis (August 31 for the Company) and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. Fair value is determined using a discounted cash flow methodology with a risk adjusted weighted average cost of capital.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand and short-term investments, if any, with maturities upon acquisition of generally three months or less or that are redeemable at any time at full value and for which the risk of a change in value is not significant. As at November 30, 2017 cash and cash equivalents included \$221,015 in restricted cash (2016 - \$221,015), required as part of guarantees on certain lease commitments.

Inventories

Inventories are measured at the lower of cost and market value. Costs of inventories are determined on a first-in-first-out basis and include acquisition costs, conversion costs and other costs incurred to bring inventories to their present location and condition. The cost of finished goods includes a pro rata share of production overhead based on normal production capacity.

Market value represents the current replacement cost, provided that the cost does not exceed the net realizable value or is not less than the net realizable value reduced by a normal profit margin.

Contingencies

Litigation, disputes and closed stores

Contingencies for the expected cost of litigation, disputes and the cost of settling leases for closed stores are recognized when it becomes probable the Company will be required to settle the obligation, at management's best estimate of the expenditure required to settle the Company's obligation.

2. Significant accounting policies (continued)

Contingencies (continued)

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized and the amount initially recognized less cumulative amortization recognized, if any.

Financial instruments

The Company's financial instruments consist of cash, accounts receivable, loans receivable, deposits, advances to ultimate parent, accounts payable, accrued liabilities, promotional funds payable, advances from parent company, advances from companies under common control, long-term loans from company under common control and long-term debt. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value for cash, accounts receivable, loans receivable, deposits, advances to ultimate parent, accounts payable, accrued liabilities, promotional funds payable, advance from parent company and advances from companies under common control approximates their carrying values due to their immediate or short-term maturities, unless otherwise noted. Long-term loans from company under common control and long-term debt are measured at amortized cost using the effective interest method.

Gift card and loyalty program liabilities

Gift card liability represents liabilities related to unused balances on reloadable payment cards. Loyalty program liabilities represent the dollar value of the loyalty points earned and unused by customers.

The Company's various franchised and corporate owned locations, in addition to third party companies, sell gift cards to be redeemed at the Company's corporate and franchised locations for food and beverages only. Proceeds from the sale of gift cards are included in gift card liability until redeemed by the gift cardholder as a method of payment for good and beverage purchases.

Effective September 1, 2017, the Company refined its method to determine breakage income recognized for Cold Stone Creamery gift cards that were not acquired as part of the business acquisition. Previously, the Company would recognize breakage revenue in its consolidated statements of income based on historical redemption patterns, when it was established that these gift cards had a remote likelihood of being redeemed.

Under the refined method, the Company recognizes breakage on the Cold Stone Creamery gift cards in its consolidated statements of income based on historical load and redemption patterns. The redemption rate was established following an analysis performed over 10 years of the redemption patterns as well as expected future trends. The expected breakage is then recognized into income on a pro rata basis as gift cards are redeemed.

The Company has determined that this accounting change represents a change in accounting estimate effected by a change in accounting principle. The refinement resulted in a cumulative adjustment to increase previously recorded breakage income in 2016 by \$236,184. This adjustment has been recorded in the consolidated statements of income for the year ended November 30, 2017. This change was accounted for prospectively as a change in accounting estimate.

For all other gift card programs, the Company estimates based on historical redemption patterns, the portion of gift cards that have a remote likelihood of being redeemed and recognizes the amount in its consolidated statements of income, except for those gift cards liabilities assumed upon a business acquisition.

2. Significant accounting policies (continued)

Gift card and loyalty program liabilities (continued)

Due to the inherent nature of gift cards, it is not possible for the Company to determine what portion of the gift card liability related to gift cards will be redeemed in the next 12 months and, therefore, the entire unredeemed gift card liability is considered to be a current liability.

Promotional funds

Pursuant to the franchise agreements, franchisees must pay a fee to the promotional fund. These amounts are collected by the Company in its capacity as agent and must be used for promotional and advertising purposes, since the amounts are set aside to promote the respective banners for the franchisees' benefit. The fees collected by the Company for the promotional fund are not recorded in the Company's statement of operations and comprehensive income, but as operations in the accounts payable to the promotional fund. The payable is presented net of any amounts spent from the promotional fund.

Cash held pursuant to the promotional funds received are classified as unrestricted cash as there are no legal restrictions on the use of these funds; however, the Company intends to use these funds solely to support the promotional funds rather than to fund its ongoing operations. Promotion funds are currently in a net liability position amounting to \$4,041,713 (2016 net liability of \$3,300,647).

Subsequent events

Subsequent events were evaluated through the date that the consolidated financial statements were issued, which was February 21, 2018.

Adoption of New Standards

ASU 2015-17 – Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes ("ASU 2015-17")

During 2015, the Company adopted ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes ("ASU 2015-17") on a prospective basis; therefore, all deferred tax assets and liabilities have been classified as noncurrent in the accompanying Consolidated Balance Sheet.

ASU 2015-16 Simplifying the Accounting for Measurement-Period Adjustments in Business Combinations ("ASU 2015-16")

Effective December 1, 2016, the Company adopted ASU 2015-16 on a prospective basis. The new standard requires that an acquirer must recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The adoption of the pronouncement did not have a material impact on the Company's consolidated financial statements.

ASU 2015-03 Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03")

Effective December 1, 2016, the Company adopted ASU 2015-03. The adoption of this standard did not have a material impact on the Company's consolidated financial statements. The new standard requires debt issuance costs related to a recognized debt liability to be presented in the Consolidated Statements of Financial Position as a direct deduction from the carrying amount of that debt liability, as consistent with the presentation of debt discounts or premiums. ASU 2015-15 was adopted in conjunction with the above standard and did not have a material impact on the Company's consolidated financial statements. ASU 2015-15 clarifies the presentation and subsequent measurement of debt issuance costs associated with line-of-credit arrangements, whereby an entity may defer debt issuance costs as an asset and subsequently amortize them over the term of the line-of-credit.

2. Significant accounting policies (continued)

Recently Issued Accounting Pronouncements

ASU 2017-01– Clarifying the definition of a business ("ASU 2017-01")

The FASB issued ASU 2017-01– *Clarifying the definition of a business*; the amendment clarifies the definition of a business with objective guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of businesses. The ASU will be effective for the Company for the fiscal years beginning after December 1, 2019. The Company is in the process of evaluating the impact of the standard on its financial statements.

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

In January 2017, the FASB issued guidance that simplifies the measurement of goodwill impairment. Under this new guidance, an impairment charge, if triggered, is calculated as the difference between a reporting unit's carrying value and fair value, but it is limited to the carrying value of goodwill. The ASU will be effective for the Company for the fiscal years beginning after December 1, 2021. Early adoption is permitted. The Company is in the process of evaluating the impact of the standard on its financial statements.

ASU 2016-16– Income taxes (topic 740) Intra entity transfer as of assets other than inventory ("ASU 2016-06")

In October 2016, the FASB issued guidance on the accounting for income tax effects of intercompany sales or transfers of assets other than inventory. The guidance requires entities to recognize the income tax impact of an intra-entity sale or transfer of an asset other than inventory when the sale or transfer occurs, rather than when the asset has been sold to an outside party. ASU will be effective for the Company for the fiscal years beginning after December 1, 2020. Early adoption is permitted. The Company is in the process of evaluating the impact of the standard on its financial statements.

ASU 2016-15 – Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15")

In August 2016, the FASB issued ASU 2016-15 "Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments" to address diversity in practice on certain specific cash flow issues. The ASU will be effective for the Company for the fiscal years beginning after December 1, 2018. Early adoption is permitted. The Company is in the process of evaluating the impact of the standard on its financial statements.

ASU 2016-04 – Liabilities – Extinguishment of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products. ("ASU 2016-04")

In March 2016, the FASB issued ASU 2016-04, Liabilities – Extinguishment of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products. ASU 2016-04 aligns recognition of the financial liabilities related to prepaid stored-value products (for example, gift cards) with Topic 606, Revenues from Contracts with Customers, for non-financial liabilities. In general, these liabilities may be extinguished proportionately in earnings as redemptions occur, or when redemption is remote if issuers are not entitled to the unredeemed stored value. ASU 2016-04 is effective for fiscal years, and interim periods within those years, beginning after December 1, 2018, and early adoption is permitted. The Company is in the process of evaluating the impact of the standard on its financial statements.

2. Significant accounting policies (continued)

Recently Issued Accounting Pronouncements (continued)

ASU 2016-02 – Leases ("ASU 2016-02")

In February 2016, the FASB issued ASU 2016-02, Leases. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement.

The new standard is effective for fiscal years beginning after December 1, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is in the process of evaluating the impact of the standard on its financial statements.

ASU 2016-01 – Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01")

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which among other changes in accounting and disclosure requirements, replaces the cost method of accounting for non-marketable equity securities with a model for recognizing impairments and observable price changes, and also eliminates the available-for-sale classification for marketable equity securities. Under the new guidance, other than when the consolidation or equity method of accounting is utilized, changes in the fair value of equity securities are to be recognized in earnings.

The amendments in this Update are effective for fiscal years beginning after December 15, 2017. For all other entities including not-for-profit entities and employee benefit plans within the scope of Topics 960 through 965 on plan accounting, the amendments in this Update are effective for fiscal years beginning after December 1, 2019, and interim periods within fiscal years beginning after December 1, 2020. The Company is in the process of evaluating the impact of the standard on its consolidated financial statements.

ASU 2015-14, Revenue From Contracts With Customers (Topic 606), Deferral of the Effective Date ("ASU 2015-14")

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in applying such process, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

As a result of the issuance of ASU 2015-14, ASU 2014-09 is effective for annual periods beginning after December 11, 2019, and interim periods within annual reporting periods beginning after December 1, 2020, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016. The Company is currently evaluating the impact of its pending adoption of ASU 2014-09 on its consolidated financial statements and has not yet determined the method by which they will adopt the standard.

3. Related party transactions

The Company has transactions in the normal course of business with its parent company and companies under common control. These transactions were in the normal course of business and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

4. Business acquisitions

(a) 2016 acquisition

On November 30, 2016, the Company acquired the net assets of BSB Franchising USA, Inc, a company under common control, for a total consideration of \$112,044 included in accrued liabilities as at November 30, 2017.

	\$
Consideration paid:	
Purchase price	199,292
Net obligations assumed	(87,248)
Net payable on acquisition	<u>112,044</u>

The purchase price allocation is as follows:

Net assets acquired:

	\$
Franchise rights	17,300
Goodwill	<u>181,992</u>
	199,292
Current liabilities	
Promotional funds payable	11,029
Deferred revenue	<u>76,219</u>
	87,248
Net purchase price	<u>112,044</u>

Total expenses incurred related to acquisition costs amounted to \$nil.

(b) 2016 acquisition

On November 30, 2016, the Company acquired the franchise rights of Mucho Burrito Franchising USA, Inc, a company under common control, for a total consideration of \$90,000, included in accrued liabilities as at November 30, 2017. The transaction was accounted for as an equity transaction.

4. Business acquisitions (continued)

(c) 2016 acquisition

On October 5, 2016, the Company acquired the units of BF Acquisition Holdings, LLC, for a total consideration of \$27,000,000. The purpose of the transaction was to further solidify the Company's presence in the United States.

\$

Consideration paid:	
Purchase price	26,952,852
Working capital adjustment	47,148
Net cash outflow ⁽¹⁾	<u>27,000,000</u>

⁽¹⁾ Includes \$2,700,000 in holdbacks paid to escrow.

The purchase price allocation is as follows:

\$

Net assets acquired:	
Current assets	
Cash	1,089,313
Accounts receivable	964,271
Promotional funds receivable	291,162
Inventories	131,481
Loans receivable	1,289,595
Prepaid expenses and deposits	360,791
	<u>4,126,613</u>
Property, plant and equipment	1,762,000
Franchise rights	2,400,630
Trademarks	16,462,529
Goodwill ⁽¹⁾	<u>6,327,693</u>
	31,079,465
Current liabilities	
Accounts payable	1,092,668
Accrued liabilities	405,921
Unredeemed gift card liability	1,871,431
Deferred revenue	683,326
	<u>4,053,346</u>
Long-term debt	26,119
Net purchase price	<u>27,000,000</u>

⁽¹⁾ Goodwill is deductible for tax purposes.

Total expenses incurred related to acquisition costs amounted to \$nil.

4. Business acquisitions (continued)

(d) 2016 acquisition (continued)

On July 26, 2016, the Company acquired the shares of Kahala Brands Ltd. for a total consideration of \$259,174,785, including \$1,818,500 cash paid by MTY Franchising USA, Inc.

The purpose of the transaction was to solidify its presence in the United States as this is expected to become one of the growth platforms.

In May 2017, the total purchase consideration was adjusted to \$258,599,985; in order to reflect measurement period adjustments. A net decrease in consideration of \$574,800 due to the receipt of final working capital adjustments and an amendment to the repayment terms of the holdback payable.

The holdback payable amendment was signed in April 2017 and affected only a portion of the holdback; originally \$25,000,000 of the holdback was to be repaid in equal installments over a three-year period commencing July 2017. This holdback will now be repaid over four installments amounting to \$6,150,000 repayable in both July 2017 and 2018 and \$6,200,000 in July 2019 and \$6,500,000 in August of 2020. The first installment has been paid in July 2017. The adjustment below reflects the change in the discounted amount for the changed repayment terms. The discount rate remains unchanged.

The resulting measurement period adjustments in total purchase consideration are highlighted below:

	Consideration	Measurement period adjustments recorded in fiscal 2017	Final Consideration
	\$	\$	\$
Consideration paid:			
Total cash consideration	240,000,000	—	240,000,000
Less: Indebtedness	(26,365,758)	—	(26,365,758)
Less: Working capital adjustment	(22,864,130)	224,808	(22,639,322)
	190,770,112	224,808	190,994,920
Less: Holdbacks	(30,000,000)	—	(30,000,000)
Total cash disbursed	160,770,112	224,808	160,994,920
Sources of financing			
Paid by MTY Franchising USA	1,818,500	224,808	2,043,308
Funds provided by ultimate parent company	2,061,791	—	2,061,791
Funds provided through advances	156,889,821	—	156,889,821
	160,770,112	224,808	160,994,920
Total merger consideration paid			
Cash	1,818,500	224,808	2,043,308
Loan payable to company under common control	181,850,000	—	181,850,000
Shares issued to parent company	80,653,736	—	80,653,736
Less: discount on holdbacks	(3,328,951)	(799,608)	(4,128,559)
Total cash, liabilities and equity consideration	260,993,285	(574,800)	260,418,485
Less: Cash received from parent company	(1,818,500)	—	(1,818,500)
Total merger consideration	259,174,785	(574,800)	258,599,985

4. Business acquisitions (continued)

(d) 2016 acquisition (continued)

The final purchase price allocation is as follows:

	Purchase Price Allocation	Measurement period adjustments recorded in fiscal 2017	Final Purchase Price Allocation
	\$	\$	\$
Net assets acquired:			
Current assets			
Cash	14,230,896	—	14,230,896
Accounts receivable	8,987,334	(237,479)	8,749,855
Inventory	286,379	—	286,379
Loans receivable	1,419,096	(138,000)	1,281,096
Prepaid expenses and deposits	2,816,916	—	2,816,916
	27,740,621	(375,479)	27,365,142
Loans receivable	2,303,384	—	2,303,384
Property, plant and equipment	1,718,304	—	1,718,304
Franchise rights	129,758,834	—	129,758,834
Trademarks	174,103,832	—	174,103,832
Goodwill ⁽¹⁾	111,190,035	1,544,876	112,734,911
	446,815,010	1,169,397	447,984,407
Current liabilities			
Accounts payable	8,318,520	1,115,845	9,434,365
Accrued liabilities	241,000	—	241,000
Promotional funds payable	1,424,095	2,081,149	3,505,244
Notes payable	26,365,758	—	26,365,758
Income tax liability	2,848,010	—	2,848,010
Unredeemed gift card liability	51,882,069	—	51,882,069
Deferred revenue	8,520,657	—	8,520,657
	99,600,109	3,196,994	135,786
Deferred revenue	2,171,247	—	2,171,247
Deferred income taxes	85,868,869	(1,452,797)	84,416,072
	187,640,225	1,744,197	189,384,422
Net purchase price	259,174,785	(574,800)	258,599,985

⁽¹⁾ Goodwill is partially deductible for tax purposes

The cumulative impact of measurement period adjustments recorded in the consolidated Statement of Operations and Comprehensive Income:

	\$
Accrued interest expense on-interest-bearing holdbacks	34,443

Total expenses incurred related to acquisition costs amounted to approximately \$775,858.

5. Accounts receivable

The following table provides details on trade accounts receivable not past due, past due and the related allowance for doubtful accounts:

	2017	2016
	\$	\$
Total accounts receivable	12,646,414	14,166,401
Less : Allowance for doubtful accounts	2,329,117	1,265,035
Total accounts receivable, net	10,317,297	12,901,366

	2017	2016
	\$	\$
Of which:		
Not past due	6,889,406	10,640,151
Past due for more than one day but for no more than 30 days	871,393	279,895
Past due for more than 31 days but for no more than 60 days	696,995	485,180
Past due for more than 61 days	1,859,503	1,496,140
Total accounts receivable, net	10,317,297	12,901,366

	2017	2016
	\$	\$
Allowance for doubtful accounts, beginning of year	1,265,035	16,936
Additions	954,596	179,641
Additions through acquisition	—	1,424,871
Reversals	228,593	(275,113)
Write-off	(119,107)	(81,300)
Allowance for doubtful accounts, end of year	2,329,117	1,265,035

The Company has recognized an allowance for doubtful accounts based on past experience, outlet-specific situation, counterparty's current financial situation and age of the receivables.

Trade receivables disclosed above include amounts that are past due at the end of the reporting period and for which the Company has not recognized an allowance for doubtful accounts because there was no significant change in the credit quality of the counterparty and the amounts are therefore considered recoverable. The Company does not hold any collateral or other credit enhancements over these balances nor does it have the legal right of offset against any amounts owed by the Company to the counterparty.

The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

MTY Franchising USA, Inc.
Notes to the consolidated financial statements
November 30, 2017

6. Loans receivable

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

	2017	2016
	\$	\$
Loans receivable bearing interest between 0% and 9% per annum, receivable in monthly instalments of \$209,704 in aggregate, including principal and interest, ending in 2026	4,285,827	5,687,333
Current portion	(2,001,472)	(2,353,231)
	2,284,355	3,334,102

The total allowance for uncollectable amounts on loans receivable amount to \$904,999 as at November 30, 2017 (2016- \$666,212).

The capital repayments in subsequent years will be:

	\$
2018	2,001,472
2019	488,186
2020	483,960
2021	264,654
2022	233,711
Thereafter	813,844
	4,285,827

7. Advances to ultimate parent company

The advances to ultimate parent company is non-interest bearing and due on demand with no specified repayment terms.

8. Property, plant and equipment

Cost	Equipment	Leasehold	Rolling Stock	Computer Hardware	Total
	\$	\$	\$	\$	\$
Balance at November 30, 2015	119,836	101,407	—	—	221,243
Additions	29,610	—	23,541	1,349	54,500
Additions through business combinations	2,503,200	796,583	64,140	116,381	3,480,304
Dispositions	(301,621)	—	(21,000)	—	(322,621)
Balance at November 30, 2016	2,351,025	897,990	66,681	117,730	3,433,426
Additions	159,662	—	5,000	22,838	187,500
Dispositions	(1,142,822)	(860,383)	—	(19,853)	(2,023,058)
Balance at November 30, 2017	1,367,865	37,607	71,681	120,715	1,597,868

8. Property, plant and equipment (continued)

Accumulated amortization	Equipment	Leasehold	Rolling Stock	Computer Hardware	Total
	\$	\$	\$	\$	\$
Balance at November 30, 2015	25,736	24,628	—	—	50,364
Amortization Expense	364,771	117,929	5,816	14,075	502,591
Dispositions	(11,612)	—	(1,667)	—	(13,279)
Balance at November 30, 2016	378,895	142,557	4,149	14,075	539,676
Amortization Expense	643,620	125,344	16,098	35,712	820,774
Dispositions	(358,325)	(260,105)	—	(7,361)	(625,791)
Balance at November 30, 2017	664,190	7,796	20,247	42,426	734,659

Carrying Amounts	Equipment	Leasehold	Rolling Stock	Computer Hardware	Total
	\$	\$	\$	\$	\$
November 30, 2016	1,972,130	755,433	62,532	103,655	2,893,750
November 30, 2017	703,675	29,811	51,434	78,289	863,209

9. Intangible assets

Cost	Franchise rights	Trademark	Total
	\$	\$	\$
Balance at November 30, 2015	529,763	1,459,361	1,989,124
Additions through business combinations	132,176,764	190,566,361	322,743,125
Balance at November 30, 2016	132,706,527	192,025,722	324,732,249
Additions	75,000	—	75,000
Impairment	(210,204)	(573,167)	(783,371)
Balance at November 30, 2017	132,503,823	191,452,555	324,023,878

Accumulated amortization	Franchise rights	Trademark	Total
	\$	\$	\$
Balance at November 30, 2015	131,869	—	131,869
Amortization for the period	3,524,603	—	3,524,603
Balance at November 30, 2016	3,656,472	—	3,656,472
Amortization expense	10,853,392	—	10,853,392
Balance at November 30, 2017	14,509,864	—	14,509,864

MTY Franchising USA, Inc.
Notes to the consolidated financial statements
November 30, 2017

9. Intangible assets (continued)

Carrying amounts	Franchise rights	Trademark	Total
	\$	\$	\$
November 30, 2016	129,050,055	192,025,722	321,075,777
November 30, 2017	118,061,459	191,452,555	309,514,014

For the year ended November 30, 2017, the Company recorded impairment charges of \$783,371 related to three of its reporting units following a decline in the performance of the related brand. The total impairment amounted to \$210,204 and \$573,167 for the franchise rights and trademark respectively. Impairment charges were based on the amount by which the carrying values of the assets exceeded fair value, determined using expected discounted future cash flows for trademarks and multi-period excess earnings for franchise rights.

10. Goodwill

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

	2017	2016
	\$	\$
Balance, beginning of year	117,952,987	253,267
Additional amounts recognized from business acquisitions (note 4)	1,544,876	117,699,720
Balance, end of year	119,497,863	117,952,987

11. Gift card liability

	2017	2016
	\$	\$
Gift card Liability, beginning of year	56,312,249	—
Activations during the period	30,225,167	11,027,955
Redemptions during the period	(23,921,232)	(6,504,267)
Gift card Liability acquired (note 4)	—	53,753,500
Deferred program fees and other	(461,278)	(725,050)
Gift card Breakage recorded	(4,763,537)	(1,239,889)
Gift card Liability, end of year	57,391,369	56,312,249

12. Deferred revenue and deposits

	2017	2016
	\$	\$
Franchise fee deposits	5,075,252	2,903,152
Unearned rent	2,620,653	2,554,588
Supplier contributions and other allowances	4,544,239	5,609,137
	12,240,144	11,066,877
Current portion	(10,730,565)	(8,586,237)
	1,509,579	2,480,640

13. Advances from parent company and companies under common control

The advances from parent company and companies under common control are non-interest bearing and due on demand with no specified repayment terms.

14. Long-term loans from company under common control

	2017	2016
	\$	\$
Interest bearing loan on acquisition of Kahala Brands Ltd. bearing interest at 5.6%, repayable by July 2023 ⁽¹⁾	181,850,000	181,850,000
Interest bearing loan on acquisition of BF Acquisition Holdings LLC, bearing interest at 5.6%, repayable by October 2023 ⁽¹⁾	18,000,000	18,000,000
Balance, end of year	199,850,000	199,850,000

⁽¹⁾ The loans are subject to a maximum debt to EBITDA ratio of 5.50 to 1 starting on December 1, 2016 and a minimum EBITDA interest coverage ratio of 2.00 to 1 to be calculated in conjunction with interest payments based on the last four rolling quarters.

The company is currently in breach of its debt covenants on its long terms loans. The company has obtained a waiver from its creditors that waiver valid until February 28, 2019.

15. Long-term debt

	2017	2016
	\$	\$
Non-interest-bearing debt payable during 2017	—	127,266
Non-interest-bearing holdbacks acquired on acquisition of Kahala Brands Ltd. repayable between July 2018 and August 2020	7,690,504	13,206,128
	7,690,504	13,333,394
	(2,701,380)	(4,832,883)
	4,989,124	8,500,511

16. Contingencies

The contingencies for litigation and disputes represent management's best estimate of the outcome of litigations and disputes that are on-going at the date of the statement of financial position. This contingency is made of multiple items; the timing of the settlement of this contingency is unknown given its nature, as the Company does not control the litigation timelines.

The payables related to closed stores mainly represent amounts that are expected to be disbursed to exit leases of underperforming or closed stores. The negotiations with the various stakeholders are typically short in duration and are expected to be settled within a few months following the recognition of the contingencies. The provisions for litigations, disputes and closed stores are recorded in accrued liabilities.

	2017	2016
	\$	\$
Provision for litigation and disputes and closed stores, beginning balance	1,024,500	—
Reversals	(303,103)	(283,000)
Acquired through our business acquisitions	91,871	1,016,000
Amounts used	(421,691)	(40,037)
Additions	1,427,769	331,537
Provision for litigation and disputes and closed stores, ending balance	1,819,346	1,024,500

17. Common Stock

	2017		2016	
	Shares issued	Total	Shares issued	Total
	\$	\$	\$	\$
Balance, beginning of year	5,001	89,153,737	1,000	1
Share issuance related to Kahala Brands Inc. acquisition	—	—	4,000	80,653,736
Share issuance related to BF Acquisition Holdings LLC acquisition	—	—	1	8,500,000
Balance, end of year	5,001	89,153,737	5,001	89,153,737

On July 25, 2016, the Company issued 1,700 common shares to its parent company in exchange for its parent company assuming debt of \$8,920,112 related to the acquisition of Kahala Brands Inc. Further to this, an additional 2,300 shares were issued as part of the same transaction in exchange for its parent company assuming an additional \$71,733,624 in debt.

On October 4, 2016, MTY Franchising USA, Inc. issued 1 common share to its parent company in exchange for \$8,500,000. This issuance was done as part of the financing plan for the acquisition of BF Acquisition Holdings LLC.

18. Financial instruments

In the normal course of business, the Company uses various financial instruments which by their nature involve risk, including market risk and the credit risk of non-performance by counterparties. These financial instruments are subject to normal credit standards, financial controls, risk management as well as monitoring procedures.

Fair value of recognized financial instruments

Following is a table which sets out the fair values of recognized financial instruments using the valuation methods and assumptions described below:

	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
Cash	38,056,627	38,056,627	19,266,443	19,266,443
Loans receivable	4,285,827	4,285,827	5,687,333	5,687,333
Deposits			1,040,108	1,040,108
Advances to ultimate parent	227,316	227,316	86,209	86,209
Financial liabilities				
Accrued liabilities	8,212,917	8,212,917	5,140,046	5,140,046
Promotional funds payable	4,041,713	4,041,713	3,300,647	3,300,647
Advances from parent company	1,296,249	1,296,249	2,587,853	2,587,853
Advances from companies under common control	283,801	283,801	75,852	75,852
Long-term loans from company under common control	199,850,000	199,850,000	199,850,000	199,850,000
Long-term debt	7,690,504	7,690,504	13,333,394	13,333,394

Determination of fair value

The following methods and assumptions were used to estimate the fair values of each class of financial instruments:

Cash, loans receivable, deposit, accrued liabilities, promotional funds payable, advances from companies under common control, Advances to ultimate parent, advances from parent company – The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Long-term loans from company under common control – The fair value is approximately equal to the carrying amount as they were obtained at market rates during the current year.

Long-term debt – The fair value of long-term debt is determined using the present value of future cash flows under current financing agreements based on the Company's current estimated borrowing rate for a similar debt.

18. Financial instruments (continued)

Risk management policies

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at November 30, 2017.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables, loans receivable and deposits. For accounts receivable and loans receivable, the amounts disclosed on the balance sheet are net of allowances for bad debts, estimated by the Company's management based on past experience and counterparty specific circumstances. The Company believes that the credit risk of accounts receivable is limited for the following reasons:

- The Company's broad client base is spread mostly across the USA, which limits the concentration of credit risk.
- The Company accounts for a specific bad debt provisions when management considers that the expected recovery is less than the actual account receivable.

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

The credit risk on deposits is also limited as these are mostly with well established and credit-worthy companies.

Foreign exchange risk

Foreign exchange risk is the Company's exposure to decreases or increases in financial instrument values caused by fluctuations in exchange rates. The Company's exposure to foreign exchange risk mainly comes from sales denominated in foreign currencies. The Company uses the U.S. dollar as functional currency. Since almost all transactions are conducted in U.S. currency, the Company's risk to fluctuations in foreign exchange rates are deemed to have minimal risk.

Interest rate risk

Interest rate risk is the Company's exposure to increases and decreases in financial instrument values caused by the fluctuation in interest rates. The Company has limited exposure to interest rate risk as its long-term loans from company under common control and parent company as well as its long-term debt have fixed interest rates.

Liquidity risk

Liquidity risk refers to the possibility of the Company not being able to meet its financial obligations when they become due. The Company has contractual and fiscal obligations as well as financial liabilities and is therefore exposed to liquidity risk. Such risk can result, for example, from a market disruption or a lack of liquidity. Given that the majority of financial obligations are with related parties, liquidity risk is deemed to have a minimal risk.

18. Financial instruments (continued)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities as at November 30, 2017:

	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	12 to 24 months	thereafter
	\$	\$	\$	\$	\$	\$
Accounts payable	4,807,133	4,807,133	4,807,133	—	—	—
Accrued liabilities	8,212,917	8,212,917	8,212,917	—	—	—
Promotional funds payable	4,041,713	4,041,713	4,041,713	—	—	—
Advance from parent company	1,296,249	1,296,249	1,296,249	—	—	—
Advances from company under common control	283,801	283,801	283,801	—	—	—
Long-term loans from company under common control	199,850,000	199,850,000	—	—	—	199,850,000
Long-term debt	7,690,504	9,856,310	—	3,215,719	3,241,863	3,398,728
Interest on long-term loans from company under common control ⁽¹⁾	n/a	63,439,508	5,580,469	5,611,131	11,191,600	41,056,308
	226,182,317	291,787,631	24,222,282	8,826,850	14,433,460	244,305,036

⁽¹⁾ When future interest cash flows are variable, they are calculated using the interest rates prevailing at the end of the reporting period.

19. Revenues

Revenues are broken down as follows:

	2017	2016
	\$	\$
Corporate store revenues	21,129,138	11,246,007
Royalties	48,850,240	16,868,145
Franchise fees, transfer fees and master license fees	4,408,458	1,006,468
Program allowances	15,034,286	6,003,229
Breakage income	4,763,537	910,374
Resale material	6,557,706	1,369,120
Other revenue	2,608,409	788,586
	103,351,774	38,191,929

20. Operating expenses

Operating expenses are broken down as follows:

	2017		
	Franchising	Corporate	Total
	\$	\$	\$
Cost of goods sold	6,319,736	3,253,047	9,572,783
Wages and benefits	19,622,626	7,651,697	27,274,323
Advertising, marketing and promotion	1,651,245	530,477	2,181,722
Rent	2,869,291	5,592,365	8,461,656
Professional & consulting fees and commission	11,451,024	—	11,451,024
Office Travel, meals & entertainment and utilities	6,060,360	—	6,060,360
Gift card program, costs ¹	5,226,107	—	5,226,107
Other	1,316,784	985,241	2,302,025
	54,517,174	18,012,827	72,530,001

	2016		
	Franchising	Corporate	Total
	\$	\$	\$
Cost of goods sold ¹	5,340,236	941,371	6,281,607
Wages and benefits	7,640,626	4,118,605	11,759,231
Advertising, marketing and promotion	925,998	196,636	1,122,634
Rent	989,348	1,843,795	2,833,143
Professional & consulting fees and commission	4,196,351	—	4,196,351
Office Travel, meals & entertainment and utilities	1,011,227	—	1,011,227
Gift card program, costs ⁽¹⁾	1,386,059	—	1,386,059
Other	85,487	394,623	480,110
	21,125,332	7,495,030	28,620,362

⁽¹⁾ Comparative period amounts were restated to present gift card program costs separately.

Operating expenses are split into two types of operations; Franchise operations and Corporate store operations. Operating segments were established based on the differences in the types of products or services offered by each division.

20. Operating expenses (continued)

The products and services offered by each segment are as follows:

Franchising operations

The franchising business mainly generates revenues from royalties, supplier contributions, franchise fees and rent.

Corporate store operations

Corporate stores generate revenues from the direct sale of prepared food to customers.

21. Income taxes

The Company accounts for income taxes in accordance with ASC 740, Income Taxes ("ASC 740"). ASC 740 prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates. The effects of future changes in tax laws or rates are not anticipated.

Under ASC 740 income taxes are recognized for the following: a) amount of tax payable for the current year and b) deferred tax liabilities and assets for future tax consequences of events that have been recognized differently in the financial statements than for tax purposes.

Income tax expense (benefit)	2017	2016
	\$	\$
Current tax expense (benefit)	193,441	2,083,431
Deferred tax expense (benefit)	790,882	(1,454,759)
Total tax expense (benefit)	984,323	628,672

The provision for income taxes recorded in the consolidated financial statements differs from the amount, which would be obtained by applying the statutory federal income tax rate of 34% (34% in 2016), to the income for the period as follows:

	2017	2016
	\$	\$
Earnings for the period before income taxes	5,021,800	502,006
Income tax expense at federal statutory rate	1,707,412	170,682
State and local income taxes net of federal tax benefit	204,385	68,758
Non-deductible/non-taxable items	456,855	406,239
True up of prior year tax provision	(136,598)	15,384
Change in state tax rate	(1,247,731)	1,859
Other	—	(34,250)
Income tax expense	984,323	628,672

21. Income taxes (continued)

Components of the net deferred tax asset or liability:

	2017	2016
	\$	\$
Allowance for doubtful accounts	1,567,480	1,064,132
Deferred revenue	1,504,191	1,912,653
Gift cards	14,536,942	17,223,485
Property, plants and equipment	622,162	448,611
Accrued expenses	3,626,772	2,809,537
Long-term debt	21,459	22,542
Total deferred tax assets	21,879,066	23,480,960
Intangible assets	(105,717,698)	(107,981,908)
Total deferred tax liabilities	(105,717,698)	(107,981,908)
Net deferred tax asset (liability)	(83,838,692)	(84,500,948)

22. Supplemental cash flow information

During the year, the Company paid \$126,975 (\$658,212 in 2016) in income taxes.

23. Subsequent events

Acquisition the Counter and Built

On December 1, 2017, the Company completed its acquisition of all of the limited liability company interests in CB Franchise Systems, LLC ("The Counter"), Built Franchise Systems, LLC ("Built") for a total consideration of \$24,600,000 of which \$22,300,000 was settled in cash and the remainder retained as a holdback on the transaction.

US tax reform

On December 22, 2017, the United States proceeded to a tax reform through the enactment of the "Tax Cuts and Jobs Act" (hereafter the "Act"). One of the significant changes included in the Act is the reduction of the federal corporate tax rate from 35% to 21% effective January 1, 2018. For the financial year ending November 30, 2018, the applicable federal corporate tax rate will correspond to a blended rate of 22.19% based on the number of days in the taxation year before and after the effective date.

Based on temporary differences as of November 30, 2017, the Company preliminarily estimates that it will record a deferred tax benefit estimated at USD 29.1 million in its financial year ended November 30, 2018, by reducing its deferred tax liability.

The Company made a preliminary analysis of the new Base Erosion Anti-avoidance Tax (hereafter the "BEAT") and changes to interest deduction limitation rules included in the Act and that will impact financial years November 30, 2019, and after. Based on available information as of financial statement date, the Company expects to meet the de minimis exception and not be subject to BEAT rules. Based on a preliminary analysis, the new interest deduction limitation rule might have an impact in future years. However, any amount disallowed based on the new interest deduction rule could be carried over indefinitely and used against future taxable profit. Therefore, the Company do not expect this measure to have any permanent impact.

23. Subsequent events (continued)

US tax reform (continued)

The new rules provided by the Act are complex and further guidance will be provided by the United States authorities in upcoming months. Accordingly, the information presented herein is subject to adjustments when new regulation will be available.

Announced agreement to acquire Grabbagreen ®

On February 19, 2018, the Company announced that they had signed an agreement to acquire the assets of the Grabbagreen ® franchise system for an estimated consideration of \$2,750,000.

Amended and restated consolidated
financial statements of
MTY Franchising USA, Inc.

For the years ended November 30, 2016 and November 30, 2015

Independent Auditor's Report	1-2
Amended and restated consolidated statement of operations and comprehensive (loss) income	3
Amended and restated consolidated statement of changes in stockholder's equity	4
Amended and restated consolidated balance sheet.....	5-6
Amended and restated consolidated statement of cash flows	7-8
Notes to the amended and restated consolidated financial statements	9-40



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Independent Auditor's Report

To the Board of Directors and Stockholder of MTY Franchising USA, Inc.

We have audited the accompanying amended and restated consolidated financial statements of MTY Franchising USA, Inc. (the "Company"), which comprise the amended and restated consolidated balance sheet as at November 30, 2016, and the amended and restated consolidated statements of operations and comprehensive (loss) income, amended and restated changes in stockholder's equity and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Amended and Restated Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these amended and restated consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of amended and restated consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the amended and restated consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the amended and restated consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the amended and restated consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the amended and restated consolidated financial statements.

Member of Deloitte Touche Tohmatsu Limited

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the amended and restated consolidated financial statements referred to above present fairly, in all material respects, the financial position of MTY Franchising USA, Inc. as at November 30, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 23 to the amended and restated consolidated financial statements, the accompanying 2016 amended and restated consolidated financial statements have been restated to correct an error. Our opinion is not modified with respect to this matter.

*Deloitte LLP*¹

March 15, 2017 (November 28, 2017 as to the effects of the restatement discussed in Note 23)

¹ CPA auditor, CA, public accountancy permit No. A110972

MTY Franchising USA, Inc.**Amended and restated Consolidated Statement of Operations and Comprehensive (Loss) Income**

Years ended November 30, 2016 and November 30, 2015

	Notes	November 30, 2016	November 30, 2015
		\$	\$
		As restated (Note 23)	
Revenue			
Corporate store revenues		11,246,007	2,523,888
Royalties		16,868,145	1,973,017
Franchise fees, transfer fees and master license fees		1,006,468	32,000
Program allowances		6,003,229	258,470
Other revenue		3,068,080	83,253
		38,191,929	4,870,628
Cost and expenses			
Operating expenses	20	28,620,362	3,391,711
Amortization – property, plant and equipment	8	502,591	50,364
Amortization – intangible assets	9	3,524,603	55,778
Interest charged by parent company	3	43,721	87,031
Interest charged by companies under common control	3	3,697,987	—
Interest on long-term debt		528,769	—
Management fees charged by parent company	3	756,648	273,580
		37,674,681	3,858,464
Other income (charges)			
Loss on disposal of property, plant and equipment		(15,242)	—
		(15,242)	—
Income before income taxes		502,006	1,012,164
Income tax expense (recovery)	21		
Current		2,083,431	265,560
Deferred		(1,454,759)	116,874
		628,672	382,434
Net (loss) income and comprehensive (loss) income		(126,666)	629,730

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

MTY Franchising USA, Inc.**Amended and restated Consolidated Statement of Changes in Stockholder's Equity**

Years ended November 30, 2016 and November 30, 2015

	Common stock issued	Common stock value	Additional paid-in capital	Retained earnings	Total stockholder's equity
		\$	\$	\$	\$
				As restated (Note 23)	As restated (Note 23)
Balance as at November 30, 2014	1,000	1	99	268,108	268,208
Net income	—	—	—	629,730	629,730
Balance as at November 30, 2015	1,000	1	99	897,838	897,938
Share Issuance (note 18)	4,001	89,153,736	—	—	89,153,736
Acquisition of net assets of Mucho Burrito Franchising USA, Inc. (note 4)	—	—	(99)	(89,901)	(90,000)
Net loss	—	—	—	(126,666)	(126,666)
Balance as at November 30, 2016	5,001	89,153,737	—	681,271	89,835,008

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

MTY Franchising USA, Inc.
Amended and restated Consolidated Balance Sheet
Years ended November 30, 2016 and 2015

	Notes	November 30, 2016	November 30, 2015
		\$	\$
		As restated (Note 23)	
Assets			
Current assets			
Cash		19,266,443	899,018
Accounts receivable	5	12,901,366	296,857
Inventories		438,388	14,468
Loans receivable	6	2,353,231	—
Prepaid expenses and deposits		4,975,951	17,786
Advances to ultimate parent company	3 and 7	86,209	—
		40,021,588	1,228,129
Loans receivable	6	3,334,102	—
Property, plant and equipment	8	2,893,750	170,879
Intangible assets	9	321,075,777	1,857,255
Goodwill	10	117,952,987	253,267
		445,256,616	2,281,401
		485,278,204	3,509,530
Liabilities			
Current liabilities			
Accounts payable		5,787,960	127,993
Accrued liabilities		5,140,046	225,066
Gift card liability	11	56,312,249	—
Promotional funds payable	12	3,300,647	81,621
Deferred revenue and deposits	13	8,586,237	122,042
Income taxes payable	21	13,487,370	265,392
Advance from parent company	3 and 14	2,587,853	1,635,277
Advances from companies under common control	3 and 14	75,852	67,363
Current portion of long-term debt	16	4,832,883	—
		100,111,097	2,524,754
Long-term loans from company under common control	15	199,850,000	—
Long-term debt	16	8,500,511	—
Deferred revenue and deposits	13	2,480,640	—
Deferred income taxes	21	84,500,948	86,838
		395,443,196	2,611,592

MTY Franchising USA, Inc.**Amended and restated Consolidated Balance Sheet**

Years ended November 30, 2016 and 2015

	Notes	November 30, 2016	November 30, 2015
		\$	\$
		As restated	
		(Note 23)	
Stockholder's equity			
Common stock	18	89,153,737	1
Additional paid-in capital		—	99
Retained earnings		681,271	897,838
		89,835,008	897,938
		485,278,204	3,509,530

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

Approved by the Board

_____, Director

MTY Franchising USA, Inc.
Amended and restated Consolidated Statement of Cash Flows
Years ended November 30, 2016 and 2015

	Notes	November 30, 2016	November 30, 2015
		\$	\$
		As restated (Note 23)	
Operating activities			
Net (loss) income		(126,666)	629,730
Items not affecting cash			
Amortization – property, plant and equipment		502,591	50,364
Amortization – intangible assets		3,524,603	55,778
Interest on advance from parent company		43,721	87,031
Interest on advance from companies under common control		3,697,987	—
Interest on long-term debt		528,769	—
Loss on disposal of property, plant and equipment		15,242	—
Deferred income taxes		(1,454,759)	116,874
		6,731,488	939,777
Interest paid		(3,697,987)	—
Changes in non-cash working capital items			
Accounts receivable		(2,654,016)	(176,813)
Inventories		(6,060)	20,448
Prepaid expenses and deposits		(1,780,458)	67,895
Loans receivable		(675,258)	—
Income taxes		1,380,279	252,304
Accounts payable		(3,751,221)	(25,144)
Accrued liabilities		4,066,015	97,820
Promotional funds payable		2,075,064	(30,042)
Gift card liability		2,558,749	—
Deferred revenue and deposits		(506,614)	(50,479)
Net cash from operating activities		3,739,981	1,095,766
Investing activities			
Net cash outflow on acquisitions		(28,818,500)	—
Additions to property, plant and equipment		(54,500)	(21,243)
Issuance of advances to parent company		3,271	—
Issuance of advances to companies under common control		8,489	115,673
Proceeds on disposal of property, plant and equipment		294,100	—
Net cash from investing activities		(28,567,140)	94,430

MTY Franchising USA, Inc.**Amended and restated Consolidated Statement of Cash Flows**

Years ended November 30, 2016 and 2015

	Notes	November 30, 2016	November 30, 2015
		\$	\$
		As restated	
		(Note 23)	
Financing activities			
Issuance of long-term debt		30,000,000	—
Issuance of advance from parent company		819,375	—
Issuance of advances from company under common control		19,818,500	—
Issuance of shares to parent company		8,500,000	—
(Repayment) of long-term debt		(31,263,500)	—
(Repayment) of advances from parent company		—	(609,746)
Net cash from financing activities		27,874,375	(609,746)
Net increase in cash		3,047,216	580,450
Cash, beginning of year		899,018	313,268
Cash acquired		15,320,209	5,300
Cash, end of year		19,266,443	899,018

Non-cash transactions

4 & 18

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

MTY Franchising USA, Inc.

Notes to the amended and restated consolidated financial statements

For the years ended November 30, 2016 and November 30, 2015

1. Nature of operations

MTY Franchising USA, Inc. (the "Company" or "MTY USA") was incorporated on March 14, 2001. The Company develops and franchises restaurants under a multitude of different banners in the United States of America.

On September 23, 2013, MTY Tiki Ming Enterprises Inc. ("MTY") acquired 100% of the 100 authorized shares of the Company, MTY USA's ultimate parent being MTY Food Group Inc.

2. Significant accounting policies

Basis of presentation

The accounting policies of the Company are in accordance with accounting principles generally accepted in the United States of America. The Company uses the United States dollar as its functional and reporting currency.

On December 28, 2014, MTY purchased the assets of Manchu Wok, whose financial results are reported with those of the Company.

On July 26, 2016, the Company acquired all of the equity ownership of Kahala Brands Ltd. having 2,879 locations under a multitude of banners operating in the United States of America, whose financial results are reported with those of the company from the date of acquisition onward.

On October 5, 2016, the Company acquired all of the equity ownership of BF Acquisition Holdings, LLC, having 185 locations under two banners operating in the United States of America, whose financial results are reported with those of the company from the date of acquisition onward.

On November 30, 2016, the Company acquired the net assets of BSB Franchising USA Inc, having 4 locations in the United States of America, whose financial results are reported with those of the Company from the date of acquisition onward.

On November 30, 2016, the Company acquired the net assets of Mucho Burrito Franchising USA Inc, having 1 location in the United States of America, whose financial results are reported with those of the Company from the date of acquisition onward.

Presented below are those policies considered particularly significant:

Basis of consolidation

The amended and restated consolidated financial statements include the accounts of the Company and entities controlled directly or indirectly by the Company (its subsidiaries). Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The principal subsidiaries of the Company are as follows:

Principal subsidiaries	Percentage of equity interest
	%
BF Acquisition Holdings, LLC	100
Kahala Brands Ltd.	100

MTY Franchising USA, Inc.

Notes to the amended and restated consolidated financial statements

For the years ended November 30, 2016 and November 30, 2015

2. Significant accounting policies (continued)

Basis of consolidation (continued)

Revenues and expenses of subsidiaries are included in the amended and restated consolidated statement of operations and comprehensive income from the effective date of acquisition. The subsidiaries are consolidated from the acquisition date until the date on which the Company ceases to control them.

All intercompany transactions, balances, revenues and expenses are eliminated in full upon consolidation.

Business combinations between entities under common control

The Company accounts for acquired businesses using the acquisition method of accounting in accordance with FASB ASC 805, *Business Combinations*. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination between entities under common control are to be initially recognized by the receiving entity at the transfer date. The acquired net assets shall initially be transferred at their carrying amounts in the accounts of the transferring entity. Any excess of the purchase price over the carrying amounts in the accounts of the transferring entity is recognized as an equity transaction within the statement of changes in stockholder's equity.

The financial statements of the receiving entity shall report results of operations for the period in which the transfer occurs as though the transfer of net assets or exchange of equity interests had occurred at the beginning of the period. Results of operations for that period will thus comprise those of the previously separate entities combined from the beginning of the period to the date the transfer is completed and those of the combined operations from that date to the end of the period.

Business combinations

The Company accounts for acquired businesses using the acquisition method of accounting in accordance with FASB ASC 805, *Business Combinations*. The consideration transferred for the acquisition is the fair values of the assets transferred, the liabilities incurred and the equity interest issued. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill.

Goodwill

Goodwill represents the excess of cost over the net tangible assets and liabilities of a business acquired. Goodwill is carried at cost less accumulated impairment losses, if any.

Functional currency

The functional currency of the Company and its subsidiaries is the US dollars. The Company translates monetary assets and liabilities that are denominated in currencies other than the US dollar at the exchange rates prevailing at the end of the reporting period; non-monetary assets denominated in foreign currencies are translated using the exchange rate prevailing at the transaction date; all revenue and expense items denominated in foreign currencies are translated at the exchange rate prevailing at the transaction date. All foreign exchange gains and losses are reported in profit or loss.

MTY Franchising USA, Inc.

Notes to the amended and restated consolidated financial statements

For the years ended November 30, 2016 and November 30, 2015

2. Significant accounting policies (continued)

Revenue recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, price is fixed or determinable and collectability is reasonably assured.

i) Revenue from franchise locations

The Company recognizes revenue in accordance with the accounting guidance of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 952-605, Franchisors, Revenue Recognition.

Royalties are based either on a percentage of gross sales as reported by the franchisees or on a fixed monthly fee. They are recognized on an accrual basis in accordance with the substance of the relevant agreement, provided collectability is reasonably assured and price is fixed or determinable.

Initial franchise fees are recognized when substantially all of the initial services as required by the franchise agreement have been performed. This usually occurs when the location commences operations.

Revenue from the sale of franchise locations is recognized at the time the franchisee assumes control of the franchise location.

i) Revenue from franchise locations

Master license fees are recognized when the Company has performed substantially all material initial obligations under the agreement, which usually occurs when the agreement is signed, which is recorded in franchise fees, transfer fees and master license fees

Renewal and transfer fees are recognized when substantially all applicable services required by the Company under the franchise agreement have been performed. This generally occurs when the agreement is signed. This revenue is recorded in franchise fees, transfer fees and master license fees.

Revenue from equipment sale is recognized when the risk and rewards of ownership and title pass to buyer, generally upon the shipment of the equipment. This revenue is recorded in other revenue.

Based on historical redemption patterns, the Company estimates the portion of gift cards that have a remote likelihood of being redeemed and recognizes the amount in its amended and restated consolidated statements of income as breakage. The Company also charges various program fees to its franchisees as gift cards are redeemed.

The Company earns rent revenue on certain leases it holds; the Company's policy is described below.

The Company receives considerations from certain suppliers called program allowances. Program allowances are recognized as revenues as they are earned.

ii) Revenue from corporate-owned locations

Revenue from corporate-owned locations is recorded when goods are delivered to customers.

Leasing

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

MTY Franchising USA, Inc.

Notes to the amended and restated consolidated financial statements

For the years ended November 30, 2016 and November 30, 2015

2. Significant accounting policies (continued)

Leasing (continued)

The Company as lessor

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

The Company as lessee

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

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

Income taxes

The Company accounts for income taxes pursuant to ASC 740, Income Taxes ("ASC 740"). Deferred tax assets and liabilities are recorded for differences between the financial statement and tax basis of the assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is recorded for the amount of income tax payable or refundable for the period increased or decreased by the change in deferred tax assets and liabilities during the period.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the amended and restated consolidated statement of financial position at their historical costs less accumulated depreciation (buildings) and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, including any costs directly attributable to bringing the asset to a working condition for its intended use.

Equipment, leasehold improvements, rolling stock and computer hardware are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost or valuation of assets (other than land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

MTY Franchising USA, Inc.**Notes to the amended and restated consolidated financial statements**For the years ended November 30, 2016 and November 30, 2015

2. Significant accounting policies (continued)*Property, plant and equipment (continued)*

Depreciation is based on the following terms:

Equipment	Straight-line	3 to 10 years
Leasehold improvements	Straight-line	Term of the lease
Rolling stock	Straight-line	5 to 7 years
Computer hardware	Straight-line	3 to 7 years

*Intangible assets**Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if applicable. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful lives and amortization methods are reviewed at the end of each year, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses, if applicable.

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets having a finite life acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, if applicable, on the same basis as intangible assets that are acquired separately. Intangible assets having an indefinite life are not amortized and are therefore carried at cost less accumulated impairment losses, if applicable.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

The Company currently carries the following intangible assets in its books:

Franchise rights

The franchise rights acquired through business combinations are recognized at the fair value of the estimated future cash inflows related to the acquisition of franchises. The franchise rights are generally amortized on a straight-line basis over the term of the agreements which typically range between 10 to 20 years.

Trademarks

Trademarks acquired through business combinations are recognized at their fair value at the time of the acquisition and are not amortized. Trademarks are determined to have an indefinite useful life based on their strong brand recognition and their ability to generate revenue through changing economic conditions with no foreseeable time limit.

MTY Franchising USA, Inc.

Notes to the amended and restated consolidated financial statements

For the years ended November 30, 2016 and November 30, 2015

2. Significant accounting policies (continued)

Impairment of long lived assets other than goodwill

The Company continually reviews whether events or circumstances subsequent to the acquisition of any long-lived assets, including intangible assets with finite useful lives, have occurred that indicate the remaining estimated useful lives of those assets may warrant revision or that the remaining balance of those assets may not be recoverable. If events and circumstances indicate that the long-lived assets should be reviewed for possible impairment, the Company uses projections to assess whether future cash flows on an undiscounted basis related to the assets exceeds the recorded carrying amount of those assets to determine if an asset is impaired. Should an impairment be identified, a loss would be recorded to the extent that the carrying value of the impaired assets exceeds their fair values as determined by valuation techniques appropriate in the circumstances that could include the use of similar cash flow projections on a discounted basis.

Impairment of goodwill

Goodwill is tested for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis (August 31 for the Company) and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. Fair value is determined using a discounted cash flow methodology with a risk adjusted weighted average cost of capital.

Cash and cash equivalents

Cash and cash equivalents item includes cash on hand and short-term investments, if any, with maturities upon acquisition of generally three months or less or that are redeemable at any time at full value and for which the risk of a change in value is not significant. As at November 30, 2016, cash and cash equivalents included \$221,015 in restricted cash (2015 - \$nil).

Inventories

Inventories are measured at the lower of cost and market value. Costs of inventories are determined on a first-in-first-out basis and include acquisition costs, conversion costs and other costs incurred to bring inventories to their present location and condition. The cost of finished goods includes a pro rata share of production overhead based on normal production capacity.

In the normal course of business, the Company enters into contracts for the construction and sale of franchise locations. The related work in progress inventory includes all direct costs relating to the construction of these locations, and is recorded at the lower of cost and market value.

Market value represents the current replacement cost, provided that the cost does not exceed the net realizable value or is not less than the net realizable value reduced by a normal profit margin.

Contingencies

Litigation, disputes and closed stores

Contingencies for the expected cost of litigation, disputes and the cost of settling leases for closed stores are recognized when it becomes probable the Company will be required to settle the obligation, at management's best estimate of the expenditure required to settle the Company's obligation.

MTY Franchising USA, Inc.

Notes to the amended and restated consolidated financial statements

For the years ended November 30, 2016 and November 30, 2015

2. Significant accounting policies (continued)

Contingencies (continued)

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized and the amount initially recognized less cumulative amortization recognized, if any.

Financial instruments

The Company's financial instruments consist of cash, accounts receivable, loans receivable, deposits, advances to ultimate parent, accounts payable, accrued liabilities, promotional funds payable, advances from parent company, advances from companies under common control, long-term loans from company under common control and long-term debt. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value for cash, accounts receivable, loans receivable, deposits, advance to ultimate parent, accounts payable, accrued liabilities, promotional funds payable, advance from parent company and advances from companies under common control approximates their carrying values due to their immediate or short-term maturities, unless otherwise noted. Long-term loans from company under common control and long-term debt are measured at amortized cost using the effective interest method.

Gift card and loyalty program liabilities

Gift card liability represents liabilities related to unused balances on reloadable payment cards. Loyalty program liabilities represent the dollar value of the loyalty points earned and unused by customers.

The Company's various franchised and corporate owned locations, in addition to third party companies, sell gift cards to be redeemed at the Company's corporate and franchised locations for food and beverages only. Proceeds from the sale of gift cards are included in gift card liability until redeemed by the gift cardholder as a method of payment for good and beverage purchases.

Based on historical redemption patterns, the Company estimates the portion of gift cards that have a remote likelihood of being redeemed and recognizes the amount in its amended and restated consolidated statements of income, except for those gift cards liabilities assumed upon a business acquisition

Due to the inherent nature of gift cards, it is not possible for the Company to determine what portion of the gift card liability related to gift cards will be redeemed in the next 12 months and, therefore, the entire unredeemed gift card liability is considered to be a current liability.

Promotional funds

Pursuant to the franchise agreements, franchisees must pay a fee to the promotional fund. These amounts are collected by the Company in its capacity as agent and must be used for promotional and advertising purposes, since the amounts are set aside to promote the respective banners for the franchisees' benefit. The fees collected by the Company for the promotional fund are not recorded in the Company's statement of operations and comprehensive income, but as operations in the accounts payable to the promotional fund. The payable is presented net of any amounts spent from the promotional fund.

MTY Franchising USA, Inc.

Notes to the amended and restated consolidated financial statements

For the years ended November 30, 2016 and November 30, 2015

2. Significant accounting policies (continued)

Promotional funds (continued)

Cash held pursuant to the promotional funds received are classified as unrestricted cash as there are no legal restrictions on the use of these funds; however, the Company intends to use these funds solely to support the promotional funds rather than to fund its ongoing operations.

Subsequent events

Subsequent events were evaluated through the date that the amended and restated consolidated financial statements were issued, which was March 15, 2017.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the amended and restated consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

ASU 2016-15 – Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15")

In August 2016, the FASB issued ASU 2016-15 "Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments" to address diversity in practice on certain specific cash flow issues. The ASU will be effective for the Company for the fiscal years beginning after December 15, 2017. Early adoption is permitted. The Company is in the process of evaluating the impact of the standard on its financial statements.

ASU 2016-04 – Liabilities – Extinguishment of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products. ("ASU 2016-04")

In March 2016, the FASB issued ASU 2016-04, Liabilities – Extinguishment of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products. ASU 2016-04 aligns recognition of the financial liabilities related to prepaid stored-value products (for example, gift cards) with Topic 606, Revenues from Contracts with Customers, for non-financial liabilities. In general, these liabilities may be extinguished proportionately in earnings as redemptions occur, or when redemption is remote if issuers are not entitled to the unredeemed stored value. ASU 2016-04 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, and early adoption is permitted.

ASU 2016-02 – Leases ("ASU 2016-02")

In February 2016, the FASB issued ASU 2016-02, *Leases*. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement.

MTY Franchising USA, Inc.

Notes to the amended and restated consolidated financial statements

For the years ended November 30, 2016 and November 30, 2015

2. Significant accounting policies (continued)

Recently Issued Accounting Pronouncements (continued)

The new standard is effective for fiscal years beginning after December 15, 2018. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is in the process of evaluating the impact of the standard on its financial statements.

ASU 2016-01 – Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01")

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which among other changes in accounting and disclosure requirements, replaces the cost method of accounting for non-marketable equity securities with a model for recognizing impairments and observable price changes, and also eliminates the available-for-sale classification for marketable equity securities. Under the new guidance, other than when the consolidation or equity method of accounting is utilized, changes in the fair value of equity securities are to be recognized in earnings.

The amendments in this Update are effective for fiscal years beginning after December 15, 2017. For all other entities including not-for-profit entities and employee benefit plans within the scope of Topics 960 through 965 on plan accounting, the amendments in this Update are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019.

ASU 2015-17 – Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes ("ASU 2015-17")

In November 2015, the FASB issued ASU 2015-17, which require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position.

The amendments apply to all entities that present a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments.

The amendments are effective for the Company's amended and restated consolidated financial statements issued for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. The Company is currently evaluating the impact of its pending adoption of ASU 2015-17 on its amended and restated consolidated financial statements.

MTY Franchising USA, Inc.

Notes to the amended and restated consolidated financial statements

For the years ended November 30, 2016 and November 30, 2015

2. Significant accounting policies (continued)

Recently Issued Accounting Pronouncements (continued)

ASU 2015-14, Revenue From Contracts With Customers (Topic 606), Deferral of the Effective Date ("ASU 2015-14")

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in applying such process, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

Recently Issued Accounting Pronouncements (continued)

As a result of the issuance of ASU 2015-14, ASU 2014-09 is effective for annual periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016. The Company is currently evaluating the impact of its pending adoption of ASU 2014-09 on its amended and restated consolidated financial statements and has not yet determined the method by which they will adopt the standard in 2018.

ASU 2014-15, Presentation of Financial Statements —Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern ("ASU 2014-15")

The FASB has issued ASU 2014-15 which is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. This ASU provides guidance to an organization's management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that are commonly provided by organizations today in the amended and restated consolidated financial statement footnotes.

The amendments are effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. Early application is permitted for annual or interim reporting periods for which the financial statements have not previously been issued. The Company is currently evaluating the impact of its pending adoption on its financial statements.

3. Related party transactions

The Company has transactions in the normal course of business with its parent company and companies under common control. These transactions were in the normal course of business and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

MTY Franchising USA, Inc.**Notes to the amended and restated consolidated financial statements**For the years ended November 30, 2016 and November 30, 2015

4. Business acquisitions**I) 2016 acquisition**

On November 30, 2016, the Company acquired the net assets of BSB Franchising USA, Inc, a company under common control, for a total consideration of \$112,044 included in accrued liabilities as at November 30, 2016.

	2016
	\$
Consideration paid:	
Purchase price	199,292
Net obligations assumed	(87,248)
Net payable on acquisition	<u>112,044</u>

The purchase price allocation is as follows:

Net assets acquired:

	2016
	\$
Franchise rights	17,300
Goodwill ⁽¹⁾	181,992
	<u>199,292</u>
Current liabilities	
Promotional funds payable	11,029
Deferred revenue	76,219
	<u>87,248</u>
Net purchase price	<u>112,044</u>

⁽¹⁾ Goodwill reflects how the acquisition will impact the Company's ability to generate future profits in excess of existing profits. The consideration paid mostly relates to combined synergies, related mainly to revenue growth. These benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

Total expenses incurred related to acquisition costs amounted to \$nil.

II) 2016 acquisition

On November 30, 2016, the Company acquired the franchise rights of Mucho Burrito Franchising USA, Inc, a company under common control, for a total consideration of \$90,000, included in accrued liabilities as at November 30, 2016. The transaction was accounted for as an equity transaction.

MTY Franchising USA, Inc.**Notes to the amended and restated consolidated financial statements**

For the years ended November 30, 2016 and November 30, 2015

4. Business acquisitions (continued)**III) 2016 acquisition**

On October 5, 2016, the Company acquired the units of BF Acquisition Holdings, LLC, for a total consideration of \$27,000,000, which remains subject to post-closing working capital adjustments. The purpose of the transaction was to further solidify the Company's presence in the United States.

	2016
	\$
Consideration paid:	
Purchase price	26,952,852
Working capital adjustment	47,148
Net cash outflow ⁽¹⁾	27,000,000

⁽¹⁾ Includes \$2,700,000 in holdbacks paid to escrow.

The purchase price allocation is as follows:

	2016
	\$
Net assets acquired:	
Current assets	
Cash	1,089,313
Accounts receivable	964,271
Promotional funds receivable	291,162
Inventories	131,481
Loans receivable	1,289,595
Prepaid expenses and deposits	360,791
	4,126,613
Property, plant and equipment	1,762,000
Franchise rights	2,400,630
Trademarks	16,462,529
Goodwill ⁽¹⁾	6,327,693
	31,079,465
Current liabilities	
Accounts payable	1,092,668
Accrued liabilities	405,921
Unredeemed gift card liability	1,871,431
Deferred revenue	683,326
	4,053,346
Long-term debt	26,119
Net purchase price	27,000,000

⁽¹⁾ Goodwill is deductible for tax purposes

MTY Franchising USA, Inc.**Notes to the amended and restated consolidated financial statements**

For the years ended November 30, 2016 and November 30, 2015

4. Business acquisitions (continued)**III) 2016 acquisition (continued)**

Goodwill reflects how the acquisition will impact the Company's ability to generate future profits in excess of existing profits. The consideration paid mostly relates to combined synergies, related mainly to revenue growth. These benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

Total expenses incurred related to acquisition costs amounted to \$nil.

The purchase price allocation is still preliminary as post-closing adjustments have not been finalized.

IV) 2016 acquisition

On July 26, 2016, the Company acquired the shares of Kahala Brands Ltd. for a total consideration of \$259,174,785, including \$1,818,500 cash paid by MTY Franchising USA, Inc., which remains subject to post-closing working capital adjustments. The purpose of the transaction was to solidify its presence in the United States as this is expected to become one of the growth platforms.

	2016
	\$
Consideration paid:	
Total cash consideration	240,000,000
Less: Indebtedness	(26,365,758)
Less: Working capital adjustment	(22,864,130)
	190,770,112
Less: Holdbacks	(30,000,000)
Total cash disbursed at closing	160,770,112
Sources of financing	
Paid by MTY Franchising USA	1,818,500
Funds provided by ultimate parent company	2,061,791
Funds provided through advances	156,889,821
	160,770,112
Total merger consideration paid	
Cash	1,818,500
Loan payable to company under common control	15 181,850,000
Shares issued to parent company	18 80,653,736
Less: discount on holdbacks	(3,328,951)
Total cash, liabilities and equity consideration	260,993,285
Less: Cash received from parent company	(1,818,500)
Total merger consideration	259,174,785

MTY Franchising USA, Inc.**Notes to the amended and restated consolidated financial statements**

For the years ended November 30, 2016 and November 30, 2015

4. Business acquisitions (continued)**IV) 2016 acquisition (continued)**

The preliminary purchase price allocation is as follows:

	2016
Net assets acquired:	\$
Current assets	
Cash	14,230,896
Accounts receivable	8,987,334
Inventory	286,379
Loans receivable	1,419,096
Prepaid expenses and deposits	2,816,916
	<u>27,740,621</u>
Loans receivable	2,303,384
Property, plant and equipment	1,718,304
Franchise rights	129,758,834
Trademarks	174,103,832
Goodwill ⁽¹⁾	111,190,035
	<u>446,815,010</u>
Current liabilities	
Accounts payable	8,318,520
Accrued liabilities	241,000
Promotional funds payable	1,424,095
Notes payable	26,365,758
Income tax payable	2,848,010
Unredeemed gift card liability	51,882,069
Deferred revenue	8,520,657
	<u>99,600,109</u>
Deferred revenue	2,171,247
Deferred income taxes	85,868,869
	<u>187,640,225</u>
Net purchase price	<u>259,174,785</u>

⁽¹⁾ Goodwill is partially deductible for tax purposes

Goodwill reflects how the acquisition will impact the Company's ability to generate future profits in excess of existing profits. The consideration paid mostly relates to combined synergies, related mainly to revenue growth. These benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

Total expenses incurred related to acquisition costs amounted to approximately \$775,858.

The purchase price allocation is still preliminary as post-closing adjustments have not been finalized. Adjustments are expected to be made that can impact the preliminary purchase price materially.

MTY Franchising USA, Inc.**Notes to the amended and restated consolidated financial statements**

For the years ended November 30, 2016 and November 30, 2015

4. Business acquisitions (continued)**V) 2015 acquisition**

On December 18, 2014, the Company acquired the assets of Manchu Wok USA for a total consideration of \$2,191,280. The purpose of the transaction was to further diversify the Company's range of offering.

	2015
	\$
Consideration paid:	
Purchase price	2,191,280
Net obligations assumed	(159,924)
Net purchase price	2,031,356
Advance payable to parent company	(2,031,356)
Net cash outflow	—

The preliminary purchase price allocation is as follows:

	2015
	\$
Net assets acquired:	
Current assets	
Cash	5,300
Inventories	33,589
Prepaid expense and deposits	85,681
	124,570
Property, plant and equipment	200,000
Franchise rights	239,763
Trademark	1,459,361
Goodwill ⁽¹⁾	253,267
	2,152,391
Current liabilities	
Accounts payable	134,302
Promotional fund liability	53,672
Deferred revenues	57,631
	245,605
Net purchase price	2,031,356

⁽¹⁾ Goodwill is deductible for tax purposes

Goodwill reflects how the acquisition will impact the Company's ability to generate future profits in excess of existing profits. The consideration paid mostly relates to combined synergies, related mainly to revenue growth. These benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

MTY Franchising USA, Inc.**Notes to the amended and restated consolidated financial statements**

For the years ended November 30, 2016 and November 30, 2015

5. Accounts receivable

The following table provides details on trade accounts receivable not past due, past due and the related allowance for doubtful accounts:

	2016	2015
	\$	\$
Total accounts receivable	14,166,401	313,793
Less : Allowance for doubtful accounts	1,265,035	16,936
Total accounts receivable, net	12,901,366	296,857

	2016	2015
	\$	\$
Of which:		
Not past due	10,640,151	227,856
Past due for more than one day but for no more than 30 days	279,895	17,331
Past due for more than 31 days but for no more than 60 days	485,180	—
Past due for more than 61 days	1,496,140	51,670
Total accounts receivable, net	12,901,366	296,857

	2016	2015
	\$	\$
Allowance for doubtful accounts, beginning of year	16,936	9,483
Additions	179,641	14,906
Additions through acquisition	1,424,871	—
Reversals	(275,113)	—
Write-off	(81,300)	(7,453)
Allowance for doubtful accounts, end of year	1,265,035	16,936

The Company has recognized an allowance for doubtful accounts based on past experience, outlet-specific situation, counterparty's current financial situation and age of the receivables.

Trade receivables disclosed above include amounts that are past due at the end of the reporting period and for which the Company has not recognized an allowance for doubtful accounts because there was no significant change in the credit quality of the counterparty and the amounts are therefore considered recoverable. The Company does not hold any collateral or other credit enhancements over these balances nor does it have the legal right of offset against any amounts owed by the Company to the counterparty.

The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

MTY Franchising USA, Inc.**Notes to the amended and restated consolidated financial statements**

For the years ended November 30, 2016 and November 30, 2015

6. Loans receivable

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

	2016	2015
	\$	\$
Loans receivable bearing interest between 0% and 9% per annum, receivable in monthly instalments of \$244,922 in aggregate, including principal and interest, ending in 2026	5,687,333	—
	5,687,333	—
Current portion	(2,353,231)	—
	3,334,102	—

The capital repayments in subsequent years will be:

	\$
2017	2,353,231
2018	930,921
2019	618,296
2020	523,085
2021	337,112
Thereafter	924,688
	5,687,333

7. Advances to ultimate parent company

The advances to ultimate parent company is non-interest bearing and due on demand with no specified repayment terms.

MTY Franchising USA, Inc.**Notes to the amended and restated consolidated financial statements**

For the years ended November 30, 2016 and November 30, 2015

8. Property, plant and equipment

Cost	Equipment	Leasehold	Rolling Stock	Computer Hardware	Total
	\$	\$	\$	\$	\$
Balance at November 30, 2014	—	—	—	—	—
Additions	19,836	1,407	—	—	21,243
Additions through business combinations	100,000	100,000	—	—	200,000
Balance at November 30, 2015	119,836	101,407	—	—	221,243
Additions	29,610	—	23,541	1,349	54,500
Additions through business combinations (note 4)	2,503,200	796,583	64,140	116,381	3,480,304
Dispositions	(301,621)	—	(21,000)	—	(322,621)
Balance at November 30, 2016	2,351,025	897,990	66,681	117,730	3,433,426

Accumulated amortization	Equipment	Leasehold	Rolling Stock	Computer Hardware	Total
	\$	\$	\$	\$	\$
Balance at November 30, 2014	—	—	—	—	—
Amortization for the period	25,736	24,628	—	—	50,364
Balance at November 30, 2015	25,736	24,628	—	—	50,364
Amortization Expense	364,771	117,929	5,816	14,075	502,591
Dispositions	(11,612)	—	(1,667)	—	(13,279)
Balance at November 30, 2016	378,895	142,557	4,149	14,075	539,676

Carrying Amounts	Equipment	Leasehold	Rolling Stock	Computer Hardware	Total
	\$	\$	\$	\$	\$
November 30, 2015	94,100	76,779	—	—	170,879
November 30, 2016	1,972,130	755,433	62,532	103,655	2,893,750

MTY Franchising USA, Inc.**Notes to the amended and restated consolidated financial statements**

For the years ended November 30, 2016 and November 30, 2015

9. Intangible assets

Cost	Franchise rights	Trademark	Total
	\$	\$	\$
Balance at November 30, 2014	290,000	—	290,000
Additions through business combinations	239,763	1,459,361	1,699,124
Balance at November 30, 2015	529,763	1,459,361	1,989,124
Additions through business combinations (note 4)	132,176,764	190,566,361	322,743,125
Balance at November 30, 2016	132,706,527	192,025,722	324,732,249

Accumulated amortization	Franchise rights	Trademark	Total
	\$	\$	\$
Balance at November 30, 2014	76,091	—	76,091
Amortization for the period	55,778	—	55,778
Balance at November 30, 2015	131,869	—	131,869
Amortization expense	3,524,603	—	3,524,603
Balance at November 30, 2016	3,656,472	—	3,656,472

Carrying amounts	Franchise rights	Trademark	Total
	\$	\$	\$
November 30, 2015	397,894	1,459,361	1,857,255
November 30, 2016	129,050,055	192,025,722	321,075,777

10. Goodwill

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

	2016	2015
	\$	\$
Balance, beginning of year	253,267	—
Additional amounts recognized from business acquisitions (Note 4)	117,699,720	253,267
Balance, end of year	117,952,987	253,267

MTY Franchising USA, Inc.**Notes to the amended and restated consolidated financial statements**For the years ended November 30, 2016 and November 30, 2015

11. Gift card liability

During the year, the gift card liability increased by \$53,753,500 as a result of the Kahala Brands Ltd. and BF Acquisition Holdings, LLC acquisitions.

12. Promotional funds payable

	2016	2015
	\$	\$
Promotional funds payable, beginning of year	81,621	57,991
Promotional funds received	8,683,193	218,035
Promotional funds acquired (note 4)	1,143,962	53,672
Promotional funds spent	(6,608,129)	(248,077)
Promotional funds payable, end of year	3,300,647	81,621

13. Deferred revenue and deposits

	2016	2015
	\$	\$
Franchise fee deposits	2,903,152	73,500
Unearned rent	2,554,588	—
Supplier contributions and other allowances	5,609,137	48,542
	11,066,877	122,042
Current portion	(8,586,237)	(122,042)
	2,480,640	—

14. Advances from parent company and companies under common control

A portion of \$1,800,000 of the advance from parent company bears annual interest fee of 6%. The full amount is due on demand, with no specific repayment terms. No interest was paid in 2016 but rather capitalized to the advance.

The advances from companies under common control are non-interest bearing and due on demand with no specified repayment terms.

MTY Franchising USA, Inc.**Notes to the amended and restated consolidated financial statements**

For the years ended November 30, 2016 and November 30, 2015

15. Long-term loans from company under common control

	2016
	\$
Interest bearing loan on acquisition of Kahala Brands Ltd, bearing interest at 5.6%, repayable by July 2023 ⁽¹⁾	181,850,000
Interest bearing loan on acquisition of BF Acquisition Holdings LLC, bearing interest at 5.6%, repayable by October 2023 ⁽¹⁾	18,000,000
Balance, end of year	199,850,000

⁽¹⁾ The loans are subject to a maximum debt to EBITDA ratio of 5.50 to 1 starting on December 1, 2016 and a minimum EBITDA interest coverage ratio of 2.00 to 1 to be calculated in conjunction with interest payments based on the last four rolling quarters.

16. Long-term debt

	2016
	\$
Non-interest-bearing debt payable during 2017.	127,266
Non-interest-bearing holdbacks acquired on acquisition of Kahala Brands Ltd, repayable between July 2017 and July 2019.	13,206,128
	13,333,394
Current portion	(4,832,883)
	8,500,511

17. Contingencies

The contingencies for litigation and disputes represent management's best estimate of the outcome of litigations and disputes that are on-going at the date of the statement of financial position. This contingency is made of multiple items; the timing of the settlement of this contingency is unknown given its nature, as the Company does not control the litigation timelines.

The payables related to closed stores mainly represent amounts that are expected to be disbursed to exit leases of underperforming or closed stores. The negotiations with the various stakeholders are typically short in duration and are expected to be settled within a few months following the recognition of the contingencies.

Included in accrued liabilities is an amount of \$885,000 for litigation and dispute contingencies (2015 - \$nil) and \$139,500 for dark store contingencies (2015 - \$nil). Of this amount, \$1,016,000 was acquired through our business acquisitions, \$283,000 (2015 - \$nil) was unused and reversed into income, \$40,037 was used for settlements and \$331,537 was added.

The Company is also contingently liable to make certain payments related to reacquired area developer franchise rights. The payments are reported on a net basis against royalty revenue received.

MTY Franchising USA, Inc.**Notes to the amended and restated consolidated financial statements**

For the years ended November 30, 2016 and November 30, 2015

17. Contingencies (continued)

(a) Under the first agreement, the Company is committed to pay \$500,000, with payment terms as follows, contingent on future events:

- iii) 15% of new initial franchise fee, net of commissions, for any new Extreme Pita franchise that opens in the terminated territory
- iv) 15% of the royalties received from each franchise operating a restaurant in the terminated territory
- v) 60% of each new initial area developer fee, net of commissions, from the sale of any area or territory the state that the rights were terminated

Payment is to continue until the amount is paid in full. During the year, \$673 (\$3,704 in 2015) was paid. As at November 30, 2016, \$473,292 (\$473,965 in 2015), remains contingently payable. There is no end date by which the amount has to be paid in full, however, the uncertainty around the timing and amount of cash outflows results in the liability, as well as the associated intangible asset reacquired, unreliably measurable. Accordingly, no contingency has been recorded in the consolidated financial statements related to this contingent liability.

(b) Under the second agreement, payments are due as follows, contingent on future events:

- i. 25% of new initial franchise fee, net of commissions, for any new Extreme Pita franchise that opens in the terminated territory
- ii. 20% of the royalties received from each franchisee operating a restaurant in the terminated territory
- iii. 30% of each new initial area developer fee, net of commissions, from the sale of any are or territory the state that the rights were terminated

This agreement was terminated on May 10, 2016, however, During the year, \$7,798 (\$15,929 in 2015), has been accrued as payable, but remains unpaid.

18. Common Stock

	2016		2015	
	Shares issued	\$	Shares issued	\$
Balance, beginning of year	1,000	1	1,000	1
Share issuance related to Kahala Brands Inc. acquisition	4,000	80,653,736	—	—
Share issuance related to BF Acquisition Holdings LLC acquisition	1	8,500,000	—	—
Balance, end of year	5,001	89,153,737	1,000	1

On July 25, 2016, the Company issued 1,700 common shares to its parent company in exchange for its parent company assuming debt of \$8,920,112 related to the acquisition of Kahala Brands Inc. Further to this, an additional 2,300 shares were issued as part of the same transaction in exchange for its parent company assuming an additional \$71,733,624 in debt.

MTY Franchising USA, Inc.**Notes to the amended and restated consolidated financial statements**

For the years ended November 30, 2016 and November 30, 2015

18. Common Stock (continued)

On October 4, 2016, MTY Franchising USA, Inc. issued 1 common share to its parent company in exchange for \$8,500,000. This issuance was done as part of the financing plan for the acquisition of BF Acquisition Holdings LLC.

19. Financial instruments

In the normal course of business, the Company uses various financial instruments which by their nature involve risk, including market risk and the credit risk of non-performance by counterparties. These financial instruments are subject to normal credit standards, financial controls, risk management as well as monitoring procedures.

Fair value of recognized financial instruments

Following is a table which sets out the fair values of recognized financial instruments using the valuation methods and assumptions described below:

	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
	As restated (Note 23)	As restated (Note 23)		
Financial assets				
Cash	19,266,443	19,266,443	899,018	899,018
Accounts receivable	12,901,366	12,901,366	296,857	296,857
Loans receivable	5,687,333	5,687,333	—	—
Deposits	1,040,108	1,040,108	1,420	1,420
Advances to ultimate parent	86,209	86,209	—	—
Financial liabilities				
Accounts payable	5,787,960	5,787,960	127,993	127,993
Accrued liabilities	5,140,046	5,140,046	225,066	225,066
Promotional funds payable	3,300,647	3,300,647	81,621	81,621
Advances from parent company	2,587,853	2,587,853	1,635,277	1,635,277
Advances from companies under common control	75,852	75,852	67,363	67,363
Long-term loans from company under common control	199,850,000	199,850,000	—	—
Long-term debt	13,333,394	13,333,394	—	—

MTY Franchising USA, Inc.

Notes to the amended and restated consolidated financial statements

For the years ended November 30, 2016 and November 30, 2015

19. Financial instruments (continued)

Determination of fair value

The following methods and assumptions were used to estimate the fair values of each class of financial instruments:

Cash, accounts receivable, loans receivable, deposits, accounts payable, accrued liabilities, promotional funds payable and advances from companies under common control – The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Advances to ultimate parent, advances from parent company and long-term loans from company under common control – The fair value is approximately equal to the carrying amount as they were obtained at market rates during the current year.

Long-term debt – The fair value of long-term debt is determined using the present value of future cash flows under current financing agreements based on the Company's current estimated borrowing rate for a similar debt.

Risk management policies

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at November 30, 2016.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables, loans receivable and deposits. For accounts receivable and loans receivable, the amounts disclosed on the balance sheet are net of allowances for bad debts, estimated by the Company's management based on past experience and counterparty specific circumstances. The Company believes that the credit risk of accounts receivable is limited for the following reasons:

- The Company's broad client base is spread mostly across the USA, which limits the concentration of credit risk.
- The Company accounts for a specific bad debt provisions when management considers that the expected recovery is less than the actual account receivable.

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

The credit risk on deposits is also limited as these are mostly with well established and credit-worthy companies.

Foreign exchange risk

Foreign exchange risk is the Company's exposure to decreases or increases in financial instrument values caused by fluctuations in exchange rates. The Company's exposure to foreign exchange risk mainly comes from sales denominated in foreign currencies. The Company uses the U.S. dollar as functional currency. Since almost all transactions are conducted in U.S. currency, the Company's risk to fluctuations in foreign exchange rates are deemed to have minimal risk.

Interest rate risk

Interest rate risk is the Company's exposure to increases and decreases in financial instrument values caused by the fluctuation in interest rates. The Company has limited exposure to interest rate risk as its long-term loans from company under common control and parent company as well as its long-term debt have fixed interest rates.

MTY Franchising USA, Inc.**Notes to the amended and restated consolidated financial statements**

For the years ended November 30, 2016 and November 30, 2015

19. Financial instruments (continued)*Liquidity risk*

Liquidity risk refers to the possibility of the Company not being able to meet its financial obligations when they become due. The Company has contractual and fiscal obligations as well as financial liabilities and is therefore exposed to liquidity risk. Such risk can result, for example, from a market disruption or a lack of liquidity. Given that the majority of financial obligations are with related parties, liquidity risk is deemed to have a minimal risk.

The following are the contractual maturities of financial liabilities as at November 30, 2016:

	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	12 to 24 months	thereafter
	\$	\$	\$	\$	\$	\$
Accounts payable	5,787,960	5,787,960	5,787,960	—	—	—
Accrued liabilities	5,140,046	5,140,046	5,140,046	—	—	—
Promotional funds payable	3,300,647	3,300,647	3,300,647	—	—	—
Advance from parent company	2,587,853	2,587,853	2,587,853	—	—	—
Advances from company under common control	75,852	75,852	75,852	—	—	—
Long-term loans from company under common control	199,850,000	199,850,000	—	—	—	199,850,000
Long-term debt	13,333,394	16,133,575	105,592	5,338,771	5,342,105	5,347,107
Interest on long-term loans from company under common control	(1)	n/a	74,631,108	5,580,469	5,611,131	11,191,600
	230,075,752	307,507,041	22,578,419	10,949,902	16,533,705	257,445,015

(1) When future interest cash flows are variable, they are calculated using the interest rates prevailing at the end of the reporting period.

MTY Franchising USA, Inc.**Notes to the amended and restated consolidated financial statements**

For the years ended November 30, 2016 and November 30, 2015

20. Operating expenses

Operating expenses are broken down as follows:

	Franchising	Corporate	2016 Total
	\$	\$	\$
	As restated (Note 23)		As restated (Note 23)
Cost of goods sold	6,276,295	941,371	7,217,666
Wages and benefits	7,640,626	4,118,605	11,759,231
Advertising, marketing and promotion	925,998	196,636	1,122,634
Rent	989,348	1,843,795	2,833,143
Professional & consulting fees	4,196,351	—	4,196,351
Travel, meals and entertainment	1,011,227	—	1,011,227
Other	85,487	394,623	480,110
	21,125,332	7,495,030	28,620,362

	Franchising	Corporate	2015 Total
	\$	\$	\$
Cost of goods sold	11,791	797,376	809,167
Wages and benefits	626,352	616,331	1,242,683
Advertising, marketing and promotion	21,267	25,350	46,617
Rent	52,416	578,720	631,136
Professional & consulting fees	171,141	—	171,141
Travel, meals and entertainment	232,405	—	232,405
Other	139,063	119,499	258,562
	1,254,435	2,137,276	3,391,711

Operating expenses are split into two types of operations: Franchise operations and Corporate store operations. Operating segments were established based on the differences in the types of products or services offered by each division.

The products and services offered by each segment are as follows:

Franchising operations

The franchising business mainly generates revenues from royalties, supplier contributions, franchise fees and rent.

Corporate store operations

Corporate stores generate revenues from the direct sale of prepared food to customers.

MTY Franchising USA, Inc.**Notes to the amended and restated consolidated financial statements**

For the years ended November 30, 2016 and November 30, 2015

21. Income taxes

The Company accounts for income taxes in accordance with ASC 740, Income Taxes ("ASC 740"). ASC 740 prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates. The effects of future changes in tax laws or rates are not anticipated.

Under ASC 740 income taxes are recognized for the following: a) amount of tax payable for the current year and b) deferred tax liabilities and assets for future tax consequences of events that have been recognized differently in the financial statements than for tax purposes.

	2016	2015
	\$	\$
As restated (Note 23)		
Income tax expense (benefit)		
Current tax expense (benefit)	2,083,431	265,560
Deferred tax expense (benefit)	(1,454,759)	116,874
Total tax expense (benefit)	628,672	382,434

The provision for income taxes recorded in the consolidated financial statements differs from the amount, which would be obtained by applying the statutory income tax rate of 38% (37% in 2015), to the income for the period as follows:

	2016	2015
	\$	\$
As restated (Note 23)		
Earnings for the period before income taxes	502,006	1,012,164
Income tax recovery at combined federal statutory rate	170,682	345,700
State and local income taxes net of federal tax benefit	68,758	29,283
Non-deductible/non-taxable items	406,239	4,250
True up of prior year tax provision	15,384	(11,228)
Change in state tax rate	1,859	14,430
Other	(34,250)	(1)
Income tax expense	628,672	382,434

MTY Franchising USA, Inc.**Notes to the amended and restated consolidated financial statements**

For the years ended November 30, 2016 and November 30, 2015

21. Income taxes (continued)

Components of the net deferred tax asset or liability:

	2016	2015
	\$	\$
	As restated (Note 23)	
Allowance for doubtful accounts	1,064,132	6,246
Non-deductible interest	—	30,401
Deferred revenue	1,912,653	1,771
Gift cards	17,223,485	—
Property, plants and equipment	448,611	—
Accrued expenses	2,809,537	—
Long-term debt	22,542	—
Total deferred tax assets	23,480,960	38,418
Property, plants and equipment	—	(63,020)
Intangible assets	(107,981,908)	(62,236)
Total deferred tax liabilities	(107,981,908)	(125,256)
Net deferred tax asset (liability)	(84,500,948)	(86,838)

22. Supplemental cash flow information

During the year, the Company paid \$658,212 (\$13,256 in 2015) in income taxes.

23. Correction of an error

Management of the ultimate parent Company determined that the methodology used to calculate the fair value of the liability related to the Kahala Gift Cards at the time of the acquisition of Kahala Brands Ltd. (Note 4) was inappropriate, resulting in further inaccuracies in the determination of the revenues and expenses associated with those gift cards.

The Company incorrectly determined that the carrying value of the assumed gift card liability approximated its fair value based on historical redemption patterns and continued to recognize breakage revenue when it was estimated that the likelihood of gift cards being redeemed was remote. The assumed gift card liability should have been recorded at fair value which would have incorporated estimated future breakage and accordingly no breakage revenue should have been recorded on the assumed gift cards after the acquisition unless there were changes in expected redemption patterns. Although the carrying value of the gift card liability recorded in the purchase price allocation was not materially different than its fair value and does not require to be restated, breakage revenue recorded for those gift cards and the related expenses subsequent to the acquisition require restatement.

MTY Franchising USA, Inc.
Notes to the amended and restated consolidated financial statements

For the years ended November 30, 2016 and November 30, 2015

23. Correction of an error (continued)

The Company has determined that a restatement is required to its revenues and expenses recorded and the tax effect related to these adjustments. The impact of the restatement is follows:

Consolidated Statement of income

	Year ended November 30, 2016		
	\$	\$	\$
	As restated	As previously reported	Restatement
Revenue			
Corporate store revenues	11,246,007	11,246,007	—
Royalties	16,868,145	16,868,145	—
Franchise fees, transfer fees and master license fees	1,006,468	1,006,468	—
Program allowances	6,003,229	6,003,229	—
Other revenue	(i) 3,068,080	6,925,990	(3,857,910)
	38,191,929	42,049,839	(3,857,910)
Expenses			
Operating expenses	(ii) 28,620,362	28,784,166	(163,804)
Amortization – property, plant and equipment	502,591	502,591	—
Amortization – intangible assets	3,524,603	3,524,603	—
Interest charged by parent company	43,721	43,721	—
Interest charged by companies under common control	3,697,987	3,697,987	—
Interest on long-term debt	528,769	528,769	—
Management fees charged by parent company	756,648	756,648	—
	37,674,681	37,838,485	(163,804)
Other income (charges)			
Loss on disposal of property, plant and equipment	(15,242)	(15,242)	—
	(15,242)	(15,242)	—
Income before income taxes	502,006	4,196,112	(3,694,106)
Income taxes expense (recovery)			
Current	2,083,431	2,083,431	—
Deferred	(ii) (1,454,759)	(6,670)	(1,448,089)
	628,672	2,076,761	(1,448,089)
Net (loss) income and comprehensive (loss) income	(126,666)	2,119,351	(2,246,017)

(i) To adjust breakage revenue recorded following the acquisition of Kahala Brands Ltd.

(ii) To adjust expenses related to gift cards recorded following the acquisition of Kahala Brands Ltd.

(iii) To tax effect the adjustments made to net income before taxes.

MTY Franchising USA, Inc.
Notes to the amended and restated consolidated financial statements

For the years ended November 30, 2016 and November 30, 2015

23. Correction of an error (continued)
Consolidated Balance Sheet

	As at November 30, 2016		
	\$	\$	\$
	As restated	As previously reported	Restatement
Assets			
Current assets			
Cash	19,266,443	19,266,443	—
Accounts receivable	12,901,366	12,901,366	—
Inventories	438,388	438,388	—
Loans receivable	2,353,231	2,353,231	—
Prepaid expenses and deposits	4,975,951	4,975,951	—
Advances to ultimate parent company	86,209	86,209	—
	<u>40,021,588</u>	<u>40,021,588</u>	<u>—</u>
Loans receivable	3,334,102	3,334,102	—
Property, plant and equipment	2,893,750	2,893,750	—
Intangible assets	321,075,777	321,075,777	—
Goodwill	117,952,987	117,952,987	—
	<u>445,256,616</u>	<u>445,256,616</u>	<u>—</u>
	<u>485,278,204</u>	<u>485,278,204</u>	<u>—</u>
Liabilities			
Current liabilities			
Accounts payable	5,787,960	5,787,960	—
Accrued liabilities	5,140,046	5,140,046	—
Gift card liability	(i), (ii) 56,312,249	52,618,143	3,694,106
Promotional funds payable	3,300,647	3,300,647	—
Deferred revenue and deposits	8,586,237	8,586,237	—
Income taxes payable	13,487,370	13,487,370	—
Advance from parent company	2,587,853	2,587,853	—
Advances from companies under common control	75,852	75,852	—
Current portion of long-term debt	4,832,883	4,832,883	—
	<u>100,111,097</u>	<u>96,416,991</u>	<u>3,694,106</u>
Long-term loans from company under common control	199,850,000	199,850,000	—
Long-term debt	8,500,511	8,500,511	—
Deferred revenue and deposits	2,480,640	2,480,640	—
Deferred income taxes	(iii) 84,500,948	85,949,037	(1,448,089)
	<u>395,443,196</u>	<u>393,197,179</u>	<u>2,246,017</u>

MTY Franchising USA, Inc.**Notes to the amended and restated consolidated financial statements**

For the years ended November 30, 2016 and November 30, 2015

23. Correction of an error (continued)**As at November 30, 2016**

	\$	\$	\$
	As restated	As previously reported	Restatement
Stockholder's equity			
Common stock value	89,153,737	89,153,737	—
Retained earnings	(i), (ii), (iii) 681,271	2,927,288	(2,246,017)
	89,835,008	92,081,025	(2,246,017)
	485,278,204	485,278,204	—

- (i) To adjust breakage revenue recorded following the acquisition of Kahala Brands Ltd.
(ii) To adjust expenses related to gift cards recorded following the acquisition of Kahala Brands Ltd.
(iii) To tax effect the adjustments made to net income before taxes.

MTY Franchising USA, Inc.
Notes to the amended and restated consolidated financial statements

For the years ended November 30, 2016 and November 30, 2015

23. Correction of an error (continued)
Consolidated statement of Cash flow

		Year ended November 30, 2016		
		\$	\$	\$
		As restated	As previously reported	Restatement
Operating activities				
Net income	(i), (ii), (iii)	(126,666)	2,119,351	(2,246,017)
Items not affecting cash				
Amortization – property, plant and equipment		502,591	502,591	—
Amortization – intangible assets		3,524,603	3,524,603	—
Interest on advance from parent company		43,721	43,721	—
Interest on advance from companies under common control		3,697,987	3,697,987	—
Interest on long-term debt		528,769	528,769	—
Loss on disposal of property, plant and equipment		15,242	15,242	—
Deferred income taxes	(ii)	(1,454,759)	(6,670)	(1,448,089)
		6,731,488	10,425,594	(3,694,106)
Interest paid		(3,697,987)	(3,697,987)	—
Changes in non-cash working capital items				
Accounts receivable		(2,654,016)	(2,654,016)	—
Inventories		(6,060)	(6,060)	—
Prepaid expenses and deposits		(1,780,458)	(1,780,458)	—
Loans receivable		(675,258)	(675,258)	—
Income taxes		1,380,279	1,380,279	—
Accounts payable		(3,751,221)	(3,751,221)	—
Accrued liabilities		4,066,015	4,066,015	—
Promotional funds payable		2,075,064	2,075,064	—
Gift card liability	(ii), (iii)	2,558,749	(1,135,357)	3,694,106
Deferred revenue and deposits		(506,614)	(506,614)	—
Net cash from operating activities		3,739,981	3,739,981	—

(i) To adjust breakage revenue recorded following the acquisition of Kahala Brands Ltd.

(ii) To adjust expenses related to gift cards recorded following the acquisition of Kahala Brands Ltd.

(iii) To tax effect the adjustments made to net income before taxes.



EXHIBIT B

FRANCHISE AGREEMENT WITH SCHEDULES



MTY FRANCHISING USA, INC.

- and -

THAI EXPRESS
FRANCHISE AGREEMENT

**MTY FRANCHISING USA, INC.
FRANCHISE AGREEMENT**

TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE</u>
1. DEFINITIONS.....	1
2. TERM AND RENEWAL TERM	4
3. GRANT OF LICENSE AND RIGHT TO USE MARKS	6
4. COMMENCEMENT OF OPERATIONS	9
5. OPERATION OF BUSINESS	13
6. COVENANTS OF FRANCHISEE.....	24
7. COVENANTS OF THE FRANCHISOR	30
8. PAYMENTS BY FRANCHISEE AND ACCOUNTING OBLIGATIONS.....	30
9. TERMINATION AND/OR DEFAULT	35
10. RIGHTS AND OBLIGATIONS OF PARTIES UPON TERMINATION.....	42
11. GUARANTEE	49
12. SALE OF BUSINESS.....	49
13. ABSENCE, DISABILITY OR DEATH.....	55
14. RELATIONSHIP OF PARTIES.....	55
15. RESTRICTIVE COVENANTS.....	56
16. GENERAL CONTRACT PROVISIONS.....	58
17. ACKNOWLEDGMENT AND FRANCHISE DISCLOSURE QUESTIONNAIRE.....	64

SCHEDULES:

Schedule A:	Licensed Location and Designated Manager
Schedule B:	Acknowledgment
Schedule C:	Addendum to Lease
Schedule D:	Request for Pre-Authorized Payments
Schedule E:	Guaranty and Indemnity
Schedule F:	Shareholders/Members/Partners
Schedule G:	Address for Notice
Schedule H:	Collateral Assignment of Telephone Numbers, Addresses and Listings
Schedule I:	Statement of Franchisee
Schedule J:	Security Agreement
Schedule K:	Sublease
Schedule L:	Sample Acknowledgment of Termination and Release Agreement
Schedule M:	SBA Addendum

MTY FRANCHISING USA, INC.

FRANCHISE AGREEMENT

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

WHEREAS the Franchisor has expended time, effort and money to acquire experience and knowledge with respect to the operation and management of a retail food service business and the provision of services related thereto; and

WHEREAS the Franchisor has developed a System (as defined in Section 1.1(1)) for the establishment, development and operation of such a business and is continuing to develop the System; and

WHEREAS the System is identified by certain Marks (as defined in Section 1.1(h)) hereinafter described and certain copyrighted material embodying the use of such Marks, and the Franchisor has goodwill in connection with such Marks and copyrighted material; and

WHEREAS the Franchisee wishes to obtain a license to operate a retail food service business of the standard and quality set by the Franchisor and to utilize the System, the product lines approved by the Franchisor, the suppliers, the distinctive fixtures, accessories and color scheme specified by the Franchisor, and the know-how, experience, goodwill, and Marks of the Franchisor; and

WHEREAS the Franchisee recognizes the importance of maintaining the distinctive qualities and attributes of the products, services and facilities identified by the Marks.

NOW THEREFORE in consideration of the agreements hereinafter contained and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto agree with each other as follows:

1. DEFINITIONS

1.1 Definitions. Wherever used in this Agreement, the following words shall have the following meanings respectively:

(a) “**Business**” means the retail food service business operated or to be operated by the Franchisee at the Store pursuant to this Agreement.

(b) “**Business Records**” means evidence of each business transaction, and all marketing and other operating aspects of the Business, and all evidence and records with respect to customers and other service professionals relating to the Business including, without limitation, all databases in print, electronic or other form, including all names, addresses, phone numbers, e-mail addresses, customer purchase records, and all other

records contained in the database, and all other records created and maintained by Franchisee in operation of the Business. The term Business Records does not include any of Franchisee's tax or financial records related to the operation of the Business.

(c) **"Commencement Date"** means the date on which Franchisee executes this Agreement.

(d) **"Gross Sales"** means the aggregate of the actual selling price of all goods and services sold or provided in, on or from the Store or such other place as authorized by Franchisor (including, without limitation, all sales of food and beverages, concessions or catering made on or off premises by Franchisee, whether for cash, credit, or on a credit or time basis, including the reasonable market value of any goods or services sold or traded in any barter or trade transaction, without reserve or deduction for any failure or inability to collect, and including income of every kind and nature related to the Business), unless otherwise provided in this Agreement and any proceeds from business interruption insurance received by the Franchisee. No deductions shall be allowed for uncollected or uncollectible credit accounts and each charge or sale made on installment or credit shall be treated as a sale for the full selling price in the week during which such charge or credit is made, irrespective of the time when the Franchisee receives payment. Gross Sales shall include all amounts received or receivable in respect of orders taken or received at the Store, even though such orders may be filled elsewhere. Gross Sales shall not include:

(i) any retail sales tax(es) which does not form part of the quoted price for the goods or service and which is collected from customers by the Franchisee acting as agent for the sales tax authority; or

(ii) any gratuities collected by employees of the Franchisee.

(e) **"Lease"** means the lease, sublease, or agreement to lease or sublease the Store entered into by the Franchisee, as tenant, and any amendments made thereto from time to time.

(f) **"Licensed Location"** means the location identified on Schedule A to this Agreement. If the Licensed Location is not identified in **Schedule A** at the time of execution of this Agreement, then the Licensed Location will be such location as is subsequently agreed upon between the Franchisor and the Franchisee, such agreement to be evidenced in writing by completing **Schedule A** at the time the Licensed Location is identified.

(g) **"Manual"** means the operating manual for the System developed by the Franchisor containing various mandatory specifications, standards, methods, techniques and procedures for the operation of the Business as may be prescribed by the Franchisor from time to time for the franchisees of the Franchisor and containing information relative to other obligations of the Franchisee under this Agreement.

(h) **"Marks"** means the trademark THAI EXPRESS[™] and all other trademarks, logos, distinctive names, service marks, certification marks, trade names,

commercial symbols, insignia, labels and designs or otherwise, now or hereafter owned or used (and not thereafter withdrawn) by Franchisor and authorized for use by Franchisee by notice in writing given by Franchisor. Marks also include all trademark, logo, distinctive name, service mark, certification mark, trade name, commercial symbol, insignia, label and design mark applications that the Franchisor has pending at the United States Patent and Trademark Office.

(i) **“Products”** means food and beverages, promotional items, uniforms, smallwares, computer software and hardware, telephone equipment, furnishings, fixtures, and equipment used in connection operating the Store, leasehold improvements, supplies, recipes, materials, forms, and other products sold or used through a Store.

(j) **“Services”** means any services rendered to Thai Express customers outside of the Store, including, without limitation, the delivery of Products, catering services and such other services as may be expressly authorized by the Franchisor in writing from time to time.

(k) **“Store”** means the premises identified in **Schedule A** to this Agreement or any other location as may be mutually agreed upon between the Franchisee and the Franchisor in writing. If the Store is not identified in **Schedule A** at the time of execution of this Agreement, then the Store will be such premises as are subsequently agreed upon by the Franchisor and the Franchisee, such agreement to be evidenced in writing by completing **Schedule A** at the time the Store is identified.

(l) **“System”** means the systems, standards, methods and procedures conceived of, developed or used by the Franchisor or which may hereafter be conceived, developed, updated or used by the Franchisor for the operation of a retail food service business and includes, without limitation, the following:

(i) the standards of quality and service used in the operation of a retail food service business utilizing the Franchisor’s System;

(ii) the design, color, style and other distinguishing characteristics of the leasehold improvements, fixtures, signs and furnishings;

(iii) distinguishing characteristics relating to the basic image, design, appearance, layout and color scheme of the interior and exterior of a location licensed by the Franchisor.

(m) **“Termination”** has the meaning attributed to it in section 10.1 of this Agreement.

1.2 **Schedules.** The following are the schedules referred to in this Agreement:

Schedule A	Licensed Location and Designated Manager
Schedule B	Acknowledgment
Schedule C	Addendum to Lease
Schedule D	Request for Pre-Authorized Payments

Schedule E	Guaranty and Indemnity
Schedule F	Shareholders/Members/Partners
Schedule G	Address for Notice
Schedule H	Collateral Assignment of Telephone Numbers, Addresses and Listings
Schedule I	Statement of Franchisee
Schedule J	Security Agreement
Schedule K	Sublease
Schedule L	Sample Acknowledgment of Termination and Release Agreement
Schedule M	SBA Addendum

2. TERM

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

a. If you are purchasing a new or existing non-operating Business, the Term will expire on either: (1) the ten (10) year anniversary of the date you open this Business to the public if you own the property where this Business is located or if you enter into a lease directly with the landlord or other third-party for the property where this Business is located; or (2) if you have entered into a sublease with one of our affiliates, the expiration of the term of the sublease for the property where this Business is located excluding any extensions or renewal options, unless terminated earlier in accordance with *Section 9* or any other provisions of this Agreement; renewed in accordance with *Subsection 2.2*, or transferred in accordance with *Section 12*; or

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

2.2 Renewal. Subject to the terms and conditions described below, you will have the right to renew your license to operate the Business for two (2) consecutive five (5) year renewal terms. In the event you desire to renew your license, you must give us notice to that effect at least one hundred twenty (120) days prior to the expiration date of the then-current term (initial or renewal). In addition to giving the notice of renewal referred to above in a timely manner, in order to have the right to renew the license to operate the Business for each additional term, you must also meet each of the following requirements:

(a) You must not then be in default under the then-current franchise agreement for this Store or any other agreement, legal instrument or document with us or any of our affiliates, and no event shall have occurred that, with the giving of notice, the passage of time, or both,

would constitute a default under the then-current franchise agreement for this Store, including all financial obligations to us;

(b) You must be in complete compliance with the terms of the then-current franchise agreement for this Store, including all financial obligations to us, and the then-current Manual;

(c) You must not have received more than three (3) notices of default or breach of the then-current franchise agreement for this Store during its term (initial or renewal), nor more than two (2) notices of default or breach during the five (5) years immediately preceding the effective date of the proposed renewal;

(d) You must have the existing right to maintain possession of the property where this Business is located or you must have secured and developed a suitable substitute location that meets our then-current minimum site requirements (such confirmation will be provided to you by us in writing);

(e) You must sign a general release provided by us;

(f) You and we must execute all agreements, legal instruments and other documents (collectively and individually, “**Renewal Franchise Agreement**”) then used by us in the renewal of franchises and then being required of new franchise owners in connection with the System. The Renewal Franchise Agreement will supersede the then-current franchise agreement for this Store, but will not terminate your liability to perform any obligations which you have not yet performed under the then-current franchise agreement for this Store, or which survive the termination of the then-current franchise agreement for this Store; nor will the Renewal Franchise Agreement terminate or supersede any guaranty and indemnity agreement executed pursuant to the then-current franchise agreement for this Store. The terms of the Renewal Franchise Agreement may vary materially from the current agreements used by us, including the payment of a higher Royalty and Marketing Fund Contributions;

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

(h) You agree to complete all remodeling and improvements as required by us, and must upgrade the point-of-sale system to the then-current required point-of-sale system, within the time period specified by us; and

(i) You shall have paid to us a renewal fee in the amount of fifty percent (50%) of the then-current initial franchise fee not including any discounts or reductions (“**Renewal Franchise Fee**”).

If you do not meet any of the requirements for renewal, we will give you a notice to that effect which will specify the requirements not met. The notice will be given to you within sixty (60) days after you deliver to us your notice of intent to renew.

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

3. GRANT OF LICENSE AND RIGHT TO USE MARKS

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

- (a) an exclusive license to carry on the Business only at the Store under the name THAI EXPRESS™ or such other Marks as may be specified from time to time by the Franchisor during the Term or any Interim Period;
- (b) a non-exclusive license to use and display the Marks during the Term and any Interim Period in connection with the operation, advertising and promotion of the Business; and
- (c) a non-exclusive license to use, in connection with the Store, the System.

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

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

- (i) identify the Licensed Location of the Store for which Franchisee's franchise rights will be granted;
- (ii) establish, operate or license to any other person or entity the right to establish or operate, a restaurant owned or licensed by the Franchisor at any location;

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

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

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

(vi) distribute, sell or license other persons to distribute or sell non-System products and System products at any location through all other channels. "**Other Channels**" means locations other than traditional restaurants owned or franchised or licensed by the Franchisor and includes sale by or through other channels of trade including, without limitation, kiosks, carts, grocery stores, convenience stores, food chains, electronic mail, Internet sales, malls, universities, schools, hospitals, military bases, casinos, convention centers, arenas, stadiums, health and fitness facilities, office buildings, theme parks, movie theatres, and amusement facilities; and

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

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

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

3.2 License Subject to this Agreement. The Franchisee acknowledges that the Franchisor is a licensee of the Marks and that the Franchisor has the right to grant the license granted to the Franchisee in Section 3.1 of this Agreement. The Franchisee agrees not to question the ownership of the Marks or the Franchisor's right to grant to the Franchisee the right to use the Marks. Franchisee agrees not to file any trade mark, copyright or intellectual property application in regards to the Marks, except as expressly permitted herein. Furthermore,

Franchisee renounces any and all of Franchisee's common law interests in said Marks. The Franchisee's right to use the Marks is derived solely from this Agreement and is limited to the conduct of business by the Franchisee pursuant to and in compliance with this Agreement and all-applicable standards, specifications, and operating procedures prescribed by the Franchisor and contemplated in this Agreement. Any unauthorized use of the Marks by the Franchisee shall constitute an infringement of the rights of the Franchisor in and to the Marks and shall constitute an Event of Default under this Agreement.

3.3 Usage Inures to Benefit of the Franchisor. The Franchisee agrees that all usage of the Marks by the Franchisee and any goodwill established thereby shall inure to the exclusive benefit of the Franchisor and/or its affiliates, as the case may be. The Franchisee acknowledges that this Agreement does not confer any interest in the Marks or goodwill associated therewith upon the Franchisee.

3.4 Identification of Business. The Franchisee agrees to use the Marks as the sole identification of the Business; provided that the Franchisee shall identify itself as a franchisee of the Franchisor and as the independent owner of the Business as otherwise provided in this Agreement.

3.5 Display of Marks. The Franchisee agrees to prominently display the Marks in connection with the Business and in the manner prescribed by the Franchisor from time to time in the Manual or otherwise; provided that, prior to using the Marks on any signs, goods or materials for any reason whatsoever, the Franchisee shall obtain the written approval of the Franchisor to such usage. The Franchisee agrees to give such notices, at the Store or otherwise, as may be required by the Franchisor for the purpose of indicating that the Franchisee is a licensed user of the Marks. In its use of the Marks, the Franchisee shall include such notices as may be required by the Franchisor for purposes of preserving the interests of the Franchisor in the Marks, including trademark and copyright notices.

3.6 Unauthorized Use. The Franchisee shall not use the Marks as part of any corporate name or with any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form. The Franchisee shall only use the Marks in connection with the sale of goods, products, and services authorized by the Franchisor.

3.7 Infringement of or Challenges to the Marks. The Franchisee shall immediately notify the Franchisor of any actual or apparent infringement of or challenge to the Franchisee's use of the Marks, or any claim by any person of any rights in any of the Marks. The Franchisee shall not communicate with any person other than the Franchisor and its counsel in connection with any such infringement, challenge, or claim. The Franchisor shall have sole discretion to take such action as it deems appropriate and the right to exclusively control any litigation or other proceeding arising out of any such infringement, challenge or claim or otherwise relating to any of the Marks. The Franchisee agrees to execute any and all instruments and documents, render such assistance and do such acts and things as may, in the opinion of the Franchisor's counsel, be necessary or advisable to protect and maintain the interest of the Franchisor in the Marks. If it becomes advisable at any time, in the Franchisor's sole discretion, for the Franchisor and/or the Franchisee to modify or discontinue the use of any of the Marks, and/or use one or more additional or substitute Marks, the Franchisee agrees to comply with the directions of the

Franchisor in that regard within a reasonable period of time after receipt of such directions and the sole obligation of the Franchisor in any such event shall be to reimburse the Franchisee for its reasonable out-of-pocket costs, if any, of changing the signage at the Store except if such change is required pursuant to Section 2.2 herein.

3.8 Termination of License. Upon Termination, the Franchisee shall immediately cease all use of the Marks, including any colorable imitation thereof, in connection with any goods, services or business and, without restricting the generality of the foregoing, the Franchisee agrees not to use the word “THAI EXPRESS” in any manner or form as a trademark, trade name or otherwise in connection with any goods, services or business. The Franchisee agrees that this covenant is reasonable and necessary to protect the integrity of the Marks, and that this covenant is enforceable by injunction, including a temporary restraining order, by any court of competent jurisdiction.

4. COMMENCEMENT OF OPERATIONS

4.1 Site Location Period. If the Store or the Licensed Location is not identified and agreed to by the Franchisor prior to the execution of this Agreement, then the Franchisee will have twelve (12) months following the Commencement Date of this Agreement (“**Site Location Period**”) to use its best efforts to find a suitable location for the Store acceptable to the Franchisee and the Franchisor in all reasonable respects and to sign a Lease for the Store. As set forth in Section 2.1 of this Agreement, the Term of this Agreement will expire if Franchisee is unable to find a suitable location within the Site Location Period, and in such event, Franchisor may retain any and all monies paid to Franchisor, including the Initial Franchise Fee paid pursuant to Section 8.1, as liquidated damages and not as a penalty. Franchisee’s failure to sign a Lease for the Store prior to the expiration of the Site Location Period will constitute abandonment of the Business by Franchisee and entitle the Franchisor to terminate this Agreement without providing Franchisee with notice or the opportunity to cure.

4.2 Lease of the Store. Franchisee will be solely responsible for selecting and negotiating the purchase or lease of the Store. If Franchisor or its affiliates holds the master lease for the Licensed Location, Franchisee shall enter into the sublease in substantially the form attached as **Schedule K**. Franchisee recommends that Franchisee retain a commercial real estate broker or salesperson who has at least five years of experience in locating restaurant sites to advise and counsel the Franchisee with regard to the price, economics, demographics, access, visibility, location, and the acquisition or lease of the site for Franchisee’s Store. Franchisor further recommends that Franchisee retain an experienced attorney to provide advice and counsel on the terms, conditions and economics of the legal and other documents required to lease or purchase the site for the Store. Franchisee shall, as soon as practicable following the execution of this Agreement and within the Site Location Period, submit to the Franchisor for its review and approval a copy of the Lease (prior to the execution of the Lease) proposed to be entered into in respect of the Store. Such review is for the benefit of Franchisor, and Franchisee acknowledges that Franchisor’s review and approval of a Lease for the Store does not constitute a recommendation, endorsement, or guarantee by Franchisor of the suitability, success of the Store or the Lease, and Franchisee and Guarantor shall take all steps necessary to ascertain whether such Store and Lease are acceptable to Franchisee including by seeking professional advice, legal and/or otherwise with respect to the Lease. It is understood that the terms of the

Lease shall include the terms contained in the Addendum to Lease (currently in the form attached hereto as **Schedule C**) in Franchisor's then-current-form Addendum to Lease. In addition, the terms of the Lease must also give the Franchisor the right to enter the premises of the Franchised Location to conduct inspections during regular business hours. Following Franchisor's approval of any Lease to be entered into by Franchisee, Franchisee agrees not to terminate or in any way alter or amend the same during the Term of the Franchise Agreement or any renewal term thereof without Franchisor's prior written consent, and any attempted termination, alteration or amendment shall be null and void and have no effect as to Franchisor's interests hereunder. Franchisor acknowledges and agrees that Franchisor may grant or deny its consent for any reason in its sole discretion.

If, prior to executing a Lease, Franchisee or its attorney request a full review of the Lease by Franchisor, including any and all exhibits attached thereto, and Franchisor or its designated affiliate review the entire Lease and exhibits and provides to Franchisee or its attorney its review of the entire Lease and suggested changes to the Lease ("**Lease Review**"), Franchisee must pay a lease review fee in the amount of One Thousand Two Hundred Fifty Dollars (\$1,250) ("**Lease Review Fee**") to compensate for time and effort in reviewing the Lease. The Lease Review is optional and only completed by Franchisor or its designated affiliate at Franchisee's or its attorney's request. The Lease Review Fee is due only in the event that Franchisee or its attorney request Franchisor or its affiliate to complete a Lease Review.

4.3 Design and Construction. Franchisee shall construct and equip the Store in conformity with Franchisor's standard plans, specifications and drawings provided by the Franchisor or Franchisor's affiliates or subsidiaries. The cost of producing all plans and specifications and all costs and expenses pertaining to the planning, construction of leaseholds, signs, logos, graphics, permits, fees, equipment, machinery, and of whatever else the Franchisee encounters in the way of costs and expenses in bringing about completion of the Store to Franchisor's standards shall be borne exclusively by the Franchisee. Franchisee acknowledges that any guarantee or warranty with respect to the performance and function of any of the equipment for use in the Business will be limited to those provided by the manufacturer or supplier of such equipment. Franchisor makes no representation that its standard layout plans, specifications and drawings or any work already performed by the Franchisor or Franchisor's affiliates or subsidiaries at the Store are in compliance with state or local laws.

4.4 Training Program. Prior to opening the Store for business, the Franchisor shall provide, and the Franchisee shall attend and successfully complete, all training programs required by the Franchisor regarding the System. The Franchisor may designate the location of all such training programs. Unless otherwise agreed, the Franchisee shall cause the Designated Manager to participate in the training program. Franchisee acknowledges that the successful completion of the initial training program will require, among other things, that each attendee be able to communicate that he/she can read, write, and converse in English by passing a competency test. The Designated Manager may be required to take and pass a competency test when the Franchisee signs this Agreement and receive a passing score. Franchisee agrees that the Designated Manager will be fluent in the English language. Up to two (2) individuals including the Designated Manager are eligible to participate in Franchisor's initial training program without paying any tuition or fee. Franchisee shall be responsible for any and all travel and living expenses incurred in connection with attending the training program as well as wages

or salaries, if any, of the person(s) receiving training or undergoing testing. Franchisee and the Designated Manager must successfully complete the training program before Franchisee begins operating the Store, failing which, Franchisor shall be entitled to terminate this Agreement by written notice to Franchisee and Franchisor shall retain any and all monies paid to Franchisor, including the Initial Franchise Fee paid pursuant to Section 8.1, as liquidated damages and not as a penalty. In the event Franchisor elects to terminate this Agreement, Franchisee must pay to Franchisor immediately upon demand, any and all costs and losses Franchisor incurred in administering the opening of the Store, including without limitation, any outstanding rent, operating losses, and construction cost shortfalls. Franchisor reserves the right to waive all or a portion of the training program, or alter the training schedule, in Franchisor's sole discretion.

The Franchisor may require that the Franchisee and its personnel attend and complete additional training, re-training sessions or seminars that it may offer from time to time during the currency of this Agreement at locations determined by Franchisor. Attendance at these training sessions or seminars by Franchisee and/or the Designated Manager is required and mandatory. All travel, living, and other expenses in connection with said training programs, including wages, shall be paid by the Franchisee.

If, whether as a result of observations, test results or otherwise during initial training or thereafter (including during operation of the Franchisee's Thai Express Store) the Franchisor determines in the Franchisor's reasonable discretion, that the Franchisee is not meeting the System standards, after written notice and a 10-day opportunity to cure, the Franchisor can require that: (1) a manager or other person designated by the Franchisor be placed in the Franchisee's Thai Express Store to supervise day-to-day operations for the purpose of assuring compliance with the Franchisor's standards. The Franchisee will pay all costs in connection therewith, including salary, benefits, travel, meals, lodging, and incidental expenses; and/or (2) the Franchisee (or a managing partner or shareholder consented to by the Franchisor) and/or the Franchisee's equity manager, re-attend and successfully complete training, at the Franchisee's sole cost and expense.

4.5 Opening for Business. The Franchisee shall do all such acts and things as are necessary (including, without limiting the foregoing, compliance with all contractual obligations) to ensure that the Store is open for business within ten (10) days of receiving Franchisor's written consent, which cannot be provided until the Franchisor has approved the Store and Franchisee has: (1) successfully completed the initial training program; (2) paid all amounts owing to the Franchisor or its affiliates or subsidiaries and their contractors and suppliers under this Agreement or any other agreements between the Franchisor and the Franchisee; (3) furnished to Franchisor copies of all insurance policies required by this Agreement; (4) built out and equipped the Store in accordance with Franchisor's standards and specification; (5) stocked the Store with an inventory of approved products and supplies; (6) staffed the Store as required by Franchisor's standards and specifications; (7) obtained all necessary approvals from local authorities and government agencies; (8) completed all other aspects of developing the Business as Franchisor has reasonably required; and (9) provided Franchisor with a voided check from Franchisee's business account for purposes of allowing Franchisor to collect payment of Royalties and Marketing Fund Contributions from such business account.

Franchisee acknowledges and warrants that the Franchisor's approval of the Business at the Store does not constitute a guarantee, recommendation, or endorsement of the Business and that the success of the Business to be operated at the Store depends on the Franchisee's Designated Manager's and Guarantor's abilities as independent businesspersons and the acceptance of them and the Products in the community where the Store is located.

4.6 Relocation.

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

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

(ii) Within twenty-one (21) days after receiving your written request, we shall advise you in writing if the proposed new location meets our minimum real estate site requirements and if you have our authorization to proceed with the relocation. In the event of our denial to proceed with the relocation, you may request an alternative proposed new location pursuant to the provisions of this *Section 4.6*.

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

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

(i) You must not be in default under this Agreement or any other agreement or note then in effect between us or you and any affiliate of ours, and no event shall have occurred that, with the giving of notice, the passage of time, or both, would constitute a default under this Agreement;

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

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

(iv) You shall have paid to us a relocation fee in the amount of Five Hundred Dollars (\$500).

(c) If we approve the relocation of your Business, (i) you and we must execute an amendment to this Agreement indicating the address for your relocated Business, and (ii) you must open your Business at the new location within ninety (90) days after you close your Business at the current property where the Business is located. During the period of time between the closure of your Business at the current location, and the opening of the Business at the approved relocation address, you will not owe the Royalty (as defined in *Section 8.2*).

5. OPERATION OF BUSINESS

5.1 Acknowledgment. The Franchisee acknowledges that the goodwill associated with the Marks has been created through the use of certain marketing and operating methods established by the Franchisor and/or its affiliates, as the case may be. The Franchisee further acknowledges that, through the operation of the Business, the Franchisee shall have the opportunity to benefit from such goodwill and shall be in a position to affect such goodwill to the benefit or detriment of the Franchisor and other franchisees of the Franchisor. Accordingly, the Franchisee agrees that the restrictions imposed on the conduct of the Business pursuant to this Section 5 shall be of the essence of this Agreement and that the Franchisee covenants to continuously and strictly observe and perform all of the conditions and agreements contained in this Section 5.

5.2 Full-Time Involvement. The Franchisee acknowledges that the success of the Business is dependent in part on the active involvement of an owner/manager in the Business. The Franchisee shall ensure that a person designated to operate the Business (“**Designated Manager**”) shall at all times devote his or her full time and attention to managing, supervising, and developing the Business and that such person is at all times identified to the Franchisor. The Designated Manager is, at the time of the execution of this Agreement, identified on **Schedule A**. The Franchisee shall secure the Franchisor’s written consent before changing or designating a new Designated Manager. The Designated Manager must attend and satisfactorily complete Franchisor’s training program.

5.3 Managers. Except as otherwise provided in this Agreement, the operation of the Business shall at all times be under the supervision and control of the Designated Manager. The Franchisor shall be entitled to hold information and training sessions from time to time during the Term and any Interim Period and the Franchisee shall, at its own cost, send the Designated Manager and one or more of its managers to each such information and training session. If the Designated Manager and/or manager fails to attend such information and training sessions, Franchisee shall pay to Franchisor One Thousand and Five Hundred Dollars (\$1,500.00) as liquidated damages and not as a penalty.

5.4 Authorized Food, Beverages and Services. The Franchisee agrees to offer at the Store goods, food, beverages, paper and packaging and services of a type and quality from time to time specified by the Franchisor. The Franchisee will not, without prior written approval from the Franchisor, offer any goods, food, beverage, paper and packaging or service that has not been authorized by the Franchisor for its outlets generally. The Franchisee agrees that all food and beverages served in the Store shall be prepared in accordance with recipes and procedures set out in the Manual from time to time specified by the Franchisor.

5.5 Designated Suppliers and Volume Rebates. The Franchisor shall be entitled (but shall not be obligated) to designate certain goods (including, without limitation, the Products, food and beverages, promotional items, uniforms, smallwares, computer software and hardware, telephone equipment, and other things), the Services, furnishings, fixtures, and equipment used in connection with the Business, which must be obtained by the Franchisee from suppliers designated by the Franchisor or directly from the Franchisor. Such designated Products shall only be purchased by the Franchisee from the designated supplier or from the Franchisor. Additional Products may be designated from time to time by the Franchisor notwithstanding that the same are not so designated on the date of this Agreement, or at any time hereafter. The designated suppliers may be changed by the Franchisor from time to time on written notice to the Franchisee. Franchisee grants permission to Franchisor to examine without prior notice to Franchisee, all records of any supplier relating to Franchisee's purchases, and Franchisee hereby authorizes such suppliers to release Franchisee's purchase records to Franchisor at such times and places Franchisor may request. The Franchisee acknowledges and agrees that the Franchisor or Franchisor's affiliate or subsidiary may receive a rebate, royalty, or commission in connection with Products and/or Services purchased, leased, or obtained by the Franchisee from designated suppliers and that the benefit of such rebate, royalty, or commission may not necessarily be passed onto the Franchisee and that the Franchisor and/or its subsidiaries and/or affiliates are entitled to keep such rebates, royalties, or commissions for their own use and benefit. Franchisee further acknowledges that Franchisor or Franchisor's affiliate or subsidiary in Franchisee's geographic area may derive a profit from the design and construction of the Store or as a result of tenant inducements or tenant allowances and Franchisee hereby waives any claims to such tenant inducements or tenant allowances.

If the Franchisee desires to use suppliers that are not on the Franchisor's list of approved suppliers, it shall notify the Franchisor in writing before using the said supplier and, if the Franchisor so requests, will provide the Franchisor with samples of the product and any relevant data. Upon receiving such request, the Franchisor will determine whether the product meets the required specifications and will notify the Franchisee accordingly within sixty (60) days of receiving samples of the product and other relevant data. The Franchisee will reimburse the Franchisor for the Franchisor's actual out-of-pocket expenses relating to the testing or granting or approval of the supplier. If the Franchisor determines that any such supplier does not meet the required specifications, the Franchisee agrees that it will not use the said supplier in its Business. Without limiting the generality of the foregoing, the supplier proposed for use by the Franchisee under this Section 5.5 may be required to demonstrate to the Franchisor's reasonable satisfaction that the proposed supplier:

- (a) meets the Franchisor's specifications, including its quality, quantity, warranty, variety, service, health and safety specifications, for the product and for the facilities used in the production and distribution of the product;
- (b) has the capacity to supply the Franchisee's requirements;
- (c) has a sound financial condition and business reputation;

(d) will supply product to a sufficient number of Thai Express franchisees to enable the Franchisor to economically monitor compliance by the supplier with the Franchisor's specifications; and

(e) has met such other criteria as may be established by the Franchisor, acting reasonably, from time to time and as set out in the Manual.

If it is deemed necessary by either Franchisor or any of the approved suppliers to recall from Franchisee any quantity of any of products, either as a result of failure of such products to satisfy the proprietary manufacturing specifications issued to approved suppliers by Franchisor, or for any other reason bearing on the quality and/or safety of such products, Franchisee shall comply diligently with all product recall procedures then in effect, as established from time to time by Franchisor and/or the suppliers. Franchisor shall not be required to bear the costs associated with the recall of any product unless such recall is the result of gross negligence on the part of Franchisor. If Franchisee fails or refuses to comply with the recall of such products hereunder upon request by Franchisor, Franchisor shall be authorized to take such action as it deems necessary to recall such products from the System and Franchisee shall promptly reimburse Franchisor for its costs and expenses (including, but not limited to, legal fees) incurred in such recall procedure; any such action taken by Franchisor shall not relieve Franchisee of its other obligations hereunder.

5.6 Operating Obligations. In the conduct of the Business, the Franchisee acknowledges that it is solely responsible for the successful operation of its Store and that Franchisee's successful operation depends on Franchisee's compliance with this Agreement and the Manual. In addition to all other obligations contained in this Agreement and the Manual, Franchisee agrees that it shall:

(a) maintain a clean, safe, and high quality Store operation and shall promote and operate the Business with due diligence and efficiency and maintain an adequate and properly trained staff to properly serve its customers;

(b) carry a sufficient inventory to meet the reasonable requirements of the Franchisee's customers;

(c) be open for business during such hours and on such days as the Franchisor may from time to time require, provided that nothing herein shall require the Franchisee to carry on the Business during any period prohibited by any law regulating the hours when such business may be carried on, Franchisor reserves the right, in Franchisor's sole discretion, to at any time reduce or increase the hours of operation for Franchisee's store. Franchisee acknowledges that its hours of operation may be greater or less than other Thai Express franchisees or licensees;

(d) from time to time accept and honor such nationally recognized credit/debit/gift/loyalty stored value cards (and only such credit/debit cards) as may be designated by the Franchisor;

(e) carry on the Business in accordance with the terms of this Agreement, all applicable laws, regulations, and other ordinances and in such a manner so as to promote

a good public image in the community. Franchisee shall be solely and fully responsible for obtaining any and all licenses to operate the Business;

(f) at all times use its best efforts to promote the Business and the Marks;

(g) cooperate with Franchisor and all other franchisees in promoting good public and customer relations with the public generally and with customers and potential customers of the Business; and

(h) properly manage the Business and ensure that the Franchisee and/or its Designated Manager who has completed the initial training program will be responsible for managing the Business after commencement of operations and be present at the Store during its operation. Franchisee or the Designated Manager must work full-time at the Store.

5.7 Marketing and Marketing Fund Contributions. Except as prohibited or limited by law the Franchisee shall actively participate in and co-operate with the Franchisor's national, regional and local advertising and sales promotion campaigns, prize contests, special offers, and (without limiting the generality of the foregoing) the Franchisee shall:

(a) obtain the prior approval of the Franchisor to all promotions, special events, sales promotion materials and advertising used by the Franchisee (including, without limitation, on-site, Internet, direct mail, newspaper, radio and television advertising, and advertising by third parties at the Store or at any other location if in connection with the Business);

(b) display in the Store, and in the manner specified by the Franchisor, advertising material provided to the Franchisee by the Franchisor from time to time;

(c) pay to the Franchisor an amount ("**Marketing Fund Contributions**") equal to three percent (3%) of Gross Sales, such amount to be calculated and paid weekly as provided for in Section 8.3;

(d) conduct such promotions and special events, offer such promotional items and accept such coupons, loyalty, stored value, and gift cards as the Franchisor may from time to time require;

(e) not make any television or radio appearance or make any statement to any media in connection with the System without first obtaining the written consent of the Franchisor;

(f) pay Franchisor for the organization and coordination of Franchisee's grand opening advertising and promotional program for the Store at the time and in the manner specified by Franchisor and agree to spend a minimum of Ten Thousand Dollars (\$10,000.00), plus applicable taxes, for the grand opening program ("**Grand Opening Expenditure**"). Franchisee acknowledges and agrees that Franchisee will incur certain food costs in connection with the grand opening program, and that such promotional food costs are in addition to the Grand Opening Expenditure. Franchisee agrees to provide

Franchisor with a summary of Grand Opening Program Expenditures within forty-five (45) days after the Store opens. Franchisee's grand opening program shall utilize the marketing and public relations programs and media and advertising materials that Franchisor has approved; Franchisee shall also advertise and display such advertisements and solicitations at the Store to attract potential franchisees to the System as the Franchisor may require from time to time.

All Marketing Fund Contributions, together with amounts contributed by other franchisees of the Franchisor, shall be maintained in a fund ("**Marketing Fund**") administered by the Franchisor. Such funds shall be applied for the purpose of advertising and promoting the licensed and company-owned operations associated with the Marks and producing such advertisement and promotion. However, the Franchisor cannot and does not ensure that any particular franchisee will benefit directly or pro-rata or at all from the placement of advertising and promotion. The Franchisor may consult with its franchisees from time to time concerning the advertising programs to be established by the Franchisor and, for that purpose, may invite franchisees to participate in a franchisee advisory board. The cost of establishing and maintaining such an advisory board may be charged to the Marketing Fund. Notwithstanding any such consultation with franchisees, the Franchisor shall make all decisions concerning advertising and promotion in its sole discretion. This includes the right to use the Marketing Fund Contributions for broadcast or print advertising, the creation, development and production of advertising and promotional materials, including, but not limited to, ad slicks, radio, film and television commercials, videotapes, direct mail pieces, and other print advertising; any marketing or related research and development; developing, enhancing and maintaining Franchisor's Website; vehicle advertising menu development, point-of-sale advertising, retaining public relations firms, and uniform designs; and advertising and marketing expenses, including payment for research and development on new Products and Services, services provided by advertising agencies or other marketing, research or consulting firms or agencies, customer incentive programs, sponsorships, marketing meetings and sales incentives, development of the Internet, Internet access provider costs, personnel to support the marketing function, subscriptions to industry newsletters or magazines, and administrative costs. Franchisor may reimburse itself or its designated representatives (which may be one or more of Franchisor's subsidiaries or affiliates) for administrative costs, independent audits, reasonable accounting, bookkeeping, reporting, and legal expenses, taxes, and other reasonable direct and indirect expenses incurred by Franchisor or its representatives in connection with the programs funded by and the administration and operation of the Marketing Fund. Franchisor and its representatives will not be liable for any act or omission that is consistent with this Agreement and done in good faith. Franchisor and its representative may spend in any fiscal year more or less than the aggregate Marketing Fund Contribution of all stores to the Marketing Fund in that year, and the Marketing Fund may borrow from Franchisor or others (including Franchisor's affiliates) to cover deficits or invest surplus for future use. Franchisor may cause the Marketing Fund to be incorporated or operated through a separate entity at such time as Franchisor deems appropriate, and such successor entity, if established, will have all rights and duties specified in this Section. Franchisor and its representatives undertake no obligation to ensure that the Marketing Fund benefits Franchisee's Store in proportion to Franchisee's respective Marketing Fund Contributions or at all. Franchisee acknowledges and agrees that the Marketing Fund's primary purpose is to support sales by the entire THAI EXPRESS System and to build brand identity.

Franchisee agrees to participate in any promotional campaigns and advertising and other programs that the Marketing Fund periodically establishes.

The Franchisor shall be entitled to increase the Marketing Fund Contributions to four percent (4%) of Gross Sales instead of the three percent (3%) provided for in Section 5.7(c) if the owners of at least seventy-five percent (75%) of the franchisees in the United States agree to pay such increased percentage of sales to the Marketing Fund. Once such seventy-five percent (75%) agreement is reached, no further or continuing agreement shall be required in order to maintain the Marketing Fund Contributions at four percent (4%) of Gross Sales. Upon written request by the Franchisee, the Franchisee will be provided with an unaudited annual statement of funds received by the Marketing Fund, and expenditures made from the Marketing Fund. The cost of preparing the statement shall be paid by the Marketing Fund. The reporting period used for the purpose of this accounting will coincide with the fiscal year of the Franchisor. The Franchisee acknowledges that the Franchisor shall have sole discretion over the manner in which the Marketing Fund Contributions are used and allocated.

Franchisee acknowledges and agrees that, from time to time, Franchisee will incur certain food and advertising costs in connection with regional or national advertising programs offered in connection with the Marketing Fund, and that such costs are in addition to, and cannot be used to offset, Franchisee's obligation to pay its monthly Marketing Fund Contribution.

Except as expressly provided in this Section 5.7, the Franchisor shall assume no liability, direct or indirect or otherwise to the Franchisee with respect to the maintenance, direction or administration of the Marketing Fund Contributions.

Although the Franchisor intends the Marketing Fund to be of perpetual duration, the Franchisor has the right to terminate the Marketing Fund. The Franchisor will not terminate the Marketing Fund, however, until all monies in the Marketing Fund have been expended for advertising and promotional purposes.

Franchisor and its representatives have the right, but not the obligation, to use collection agents and institute legal proceedings to collect Marketing Fund Contributions at the Marketing Fund's expense. Franchisor and its representatives also may forgive, waive, settle, and compromise all claims by or against the Marketing Fund. Franchisor and its representatives, reserves the right, in Franchisor's sole discretion, to at any time defer or reduce Marketing Fund Contributions and operations for one (1) or more periods of any length.

5.8 Local Advertising Contributions and Local Advertising Cooperatives.

(a) In addition to the Marketing Fund Contributions to be made by Franchisee in accordance with Section 5.7 above, Franchisee agrees to spend an amount (the “**Local Marketing Expenses**”) equal to two percent (2%) of Gross Sales, such amount to be calculated and spent monthly, for purposes of conducting local advertising marketing campaigns. Franchisor may request that Franchisee prepare and submit five (5) days after the end of every month a report setting out the Local Marketing Expenses actually disbursed by Franchisee for that month during each month of the Term and any Interim Period.

(b) In regional and metropolitan areas where there are two or more Thai Express franchisees, Franchisee shall participate in an advertising and public relations cooperative (“**Local Advertising Cooperative**”) and pay Franchisee’s proportionate share of the cost of joint regional and local public relations and advertising programs, such proportionate shall be a minimum of two hundred and fifty (\$250.00) dollars (“**Advertising Cooperative Fee**”), however, Franchisee acknowledges and agrees that such minimum Advertising Cooperative Fee may increase or decrease on the decision of Local Advertising Co-Operative franchise members. The Advertising Co-operative Fee shall be used for joint regional and local public relations and advertising programs initiated by the Local Advertising Co-operative. Franchisor, in its sole and absolute discretion, may determine the boundaries of such regional and metropolitan areas and the number and identities of franchisees within such areas belonging to Franchisee’s Local Advertising Co-operative. Any contributions made by Franchisee towards Franchisee’s Local Advertising Cooperative shall be credited towards the Local Marketing Expenses that Franchisee is required to make as provided for in Section 5.8(a). In determining the level of expenditure and the type of advertising and public relations program to be launched by the Local Advertising Co-operative, each Thai Express franchisee within the area participating in the Local Advertising Cooperative shall have one vote for each Store in operation and scheduled to be in operation during the promotional period (“**Total Operational Stores**”). Franchisee’s share of the expenses for public relations and electronic media advertising shall be the ratio of the number of the Stores Franchisee has open and operating in the metropolitan area covered by the Local Advertising Cooperative to the Total Operational Stores in the relevant regional and metropolitan area. Franchisee’s share of expenses for print media advertising shall be the ratio of the circulation of the publication within 250 feet from the front door of your Licensed Location to the circulation of that publication in the same area for all the franchisees in that relevant regional and metropolitan area. The rules of the Local Advertising Cooperative shall be in writing and established by its members, but must be submitted to Franchisor for prior approval (and shall be deemed approved ten (10) days after submission if Franchisor does not disapprove such rules in writing). Each Local Advertising Cooperative shall provide quarterly financial reports to Franchisor as required by Franchisor in the Manual. Franchisor reserves the right, in its sole discretion, to form, change, merge or dissolve any Local Advertising Cooperative.

5.9 Approval of Advertising by Franchisor. Without limiting the generality of Section 5.8, prior to their use by Franchisee, Franchisee must provide Franchisor with samples of all advertising and promotional materials and programs (including any proposed uses on the Internet or other electronic media or other forms of media approved by Franchisor) not prepare or previously approved by Franchisor, whether in respect to Franchisee’s local advertising or marketing campaigns or advertising to be conducted by the Local Advertising Cooperative. All such materials must be approved by Franchisor in writing prior to any use by Franchisee, and Franchisor shall be entitled to grant, withhold or condition its consent to such use for any reason in Franchisor’s sole discretion. If Franchisee does not receive written approval by Franchisor within thirty (30) days of the day such materials are submitted to Franchisee, the materials shall be deemed disapproved. Franchisee shall not use any advertising, marketing or promotional materials or programs that have been disapproved by Franchisor or that do not satisfy Franchisor’s requirements with regard to copyright, trademark or other notices.

5.10 Entry by the Franchisor. Without prior notice, Franchisor, or its representatives, shall be entitled to enter upon the Store at any time during business hours for the purpose of determining whether the Franchisee is in compliance with the terms and conditions of this Agreement. Franchisor or its representatives shall be permitted to audit, photocopy, and videotape Franchisee's business operations and records, and to interview Franchisee's employees, suppliers, and customers at any time throughout the Term or any Interim Period of this Agreement.

5.11 Continuous Operation. Subject to the terms of this Agreement, the Franchisee shall, throughout the Term and any Interim Period, actively and continuously carry on the Business at the Store in compliance with the terms of this Agreement.

5.12 Maintenance of Store. The Franchisee shall only operate its Business at the Store and it shall maintain the condition and appearance of the Store so as to be consistent with the image of a clean, modern, attractive and efficiently operated business and in accordance with the image of a Thai Express franchise as dictated by the Franchisor from time to time. In connection therewith, the Franchisee shall at all times ensure that the Store is neat and clean, shall cause all necessary repairs to be made to the Store and (subject to Section 5.13 and Section 5.15) shall periodically redecorate the Store and replace worn out or obsolete leasehold improvements, fixtures, furnishings, equipment, signs and wares as may be required by the Franchisor provided that the Franchisee shall not be required to do so within six (6) months of the expiration of the Lease unless the Franchisee has renewed or executed a new Lease for the Store. Franchisee shall also paint the entire Store, at Franchisee's sole cost and expense, at least once every three (3) years in colors that satisfy Franchisor's current standards. In the event of any dispute as to whether the Franchisee is in compliance with its obligations under this Section 5.12, the commercially reasonable determination of the Franchisor shall be final and binding. In the event the Franchisee fails to maintain the Store as required herein, the Franchisor or its designee may (in addition to any other remedy available to the Franchisor), but is not obligated to, perform such maintenance and do and perform, and cause to be done and performed, any further and other acts and things as may be necessary or desirable to effect the foregoing after giving fifteen (15) days prior written notice to the Franchisee, and all costs and expenses incurred by the Franchisor in doing so, plus an administrative fee equal to fifteen percent (15%) of such costs and expenses, shall be paid by the Franchisee on demand.

5.13 Alterations to Store. The Franchisee shall not make any Material alteration to the Store, nor shall the Franchisee make any Material replacement or alteration to the layout, leasehold improvements, fixtures, furnishings, signs, equipment, wares or appearance of the Store, without the prior written approval of the Franchisor. For the purposes of this Section 5.13, "**Material**" shall mean any alteration(s) or replacement(s) having a value in the aggregate equal to or greater than Fifteen Hundred Dollars (\$1,500.00) during each year of the Term of this Agreement.

5.14 Suggested Retail Prices. The Franchisor shall from time to time provide the Franchisee with a suggested retail price for any or all of the food items, beverages, goods, and services sold by its franchisees generally, and the Franchisee be encouraged but not required to sell any such food items, goods, beverages or services for a price that exceeds the suggested retail price. The Franchisee is free to sell all food items, goods, beverages, and services for a

price, which is less or more than the applicable suggested retail price. The suggested retail price for food items, beverages, goods, and services, as determined by the Franchisor, may vary from region to region to the extent necessary in order to reflect differences in costs and other factors applicable to such regions. Franchisor reserves the right to establish maximum resale prices, in its sole discretion, on some or all items sold by Franchisee from the Store.

5.15 Remodeling of Store. The Franchisee, at its sole cost, shall undertake to renovate, modernize, remodel and refurbish the Store as the Franchisor may require, in Franchisor's sole discretion, to reflect and to comply with Franchisor's then-current standards, at least once every six (6) years during the Term of this Agreement, upon renewal of this Agreement, and/or prior to any transfer of this Agreement. Any such renovation, remodeling, and upgrade shall be subject to prior written approval by Franchisor of all plans, layouts, designs and other items specifically identified by Franchisor. Franchisee acknowledges and agrees these requirements are necessary and reasonable to preserve the identity, reputation, and goodwill developed by the Franchisor and the value of the Business. Franchisee shall promptly and fully comply with all such requirements and, if Franchisee fails to do so, Franchisor may do so on Franchisee's behalf, and Franchisee shall pay Franchisor the cost thereof, together with a reasonable administrative fee equal to fifteen percent (15%) of all costs incurred by Franchisor on Franchisee's behalf, within ten (10) days of the date Franchisor submits a bill detailing such expenditures to Franchisee.

5.16 Compliance with Laws. The Franchisee shall at all times ensure that there is strict compliance with all laws, regulations, orders, by-laws and restrictions which affect the Business or the Store and shall immediately notify the Franchisor in writing of any notices, documents or correspondence relating to any breach by the Franchisee of any such laws, regulations, orders, by-laws and restrictions, including, without limitation, any fire, health and building inspection reports. Franchisee shall keep copies of all health department, fire department, building department, and other similar reports of inspections on file and available for inspection by Franchisor and its affiliates. Franchisee shall immediately forward to Franchisor or its designated representatives any such reports or inspections in which Franchisee has been found not to be in compliance with the underlying regulation.

5.17 Unacceptable Conduct. Any conduct or practice carried on by the Franchisee, or Franchisee's employees, agents, or contractors, whether through advertising or operating procedures or otherwise, which, in the opinion of the Franchisor, may harm the goodwill associated with the Marks or the System, or which may reflect unfavorably on the Franchisor, the System, or other franchisees of the Franchisor, or which may tend to confuse, mislead, deceive or be fraudulent to the public, shall be immediately discontinued by the Franchisee upon written notice from the Franchisor. Without limiting the foregoing, the Franchisee shall, or, if the Franchisee is a legal entity, the Franchisee shall cause its shareholders, partners, members, officers and directors, to conduct themselves in an upright and respectable manner while at the Store or any other the Franchisor licensed locations.

5.18 Operating Procedures. The Franchisor shall be entitled to establish mandatory specifications, standards and procedures relating to the operation of a Thai Express location generally, including without limitation:

- (a) the type and quality of food, beverages, goods, and services to be offered at the Store, the recipes and procedures to be used in connection with preparing and serving food and beverages and the standards of service to be offered to customers;
- (b) the safety, maintenance, cleanliness, operation and appearance of the Store and all fixtures, furnishings, equipment, wares and signs used in connection therewith;
- (c) the hiring, appearance, conduct and training of employees, including the use of uniforms to be worn by the Franchisee and its employees;
- (d) the use of the Marks and the use and protection of trade secrets;
- (e) the notices to be given for the purpose of indicating that the Business is owned by the Franchisee, that the Franchisee is a licensed user of the Marks and that the Marks are owned by the Franchisor;
- (f) the use and retention of standard forms;
- (g) the use and illumination of signs, posters, displays, standard formats and similar items;
- (h) the hours during which the Store shall be open for business to the public, Franchisee acknowledges that as of the date of this Agreement the current standard hours of operation are from 10:30 A.M. to 10:30 P.M. from Monday to Sunday. Franchisee further acknowledges that the Store may be required to open for Breakfast at 7:00 A.M.;
- (i) the limiting of the placement of any personal property security interest in the Franchisee's assets or any pledge of such assets; and
- (j) the use and honoring of gift certificates, coupons and other such local and national promotional programs authorized by the Franchisor.

5.19 Operations Manual. Franchisor agrees to loan Franchisee one (1) copy of the Manual. The Franchisee shall abide by the specifications, standards and procedures referred to in Section 5.18 above in a manner consistent with this Agreement and all applicable laws. Specifications, standards and procedures prescribed from time to time by the Franchisor in the Manual or otherwise communicated to the Franchisee in writing, shall constitute provisions of this Agreement as if fully set forth herein. The Franchisee shall operate the Business strictly in accordance with the Manual and this Agreement. Franchisee agrees to require all of its employees to abide by all specifications, standards and procedures set forth in the Manual or otherwise communicated to Franchisee in writing. The Franchisor shall have the right to add to, and otherwise modify, the Manual from time to time to reflect changes in authorized Products and services, the System, or the operation of the Business. The Franchisee covenants to accept, implement and adopt any such additions and modifications at the Franchisee's own cost, except as provided in Section 3.7 with respect to a change in the Marks. The Franchisee shall keep the Franchisee's copy of the Manual up-to-date with replacement pages and insertions as instructed by the Franchisor.

The Franchisee acknowledges that the Manual contains proprietary information of the Franchisor and the Franchisee agrees to keep the Manual and its contents confidential at all times during the Term, any Interim Period and at any time thereafter, and not to make any copies thereof. The Franchisor may transmit a copy of the Manual and any additions or modifications by e-mail, internet, intranet or other electronic means. Franchisor reserves the right to convert some or all of the Manual into an exclusively electronic format, and Franchisee agrees to access such electronic Manual through the Internet or through an intranet created and supported by Franchisor.

The Manual shall at all times remain the property of the Franchisor and the Franchisee shall promptly return all copies of the Manual (including all disks, CD-Roms and other electronic versions) to the Franchisor upon the Franchisor's request and in any event upon the termination or expiration of this Agreement for any reason. The Manual may not be copied or duplicated or disclosed to persons other than employees or officers who need the information to perform their jobs. The provisions of this Agreement shall prevail in the event of a conflict between the specifications, standards and procedures set out in the Manual and this Agreement. The Franchisee acknowledges that the master copy of the Manual maintained by the Franchisor at its principal office shall be controlling in the event of any dispute relative to the content of the Manual. If Franchisee's copy of the Manual is lost, destroyed, or significantly damaged, Franchisee agrees to obtain a replacement copy from Franchisor at Franchisor's then applicable charge. The current replacement charge is One Thousand Five Hundred Dollars (\$1,500.00), but such replacement charge may be increased or decreased by Franchisor at any time, within Franchisor's sole and absolute discretion and without notice to the Franchisee.

5.20 Directions. The Franchisee shall comply with all written directions given by the Franchisor from time to time with respect to matters over which the Franchisor has authority or control pursuant to this Agreement.

5.21 Ownership of Business Records. Franchisee acknowledges and agrees that the Franchisor owns all Business Records with respect to customers and other service professionals of, and related to, the Store including, without limitation, all databases (whether in print, electronic or other form), including all names, addresses, phone numbers, e-mail addresses, customer purchase records, and all other records contained in the database, and all other Business Records created and maintained by Franchisee. Franchisee further acknowledges and agrees that, at all times during and after the termination, expiration or cancellation of this Agreement, Franchisor may access such Business Records, and may utilize, transfer, or analyze such Business Records as Franchisor determines to be in the best interest of the System, in Franchisor's sole discretion. If the Franchisee requires any information contained in the Business Records for tax or other reasonable purposes then the Franchisor will provide Franchisee with copies of the relevant information contained in the Business Records as it deems appropriate.

5.22 Inspections and Temporary Management of Store. Franchisor and/or its representatives shall have the right at any time and without prior notice to Franchisor, to enter and remain in the Store to inspect it and to otherwise examine the manner in which the Business is being conducted. In such event, Franchisee and its staff shall cooperate fully with Franchisor and/or its representatives. Notwithstanding anything otherwise contained in this Agreement, if in

Franchisor's judgment, acting reasonably, Franchisee is not conducting or otherwise managing the Business in a proper-manner and as a result, the Business is being affected detrimentally (whether financially, standards of quality are not being maintained or Franchisee is not otherwise complying with the System), Franchisor shall have the right but not the obligation, at Franchisees expense, to send a representative(s) to remain at the Store to in fact operate and/or manage the Business and to charge a reasonable fee therefor. Any fee charged by Franchisor to Franchisee for such services shall be paid forthwith upon receipt of invoice or at Franchisor's option. Franchisor may also deduct such amount from the receipts of the Business.

6. COVENANTS OF FRANCHISEE

6.1 Covenants of Franchisee. Throughout the Term and any Interim Period, the Franchisee covenants and agrees with the Franchisor:

(a) at all times to maintain and employ in connection with the Business such working capital as may be required, in the sole discretion of the Franchisor, to enable the Franchisee to properly and fully carry out and perform all of its duties, obligations and responsibilities under this Agreement. The current minimum amount of working capital required at all times during the currency of this Agreement is Five Thousand Dollars (\$5,000). The Franchisor may require that the such minimum amount be increased and the Franchisee shall comply with such requirements upon receipt of a written notice to that effect from the Franchisor;

(b) to advise each supplier, the public and all others with whom the Franchisee deals, that the Business is owned by the Franchisee, that the Franchisee is an independent contractor and that all debts and liabilities incurred by it are for the account of the Franchisee only, and not the Franchisor and without limiting the generality of the foregoing, the Franchisor may in its sole discretion require that the Franchisee hang a sign designated or produced by the Franchisor to that effect at a specific place at the Store, as may be directed by the Franchisor which states "The Thai Express™" trademarks are owned by MTY Tiki Ming Enterprises Inc. and the independent franchise operator of this restaurant is a licensed user of such trademarks." Any such sign or other signs bearing the name "Thai Express," or any of the Marks shall remain property of Franchisor without compensation to Franchisee;

(c) to deposit all monies received from each day's business not later than the following banking day in an account or accounts to be maintained specifically for such purpose with the Franchisee's bankers. The Franchisee shall advise the Franchisor of the name of the bank and the branch thereof where such account or accounts are being maintained and shall instruct the bank that the Franchisor shall at all times be entitled to information concerning the account of the Franchisee, to examine all bank statements and canceled checks and other bills of exchange and to institute the pre-authorized payment plan described at Section 8.3;

(d) to pay all taxes (levied or assessed), charges and expenses arising in connection with the Business, including, without limitation, rent, repair and maintenance charges, insurance premiums, staff wages and employer levies, business taxes, utility

charges and accounts for goods and services purchased in connection with the operation of the Business. The Franchisee shall, upon request, produce receipts showing payment of all such expenses which become due and payable during the one (1) year period immediately preceding such request;

(e) to promptly and completely observe and perform all terms, covenants, conditions and agreements contained on the part of the Franchisee in the Lease, including but not limited to the General Security Agreement;

(f) to purchase and maintain the following insurance coverage:

(i) insurance on the Franchisee's inventory, fixtures, furniture, equipment and wares in an amount equal to not less than the full replacement cost thereof with coverage against the perils of fire and standard extended coverage, including malicious mischief and burglary;

(ii) comprehensive public liability and property damage insurance, including personal injury liability, contractual liability, public liability and employer's liability, with coverage of not less than Two Million Dollars (\$2,000,000) for any one occurrence and such greater amount as may be specified from time to time by the Franchisor;

(iii) business interruption insurance in such amount as will reimburse the Franchisee for direct or indirect loss of earnings attributed to all perils commonly insured against by prudent restaurant owners, or attributable to prevention of access to the Store, with coverage for a period of interruption of one hundred eighty (180) days and such longer period as may be specified by the Franchisor from time to time;

(iv) such insurance as the Franchisor may require for the purpose of insuring the Franchisor's interest in any and all Royalties, lease payments and/or Marketing Contributions due to it hereunder against any loss resulting from any interruption in the Business attributable to damage or destruction to the Store or to prevention of access to the Store or the death or disability of the Designated Manager, the Guarantor and/or the Franchisee, if the Franchisee is an individual;

(v) tenant's liability insurance;

(vi) Such other insurance as required by law, including Workers' Compensation Insurance in such amounts as prescribed by statute; and

(vii) such other insurance coverage as reasonably required by the Franchisor or the Landlord from time to time.

In addition to the above insurance requirements, Franchisee will also need to obtain a Liquor Liability (dram shop) Insurance policy with a minimum limit in the amount of One Million Dollars (\$1,000,000) per occurrence and an aggregate amount of not less than Two Million Dollars (\$2,000,000) or such higher amounts in accordance with state law requirements

or your landlord's requirements. Franchisee will also use its best efforts to prohibit customers from carrying alcoholic beverages beyond the Business. Such insurance must also name Franchisor, its subsidiaries, affiliates, officers, directors, and employees as additional insured.

Such insurance coverage shall be taken out in the name of the Franchisee and shall name the Franchisor, Franchisor's affiliates, Franchisor's agents, representatives, shareholders, directors, officers and employees, and those of Franchisor's affiliates as additional insureds and with insurers acceptable to the Franchisor. Prior to the Commencement Date, the Franchisee shall furnish the Franchisor with certified copies of each of the insurance policies described above. Each such policy shall provide that it cannot be canceled without thirty (30) days' prior written notice to the Franchisor and that the Franchisor shall receive at least twenty (20) days' prior written notice of its expiration. The Franchisee shall promptly refer all claims or potential claims against it or the Franchisor to the Franchisee's insurer and the Franchisor. Franchisor reserves the right to add, delete, or otherwise amend any insurance requirement, including the amount of any required insurance coverage, in Franchisor's reasonable discretion, by advising Franchisee of such new requirement in writing in the Manual and providing Franchisee a reasonable period of time, not to exceed thirty (30) days, to acquire such coverage.

(g) that subject to Section 8.12, to not mortgage, charge, grant a security interest in or encumber any of the property and assets used in connection with the Business, without the prior written consent of the Franchisor;

(h) that all improvements in the System developed by the Franchisee or its employees, agents, contractors or affiliates shall be deemed to be sold to the Franchisor for \$10.00 and that it shall disclose such improvements to the Franchisor as soon as they are developed;

(i) to comply with all federal, state, municipal and local by-laws, rules and regulations, and shall obtain on a timely basis any and all permits, certificates or licenses necessary for the full and proper conduct of the Business, including, but not limited to, licenses to do business, name registrations, and sales tax permits Franchisee shall be solely and fully responsible for obtaining any and all licenses to operate the Store. Franchisee shall research the laws, building codes, restaurant and equipment rules, and business regulations to be certain the Franchisee is in compliance with all rules and regulations in the Franchisee's jurisdiction. The Franchisee acknowledges that the Franchisor does not know these laws for every market, county or state. Franchisee shall keep copies of all health department, fire department, building department, and other similar reports of inspections on file and available for inspection by Franchisor or one of Franchisor's representatives. Franchisee shall immediately forward to Franchisor and/or its designated representatives any such reports or inspections in which Franchisee has been found not to be in compliance with the underlying regulation;

(j) to not establish a Website on the Internet using any domain name containing the words "Thai Express[™]," "ThaiExpress.ca," or any variation thereof. The Franchisor retains the sole right to advertise on the Internet and create a Website using "ThaiExpress.ca" or similar domain names. The Franchisee acknowledges that the Franchisor or any of its affiliates is the owner of all right, title and interest in and to such

domain names as the Franchisor shall designate in the Manual. Any website designed by the Franchisee which contains the Franchisor's Marks and/or logo must be approved in advance in writing by the Franchisor. If Franchisee elects to develop its own website, Franchisee shall engage Franchisor's Internet service provider to host Franchisee's website. Franchisee may be required to use Franchisor's pre-approved website template. Franchisor shall at all times have the right to approve the design and content of Franchisee's website in advance and in writing. The Franchisor retains the right to preapprove Franchisee's use of linking and framing between the Franchisor's web pages and all other Websites. The Franchisee shall within two (2) days, dismantle any frames and links between the Franchisor's Websites and any other Websites, if and as requested by the Franchisor. The Franchisee further acknowledges that any representations and warranties of any kind whatsoever, express or implied, regarding the Franchisor's Website, including representations and warranties as to the operation, functionality, lack of interruption or resources of the Website, are expressly excluded. Without limiting the foregoing, the Franchisor disclaims any implied warranties of merchantability and fitness for a particular purpose as to its Website. As to any malfunctioning of the Franchisor's Website, the Franchisor will not be liable to the Franchisee for any consequential, incidental, indirect, economic, special, exemplary or punitive damages, such as, but not limited to, loss of revenue or anticipated profits or lost business, even if the Franchisee has advised the Franchisor that such damages are possible as a result of any breach of warranty or malfunction;

(k) Franchisee shall, at all times during the Term of this Agreement and any Interim Period, maintain an e-mail address on the Internet. Immediately upon securing such an e-mail address, Franchisee shall provide Franchisor with such e-mail address to be used by Franchisor for purposes of electronic communication with Franchisee. Franchisee's e-mail address shall not include the words "Thai Express" or any derivation of such words, unless such e-mail address is provided to the Franchisee by the Franchisor;

(l) Franchisor reserves the right to require Franchisee to purchase and implement new technology initiatives, which may include but will not be limited to loyalty and case card programs, LCD or plasma monitors, high speed broadband Internet connection, music, Internet TV broadcasts, WIFI, and software management applications, surveillance systems, on-line ordering, remote ordering through PC's or handheld devices, E-learning, and software applications designed to better manage business functions and control costs. Franchisee will be responsible for all fees associated with these new technology initiatives. Franchisee acknowledges and understands that computer systems are vulnerable to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders. Franchisor has taken reasonable steps to ensure that these problems will not materially affect the System. Franchisor does not guarantee that information or communication systems supplied by Franchisor or its suppliers will not be vulnerable to these problems. Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting itself from these problems. Franchisee must also take reasonable steps to verify that Franchisee's suppliers, lenders, landlords, customers, and governmental agencies on

which Franchisee relies, are reasonably protected. This may include taking reasonable steps to secure Franchisee's systems, including, but not limited to, firewalls, access code protection, anti-virus systems, and use of backup systems;

(m) Franchisee shall permit Franchisor to speak and/or write to Franchisee's customers about the services being provided to such customers at or from the Store to ensure that the standards associated with the System are being achieved and maintained to Franchisor's satisfaction;

(n) should Franchisee be offered an opportunity to operate Franchisee's Store in combination with another store or quick service concept, which shall be licensed directly to Franchisee by a third party franchisor approved by Franchisor ("**Co-Brand Franchisor**"), and Franchisee agrees to offer the products and/or services offered by the Co-Brand Franchisor, Franchisee shall establish a retail outlet licensed by the Co-Brand Franchisor and offer the products and/or services offered by the Co-Brand Franchisor, and Franchisee shall cooperate with Franchisor and the Co-Brand Franchisor to accommodate the different requirements of this Agreement, the Manual and Franchisor's policies and requirements, with those of the Co-Brand Franchisor, to permit the efficient and harmonious operation of the co-branded concepts at Franchisee's Store. Franchisor or the Co-Brand Franchisor may require Franchisee, for example, to alter the design of the Store, its hours of operations, any applicable signs and operational procedures and to execute a Co-Brand Agreement in a form acceptable to Franchisor and/or the Co-Brand Franchisor;

(o) to actively participate and abide by Franchisor's requirements and/or guidelines with respect to any programs introduced by Franchisor from time to time, including, without limitation, any programs, services or initiatives involving payroll services or debit/credit card services;

(p) to use the brand of fountain service beverages or other non-fountain beverages that Franchisor may designate from time to time, upon prior notice to Franchisee;

(q) to offer for sale all products included in Franchisor's standard menu as specified in the Manual, and to not add nor remove any product from Franchisor's standard menu unless Franchisor authorizes such removal in writing; and

(r) to comply with all agreements with third parties related to the Store, including, in particular, all provisions of any Lease.

6.2 Group Insurance. The Franchisor shall be entitled at its sole discretion to require the Franchisee to subscribe to its group insurance plan for the purpose of providing all or part of the insurance coverage to be taken out pursuant to Section 6.1(f). The Franchisor may, in its sole discretion, modify such group insurance plan from time to time as specified by the Franchisor in its Manual or by other written notice from time to time. The Franchisee agrees to participate in the plan if the plan is available to Franchisee. If the underwriters of such plan increase the premiums under the plan as a result of any act or occurrence at the Store, or as a result of any act

or omission of the Franchisee, then the Franchisee shall, for the duration of this Agreement, pay the amount of such increase in premiums. The Franchisee shall comply with all recommendations made by the underwriters of the plan. The Franchisee acknowledges that the Franchisor may receive a rebate, royalty, commission or some other form of benefit in connection with the purchase of group insurance and that the Franchisor is entitled to keep such rebate, royalty, commission or other benefit for its own use and benefit.

6.3 Representation Regarding Terrorist Activity. Franchisee and its owners agree to comply with and/or to assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Anti Terrorism Laws (as defined below). In connection with such compliance, Franchisee and its owners certify, represent, and warrant that none of their property or interests is subject to being "blocked" under any of the Anti Terrorism Laws and that Franchisee and its owners are not otherwise in violation of any of the Anti Terrorism Laws.

(a) Franchisee and its owners certify that none of them, their respective employees, or anyone associated with Franchisee is listed in the Annex to Executive Order 13224 (which can be accessed at <http://www.treasury.gov/offices/enforcement/ofac/legal/EO/13224.pdf>). Franchisee agrees not to hire (or, if already employed, retain the employment of) any individual who is listed in the Annex.

(b) Franchisee and its owners certify that it and they have no knowledge or information that, if generally known, would result in Franchisee, its owners, their employees, or anyone associated with Franchisee to be listed in the Annex to Executive Order 13224.

(c) Franchisee and its owners are solely responsible for ascertaining what actions it and they must take to comply with the Anti Terrorism Laws, and Franchisee and its owners specifically acknowledge and agree that its and their indemnification responsibilities set forth in this Agreement pertain to its and their obligations under this Section 6.3.

(d) Any misrepresentation under this Section or any violation of the Anti Terrorism Laws by Franchisee, its owners, agents, its employees shall constitute grounds for immediate termination of this Agreement and any other agreement Franchisee has entered with Franchisor or any of the Franchisor's affiliates.

(e) **"Anti Terrorism Laws"** means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control and any government agency outside the U.S.) addressing or in any way relating to terrorist acts and/or acts of war.

7. COVENANTS OF THE FRANCHISOR

7.1 Covenants of the Franchisor. The Franchisor hereby covenants and agrees that, upon the request of the Franchisee from time to time, the Franchisor shall provide such assistance and support to the Franchisee as the Franchisor, in its sole discretion, may deem appropriate in respect of the following:

- (a) advice concerning the maintenance of food, beverages, goods, and services offered at the Store;
- (b) advice in establishing stock controls for the Business;
- (c) training programs in systems, standards, methods and procedures developed and introduced by the Franchisor from time to time;
- (d) opening assistance consisting of one (1) or more representatives on site at the Store for not less than five (5) days to assist Franchisee in opening the Business; provided, however, Franchisee shall hire and exclusively be responsible for training, compensation, and control of its employees; and
- (e) loan one (1) copy of the Manual, as described in Section 5.19, during the term of this Agreement.

8. PAYMENTS BY FRANCHISEE AND ACCOUNTING OBLIGATIONS

8.1 Initial Franchise Fee. In consideration of the Franchisor entering into this Agreement and the opportunity to establish the Business as herein provided, the Franchisee agrees to pay the Franchisor a fee (“**Initial Franchise Fee**”) of Thirty Thousand Dollars (\$30,000) concurrently upon execution of this Agreement. The Initial Franchise Fee shall be deemed fully earned upon receipt by Franchisor and non-refundable to the Franchisee after it is paid.

8.2 Royalty. The Franchisee shall pay to the Franchisor an ongoing royalty (“**Royalty**” or “**Royalties**”) equal to six percent (6%) of Gross Sales during the Term and any Interim Period.

8.3 Payment Dates.

- (a) On Monday of each week, Franchisee shall ensure that sales are available for polling from the point of sale system; however, if sales are not available, then Franchisee shall verify and report via the sales reporting interface, the sales for the weekly period which ended on the preceding Sunday, or such other frequency which the Franchisor shall require during the Term and any Interim Period, including details on Gross Sales and other statistical data as provided in this Agreement, the Manual, or as otherwise specified from time to time by us. Franchisee shall pay to Franchisor the Royalties and Marketing Contributions due in accordance with such report.

(b) During the Term and any Interim Period, the Franchisee shall pay all Royalties and Marketing Contributions due and owing to the Franchisor by participating in a pre-authorized payment plan (“**Payment Plan**”) whereby the Franchisor shall be authorized to debit the Franchisee’s bank account on a weekly basis no later than Friday of each week, which day may be modified by us without prior notice to or approval from you from time to time. The Franchisor also reserves the right to require payment from the Franchisee of all Royalties and Marketing Contributions due and owing to the Franchisor in such other form or manner as the Franchisor may determine from time to time. To effect the foregoing, Franchisee agrees to sign any necessary documents that may be required to institute the Payment Plan, which may be the same or similar to the form of document entitled Request for Pre-Authorized Payment, attached to this Agreement as **Schedule D**.

8.4 Books and Records.

(a) Franchisee will submit weekly summaries showing results of the Store operations by telephone, facsimile, electronically, or by other means at Franchisor’s request within two (2) days after the end of each business week, which is currently Sunday. Weekly summaries showing results of the Store’s operations will be submitted in writing or in electronic form as Franchisor requires to the locations designated by the Franchisor.

(b) The Franchisee shall maintain, at the Store, and/or its corporate head office or any other such location as agreed to in writing by the Franchisor, and for such period of time and in such manner as we may from time to time prescribe, full and accurate accounts and records of all transactions relating to Gross Sales, including without limitation, receipts, cash register tapes, control sheets, inventory counts, deposit slips, business bank statements, cancelled checks, business tax returns, and other records necessary to verify Gross Sales. Such accounts and records shall be maintained in such a form that the Royalties and Marketing Fund Contributions payable under this Agreement may be readily and accurately determined and verified by the Franchisor. The Franchisor shall be entitled to require the use of specified methods, procedures and standard forms in connection with the maintenance by the Franchisee of its accounts and records and the Franchisee shall comply with all such requirements, as they may be amended from time to time in the Manual. All such requirements of the Franchisor shall conform to American generally accepted accounting principles (“**GAAP**”) applied consistently on a year-to-year basis. The Franchisor shall be entitled to specify equipment to be used by the Franchisee in connection with recording sales by the Franchisee and the Franchisee shall promptly purchase and utilize such equipment as required by the Franchisor. Such specifications may be outlined in the Manual and may be changed from time to time in the Franchisor’s sole discretion. All accounts and records of the Franchisee maintained hereunder shall be kept by the Franchisee for a period of at least four (4) years (or such other period as required by government or other agencies that may have jurisdiction).

8.5 Financial Statement. Unless otherwise agreed upon by the Franchisor, within fifteen (15) days of the end of each fiscal quarter during the Term and any Interim Period, the Franchisee shall submit to the Franchisor:

- (a) a statement of profit and loss for the quarter then ended,
- (b) a balance sheet of the Franchisee as at the end of such quarter, and
- (c) a listing of the Franchisee's outstanding payables as at the end of such quarter.

8.6 Taking of Inventory. The Franchisee shall take physical inventories at such intervals as may be required by the Franchisor and shall provide the Franchisor with the results of such inventories if the Franchisor so requires. The physical inventories shall be taken by the Franchisee with or without the participation of a representative of the Franchisor, which shall be in the discretion of the Franchisor.

8.7 Annual Statements. The year-end of the Franchisee shall correspond with the year end of the Franchisor, which is currently November 30. Within ninety (90) days following the end of each November 30 year end, the Franchisee shall provide the Franchisor, at Franchisee's expense, with financial statements of the Business as, at, and for the year then ended including a balance sheet, income statement, statement as to source and use of funds and notes thereto which are in compliance with GAAP. Such records shall be created exclusively for the Store and shall be separate and apart for records kept for any other business in which Franchisee and/or Guarantor have an interest (provided such interest in another business is an interest that is permitted under this Franchise Agreement). Each financial statement shall be accompanied by a sworn statement, executed by Franchisee or an officer of Franchisee, attesting that the items contained in the financial statement are true and accurate, that they completely and fully describe and disclose the information sought in such statement, and that the signer has made diligent and careful efforts to ascertain the truth, accuracy and completeness of such information. If at any time Franchisor believes this is not the case, Franchisor reserves the right to review or require submission of financial statements prepared, at Franchisee's expense, by an independent Certified Public Accountant acceptable to Franchisor.

8.8 Examination of Records. The Franchisor, or its authorized representative, may examine, audit and make copies of all records and accounts maintained by the Franchisee in connection with the Business at the Franchisor's own cost and expense, and, for that purpose, shall be entitled to enter any premises where such accounts and records are kept. If any such examination or audit shall disclose that Gross Sales have been understated in any report delivered by the Franchisee to the Franchisor by more than two percent (2%) or if the Franchisor or its representative shall determine that the accounts and records of the Franchisee are not in compliance with the terms of this Agreement and/or are misstated according to GAAP, then the cost of such examination or audit shall be borne by the Franchisee. Upon notification of the Royalties and/or Marketing Contributions owing, as determined on the basis of such examination or audit, the Franchisee shall immediately pay to the Franchisor an amount equal to any deficiency in the Royalties and/or Marketing Contributions actually paid to the Franchisor together with the interest rate provided in Section 10.10 below. In addition, if any such examination or audit discloses that Gross Sales or any other accounts have been misstated by more than two percent (2%) and/or do not comply with GAAP, in any report delivered by the Franchisee to the Franchisor then, unless otherwise agreed by the Franchisor, the Franchisee shall be required to conduct an annual review or audit of the financial statements for the Business

by a firm of independent certified public accountants and the cost of such audit shall be borne by the Franchisee. If you do not deliver any statement of Gross Sales as required or such statement is incomplete, we or our accountants shall have the right to estimate the Gross Sales for the period in question and you shall immediately pay the amount so estimated. Any estimation made by us and/or any report of our accountants' shall be final and binding on all parties hereto. You and your staff shall cooperate fully with all persons carrying out any review, examination or audit conducted pursuant to this Section 8.8.

8.9 Recalculation of Royalties and Marketing Fund Contributions. If any examination or audit performed pursuant to Sections 8.7 or 8.8 discloses, in the opinion of the Franchisor, that the accounts and records of the Franchisee are not in compliance with the terms of this Agreement and that an accurate determination of Gross Sales cannot be made, then the Franchisor shall be entitled to estimate Gross Sales on the basis of information available to the Franchisor (including the perceived volume of business in the Store as may be calculated by Franchisor), and the Franchisee shall pay to the Franchisor an amount equal to the amount by which the Royalties and Marketing Fund Contributions calculated on the basis of such estimated Gross Sales is in excess of the actual Royalties and Marketing Fund Contributions paid by the Franchisee to the Franchisor.

8.10 Point-of-Sale Software and Hardware. The Franchisor shall be entitled to require that the Franchisee, at Franchisee's expense, connect its point-of-sale computer programs, with a computer facility designated by the Franchisor so as to enable the Franchisor to collect information concerning Gross Sales and the Franchisee shall sign all documents and do such further acts as may be required by the Franchisor from time to time in order to effect the foregoing. Without limiting the generality of the foregoing, the Franchisee shall purchase such computer software and hardware and telephone equipment as may be required to implement the aforesaid point-of-sale programs and/or for any other purposes designated by the Franchisor from time to time in the Manual or by notice in writing from suppliers designated by the Franchisor and the Franchisee shall assume and pay all such costs related to the program. If Franchisee fails or refuses to deliver any statement of Gross Sales as required or such statement is incomplete, Franchisor or its accountants shall have the right to estimate the Gross Sales for the period in question and Franchisee shall immediately pay the amount so estimated. Any estimation made by Franchisor or any report of our accountants' shall be final and binding on all parties hereto. Franchisee and Franchisee's employees shall cooperate fully with all persons carrying out any review, examination or audit conducted pursuant to Section 8.8.

Franchisee further acknowledges and agrees that it shall purchase (or lease), use, maintain and update computer and other systems and software programs which meet the Franchisor's specifications as they evolve over time and which, in some cases, may only be available through the Franchisor, the Franchisor's affiliates and/or designated suppliers. The Franchisee shall maintain its systems network and must promptly update and otherwise change its computer and point of sale hardware and software systems, as the Franchisor may require from time-to-time, at the Franchisee's expense. The Franchisee shall pay all amounts charged by any supplier or licensor of the systems and programs used by it, including charges for use, maintenance, support and/or update of these systems or programs. Franchisee will record all sales and designated business information in the point-of-sale system in the manner specified by Franchisor in the Manual. Franchisee will report information to Franchisor electronically as it

may specify and Franchisor may call up or poll Franchisee's point-of-sale system to retrieve information at any time.

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

8.11 Bookkeeper. Franchisee acknowledges that the maintenance of accurate financial records, and the preparation of financial statements on a timely basis, is essential to the efficient operation of the Business. If Franchisee is not qualified to maintain accurate financial records, in Franchisor's reasonable determination, then Franchisee agrees to hire a qualified bookkeeper who will maintain the financial records of the Franchisee and who will attend at the Store and/or the corporate head office for not less than once every two (2) weeks for that purpose. Franchisee shall purchase such accounting software and Franchisee and or its bookkeeper shall use the accounting software designated by Franchisor from time to time.

8.12 Security Interest. As security for the full and timely performance of Franchisee's obligations under this Agreement, including but not limited to monies Franchisee owes to Franchisor, Franchisee hereby grants to Franchisor a security interest in all equipment, fixtures, inventory, machinery, personal property, accounts receivable (including rights to payment under insurance claims), contract rights, (including all executory contracts pertaining to or arising from the operation of the Store), Franchisee's lease and license rights, customer lists, customer profiles, promotional brochures, mailing lists, goodwill, general intangibles and chooses in action, of every sort now owned or hereafter acquired by Franchisee, wherever located, in any way related to the operation by Franchisee of the Store, together with all cash and non-cash proceeds and products of any or all of the foregoing, including without limitation, all property purchased with the proceeds of any loan from Franchisor to Franchisee and all parts, fittings, accessories, accessions, additions, substitutions, replacements and proceeds (including insurance proceeds thereof) ("**Collateral**"). Franchisor may, at any time without prior notice to Franchisee, give notice of Franchisor's security interest in the Collateral to any and all persons. At our request, at any time and from time to time, Franchisee shall execute and deliver to Franchisor any document or instrument necessary to perfect and record our security interest and

maintain Franchisor's priority as the first lien upon the Collateral, including, but not limited to the Security Agreement attached to this Agreement as **Schedule J** ("**Security Agreement**"). Upon the occurrence of any act or event that would entitle Franchisor to terminate this Agreement, Franchisor: (i) may take possession of the Collateral or any portion thereof, wherever it may be found and using all reasonable force, or require Franchisee to assemble the Collateral and make it available to Franchisor at a place Franchisor designates which is reasonably convenient to Franchisee and Franchisor, and Franchisee hereby waives all claims for damages due to, arising from or connected with such taking; (ii) shall have the right, but not the obligation, to maintain possession of and dispose of the Collateral on the Premises or at any other location under Franchisee's or Franchisor's control; (iii) may exercise any and all rights under the Security Agreement; and (iv) may exercise any remedies of a secured party under the Uniform Commercial Code.

8.13 Maximum Borrowing Commitment. Franchisee acknowledges and agrees that Franchisor may from time to time designate the maximum amount of debt service ("**Maximum Debt Limit**") that the Business may be permitted to service. As of the date of this Agreement the Maximum Debt Limit is seventy percent (70%) of the Total Project Cost of establishing a Thai Express Franchise, which includes all costs associated with the construction of the Thai Express Store, working capital requirements, all fees payable to the Franchisor, including Initial Franchise Fees, and any other applicable costs ("**Total Project Cost**"). Franchisee shall not borrow in excess of the Maximum Debt Limit without Franchisor's prior written consent.

8.14 Document Administration Fee. A document administration fee of Five Hundred Dollars (\$500) ("**Document Administration Fee**") is payable to us when we must prepare an amendment to your franchise documents.

9. TERMINATION AND/OR DEFAULT

9.1 Termination upon Expiration of Term and any Interim Period. This Agreement shall immediately terminate at the end of the Term or at the end of the Interim Period as set forth in Section 2.3.

9.2 Termination Before Commencement of Operations – Without Notice, Initial Franchise Fee Forfeited. As set forth in Section 4.1(c) of this Agreement, Franchisee's failure to sign a Lease for the Store prior to the expiration of the Site Location Period will constitute abandonment of the Business by Franchisee and entitle the Franchisor to terminate this Agreement and all rights granted the Franchisee hereunder without providing the Franchisee with notice or the opportunity to cure.

9.3 Termination Before Commencement of Operations - With Notice, Initial Franchise Fee Forfeited. The Franchisor shall have the right, at its option, to terminate this Agreement and all rights granted the Franchisee hereunder, subject to the provisions of applicable state law governing franchise termination and renewal, effective upon receipt of notice by the Franchisee, upon the Franchisee failing to:

- (a) lease the Store in the manner required by 4.1(a), 4.1(b), and 4.2;
- (b) commence to operate the Business as required by Section 4.5;

- (c) successfully complete the initial training as required by Section 4.4.
- (d) RESERVED;
- (e) execute and deliver the Guarantee and Indemnity Agreement as required by this Franchise Agreement and the General Security Agreement as required by this Franchise Agreement; or
- (f) execute and deliver to Franchisor any of the other Schedules as required by this Agreement.

In the event of such termination, the Franchisor shall have no liability to the Franchisee whatsoever and the Franchisee acknowledges, without limiting the generality of Section 8.1, that the Franchisor may retain the Initial Franchise Fee paid pursuant to Section 8.1 as liquidated damages and not as a penalty.

9.4 Termination - With Notice and No Opportunity to Cure, and Effective Immediately. The Franchisor may, at its sole option, terminate this Agreement and all rights hereunder, without affording Franchisee an opportunity to cure the default, effective immediately, unless otherwise specified herein or in the notice of termination, upon delivery of notice of termination if the Franchisee and/or Guarantor or any corporation to which the Franchisee and/or Guarantor have assigned this Agreement:

- (a) If Franchisee begins operating Business without having obtained Franchisor's written consent, as required under Section 4.4 of this Agreement;
- (b) commits an act of bankruptcy or becomes an insolvent person within the meaning of the United States Bankruptcy Code; or files, or fails to contest within three (3) days of filing and subsequently defeats, any petition in bankruptcy; or fails to contest, satisfy or vacate within sixty (60) days any execution, levy, or distress against the assets of the Business;
- (c) fails to contest within ten (10) days and have removed the appointment of a receiver or other custodian (either temporary or permanent) of the Business or any part of its assets, except by the Franchisor pursuant to the provisions of this Agreement;
- (d) takes the benefit of any act or proceeding for winding up its affairs or compromising its debts or purports to make a general assignment for the benefit of creditors;
- (e) the Lease is terminated or if the Franchisor or the Landlord, under the Lease, shall become entitled to terminate the Lease (whether or not it exercises that right of termination);
- (f) makes an assignment or sale of the Franchise or ownership in the Franchise without first complying with the provisions of this Agreement;

(g) knowingly make any material false statements to Franchisor in connection with Franchisee's application for the franchise;

(h) all or any part of the assets and property of the Business are seized by any of Franchisee's secured creditors, or if a receiver or manager is appointed with respect to Franchisee or the Business;

(i) abandons or surrenders or transfers control of the operation of its Business or fails to actively carry on business from the Store and such condition continues for two (2) days after notice of such default is given;

(j) submits on two (2) or more occasions during the Term or any Interim Period a report, financial statement, tax return, schedule or other information or supporting record which understates its Gross Sales by more than two percent (2%), unless the Franchisee demonstrates to the Franchisor's satisfaction that such understatement resulted from inadvertent error; or if any audit performed pursuant to Sections 8.7 or 8.8 indicates that Gross Sales have been understated by more than two percent (2%) for any period; or if Gross Sales shall be understated by more than two percent (2%) on two or more occasions as determined on the basis of an examination of audits performed pursuant to Sections 8.7 or 8.8, or if the Franchisee shall repeatedly fail to maintain accounts and records in accordance with the terms of this Agreement;

(k) repeatedly fails to maintain accounts and records in accordance with the terms of this Agreement; for purposes of this subsection 9.4(k), "repeatedly" shall mean three (3) or more occasions during the Term of this Agreement;

(l) violates any law, ordinance, rule, regulation of any governmental agency in connection with the operation of the Business or involving moral turpitude; which for purposes of this Agreement shall mean conduct that is contrary to justice, honesty or morality;

(m) violates any law, ordinance, rule or regulation of any governmental agency in connection with the operation of the Business or involving moral turpitude;

(n) is convicted of a criminal offense;

(o) allows any lessor or encumbrancer or any other person, corporation or entity lawfully entitled, to take possession of any of the undertaking, Business, property or assets of the Franchisee;

(p) commits or suffers any default under any contract of conditional sale, mortgage or other security instrument;

(q) receives from the Franchisor during the Term and any Interim Period three (3) or more notices of default regardless whether such notices of default relate to the same or different defaults, or whether such defaults have been remedied by the Franchisee;

(r) if the Franchisee is a legal entity, changes the effective control of the Franchisee, without the consent of the Franchisor as required under Section 12 of this Agreement;

(s) registers a trademark or trademarks utilizing the words “Thai Express” or a colorable imitation thereof, or otherwise using such words in its corporate name;

(t) discloses to any unauthorized person, copies or distributes the Manual, in whole or in part, through any means whatsoever, without Franchisor’s written consent; or

(u) alters, amends or terminates its Lease without receiving Franchisor’s prior written consent as required under Section 4.2 of this Agreement.

Franchisor’s waiver of any Franchisee’s defaults will not constitute a waiver of any other default and will not prevent Franchisor from requiring Franchisee to strictly comply with this Agreement and/or any other agreement with the Franchisor and/or its affiliates.

9.5 Termination - With Notice and With Opportunity to Cure. The Franchisor may, at its sole option, terminate this Agreement and all rights hereunder, after affording Franchisee an opportunity to cure the default as set forth below, effective immediately, unless otherwise specified herein or in the notice of termination, upon delivery of notice of termination if the Franchisee and/or Guarantor or any corporation to which the Franchisee and/or Guarantor have assigned this Agreement:

(a) breaches the Lease or sublease and Franchisee fails to cure such default as provided in the Lease or sublease;

(b) commits a material breach of any other franchise agreement or other agreement entered into with the Franchisor or any of its affiliates and Franchisee fails to cure such default as provided in those other agreements;

(c) fails, or refuses, to submit any report, weekly summary, financial statement, tax return, schedule or other information or supporting records required herein, or submits such reports more than five (5) days late on two (2) or more occasions during the Term or any Interim Period unless due to circumstances beyond the control of the Franchisee, and Franchisee does not correct such failure within five (5) days, (or such longer period of time as the Franchisor in its sole discretion deems appropriate,) after written notice from the Franchisor (which shall describe the action that the Franchisee must take) is delivered to the Franchisee;

(d) operates the Business in a manner that presents a health or safety hazard to its customers, employees or the public and such manner of operation continues uncorrected after notice to correct same from any governmental body, the Franchisor or the Landlord is delivered to the Franchisee, and Franchisee does not correct such failure within twenty-four (24) hours, (or such longer period of time as the Franchisor in its sole discretion deems appropriate,) after written notice from the Franchisor (which shall describe the action that the Franchisee must take) is delivered to the Franchisee;

(e) fails or refuses to pay any amount owed to the Franchisor or any affiliate, subsidiary or any authorized supplier of the Franchisor, any of Franchisor's affiliates, or the Landlord for any debt whatsoever within five (5) days after a demand for payment or fails to honor on two (2) or more occasions during the Term or any Interim Period checks presented for payment or repeatedly and consistently pays any amount due hereunder after its due date;

(f) sells or offers for sale any unauthorized product or service, and Franchisee does not correct such failure within twenty-four (24) hours, (or such longer period of time as the Franchisor in its sole discretion deems appropriate,) after written notice from the Franchisor (which shall describe the action that the Franchisee must take) is delivered to the Franchisee;

(g) sells or offers for sale any merchandise which is in, the Franchisor's sole opinion, of poor taste, or which the Franchisor believes is likely to have an adverse effect on the System, the Marks or the goodwill associated with the Marks; and Franchisee does not correct such failure within twenty-four (24) hours, (or such longer period of time as the Franchisor in its sole discretion deems appropriate,) after written notice from the Franchisor (which shall describe the action that the Franchisee must take) is delivered to the Franchisee;

(h) fails to comply with any other provision of this Agreement or any specification, standard or procedure prescribed by the Franchisor and Franchisee does not correct such failure within five (5) days, (or such longer period of time as the Franchisor in its sole discretion deems appropriate,) after written notice from the Franchisor (which shall describe the action that the Franchisee must take) is delivered to the Franchisee;

(i) fails to observe or perform any of the rules, bulletins, directives or other notices set forth in the Manual, which in the opinion of the Franchisor, are material and any such failure to observe or perform the same shall continue for a period of five (5) days, or such longer period of time as the Franchisor in its sole discretion deems appropriate, after written notice thereof has been given to the Franchisee;

(j) takes or threatens to take any action to liquidate its assets, or stops making payments in the usual course of business, and Franchisee does not correct such failure within five (5) days, (or such longer period of time as the Franchisor in its sole discretion deems appropriate,) after written notice from the Franchisor (which shall describe the action that the Franchisee must take) is delivered to the Franchisee;

(k) fails to successfully complete the Franchisor's training or retraining course(s), and Franchisee does not correct such failure within five (5) days, (or such longer period of time as the Franchisor in its sole discretion deems appropriate,) after written notice from the Franchisor (which shall describe the action that the Franchisee must take) is delivered to the Franchisee;

(l) fails to pay Franchisor the liquidated damages amounts set out in this Franchise Agreement, and Franchisee does not correct such failure within five (5) days,

(or such longer period of time as the Franchisor in its sole discretion deems appropriate,) after written notice from the Franchisor (which shall describe the action that the Franchisee must take) is delivered to the Franchisee; or

(m) fails to participate in Franchisor's group insurance plan as required by this Franchise Agreement, and Franchisee does not correct such failure within five (5) days, (or such longer period of time as the Franchisor in its sole discretion deems appropriate,) after written notice from the Franchisor (which shall describe the action that the Franchisee must take) is delivered to the Franchisee.

Franchisor's waiver of any Franchisee's defaults will not constitute a waiver of any other default and will not prevent Franchisor from requiring Franchisee to strictly comply with this Agreement and/or any other agreement with the Franchisor and/or its affiliates.

9.6 Rights on Default. At any time following the occurrence of an event of default occurring set out in Sections 9.2, 9.3, 9.4, and 9.5 (referred to herein as an "**Event of Default**"), without prejudice to any other rights available to the Franchisor set out in this Agreement, the Franchisor shall be in its sole discretion entitled and authorized to:

(a) terminate this Agreement and the rights granted to the Franchisee hereunder in accordance with such sections; or

(b) attempt to remedy such Event of Default and for such purpose (but without limitation) the Franchisor or its authorized agent may, but is not obligated to, (i) enter the Store, (ii) make payments on behalf of the Franchisee, and/or (iii) take possession of the Store and operate the Business as agent for the Franchisee for such period as the Franchisor deems appropriate in the circumstances. Forthwith upon demand, the Franchisee shall reimburse the Franchisor for all costs and expenses incurred, and all payments made, by the Franchisor or its agent in exercising any of its rights under this Section, plus an administrative fee equal to fifteen percent (15%) of such costs and expenses, and shall indemnify and save the Franchisor harmless from all costs and expenses incurred in exercising any of its rights under this Section. The Franchisor shall not be under any obligation to attempt to remedy any Event of Default hereunder. The Franchisor may at any time terminate its efforts to remedy any Event of Default, without thereby incurring any liability or obligation to the Franchisee. Any attempt to remedy an Event of Default under this Section shall not constitute a waiver of such Event of Default, nor shall it prevent the Franchisor from terminating this Agreement pursuant to Sections 9.4 or 9.5 during the continuance of such Event of Default; or

(c) exercise its rights under Sections 10.4 or 10.6; or

(d) demand that the Franchisee deliver to the Franchisor all the certificates for all issued shares in the capital of the Franchisee, if the Franchisee is a corporation, or all the certificates evidencing all membership interests, if the Franchisee is a limited liability company, outstanding at the time of the delivery by the Franchisor of notice requiring such delivery, by way of pledge, to be held as security for the performance by the Franchisee and the Guarantor of their obligations to the Franchisor set out herein and in

any other agreements between the Franchisor, the Franchisee and/or the Guarantor. The Franchisee and the Guarantor shall cause all shareholders to deliver such shares in accordance with the terms set out in the notice.

9.7 Liquidated Damages.

(a) Franchisee acknowledges that the success of the System and enhancing the value of its investment and the overall value of the System depends on maintaining consistent products, services, and standards of appearance and Franchisee acknowledges the importance of operating the Business in accordance with the System, as modified from time to time. Franchisee further acknowledges that deviation from the requirements of the System, as specified in this Agreement and/or Manual, will damage Thai Express, the System, the Marks, and Franchisor's goodwill, which damage is difficult to quantify. Accordingly, the parties agree that in the event of deviations from this Agreement and/or mandatory provisions of the Manual, Franchisee shall pay to Franchisor, as liquidated and agreed upon damages ("**Liquidated Damages**"), and not as a penalty, the following amounts for each deviation from this Agreement, beginning with the second deviation in any calendar year:

(i) Second deviation in calendar year: Three Hundred Fifty Dollars (\$350.00);

(ii) Third deviation in calendar year: Six Hundred Dollars (\$600.00);

(iii) Each Additional deviation in calendar year: One thousand Five Hundred Dollars (\$1,500.00).

(b) The Liquidated Damages set out above shall be paid to Franchisor within ten (10) days of receipt of notice of the deviation from Franchisor. The imposition of Liquidated Damages as against Franchisee shall be at Franchisor's sole option. Franchisor is not required to impose Liquidated Damages and may instead elect to pursue our other remedies provided in this Agreement, including termination of this Agreement. Even if Franchisor imposes Liquidated Damages for any violation, Franchisor further reserves all other rights and may thereafter elect to terminate this Agreement or to pursue any other remedy available to Franchisor under law for a subsequent violation. For greater certainty, Franchisor, in its absolute and sole discretion, shall determine whether there has been a deviation from this Agreement.

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

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

If any fees or assessments due under this Agreement, including the Royalty and Marketing Fund Contributions, are not paid when due, interest shall accrue on the late payment (from the date payment is due until the date it is paid) at the Default Rate (**as defined in Section 10.10 below**) not to exceed the maximum legal interest rate if applicable, which amount, plus a late charge of five percent (5%) of the unpaid amount, or One Hundred Dollars (\$100), whichever is greater, shall be added to each late payment. For any payments made by you to us under this Agreement which are returned for non-sufficient funds of a processed check, you shall be charged a non-sufficient funds fee of Twenty-Five Dollars (\$25) per occurrence. For any payments made by you to us under this Agreement which are returned for non-sufficient funds of an attempted electronic funds transfer, you shall be charged a non-sufficient funds fee of Fifty Dollars (\$50). You shall also reimburse us for all other costs and expenses incurred by us in collecting or attempting to collect funds due to us from you (for example, without limitation, charges for non-sufficient funds, or other uncollected funds).

The Royalty may, in our sole discretion, be increased up to eighteen percent (18%) of Gross Sales with respect to any period during which you are in breach or default of your obligations under this Agreement. (The Royalty paid or owing to us with respect to the period during which you are in breach or default are referred to as “Breaching Royalties.”) Breaching Royalties will be charged for a minimum fourteen (14) day period, regardless of the length of the actual breach or default.

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

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

10. RIGHTS AND OBLIGATIONS OF PARTIES UPON TERMINATION

10.1 Termination Defined. “**Termination**” shall mean the termination or expiration of this Agreement, whether by reason of expiration of the Term or any Interim Period or by reason of the Franchisor exercising its right to terminate this Agreement as a result of an Event of Default or otherwise.

10.2 Franchisee Obligations on Termination. At all times up to the date of Termination, the Franchisee shall, in all respects, be bound by all the terms of this Agreement,

and Termination shall not relieve the Franchisee of any obligation that shall have accrued under this Agreement to the date of Termination. Upon Termination:

(a) the License shall be terminated and the Franchisee shall immediately discontinue the use of the Marks in accordance with Section 3.8 of this Agreement;

(b) Franchisee shall take such action within five (5) days as may be required to cancel all registrations, including trade name registrations, relating to Franchisee's use of the Marks. If Franchisee was awarded a telephone directory listing associated with the Marks, Franchisee shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's rights to use any telephone number and any classified or other telephone directory listings associated with the Marks and shall authorize the transfer of same to Franchisor or any new franchisee approved by Franchisor. Franchisee acknowledges that, as between Franchisee and Franchisor, Franchisor has the sole right to, and interest in, all telephone numbers and directory listings associated with the Marks. Franchisee shall, within two (2) days following termination, dismantle any frames and links between Franchisor's Website and any other authorized or unauthorized Websites owned or controlled by Franchisee, if and as requested by Franchisor, such costs to be borne completely by the Franchisee. Franchisee hereby irrevocably appoints Franchisor as Franchisee's true and lawful attorney-in-fact, which appointment is coupled with an interest, to execute such directions and authorizations as may be necessary or prudent to accomplish the provisions of this Section 10.2(b). Franchisee shall execute a document substantially in the form attached as **Schedule L** as further evidence of Franchisor's rights upon Termination;

(c) In the event Franchisee lawfully maintains possession of the Store subsequent to the Termination, Franchisee shall immediately upon Franchisor's request make such alterations and removals or changes in signs and colors as Franchisor may reasonably request so as to distinguish effectively the Store from its former appearance and from the then-prevailing image of the System. If Franchisee fails to make such changes in a timely manner, Franchisor may enter upon such Store premises and make such changes at Franchisee's expense without such action constituting a trespass and without being liable to Franchisee in any manner;

(d) the Franchisee shall immediately remove all signs, displays, logos, symbols, slogans, graphics, and other things, which contain or display any of the Marks or other names belonging to Franchisor;

(e) the Franchisee shall deliver to the Franchisor all advertising material, bulletins, all copies of the Manual, handbooks, training tapes, drawings, designs, uniforms, correspondence, stationery, files, and paper goods which are in the possession or control of the Franchisee and which belong to the Franchisor or which bear any Marks, and all copies thereof, including all disks, CD-Roms, DVDs and electronic copies;

(f) all amounts owing by the Franchisee to all third-party creditors and to the Franchisor and any affiliate and subsidiary of the Franchisor under any of the agreements

entered into by the Franchisor or such affiliate or subsidiary shall immediately become due and payable; and

(g) take such action as the Franchisor may request to disassociate itself from the System including, without limitation, to cease and desist using Website addresses, e-mail addresses, domain names, and telephone numbers.

10.3 The Franchisor May Pay Trade Debts. The Franchisee agrees to pay within five (5) days of the effective date of Termination all amounts owed to the Franchisor, the Landlord of the Store and the Franchisee's trade and other creditors which are then unpaid. All periodic payments to the Franchisor shall be deemed to accrue daily and shall be adjusted accordingly.

Upon Termination, the Franchisor shall be entitled, but not obligated, to pay all or any part of the trade debts of the Franchisee in order to preserve the goodwill of the Franchisor with trade creditors. If the Franchisor elects to make such payments, then the amount thereof shall become immediately due and payable by the Franchisee and the Guarantor to the Franchisor.

10.4 Options to Purchase. Upon Termination, the Franchisor shall have the option, but not the obligation to:

(a) purchase from the Franchisee all or any part of the inventory of food, beverages and paper goods owned by the Franchisee in connection with the Business, other than food, beverages and paper goods which are spoiled, stale dated or not then in use by other THAI EXPRESS[™] franchisees generally, for a purchase price equal to the price paid by the Franchisee therefore plus verified shipping costs;

(b) purchase from Franchisor all or any part of the furniture, furnishings, fixtures, equipment and smallwares owned by Franchisee and used in connection with the Business for a purchase price to be agreed upon by the parties that are to be sold. If the parties are unable to agree as to a purchase price and terms, the fair market value of such property shall be determined by three appraisers chosen in the following manner: Franchisee shall select one appraiser and Franchisor shall select one appraiser, and the two appraisers so chosen shall select a third appraiser. The decision of the majority of the appraisers so chosen shall be conclusive. The cost of the third appraiser shall be shared equally by the parties. The determined purchase price shall be adjusted by setting off and reducing the purchase price by any amount owing by Franchisee to Franchisor or its affiliates, any losses Franchisor may incur from the interim operation of the business as outlined in Section 10.6 below, and including any amounts paid by Franchisor to cure Franchisee's defaults with third parties including, but not limited to, suppliers and Landlords (the decision to pay such cure amounts to be the sole decision of Franchisor);

(c) receive an assignment of the Franchisee's interest in all or any leases of the furniture, fixtures, equipment, and smallwares used in connection with the Business in consideration of the assumption by the Franchisor of all future obligations of the Franchisee under such leases; and/or

(d) receive an assignment of the Franchisee's interest in the Lease in consideration of the assumption by the Franchisor of all of the future obligations to the Franchisee under the Lease.

Each of the options described in this Section 10.4 may only be exercised by written notice given to the Franchisee by the Franchisor within ninety (90) days of Termination and each such option shall survive Termination. If the Franchisor elects to exercise the option described in Section 10.4(d), then the Franchisor shall not be obligated to exercise the options described in Sections 10.4(a), 10.4(b) and 10.4(c).

10.5 Completion of Purchase. Upon the exercise by the Franchisor of any of the options described in Section 10.4, there shall be a binding agreement of purchase and sale between the Franchisor and the Franchisee, pursuant to which the Franchisee shall be bound to sell or assign, and the Franchisor shall be bound to purchase or assume, the property or interest with respect to which such option was exercised ("**Purchased Property**"). Subject to Section 10.6, the closing of the transaction shall occur on the first business day after the fifteenth (15th) day following the exercise of such option. At the closing of the transaction, the Franchisee agrees to sell, transfer and assign to the Franchisor good and marketable title to the Purchased Property, free and clear of all mortgages, charges, liens, security interests and other encumbrances whatsoever and to execute and deliver to the Franchisor such bills of sale, assignments and other conveyances of title as may be necessary in order to effectively transfer the Franchisee's interest in the Purchased Property to the Franchisor.

This transaction of purchase and sale shall be subject to all applicable bulk sales legislation and the Franchisor or its agent shall be entitled to act as trustee for the payment of money required to be paid thereunder. Unless mutually satisfactory arrangements are otherwise made between the Franchisor and the Franchisee, and subject to applicable bulk sales legislation, the purchase price shall be applied on closing as follows:

- (a) first, to the payment of all amounts necessary in order to obtain a discharge of all mortgages, liens, charges, security interests and other encumbrances on the Purchased Property;
- (b) second, to the payment of all amounts which are due and owing by the Franchisee (i) to the Franchisor, (ii) under the Lease, (iii) to the trade creditors of the Franchisee, and (iv) to any governmental agency; and
- (c) third, to the Franchisee, at Franchisor's option in full, or in eighteen (18) equal monthly installments, with interest at a rate equal to the prime lending rate as of the closing at Franchisor's bank.

If the Franchisee shall fail to close this transaction on the date set for closing, then the Franchisor shall be entitled to pay the purchase price as provided above, and in that regard shall be entitled to deposit that portion of the purchase price which is to be paid to the Franchisee into a bank account opened in the name of the Franchisee or to an account established for the benefit of the Franchisee, and to advise the Franchisee as to the particulars of such bank account or trust account, whereupon the Franchisor shall be entitled to take possession for its own account the

Purchased Property, including the Store if the Franchisor is entitled to an assignment of the Lease.

10.6 Interim Right to Operate Business.

(a) In order to enable the Franchisor to determine whether it will exercise any of its options under Section 10.4 and to preserve the goodwill associated with the Business, the Franchisor, or its authorized agent, shall be entitled to take exclusive possession of the Store for a period of up to ninety (90) days prior to Termination and to operate the Business as agent for and on behalf of the Franchisee during that period.

(b) This right on the part of the Franchisor shall be exercised by written notice given by the Franchisor to the Franchisee. From and after the giving of such written notice, the Franchisee shall deliver exclusive possession of the Store to the Franchisor and shall provide the Franchisor with access to all books and records relating to the Business. If the Franchisor shall elect to exercise any of its options under Section 10.4, then the period of the Franchisor's occupancy of the Store under this Section 10.6 shall be extended until the closing of the transaction of purchase and sale arising out to the exercise of such option. The Franchisor shall have the right to terminate its management of the Business at any time upon written notice to the Franchisee.

(c) In managing the Business as agent for the Franchisee, the Franchisor shall be liable to account to the Franchisee only in respect of the income received by it in managing the Business less its bona fide expenses, including its reasonable fees charged for such management and any legal fees incurred by the Franchisor or its agent relating to its management of the Business. The Franchisor shall not be liable or responsible for any losses, costs, expenses or damages suffered by the Franchisee during the management of the Business by the Franchisor or its agent, and the Franchisee agrees to indemnify the Franchisor for any losses, costs, expenses or damages suffered by the Franchisor in respect of the Business operated by the Franchisee up to and including the date of Termination and the period during which the Franchisor is managing the Business.

10.7 Power-of-Attorney Upon Termination and Legal Incapacity.

(a) The Franchisee hereby irrevocably appoints the Franchisor, with full power of substitution, as the Franchisee's true and lawful attorney-in-fact, which appointment is coupled with an interest, to take any action, execute any document, or do any other act or things required by Section 10 at the Franchisee's sole risk and expense upon the Franchisee's failure or refusal to comply fully therewith within ten (10) days after termination or expiration of this Agreement.

(b) The Franchisee consents and agrees that the Franchisor or its designated agents shall have the right to enter the Store at any time, at the Franchisee's sole risk and expense and without liability for trespass, tort or other act, to make any alterations thereto upon the Franchisee's failure or refusal to do so within ten (10) days after the termination or expiration of this Agreement.

(c) The Franchisee hereby covenants and agrees for its successors and assigns to allow, ratify and confirm whatsoever the Franchisor shall do by virtue of the foregoing power-of-attorney. The Franchisee hereby declares that the power-of-attorney herein granted may be exercised during any subsequent legal incapacity on the Franchisee's part.

10.8 Accounting Between Parties. Within the latter of (a) one hundred twenty (120) days after Termination, or sixty (60) days following our possession and management of the Store should Franchisor exercise its interim right to operate the Business under Section 10.6 hereof, and (b) ten (10) days following the closing of the transaction of purchase and sale pursuant to Section 10.4, there shall be an accounting between the parties with respect to the monies due by each to the other under the terms of this Agreement or under any agreement or instrument entered into between them, and each of the parties agrees promptly to pay to the other whatever monies shall be found as owing by one to the other pursuant to such accounting. Such accounting shall be subject to readjustment.

10.9 Indemnity. The Franchisee agrees to indemnify and hold the Franchisor and its affiliates and subsidiaries and their respective officers, directors, agents, employees and contractors ("**Indemnified Parties**") harmless from and against any and all losses, damages, liability, costs and expenses, including, without limitation, legal fees, courts costs, and expert witness fees, suffered or incurred by any of the Indemnified Parties as a result of: (a) any violation of this Agreement, the Lease or any other agreement by the Franchisee or the Guarantor; (b) any act or omission on the part of the Franchisee or the Guarantor or any of their respective agents, servants, employees or contractors; or (c) any claims, damages, suits or rights of any persons, firms or corporations arising from the operation of the Business or anything which may occur at the Store.

10.10 Interest on Overdue Accounts. All amounts payable pursuant to this Agreement or any other agreement between the Franchisor or any of its affiliates or subsidiaries and the Franchisee shall bear interest after the date upon which the said payment becomes due until paid in full at the Key Bank prime rate of interest plus eight percent (8%) in effect at the time the said payment becomes due ("**Default Rate**"). The acceptance of any interest payment shall not be construed as a waiver by the Franchisor of its rights in respect of the default giving rise to such payment and shall be without prejudice to the Franchisor's right to terminate this Agreement in respect of such default in accordance with the provisions of this Agreement.

10.11 Survival of Obligations. All obligations of the parties hereto which expressly or by their nature survive the Termination of this Agreement shall continue in full force and effect notwithstanding such expiration or termination. In particular, but without limiting the generality of the foregoing, the provisions of Sections 3, 5.16, 9, 10 and 15 shall survive Termination of this Agreement.

10.12 Cross Default. Breach by the Franchisee and/or the Guarantor of the Lease and/or the Guarantee and Indemnity or any other agreement entered into by the Franchisee and/or the Guarantor with the Franchisor shall constitute a breach by the Franchisee, and the Guarantor, as the case may be, of each of the other agreements. Should the Franchisee or the Guarantor, or any partnership, joint venture, corporation, or limited liability company in which the Franchisee or

the Guarantor has a controlling equity interest, be a franchisee pursuant to another franchise agreement with the Franchisor, respecting another franchised business using the Marks, a default under this Agreement shall constitute a default under such other franchise agreement and vice versa, with like remedies available to the Franchisor and should such other franchise agreement cease to be valid, binding and in full force and effect for any reason then the Franchisor may, at its option, terminate this Agreement and this Agreement shall be forthwith surrendered by the Franchisee and terminated. Likewise, should this Agreement cease to be valid, binding and in full force and effect for any reason, the Franchisor may at its option terminate the other franchise agreement and the other franchise agreement shall be forthwith surrendered and terminated.

In the event that this Agreement is terminated for any reason whatsoever by either party, and the Franchisor exercises its option to assume the Lease, the Franchisee shall immediately vacate the Store and deliver up possession to the Franchisor and shall leave the premises of the Store in a clean, tidy condition, free of debris, and shall remove therefrom only its own personal property.

10.13 Acceleration of Note and Security Interest. In the event that this Agreement expires or is terminated for any reason whatsoever and the Franchisor is the lender under any loan agreement (“**Loan**”) or the holder of any promissory note (“**Note**”) or the holder of any personal property, stock or membership certificates, security interest, chattel mortgage, debenture or mortgage of any nature whatsoever (“**Security Interest**”) from the Franchisee concerning assets used at any time by the Franchisee in the Business or which are situated on the Store, such Loan, Note or Security Interest shall, upon the effective date of termination or expiration, immediately become fully due and payable as to all principal and interest so loaned and secured.

10.14 Early Termination Fee. If you stop operating your Franchised Business before this Agreement expires, with or without obtaining our prior written consent, or in the event of a termination arising from or related to your default under this Agreement, you must pay us an early termination fee (“**Early Termination Fee**”) for breaching your Agreement. The payment of the Early Termination Fee is not in lieu of other damages and does not constitute a release of the obligations to us. The amount of the Early Termination Fee is calculated as follows:

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

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

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

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

11. GUARANTEE

11.1 Obligation to Execute Guarantee. The Guarantor hereby agrees to, and it is a condition of this Agreement that the Guarantor and the Guarantor’s spouse or domestic partner shall, execute and deliver to the Franchisor an indemnity and guarantee in the form annexed hereto as **Schedule E** forthwith upon the execution of this Agreement.

12. SALE OF BUSINESS

12.1 No Transfer Unless Permitted.

(a) The Franchisee shall not (i) assign or transfer, or grant any security in, any of its rights under this Agreement or the Lease, or (ii) sublet or part with possession of the Store, or (iii) grant any license or concession to use or occupy all or any part of the Store, except in accordance with Sections 12.3 and 12.4 of this Agreement.

(b) Notwithstanding anything in this Agreement to the contrary but subject to Section 13, the Franchisee and any shareholder(s), partner(s), or member(s) of the Franchisee, if the Franchisee is a corporation, partnership, or a limited liability company, shall not assign, sell or transfer any rights that it has or they may have under this Agreement without first obtaining the written consent of the Franchisor, which consent may not be unreasonably withheld or delayed, and provided that Franchisee is in full

compliance with the terms of this Agreement at the time of the requested transfer and at the time of the transfer.

12.2 Bona Fide Offer Defined. When used in this Agreement, the term “**Bona Fide Offer**” means an offer from an arm’s length party to purchase the Business pursuant to which:

(a) the purchaser shall purchase in the case of an asset sale, all or substantially all of the assets then used in connection with the Business and shall receive an assignment of the Franchisee’s rights under this Agreement, the Lease and any leases of equipment used in connection with the Business (and no other property or rights shall be purchased), and in the case of a sale of shares in the capital stock or membership interests of the Franchisee, all but not less than all of the shares or membership interests owned by the shareholder(s) or members of the Franchisee,

(b) the purchase price (“**Purchase Price**”) for the Business shall be expressed solely as a monetary sum payable in cash or by certified check,

(c) not less than twenty-five percent (25%) of the Purchase Price shall be payable at closing and the remainder (if any) shall be paid in equal periodic installments over not more than five (5) years or the remaining Term of this Agreement, whichever is less,

(d) the sole security for the payment of the Purchase Price shall be, in the case of an asset sale, a purchase money security interest in the tangible assets being purchased and sold, and in the case of a share sale, a pledge of shares by the purchaser in favor of the Franchisee; provided, however, that the Franchisee shall not directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, sell, assign, transfer, convey, donate, pledge, mortgage or otherwise encumber any such assets or shares or offer or attempt to do so or permit the same to be done without the Franchisor’s prior written consent,

(e) the underlying terms and conditions are bona fide and are not so unique or unusual as to render it impossible for the Franchisor to perform and observe them on a commercially reasonable basis, and

(f) the purchaser shall have agreed in writing to pay all applicable taxes in respect of the Bona Fide Offer.

12.3 Transfer to Personal Corporation. If the Franchisee is not a corporation, then the Franchisee shall be entitled to assign all its rights under this Agreement to a corporation (“**Franchisee Corporation**”), provided that each of the following conditions are satisfied:

(a) the Franchisee shall not be in default under this Agreement on the date of such assignment;

(b) the Franchisee shall assign the Lease to the Franchisee Corporation and the Landlord shall consent to such assignment;

(c) the Franchisee shall own all of the issued and outstanding shares of the Franchisee Corporation at the time of the assignment, and the activities of the Franchisee Corporation shall be confined exclusively to operating a THAI EXPRESS[™] franchise;

(d) the Franchisee Corporation shall enter into a written agreement with the Franchisor, in form satisfactory to the Franchisor, pursuant to which the Franchisee Corporation shall covenant to observe and perform all the terms, covenants and conditions to be observed and performed on the part of the Franchisee under this Agreement;

(e) the Franchisee shall provide the Franchisor with a guarantee and indemnity, in a form satisfactory to the Franchisor, whereby the Franchisee and any and all other future shareholders of the Franchisee Corporation shall guarantee the obligations of the Franchisee Corporation.

12.4 Transfer Under Bona Fide Offer. The Franchisee shall be entitled to assign its rights under this Agreement and the Lease pursuant to a Bona Fide Offer, subject to each of the following terms and conditions:

(a) the Franchisee shall comply with the provisions of Section 12.5;

(b) the Franchisee shall not be in default under this Agreement, the Lease, or any other agreement during both the sixty- (60-) day period prior to receiving Bona Fide Offer and the period to the date of such assignment, and prior to the time of transfer Franchisee shall bring its Store into full compliance with Franchisor's then-current standards as set forth in the Manual or bulletin. Without limiting the generality of the foregoing, all of Franchisee's accrued monetary and other obligations to Franchisor shall have been satisfied in full;

(c) the Franchisee provides written notice to Franchisor at least sixty (60) days prior to the proposed effective date of such assignment and Franchisee shall have obtained the prior written consent of the Franchisor to such assignment, which consent shall not be unreasonably withheld; provided, however, without limiting the generality of the foregoing, the Franchisor shall be entitled to withhold its consent to such assignment where, in the opinion of the Franchisor, such assignee is not of good moral character and reputation or does not have adequate financial strength or a satisfactory credit rating, business experience, aptitude, fails to pass Franchisor's English competency test and other required tests, or does not possess appropriate business qualifications or does not satisfy any of the other qualifications required for franchisees joining the System at that time. The Franchisee shall provide the Franchisor with such reasonable information as the Franchisor may request in order to make such determination. Franchisor shall have thirty (30) days from the date of receipt of the written notice of the proposed assignment to approve or disapprove, in writing, Franchisee's proposed assignment. If Franchisee and the proposed assignee comply with all conditions for assignment set forth herein and the Franchisor has not given Franchisee written notice of Franchisor's approval or disapproval within a 30-day period, approval is deemed denied;

(d) the assignee shall enter into the Franchisor's then-current form of Franchise Agreement as franchisee, which agreement shall have terms equal to the remainder of their respective terms but which may contain provisions substantially different from those contained in this Agreement, including a higher Royalty and greater expenditures for advertising and promotion than are provided in this Agreement, and such other documents then customarily used by the Franchisor to grant franchises as may be reasonably requested by the Franchisor;

(e) if the assignee is a corporation, the shareholders of the corporation shall jointly and severally guarantee the obligations of the assignee under the franchise agreement referred to in Section 12.4(d) by entering into a guarantee and indemnity in form satisfactory to the Franchisor;

(f) on or before the date of such assignment, Franchisee shall pay to Franchisor the following amounts:

(i) a transfer fee ("**Transfer Fee**") equal to fifteen thousand dollars (\$15,000), plus all applicable taxes; and

(ii) Franchisor's legal fees;

(g) the assignee shall not have debt of more than forty percent (40%) of the sale price of the Business to the assignee and Franchisor has determined that the terms of payment are not so burdensome as to affect adversely the assignee's future operation of the Business;

(h) the assignee shall ensure that its Designated Manager and Guarantor successfully completes a training program established by the Franchisor and that the assignee shall otherwise meet all criteria for a franchisee of the Franchisor as may be established by the Franchisor from time to time. The Assignee shall not be permitted to attend training until such time it has satisfied all of Franchisor's conditions, which include the execution of the then-current form of Franchise Agreement and Franchisor having received the Transfer Fee;

(i) the Franchisee shall execute Franchisor's then current form of assignment and consent agreement and the Franchisee shall release the Franchisor, its affiliates and subsidiaries and its and their officers, directors and employees from all claims, suits and actions which the Franchisee may have against any of them by reason of any act, omission, cause, matter or thing up to the date of such assignment;

(j) the assignee, at its own cost, agrees to make all capital expenditures requested by the Franchisor to renovate, refurbish, remodel and modernize the Store so as to reflect the then-current image for the Franchisor prior to the transfer or within a timeframe specified by Franchisor;

(k) the Landlord provides written consent to the assignment of the Lease for the Store to the proposed assignee;

(l) the proposed assignee provides such personal guarantees which the Franchisor may request, guaranteeing the proposed assignee's performance of its obligations under the agreements to be entered into;

(m) in the case of an asset sale, the assignee purchases all of the Franchisee's assets used in the Business in accordance with all applicable bulk sales legislation and assumes all of the Franchisee's business liabilities, including all tax liabilities, unless such liabilities have been paid prior to the closing of the transaction of purchase and sale;

(n) if Franchisee or its Guarantor's finance any part of the purchase price, Franchisee and its Guarantor's agree that all of the assignee's obligations under promissory notes, agreement, or security interests reserved in the Business are subordinate to assignee's obligations to pay fees and other amounts due to Franchisor and its affiliates and otherwise to comply with this Agreement and the Lease. Franchisee shall not take any security interest in the assets of the assignee or the assets of the Business without Franchisor's written consent;

(o) Franchisee abides by all post-termination covenants, including, without limitation, the covenant not to compete set forth in Section 15; and

(p) Neither the assignee or its owners, without Franchisor's prior written consent, take over possession of the Business at the Store until the assignment is complete;

(q) any advertisement for a transfer shall be approved by Franchisor in writing;

(r) the assignee shall have agreed in writing for Franchisor to conduct a grand opening advertising and promotional program for the Store at the time of transfer and to pay Franchisor the Transitional Promotional Expenditure. The assignee shall acknowledge and agree that it will incur certain food costs in connection with its grand opening upon transfer, and that such promotional food costs are in addition to the Transitional Promotional Expenditure. The assignee shall agree to provide Franchisor with a summary of its Transitional Promotional Expenditures within seventy five (75) days following the earlier of the Store opening or transfer. The assignee grand opening transfer program will only utilize the marketing and public relations programs and media and advertising materials that Franchisor has approved in writing; and

(s) If required by Franchisor, Franchisee must use and pay for the services of a third-party escrow agent, approved in advance by Franchisor, to facilitate the transfer process and ensure all debts and other payments are properly made.

12.5 Right Of First Refusal. Without in any way derogating or otherwise affecting the Franchisor's right to reject a proposed assignee pursuant to Section 12.4 herein, if at any time during the Term or any Interim Period, the Franchisee receives a Bona Fide Offer which the Franchisee wishes to accept, or the Franchisee intends to make a Bona Fide Offer, then the Franchisee shall deliver to the Franchisor a true copy of such Bona Fide Offer together with an offer in writing ("**Franchisee's Offer**") to sell the Business to the Franchisor on the same terms

as described in the Bona Fide Offer. The Franchisor shall be entitled to accept the Franchisee's Offer at any time within ten (10) business days after receipt of the Franchisee's Offer by the Franchisor, whereupon such acceptance shall be deemed to be a binding agreement of purchase and sale between the Franchisor and the Franchisee on the terms and conditions contained in the Franchisee's Offer. If the Franchisor fails to accept the Franchisee's Offer within ten (10) business days following its receipt by the Franchisor, the Franchisee may make or accept the Bona Fide Offer subject to the provisions of Section 12.4, provided that the transaction contemplated under the Bona Fide Offer shall be completed within one hundred and twenty (120) days following the expiration of such period of ten (10) business days. If the transaction contemplated under the Bona Fide Offer is not completed within such one hundred and twenty (120) day period or if the terms of the Bona Fide Offer are changed from those described in the Franchisee's Offer, then the Franchisee shall be obligated to once again comply with the provision of this Section 12.5.

12.6 Continued Responsibility. Notwithstanding any assignment of the Franchisee's rights under this Agreement, the Franchisee shall remain liable for the prompt and complete observance and performance of all of the terms, covenants and conditions to be observed and performed on the part of the Franchisee under this Agreement on or before the said assignment.

12.7 Equity Holders. The Franchisee hereby warrants and represents to the Franchisor that the individuals named in **Schedule F** to this Agreement are the registered and beneficial owners of these equity interests of the Franchisee, if the Franchisee is a legal entity, set forth beside their names, which equity interests represent all of the issued and outstanding equity interests in the capital of the Franchisee. The Franchisee agrees that any transfer of the legal or beneficial ownership of such equity interests, or any issuance of further equity interests, or any change in effective control of the Franchisee, meaning a change equal to 51% or more of the ownership interest, without the prior written consent of the Franchisor, shall constitute an unauthorized assignment of this Agreement and a default under this Agreement. The Franchisor will not unreasonably withhold its consent to such transfer, issuance or change in effective control if the same is to any of the shareholders or members identified in **Schedule F** or their children or spouses, provided that the Franchisor may, without limitation, withhold its consent for any of the reasons contemplated in Section 12.4 save and except Sections 12.4(f) and (j). Otherwise, the Franchisor shall be entitled to withhold its consent to such transfer, issuance, or change in control, for any reason or no reason whatsoever.

12.8 Advertising Sale of Business. The Franchisee shall not cause or permit any notice or advertisement indicating that the Business is for sale to appear at, on or about the Store or in printed media of general and regular circulation, radio, internet or television, unless the same is consented to in writing by the Franchisor.

12.9 Assignment by the Franchisor. This Agreement is fully assignable by the Franchisor in whole or in part and shall inure to the benefit of and be binding upon any assignee or other legal successor to its interest herein. In the event of any such assignment, the Franchisor, its directors, officers, employees and agents shall be released from any further liability for the obligations assigned other than any obligations relating to matters or periods prior to the effective date of such assignment. The Franchisee shall attorn to such assignee and shall execute any attornment agreement requested by the Franchisor or its assignee.

13. ABSENCE, DISABILITY OR DEATH

13.1 Right to Operate Business. Without limiting the generality of Section 13.2 below, in order to prevent any interruption of the Business which might cause harm to the Business and depreciate the value thereof, the Franchisee authorizes the Franchisor to operate the Business as agent for and on behalf of the Franchisee for a period not to exceed ninety (90) days, renewable as necessary up to one year, (“**Interim Operating Period**”), and without waiver of any of the rights or remedies the Franchisor may have under this Agreement, if the Franchisee is not, in the sole judgment of the Franchisor, able to operate the Business in accordance with its obligations under this Agreement as a result of the death, absence or incapacity of the Franchisee or any of its shareholders or members, the Designated Manager, or the Guarantor. During the Interim Operating Period, Franchisor shall periodically discuss the status of the Business with Franchisee. All monies from the operation of the Business during such period of operation by the Franchisor shall be kept in a separate account, and the expenses of the Business, including reimbursement for all costs and expenses incurred by the Franchisor and reasonable compensation for the services provided by the Franchisor including any legal fees, shall be charged to such account. The Franchisor shall not be obligated to operate the Business pursuant to this Section 13.1 and shall be entitled to terminate its operation of the Business at any time immediately upon written notice to the Franchisee.

13.2 Death or Incapacitation. If the Franchisee dies or becomes incapacitated, which shall be deemed to include, in the reasonable opinion of the Franchisor, the inability of the Franchisee, by reason of physical or mental illness or disability, to operate the Business in the ordinary course for a period of thirty (30) days or more in any consecutive ninety (90) day period, so that the Franchisee, or, in the case of the Designated Manager’s incapacity only, the Designated Manager, is not able to devote full time and attention to the operation of the Business, then the rights granted hereunder may be transferred to the heirs or personal representatives of the Franchisee, subject to Franchisee’s heirs or personal representatives successful completion of the Training Program as described in Section 4.4 above, if the Franchisor’s prior written consent is obtained. In no event shall the Franchisor provide its consent to such transfer unless the conditions set out in Section 12.4, save and except the requirement to pay the Franchisor’s then-current transfer fee, are satisfied. In the event that such conditions, save and except the requirement to pay the Franchisor’s then-current transfer fee, are not satisfied, the Franchisor shall have the right in its sole discretion to terminate this Agreement by notice, in the case of death, to the estate of the Franchisee and, in the case of incapacity of the Franchisee, to the Franchisee or his representative and the provisions of Section 10 shall then apply.

14. RELATIONSHIP OF PARTIES

14.1 No Agency Relationship. The Franchisee agrees that it is not an agent of the Franchisor, but is an independent contractor completely separate from the Franchisor, and that the Franchisee has no authority to bind or attempt to bind the Franchisor in any manner or form whatsoever or to assume or incur any obligation or responsibility, express or implied, for or on behalf of or in the name of the Franchisor. This Agreement shall not be construed so as to constitute the Franchisee a partner, joint venturer, agent or representative of the Franchisor for any purpose whatsoever. The Franchisee shall use its own name in obtaining goods and services,

or when executing contracts or making purchases, so that the transaction shall clearly indicate that the Franchisee is acting on its own behalf and not on behalf of the Franchisor.

15. RESTRICTIVE COVENANTS

15.1 Franchisee and Guarantor Not to Compete.

(a) During the Term or any Interim Period, neither the Franchisee nor the Guarantor shall either individually or in partnership or in conjunction with any person or persons, firm, association, syndicate or company as principal, agent, shareholder, employee, advisor, or in any other manner whatsoever, directly or indirectly, carry on or be engaged in or concerned with or interest in the operation of any business which consists substantially of the sale of Thai food items as its main product line.

(b) During the two- (2-) year period immediately following Termination, neither the Franchisee nor the Guarantor shall either individually or in partnership or in conjunction with any person or persons, firm, association, syndicate or company as principal, agent, shareholder, employee or in any other manner whatsoever, directly or indirectly, carry on or be engaged in or concerned with or interested in the operation of any business which consists substantially of the sale of Thai food items as its main product line and which is located within ten (10) miles of the Licensed Location or any business operating under the Marks.

(c) This Section 15.1 shall not apply to (i) any interest which the Franchisee or Guarantor may have in another Thai Express Franchise, or (ii) the ownership of shares in a company whose shares are listed on a stock exchange provided that the Franchisee or Guarantor does not participate in the management or direction of such public company. Promptly upon written request by the Franchisee or any Guarantor, the Franchisor shall advise the requesting party whether the proposed location is located within any of the restricted territories referred to in this Section 15.1.

(d) If the Franchisee is a legal entity, the Franchisee shall deliver to the Franchisor at any time the Franchisor may request, the written acknowledgment of any or all of the directors, members, partners, officers, shareholders or employees of the Franchisee as the Franchisor may determine, whereby they shall acknowledge that they have reviewed the provisions of this Section 15.1 and that they each agree to abide by all such provisions.

15.2 Non-Solicitation. During the Term of this Agreement and for a period of two (2) years thereafter, the Franchisee shall not attempt to attain an unfair advantage over other franchisees of the Franchisor, the Franchisor or any affiliates and subsidiaries of the Franchisor by soliciting for employment any person who is, at the time of such solicitation, employed by any other franchisees, the Franchisor or any such affiliates and subsidiaries without first obtaining the written consent of the Franchisor or the franchisees, as the case may be, nor shall the Franchisee directly or indirectly induce or attempt to induce any such person to leave his or her employment as aforesaid.

15.3 Trade Secrets and Confidentiality. Franchisee expressly understands and agrees that a confidential relationship is established between Franchisee and Franchisor under this Agreement, and that Franchisor will be disclosing to Franchisee certain confidential and proprietary information in connection with the System and Franchisee's operation of the Business. Franchisee acknowledges and agrees that the recipes, operating procedures, food costs and margins, price structure, names of suppliers and promotional techniques supplied or communicated by Franchisor to Franchisee constitute our valuable trade secrets. Franchisee acknowledges that information relating to the operation of the Business (including, without limitation, the specifications, standards, procedures and rules of the System and the Business, and the entire contents of the Manual) is derived from information disclosed to Franchisee by Franchisor, and that all such information is confidential and Franchisor's trade secret. Franchisee agrees:

- (a) not to disclose, use, or obtain any benefit from any such trade secrets except to the extent necessary in order to operate the Business;
- (b) not to make copies of the Manual or any other operating manuals or lists of suppliers and further agree to return the Manual, and all other operating manuals and lists of suppliers to Franchisor immediately upon Termination;
- (c) to maintain the absolute confidentiality of all such information and the contents of this Agreement during the Term and any Interim Period of this Agreement and after termination or expiration of this Agreement for any reason whatsoever, disclosing same to employees of the Business only to the extent necessary for the operation of the Business in accordance with this Agreement;
- (d) not to use any such information in any other business or in any manner not specifically approved in writing by Franchisor;
- (e) to advise Franchisee's employees and agents of the confidential nature of such information and not to disclose it. Franchisee shall require such employees to whom such information is disclosed to comply with the foregoing and, if required by Franchisor, to execute confidentiality agreements in a form acceptable to Franchisor;
- (f) to promptly and permanently delete any and all e-mails or any other form of electronic data transfer or communication between the Franchisor and Franchisee from Franchisee's computer system or server that may contain references to any specific articles/provisions in the Manual or any updates to the Manuals via insert pages or any other proprietary information.

15.4 Injunctive Relief. The Franchisee hereby acknowledges and agrees that the covenants and agreements given by it pursuant to this Section 15 are reasonable, having regard to the necessity of the Franchisor to protect its interests and rights in the Marks and the integrity thereof, and that without the express understanding and agreement of the Franchisee to take such steps as may be necessary to protect the interest and rights of the Franchisor in the Marks, the Franchisor would not have granted any right and license to the Franchisee pursuant to this Agreement to use either the trade name or the Marks. Accordingly, the Franchisee agrees that

the Franchisor, aside from any other rights and remedies to which it may be entitled under this Agreement, may enforce its rights under this Agreement by means of injunctive relief, including securing a temporary restraining order, by any court of competent jurisdiction.

15.5 Liquidated Damages. In addition to any other remedies or damages allowed and available to Franchisor under this Agreement, if Franchisee breaches any of the covenants set out in Section 15.1 hereof, Franchisee shall to pay Franchisor, as Liquidated Damages, and not as a penalty, the following amounts:

(a) a fee equal to Franchisors then-current Initial Franchise Fee for each Competitive Business opened by Franchisee or any legal entity controlled by Franchisee or, individually or in partnership or in conjunction with any person or persons, firm, association, syndicate or company as principal, agent, shareholder, employee or in any other manner whatsoever, directly or indirectly, in violation of the said covenants; and

(b) five percent (5%) of each Competitive Business's gross sales until expiration of the non-competition period set forth in Section 15.1(b). Should Franchisee fail to provide Franchisor with a detailed account of such gross sales and all substantiating documentation deemed acceptable to Franchisor, Franchisor shall estimate such gross sales for the purposes of calculating the said amount payable by Franchisee under this Section 15.5 (b); and

(c) legal fees and disbursements incurred by Franchisor to enforce this Section 15.

16. GENERAL CONTRACT PROVISIONS

16.1 Waiver in Writing. No term, covenant or condition of this Agreement shall be deemed to have been waived by either the Franchisor or the Franchisee unless such waiver is in writing, and then such waiver shall apply only to the specific event or circumstance described in such waiver. All rights and remedies of the Franchisor under this Agreement shall be cumulative and no remedy herein shall be exclusive of, but shall be in addition to, every other remedy contained herein or existing at law or in equity or by stature. The covenants and agreements of the parties hereto shall be independent and a breach by one party of any of its agreements or obligations hereunder shall not relieve the other of the performance of its covenants and agreements hereunder.

16.2 Governing Law. This Agreement shall be governed by and be construed in accordance with the laws of the State of Arizona.

16.3 Severability. In the event that any provision of this Agreement shall be held invalid or unenforceable, then such provision shall be considered separate and severable from this Agreement and the remaining provisions of this Agreement shall remain in full force and shall be binding upon the parties of this Agreement.

16.4 Headings for Reference Only. The index, article headings and section headings in this Agreement are for convenience of reference only and do not form part of, or affect the meaning of, the provisions of this Agreement.

16.5 Entire Agreement. This Agreement sets forth the entire understanding between the parties relating to the subject matter hereof, and there are no agreements, promises, representations or understandings between the parties other than as set forth herein. Nothing in this Agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document. No amendment or modification of this Agreement shall be effective unless in writing and signed by the Franchisor and the Franchisee.

16.6 Notices. Any notice or other communication required or permitted hereunder shall be sufficiently given if personally delivered, e-mailed, faxed or if mailed by prepaid registered mail and addressed to the party for whom it is intended at the address indicated on **Schedule G** or to such other address of which notice is given hereunder. Each such notice or other communication shall be deemed to have been given when personally delivered, e-mailed or faxed or on the third business day following the date on which it was deposited in the mail, provided that if such notice or other communication is mailed and if normal mail service is interrupted prior to such third business day, then such notice or other communication shall be deemed to have been received in the ordinary course unless otherwise personally delivered. For the purposes of this Agreement, personal delivery shall include delivery by a professional courier. The Franchisee is required under this Agreement to obtain an e-mail address in order to accept electronic communication from the Franchisor.

16.7 Grammatical Changes. The necessary grammatical changes required to make the provisions of this Agreement apply in the plural sense where there is more than one signatory named as Franchisee or Guarantor and to either corporations, associations, partnerships or individuals, males or females, shall in all instances be assumed as though in each case fully expressed.

16.8 Joint and Several Obligations. If there is more than one person, firm or corporation named as Franchisee or Guarantor, they shall be bound jointly and severally by the terms, covenants and agreements contained on the part of the Franchisee or Guarantor (as the case may be) under this Agreement. Any notice required or permitted by the terms of this Agreement may be given by or to any one of them and shall have the same force and effect as if given by or to all of them.

16.9 Further Assurances. Each of the Franchisee and the Guarantor agrees to execute such further assurances, agreements, and documents and to do and perform or cause to be done and perform such further acts and things that may be considered necessary or desirable by the Franchisor, acting reasonably from time to time to give effect to the terms and conditions of this Agreement.

16.10 Inurement. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.

16.11 Force Majeure. Notwithstanding anything to the contrary contained in this Agreement, if either party hereto is bona fide delayed or hindered in or prevented from the performance of any term, covenant or act required hereunder by reason of strikes, labor troubles, inability to procure materials or services, power failure, restrictive governmental laws or

regulations, riots, insurrection, war, terrorism, sabotage, health disasters or outbreaks, including an outbreak of any virus, acts of God or other reasons beyond the control of such party whether all of a like nature or not which is not the fault of the party delayed in performing work or doing acts required under the terms of this Agreement, then the performance of such term, covenant or act is excused for the period of the delay and the party so delayed shall be entitled to perform such term, covenant or act within the appropriate time period after the expiration of the period of such delay. However, the provisions of this Section 16.11 shall not in any way operate to excuse the Franchisee from the prompt:

(a) payment of any fees, Royalties, or other sums required to be paid to Franchisor or Franchisor's affiliates or subsidiaries by the terms of this Agreement; or

(b) performance of any of Franchisee's other obligations under this Agreement where such prompt performance is delayed, hindered or prevented by reason of lack of funds; or

(c) performance of any of Franchisee's other obligations under this Agreement where such performance is delayed, hindered or prevented by reason of Franchisee's fault or negligence; or

(d) performance of any of Franchisee's other obligations under this Agreement where the act of force majeure was caused by Franchisee or those persons for whom Franchisee is by law responsible.

16.12 Withholding Payment and Set-off. The Franchisee agrees that it shall not, on grounds of an alleged nonperformance by the Franchisor of any of its obligations or any other reason, withhold payment of any amount due to the Franchisor whatsoever. No endorsement or statement on any check or payment of any sum less than the full sum due to the Franchisor shall be construed as an acknowledgment of payment in full or an accord and satisfaction, and the Franchisor may accept and cash such check or payment without prejudice to its right to recover the balance due or pursue any other remedy provided herein or by law. The Franchisor may apply any payments made by the Franchisee against any past due indebtedness of the Franchisee as the Franchisor may see fit. The Franchisor may set off against any payment due to the Franchisee hereunder any outstanding debts of the Franchisee to the Franchisor, and may, at the Franchisor's option, pay the Franchisee's trade creditors out of any sum otherwise due to the Franchisee.

16.13 No Misrepresentations. The Franchisee and the Guarantor jointly and severally represent to the Franchisor, as an inducement to the Franchisor's entry into this Agreement, that the Franchisee and the Guarantor have made no misrepresentations in obtaining the Franchise Agreement.

16.14 Arbitration.

(a) Except as otherwise provided in this Section, any controversy or dispute arising out of, or relating to the franchise or this Agreement including, but not limited to, any claim by the Franchisee, any Guarantor or any person in privity with or claiming through, on behalf of or in the right of the Franchisee, concerning the entry into,

performance under, or termination of this Agreement or any other agreement entered into by the Franchisor, or its subsidiaries or affiliates, and the Franchisee, any claim against a past or present employee, officer, director or agent of the Franchisor, any claim of breach of this Agreement and any claims arising under State or Federal laws, except for claims brought pursuant to the Lanham Act, 15 U.S.C. Sections 1051 *et seq.*, shall be submitted to final and binding arbitration as the sole and exclusive remedy for any such controversy or dispute.

(b) Unless prohibited by applicable law, any claim shall be made by filing a written demand for arbitration within one (1) year following the conduct, act or other event or occurrence first giving rise to the claim; otherwise, the right to any remedy shall be deemed forever waived and lost.

(c) Persons in privity with or claiming through, on behalf of or in the right of the Franchisee include, but are not limited to, spouses and other family members, heirs, executors, representatives, successors and assigns.

(d) Subject to this Section 16.14, the right and duty of the parties to this Agreement to resolve any disputes by arbitration shall be governed exclusively by the *Federal Arbitration Act*, 9 U.S.C. § 1 *et seq.*, as amended, and arbitration shall take place according to the Commercial Arbitration Rules of the American Arbitration Association in effect as of the date the demand for arbitration is filed.

(e) The arbitration shall be held in Phoenix, Arizona and conducted entirely in the English language. However, arbitration will not be used for any dispute which involves the Franchisee's continued usage of any of the Marks or the System, business concept or any issue involving injunctive relief against the Franchisee, all of which issues will be submitted to a court within the State of Arizona. The parties expressly consent to personal jurisdiction in the State of Arizona and agree that the state and federal court(s) will have exclusive jurisdiction over any such issues not subject to arbitration.

(f) Each party shall agree on one arbitrator selected from a panel of neutral arbitrators provided by the National Franchise Mediation Program of the CPR Institute for Dispute Resolution (located at New York, NY) and the arbitrator shall be chosen by the striking method. The parties each shall bear all of their own costs of arbitration; however, the fees of the arbitrator shall be divided equally between the parties. The arbitrator shall have no authority to amend or modify the terms of this Agreement. Each party further agrees that, unless such a limitation is prohibited by applicable law, the other party shall not be liable for punitive or exemplary damages and the arbitrator shall have no authority to award the same. The prevailing party shall be entitled to actual costs and attorneys' fees incurred in any such arbitration. The award or decision by the arbitrator shall be final and binding on the parties and may be enforced by judgment or order of a court having subject matter jurisdiction in the state of Arizona. The parties consent to the exercise of personal jurisdiction over them by such courts and to the propriety of venue of such courts for the purpose of carrying out this provision; and they waive any objections that they would otherwise have concerning such matters.

(g) Parties to arbitration under this Agreement shall not include, by consolidation, joinder or in any other manner, any person, other than the Franchisee and Guarantor, in privity with or claiming through, in the right of or on behalf of the Franchisee or the Franchisor, unless both parties consent in writing. To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration hereunder, except to the extent such issue may have been determined in another proceeding between the Franchisor and the Franchisee or any person in privity with or claiming through, in the right of or on behalf of the Franchisee or the Franchisor.

(h) The parties waive, to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which either party may have against the other arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a claim or other proceeding contemplated by this Agreement, recovery shall be limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

16.15 Waiver of Jury Trial. In the event that any state or federal court asserts jurisdiction over a dispute between Franchisor and Franchisee or any Guarantor of Franchisee, Franchisor, Franchisee, and Guarantor each waive their right to a trial by jury. Franchisee, Guarantor, and Franchisor acknowledge that the parties' waiver of jury trial rights provides the parties with the mutual benefit of uniform interpretation of this Agreement and resolution of any dispute arising out of this Agreement or any aspect of the parties' relationship. Franchisee, Guarantor, and Franchisor further acknowledge the receipt and sufficiency of mutual consideration for such benefit.

16.16 Remedies. The court or arbitrator will have the right to award any relief which it deems proper in the circumstances, including, without limitation, money damages (with interest on unpaid amounts from the date due), lost profits, specific performance, injunctive relief, and attorney's fees and costs. The parties agree that any claim for lost earnings or profits by Franchisee shall be limited to a maximum amount equal to the net profits of the Business for the prior year as shown on Franchisee's federal income tax return. The parties further agree that, in addition to such other damages awarded by the court, if this Agreement is terminated because of Franchisee's default, Franchisee shall be liable to Franchisor for a lump sum amount equal to the net present value of the Royalties and Marketing Fund Contributions that would have become due following termination of this Agreement for the period this Agreement would have remained in effect but for Franchisee's default. Royalties and Marketing Fund Contributions for purposes of this Section shall be calculated based on the Business' average monthly Gross Sales for the twelve (12) months preceding the termination date.

16.17 Rules of Construction. This Agreement shall not be construed against the party preparing it, and shall be construed without regard to the identity of the person who drafted it or the party who caused it to be drafted and shall be construed as if all parties had jointly prepared

this Agreement and it shall be deemed their joint work product, (except that copyright in it shall remain vested in Franchisor), and each and every provision of this Agreement shall be construed as though all the parties to it participated equally in its drafting; and any uncertainty or ambiguity shall not be interpreted against any one party. As a result of the foregoing, any rule of construction that a document is to be construed against the drafting party shall not be applicable.

16.18 Disclosure Document. Franchisee acknowledges and confirms having received (as one document, and at one time) Franchisor's disclosure document containing disclosures required by federal or state franchise laws regarding the opportunity to acquire the rights to open a Thai Express Store, either by personal delivery or registered mail or courier (signature required), not less than 14 days before the earlier of:

(a) the signing by Franchisee of this Agreement or any other agreement relating to the franchise; and

(b) the payment of any consideration by Franchisee or on Franchisee's behalf to Franchisor or its affiliates, relating to the franchise.

16.19 RESERVED.

16.20 Legal Fees. If Franchisee is in default under this Agreement, then Franchisee shall pay Franchisor all damages, costs, and expenses (including legal fees) that Franchisor incurs as a result of Franchisee's default under this Agreement or any other agreement between Franchisee (and its affiliates) and Franchisor (and our affiliates).

16.21 Social Media. Franchisee acknowledges that the use of any social networking website, including but not limited to Facebook, YouTube, LinkedIn, and Twitter, which exploits, utilizes, displays, or otherwise makes use of any of the Marks or Franchisor's intellectual property is Franchisor's sole property, and Franchisee shall promptly submit to Franchisor all passwords for such site(s) and any changes to a password shall be submitted to Franchisor within three (3) days of the change. Franchisor shall be granted full access to any social networking sites or webpages. Franchisee shall have no right, title or interest to any webpage on any of Franchisee's social networking sites including, but not limited to, all "fans", "followers", "friends" and "contacts" associated therewith which mentions, uses or refers in any way to the Marks or Franchisor's intellectual property even if such webpage is established by Franchisee or otherwise held in Franchisee's name or by any Guarantor. Upon expiration, transfer or termination of this Agreement, Franchisee shall immediately take whatever steps are necessary to cancel or dismantle any such social networking account or webpage or transfer the account or webpage and all related information, including all "fans", "followers", "friends" and "contacts" associated with such accounts or webpages, to Franchisor or as Franchisor may otherwise direct.

16.22 Franchisor's Use of Reasonable Business Judgment. Whenever Franchisor reserves discretion in a particular area or where Franchisor agrees to exercise its rights reasonably or in good faith, Franchisor will satisfy its obligations whenever it exercises reasonable business judgment ("**Reasonable Business Judgment**") in making a decision or exercising a right. Franchisor's decisions or actions will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives

are available, if Franchisor's decisions or actions are intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes Franchisor's financial or other individual interests. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System

17. ACKNOWLEDGMENT AND FRANCHISE DISCLOSURE QUESTIONNAIRE

Franchisee and Guarantor represent and warrant that they have completed and executed the Acknowledgement, attached as **Schedule B**, and the Statement of Franchisee, attached as **Schedule I**, honestly and to the best of their actual knowledge as of the date of this Agreement.

Both Franchisee and the Guarantor jointly and severally acknowledge and agree that:

(a) Franchisee and each Guarantor has received, has had ample time to read, and has read and understands this Agreement, including all Schedules attached thereto;

(b) Franchisor has encouraged Franchisee and Franchisee has had an opportunity to be advised by professional advisors of Franchisee's own choosing regarding all pertinent aspects of this Agreement, the franchise granted by Franchisor and the business venture contemplated by this Agreement. If Franchisee did not use a professional advisor, Franchisee represents that Franchisee is satisfied relying on its own education, experience, and skill in evaluating the merits of a franchise offering;

(c) the success of the business venture contemplated to be undertaken by Franchisee pursuant to this Agreement is speculative and depends, to a large extent, on Franchisee's ability as an independent corporation or business person, the acceptance of the business in the community, the total square footage of the Store, and, most significantly, the qualities of Franchisee's character, business acumen, general drive and ambition as owner/manager and the employees of the Business and other factors beyond Franchisor's control;

(d) Franchisor's approval of the location for the Store does not guarantee the Store's success at that location and that the business may lose money or fail. Franchisee is solely responsible for identifying the location for the Store. Franchisor's review of a lease or purchase agreement, or any advice or recommendation offered by Franchisor, shall not constitute a representation or guarantee that Franchisee will succeed at the location of the Store nor constitute an expression of Franchisor's opinion regarding the terms of such lease or purchase agreement. Franchisee acknowledges and agrees that Franchisee shall solely rely on Franchisee's review and Franchisee's lawyer's review of any such lease or agreement;

(e) Franchisee and Guarantor have entered into this Agreement after making an independent investigation of the proposed Business, and Franchisee is not relying upon any representation or warranty, express or implied, by Franchisor or Franchisor's officers, directors, employees or agents as to revenue, profits or success which the you or the Guarantor might be expected to realize, nor has anyone made any other warranty or

representation which is not expressly set out in this Agreement to induce Franchisee or any Guarantor to execute the Agreement;

(f) both Franchisee and each Guarantor acknowledges having received Franchisor's Disclosure Document and its exhibits, including this Agreement at least fourteen (14) calendar days before Franchisee signed this Agreement and that Franchisee signed a Receipt for the Disclosure Document;

(g) Franchisee understands that it is Franchisee's responsibility to obtain financing for its Store. In particular, Franchisor may assist Franchisee by providing Franchisee with the names of certain independent consultants who Franchisee could contact for the purposes of preparing a business plan appropriate for Franchisee's Store (in any case, without any personal or corporate liability). In such event, the choice to contact any such consultant will be completely Franchisee's and Franchisee may choose to contact another consultant altogether for the aforesaid purpose. In any event, apart from being more confident that Franchisee will be in a position to present to Franchisee's financial institution a business plan prepared under the guidance of a professional, Franchisor does not directly or indirectly benefit financially or otherwise from making such introductions. Provided further that Franchisee acknowledges that should Franchisor provide Franchisee with the names of such independent consultants, Franchisor shall assume no personal or corporate liability in this regard;

(h) if Franchisee or any Guarantor is NOT a citizen of the United States of America, purchasing a Thai Express Franchise may not entitle Franchisee or the Guarantor to a Visa and work permit to live and work in the United States of America and that it is solely the responsibility of the Franchisee to make the appropriate arrangements in this regard;

(i) all services provided by Franchisor for Franchisee's benefit, including but not limited to, technical and marketing advice, suggestions or recommendations are to be used by Franchisee at its own risk. Because any advice, suggestion or recommendation rendered is necessarily limited in scope to the extent that it may not consider local custom, practice, law or other nuance, Franchisor is unable to make any warranty or representation, either express or implied, with respect to the accuracy, reliability or completeness of the information provided or the result of the use of the information provided;

(j) it shall be deemed a breach of this Agreement if Franchisee's spouse or children engage in any conduct prohibited by this Agreement.

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IN WITNESS WHEREOF this Agreement has been executed on the date first above written.

FRANCHISOR:

MTY FRANCHISING USA, INC.

By: _____

[Name, Title]

I have authority to bind the Corporation

FRANCHISEE:

[FRANCHISEE]

By: _____

[Name, Title]

I have authority to bind the legal entity

By: _____

[Name, Title]

I have authority to bind the legal entity

GUARANTOR:

By: _____

[Name], an individual

GUARANTOR:

By: _____

[Name], an individual

GUARANTOR:

By: _____

[Name], an individual

SCHEDULE A
LICENSED LOCATION AND DESIGNATED MANAGER

The “**Store**” shall only be the following street address:

The Lease commencement date is _____.

The Lease Expiration Date is _____.

The Designated Manager is _____.

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**SCHEDULE B
ACKNOWLEDGMENT**

FROM: _____ (“Franchisee”)

AND FROM: _____ (“Guarantor”)

TO: **MTY FRANCHISING USA, INC.**

RE: **Thai Express Franchise Agreement dated the _____, 20____**
(“Franchise Agreement”)

In consideration of the Franchisor executing the Franchise Agreement and granting the Franchisee a franchise pursuant to the Franchise Agreement and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each of the Franchisee and the Guarantor acknowledge and agree as follows:

1. Each of the Franchisee and the Guarantor acknowledge that:

(a) They have received, have had ample time to read, and have read the Franchise Agreement, including all Schedules attached thereto;

(b) The Franchisee and the Guarantor have had an opportunity to be advised by advisors of their own choosing regarding all pertinent aspects of the franchise granted by the Franchisor and the business venture contemplated by the Franchise Agreement;

(c) The Franchisor may receive a rebate, fee or commission in connection with the goods, services or facilities purchased, leased, or obtained by the Franchisee from designated suppliers and that the benefit of such rebates or commissions may not necessarily be passed onto the Franchisee and that the Franchisor is entitled to keep such rebates or commissions for its own use and benefit;

(d) The success of the business venture contemplated to be undertaken by the Franchisee pursuant to the Franchise Agreement is speculative and depends, to a large extent, on the ability of the Franchisee as an independent corporation or business person, the acceptance of the business in the community and other factors;

(e) The Franchisor, its officers, directors, agents, employees or contractors do not make any representation or warranty as to the potential success of the business venture herein contemplated, nor did any one of them induce the Franchisee or the Guarantor to enter into the Franchise Agreement in reliance upon any such representation or warranty;

(f) They each have entered into the Franchise Agreement after making an independent investigation of the proposed business, and that they are not relying upon any representation or warranty, express or implied, by the Franchisor or its officers, directors, employees or agents as to revenue, profits or success which the Franchisee or

the Guarantor might be expected to realize, nor has anyone made any other warranty or representation which is not expressly set out in the Franchise Agreement to induce the Franchisee or the Guarantor to execute the Franchise Agreement.

(g) while financing is normally arranged by Franchisee with the financial institution of its choice, Franchisor may, however, in Franchisor's sole and absolute discretion, choose to assist Franchisee in developing a business plan and presenting it on Franchisee's behalf. In particular, Franchisor may assist Franchisee by providing Franchisee with the names of certain independent consultants who Franchisee could contact for the purposes of preparing a business plan appropriate for Franchisee's Store (in any case, without any personal or corporate liability). In such event, the choice to contact any such consultant will be completely Franchisee's and Franchisee may choose to contact another consultant altogether for the aforesaid purpose. In any event, apart from being more confident that Franchisee will be in a position to present to Franchisee's financial institution a business plan prepared under the guidance of a professional, Franchisor does not directly or indirectly benefit financially or otherwise from making such introductions. Provided further that Franchisee acknowledges that should Franchisor provide Franchisee with the names of such independent consultants, Franchisor shall assume no personal or corporate liability in this regard.

2. When used in this Acknowledgment, all words and expressions which are capitalized shall have the same meaning as given thereto in the Franchise Agreement, unless otherwise defined herein.

[Signatures on following page]

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By signing below, you indicate that you fully understand and accept all of the risks described above and all other risks not described above that may affect your ability to profitably operate your franchise. Any questions or doubts which you may have about the Franchisor or the Franchise Agreement are stated as follows:

Dated at _____, the State of _____, this _____, 20____.

FRANCHISEE

[Franchisee]

By: _____

[Name, Title]

I have authority to bind the legal entity

Witness

Witness

GUARANTOR

By: _____

[Name], an individual

Witness

GUARANTOR

By: _____

[Name], an individual

Witness

GUARANTOR

By: _____

[Name], an individual

Witness

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SCHEDULE C
ADDENDUM TO LEASE

This Addendum to Lease, dated _____, 20____, is entered into by and between _____ (“**Lessor**”), and _____ (“**Lessee**”).

A. The parties hereto have entered into a certain Lease Agreement, dated _____, 20____, and pertaining to the premises located at _____ (“**Lease**”).

B. Lessor acknowledges that Lessee intends to operate a Thai Express franchise from the leased premises (“**Premises**”) pursuant to a Franchise Agreement (“**Franchise Agreement**”) with MTY Franchising USA, Inc. (“**Franchisor**”) under the name Thai Express or other name designated by Franchisor (“**Franchised Business**”).

C. The parties now desire to amend the Lease in accordance with the terms and conditions contained herein.

NOW, THEREFORE, it is hereby mutually covenanted and agreed between Lessor and Lessee as follows:

1. Remodeling and Decor. Lessor agrees that Lessee shall have the right to remodel, equip, paint and decorate the interior of the Premises and to display such proprietary marks and signs on the interior and exterior of the Premises as Lessee is reasonably required to do pursuant to the Franchise Agreement and any Successor Franchise Agreement under which Lessee may operate a Franchised Business on the Premises.

2. Assignment. Lessee shall have the right to assign all of its right, title and interest in the Lease to Franchisor or its parent, at any time during the term of the Lease, including any extensions or renewals thereof, without first obtaining Lessor’s consent. However, no assignment shall be effective until such time as Franchisor or its designated affiliate gives Lessor written notice of its acceptance of such assignment, and nothing contained herein or in any other document shall constitute Franchisor or its designated affiliate a party to the Lease, or guarantor thereof, and shall not create any liability or obligation of Franchisor or its parent unless and until the Lease is assigned to, and accepted in writing by, Franchisor or its parent. In the event of any assignment, Lessee shall remain liable under the terms of the Lease. Franchisor shall have the right to reassign the Lease to another franchise without the Landlord’s consent in accordance with Section 4(a)

3. Default and Notice.

(a) In the event there is a default or violation by Lessee under the terms of the Lease, Lessor shall give Lessee and Franchisor written notice of such default or violation within a reasonable time after Lessor receives knowledge of its occurrence. If Lessor gives Lessee a default notice, Lessor shall contemporaneously give Franchisor a copy of such notice. Franchisor will notify Lessor whether it intends to cure the default and take an automatic assignment of Lessee’s interest as provided in Paragraph 4(a). Franchisor

will have an additional fifteen (15) days from the expiration of Lessee's cure period in which it may exercise the option, but it is not obligated, to cure the default or violation.

(b) All notices to Franchisor shall be sent by registered or certified mail, postage prepaid, to the following address:

MTY Franchising USA, Inc.
9311 E. Via De Ventura
Scottsdale, AZ 85258
Attention: Legal Department

Franchisor may change its address for receiving notices by giving Lessor written notice of such new address. Lessor agrees that it will notify both Lessee and Franchisor of any change in Lessor's mailing address to which notices should be sent.

(c) Following Franchisor's approval of such Lease, Lessee agrees not to terminate, or in any way alter or amend the same during the Term of the Franchise Agreement or any Interim Period thereof without Franchisor's prior written consent, and any attempted termination, alteration or amendment shall be null and void and have no effect as to Franchisor's interests thereunder; and a clause to such effect shall be included in such lease.

4. Termination or Expiration.

(a) Upon Lessee's default and failure to cure a default under either the Lease or the Franchise Agreement, Franchisor will, at its option, have the right, but not the obligation, to take an automatic assignment of Lessee's interest and at any time thereafter to re-assign the Lease to a new franchisee without Landlord's consent and to be fully released from any and all liability to Landlord upon such reassignment.

(b) Upon the expiration or termination of either the Lease or the Franchise Agreement, Landlord will cooperate with and assist Franchisor in securing possession of the Premises and if Franchisor does not elect to take an assignment of the Lessee's interest, Lessor will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Lessor, to remove all signs, awnings, and all other items identifying the Premises as a Franchised Business and to make such other modifications (such as repainting) as are reasonably necessary to protect the Thai Express marks and system, and to distinguish the Premises from a Franchised Business. In the event Franchisor exercises its option to purchase assets of Lessee, Lessor shall permit Franchisor to remove all such assets being purchased by Franchisor.

5. Consideration; No Liability.

(a) Lessor hereby acknowledges that the provisions of this Addendum to Lease are required pursuant to the Franchise Agreement under which Lessee plans to operate its business and the Lessee would not lease the Premises without this Addendum.

(b) Lessor further acknowledges that Lessee is not an agent or employee of Franchisor and the Lessee has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Lessor has entered into this Addendum to Lease with full understanding that it creates no duties, obligations or liabilities of or against Franchisor or any affiliate of Franchisor.

6. Sales Reports. If requested by Franchisor, Lessor will provide Franchisor with whatever information Lessor has regarding Lessee's sales from its Franchised Business.

7. Amendments. No amendment or variation of the terms of the Lease or this Addendum to the Lease shall be valid unless made in writing and signed by the parties hereto.

8. Reaffirmation of Lease. Except as amended or modified herein, all of the terms, conditions and covenants of the Lease shall remain in full force and effect and are incorporated herein by reference and made a part of this Agreement as though copies herein in full.

9. Beneficiary. Lessor and Lessee expressly agree that Franchisor is a third party beneficiary of this Addendum.

IN TESTIMONY WHEREOF, witness the signatures of the parties hereto as of the day, month and year first written above.

By: _____
Title: _____

By: _____
Title: _____

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SCHEDULE D
MTY FRANCHISING USA, INC.
REQUEST FOR PRE-AUTHORIZED PAYMENTS

INSTRUCTIONS:

PAYMENT AMOUNT: All amounts due and owing under the Franchise Agreement with Thai Express dated _____, 20__.

DATES OF PAYMENT: As outlined in the Franchise Agreement with Thai Express dated _____, 20__.

BANK ACCOUNT NUMBER: _____

TRANSIT NUMBER: _____

BANK & BRANCH: _____

NAME OF ACCOUNT IN BANK RECORDS: _____

SIGNING OFFICER SIGNATURE: _____

PLEASE COMPLETE THIS FORM AND RETURN IT TO FRANCHISOR ALONG WITH ONE OF YOUR UNSIGNED CHECKS MARKED VOID (FOR VERIFICATION PURPOSES) FROM YOUR BANK OR TRUST COMPANY

I/We authorize MTY Franchising USA, Inc. (hereinafter referred to as “**Thai Express**”) and/or any of its subsidiaries or affiliates to debit the account of the undersigned maintained with the financial institution and according to the dates indicated above, in accordance with the PAYMENT AUTHORIZATION below, for purposes of paying weekly royalties, marketing contributions and any other outstanding payments due to Thai Express from time to time pursuant to the Franchise Agreement between Thai Express and the undersigned.

AUTHORIZATION TO HONOR PAYMENTS

NAME OF BANK: _____

ADDRESS: _____

You are hereby requested and authorized to pay and debit my/our account at your office, or at another branch of your institution if it is transferred there; all checks drawn on you on my behalf and made payable to Thai Express and/or any of its subsidiaries or affiliates or drawn on you by Thai Express and/or any of its subsidiaries or affiliates; and all amounts specified on any magnetic or computer produced paper tapes requesting that you pay Thai Express and/or any of its subsidiaries or affiliates.

In consideration of your acting as aforesaid, it is agreed that your treatment of each check and/or tape and your rights with respect to it shall be the same as if it were signed by the undersigned personally, authorizing and requesting you to pay and credit such amount to the Thai Express and/or any of its subsidiaries or affiliates, debiting our account and failure to pay shall give no liability on your part, regardless of the loss or damage.

Any delivery of this authorization to you will constitute delivery by the undersigned.

I/we have read and understood the terms of this Authorization and acknowledge receipt of a copy thereof.

(The signature appearing below must be the same as the signature appearing in the signature file of the financial institution identified above.)

DATED at _____ this _____, 20____.

AUTHORIZED SIGNATURE(S):

By: _____ By: _____

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SCHEDULE E

MTY FRANCHISING USA, INC. GUARANTY AND INDEMNITY

TO: MTY FRANCHISING USA, INC. (“Franchisor”)

In order to induce the Franchisor to enter into a franchise agreement (“**Franchise Agreement**”) dated _____, 20____, between each of the Franchisor and *[insert corporate name of franchisee]* (“**Franchisee**”) and the undersigned (“**Guarantor**”) and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Guarantor enters into the Guarantee and Indemnity and covenants with the Franchisor as follows:

1. The Guarantor hereby guarantees the due and punctual payment of all amounts stated to be payable on the part of the Franchisee under the terms of the Franchise Agreement or any other agreement entered into by Franchisee (or its affiliate(s)) with Franchisor or Franchisor’s affiliate(s), and the prompt and complete performance of all of the terms, covenants, conditions and agreements contained on the part of the Franchisee pursuant to the Franchise Agreement or any other agreement.
2. The Guarantor further agrees to indemnify and save harmless the Franchisor and/or its affiliates from all losses, costs or damages arising out of any failure on the part of the Franchisee to pay the amounts referred to in Section 1 hereof or to perform any of the terms, covenants, conditions, or agreements referred to in Section 1 hereof.
3. This Guaranty is absolute and unconditional and applicable to all past and future indebtedness of the Franchisee without limit and however incurred and the Guarantor shall not be released, discharged, mitigated, impaired or affected by:
 - (a) any settlements, extensions of time, indulgences, or modifications which the Franchisor may extend to or make with the Franchisee or any co-surety in respect of any one or more of the provisions of the Franchise Agreement or any other agreement; or
 - (b) any waiver by the Franchisor and/or its affiliates of or any failure or delay on the part of the Franchisor and/or its affiliates, to enforce any of the terms, covenants, conditions or provisions of the Franchise Agreement or any other agreement by and between Franchisee, Franchisor or their affiliates; or
 - (c) any amendments or alteration to the Franchise Agreement or any of the covenants or terms thereof; or
 - (d) any assignment of the Franchise Agreement by the Franchisee or the Franchisor.

The Guarantor hereby expressly waives notice of the acceptance of this guaranty and indemnity and all notices of non-performance, non-payment, or non-observance on the part of the Franchisee of the terms, covenants, conditions and provisions of the Franchise Agreement.

4. In the event of any default of the part of the Franchisee under the Franchise Agreement or any other agreement by and between Franchisee, Franchisor or their affiliates, the Franchisor shall not be required prior to enforcing this Guaranty and Indemnity to:

(a) proceed against the Franchisee or pursue any rights or remedies with respect to the Franchise Agreement or other agreement;

(b) proceed against or exhaust any security of the Franchisee or any other person held by the Franchisor; or

(c) pursue any other remedies whatsoever in the power of the Franchisor.

5. The Franchisor shall have the right to enforce this Guaranty and Indemnity regardless of the release and/or discharge of the Franchisee or of any other surety or of any other security held by the Franchisor or by others whether by agreement or by operation of law.

6. Without limiting the generality of the foregoing, the liability of the Guarantor under this Guaranty and Indemnity shall not be deemed to be waived, relapsed, discharged, impaired or affected by any reason of the release or discharge of the Franchisee or any surety in any receivership, bankruptcy, winding-up, or other creditor's proceeding.

7. No action or proceeding brought or instituted pursuant to this Guaranty and Indemnity and no recovery or judgment in pursuance thereof, shall be a bar or defense to any further action or proceeding which may be brought under this Guaranty and Indemnity by reason of any further default or defaults under this Guaranty and Indemnity or in the performance and observance of the terms, conditions and provisions of the Franchise Agreement.

8. No modification of this Guaranty and Indemnity shall be effective unless it is in writing and signed by both the Guarantor and the Franchisor.

9. This Guaranty and Indemnity shall, without limiting the generality of the foregoing, bind the Guarantor in the same manner as though the Guarantor was the Franchisee named in the Franchise Agreement.

10. If two or more individuals execute this Guaranty and Indemnity as Guarantor, the liability of each such individual hereunder shall be joint and several.

11. This Guaranty and Indemnity shall remain in full force and effect for such period of time as the Franchise Agreement and any notation or extension thereof remains in force and effect, and so long as any obligation thereunder remains outstanding and undischarged.

12. There are no representations, collateral agreements, or conditions with respect to this Guaranty and Indemnity or affecting the liability of the Guarantor other than as contained herein.

13. The Guarantor shall be bound by any account settled between the Franchisor and the Franchisee and, if such account has not been so settled, any account stated by the Franchisor shall be accepted by the Guarantor as conclusive evidence of the amount which at the date of the account is due and owing by the Franchisee to the Franchisor.

14. Any notice which the Franchisor wishes to serve on the Guarantor shall be sufficiently given if served personally on the Guarantor or mailed by prepaid registered mail addressed to the Guarantor at the address indicated below and every such notice shall be deemed to have been given on the day it was personally served, or if mailed, on the tenth (10th) business day following the day on which it was mailed. The Guarantor may designate, by notice in writing to the Franchisor, a substitute address for service. If two or more persons are named as Guarantor, any notice hereunder shall be deemed to have been given to all such persons are served personally or mailed in the foregoing manner to any one or more of such persons.

15. All of the terms, agreements and conditions of this Guaranty and Indemnity shall extend to and be binding upon the Guarantor and the Guarantor's heirs, executors, administrator, successors and assigns and shall inure to the benefit of and may be enforced by the Franchisor, its affiliates, successors and assigns.

16. When used in this Guaranty and Indemnity, all words or expressions which are capitalized shall have the same meaning as given thereto in the Franchise Agreement.

17. The Guarantor represents, acknowledges and agrees that:

(a) he or she has obtained independent legal advice in connection with this Guaranty and Indemnity;

(b) he or she has read this Guaranty and Indemnity in its entirety and has full knowledge of its contents;

(c) he or she understands his or her rights, duties and obligations and all of the terms, conditions and representations contained in the Guaranty and Indemnity and the consequences thereof;

(d) he or she is subject to no compulsion or undue influence from the Franchisor; and

(e) he or she is signing this Guaranty and Indemnity freely, voluntarily and without constraint.

[Signatures on following page]

Dated at _____ this _____, 20____.

GUARANTOR

[insert full legal name on birth certificate]

Address: _____

GUARANTOR

[insert full legal name on birth certificate]

Address: _____

GUARANTOR

[insert full legal name on birth certificate]

Address: _____

GUARANTOR

[insert full legal name on birth certificate]

Address: _____

GUARANTOR

[insert full legal name on birth certificate]

Address: _____

GUARANTOR

[insert full legal name on birth certificate]

Address: _____

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SCHEDULE F

SHAREHOLDERS/MEMBERS/PARTNERS

The shareholders, members, or partners (collectively the “**Shareholders**”) of the Franchisee and their respective shareholdings are as follows:

<u>NAME OF SHAREHOLDER</u>	<u>NUMBER & DESIGNATION OF SHARES</u>
----------------------------	---

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SCHEDULE G

ADDRESS FOR NOTICE

Until notice of an alternate address is given in accordance with the Franchise Agreement, the addresses for notice for the Franchisee and the Guarantor shall be as follows:

If to the Franchisee at:

e-mail address: _____
until the Commencement Date and thereafter at the Store.

If to the Guarantor at:

e-mail address: _____

If to the Franchisor at:

MTY Franchising USA, Inc.
9311 E. Via De Ventura
Scottsdale, Arizona 85258
Attention: Legal Department

SCHEDULE H

COLLATERAL ASSIGNMENT OF TELEPHONE NUMBERS, ADDRESSES, AND LISTINGS

This Collateral Assignment of Telephone Numbers, Addresses, and Listing (“**Assignment**”) is entered into this _____, 20____, in accordance with the terms of that certain MTY Franchising USA, Inc. Franchise Agreement (“**Franchise Agreement**”) between _____ (“**Franchisee**”), and MTY Franchising USA, Inc., a Delaware corporation (“**Franchisor**”), executed concurrently with this Assignment, under which Franchisor granted Franchisee the right to own and operate a Thai Express Store located at _____ (“**Franchise Business**”).

FOR VALUE RECEIVED, Franchisee hereby assigns to Franchisor those certain telephone numbers, addresses, domain names, locators, directories and listings (collectively, the “**Numbers, Addresses, and Listings**”) associated with Franchisor’s trade and service marks and used from time to time in connection with the operation of the Franchise Business at the address provided above. This Assignment is for collateral purposes only and, except as specified herein, Franchisor shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless Franchisor shall notify the telephone, Internet, email, electronic network, directory, and listing entities with which Franchisee has dealt (all such entities are collectively referred to herein as “**Provider Companies**”) to effectuate the assignment pursuant to the terms hereof.

Upon termination or expiration of the Franchise Agreement Franchisor shall have the right and is hereby empowered to effectuate the Assignment of the Numbers, Addresses, and Listings and, in such event, Franchisee shall have no further right, title or interest in the Numbers, Addresses, and Listings, and shall remain liable to the Provider Companies for all past due fees owing to the Provider Companies on or before the effective date of the assignment hereunder.

Franchisee agrees and acknowledges that as between Franchisor and Franchisee, upon termination or expiration of the Franchise Agreement, Franchisor shall have the sole right to an interest in the Numbers, Addresses, and Listings, and Franchisee appoints Franchisor as Franchisee’s true and lawful attorney-in-fact to direct the Provider Companies to assign the same to Franchisor, and execute such documents and take such actions as may be necessary to effectuate the assignment. Upon such event, Franchisee shall immediately notify the Provider Companies to assign the Numbers, Addresses, and Listings to Franchisor. If Franchisee fails to promptly direct the Provider Companies to assign the Numbers, Addresses and Listings to Franchisor, Franchisor shall direct the Provider Companies to effectuate the assignment contemplated hereunder to Franchisor. The parties agree that the Provider Companies may accept Franchisor’s written direction, the Franchise Agreement or this Assignment as conclusive proof of Franchisor’s exclusive rights in and to the Numbers, Addresses, and Listings upon such termination or expiration and that such assignment shall be made automatically and effective immediately upon Provider Companies’ receipt of such notice from Franchisor or Franchisee. The parties further agree that if the Provider Companies require that the parties execute the Provider Companies’ assignment forms or other documentation at the time of termination or

expiration of the Franchise Agreement, Franchisor's execution of such forms or documentation on behalf of Franchisee shall effectuate Franchisee's consent and agreement to the assignment. The parties agree that at any time after the date hereof they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement.

ASSIGNEE

ASSIGNOR

MTY FRANCHISING USA, INC.

[FRANCHISEE]

By: _____
[Name, Title]

By: _____
[Name, Title]

By: _____
[Name, Title]

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SCHEDULE I

STATEMENT OF FRANCHISEE

[Note: Dates and Answers Must be Completed in the Prospective Franchisee's Own Handwriting]

In order to make sure that no misunderstanding exists between you, the Franchisee, and us, MTY Franchising USA, Inc. (also called "Thai Express," the "Franchisor" or "we") and to make sure that no violations of law might have occurred, and understanding that we are relying on the statements you make in this document, you assure us as follows:

A. The following dates are true and correct:

- | | Date | Initials | |
|----|-------------|----------|---|
| 1. | _____, 20__ | _____ | The date on which I received a Franchise Disclosure Document regarding the Thai Express Business. |
| 2. | _____, 20__ | _____ | The date of my first face-to-face meeting with an officer of MTY Franchising USA, Inc. to discuss a possible purchase of a Thai Express Business. |
| 3. | _____, 20__ | _____ | The date on which I received a completed copy (other than signatures) of the Franchise Agreement which I later signed. |
| 4. | _____, 20__ | _____ | The date on which I signed the Franchise Agreement. |
| 5. | _____, 20__ | _____ | The earliest date on which I delivered cash, check or other consideration to an officer of MTY Franchising USA, Inc. |

B. Representations.

1. No oral, written, visual or other promises, agreements, commitments, representations, understandings, "side agreements," options, right-of-first-refusal or otherwise have been made to or with me with respect to any matter (including but not limited to advertising, marketing, site location, operational, marketing or administrative assistance, exclusive rights or exclusive or protected territory or otherwise), nor have I relied in any way on same, except as expressly set forth in the Franchise Agreement or an attached written Addendum signed by me and Thai Express, except as follows: _____

(If none, you should write NONE in your own handwriting and initial.)

2. No oral, written, visual or other promises, agreements, commitments, representation, understandings, "side agreements" or otherwise which expanded upon or were inconsistent with the Franchise Disclosure Document or the Franchise Agreement or any attached written addendum signed by me and an officer of Thai Express, were made to me by any person or entity, nor have I relied in any way on same, except as follows: _____

(If none, you should write NONE in your own handwriting and initial.)

3. No oral, written, visual or other claim or representation (including but not limited to charts, tables, spreadsheets or mathematical calculations to demonstrate actual or possible results based on a combination of variables, such as multiples of price and quantity to reflect gross sales, or otherwise,) which stated or suggested a specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained) from Thai Express Stores, was made to me by any person or entity, nor have I relied in any way on any such, except as follows: _____

(If none, you should write NONE in your own handwriting and initial.)

4. No contingency, prerequisite, reservation or otherwise exists with respect to any matter (including but not limited to my obtaining financing, or my fully performing any of my obligations), nor have I relied in any way on same, except as expressly set forth in the Franchise Agreement or any attached written Addendum signed by me and Thai Express: _____

(If none, you should write NONE in your own handwriting and initial.)

5. The individuals signing for me constitute all of the executive officers, partners, shareholders, investors and/or principals. Each of such individuals has reviewed the Franchise Disclosure Document and all exhibits and carefully read, discussed, understands and agrees to the Franchise Agreement, each attached written Addendum and any personal guaranties.

6. I have had an opportunity to consult with an independent professional advisor, such as an attorney or accountant, prior to signing any binding documents or paying any sums, and Thai Express has strongly recommended that I obtain such independent advice. I have also been strongly advised by Thai Express to discuss my proposed purchase of a Thai Express Store with any existing Thai Express franchisees prior to signing any binding documents or paying any sums and Thai Express has supplied me with a list of all existing franchisees.

7. I understand that (a) entry into any business venture necessarily involves some unavoidable risk or loss or failure; (b) while the purchase of a franchise may improve the chances for success, the purchase of a Thai Express Store or any other franchise is a speculative investment; (c) investment beyond that outlined in the Franchise Disclosure Document may be required to succeed; (d) there exists no guaranty against possible loss or failure in this or any

other business; and e) the most important factors in the success of any Thai Express Store, including the one to be operated by me, are my personal business skills, which include marketing, sales, and management, and require sound judgment and extremely hard work.

If there are any matters inconsistent with the statements in this document or if anyone has suggested that you sign this document without all of its statements being true, correct and complete, immediately inform Thai Express (Phone: (905) 820-7887) and our president.

You understand and agree that we do not furnish, or authorize our salespersons, brokers or others to furnish, any oral or written information concerning actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or information from which such items might be ascertained), from franchise or non-franchised units, that no such results can be assured or estimated, and that actual results will vary from unit to unit.

You understand and agree to all of the foregoing and represent and warrant that all of the above statements are true, correct and complete.

FRANCHISEE:

[FRANCHISEE]

By:

[Name, Title]

FRANCHISOR:

MTY FRANCHISING USA, INC.

By:

[Name, Title]

Date

By:

[Name, Title]

SCHEDULE J

SECURITY AGREEMENT

BETWEEN FRANCHISEE: _____ [Name(s) of Franchisee and, if applicable, a corporation incorporated under the laws of the State of _____] having its/his/her/their principal office/residence at _____, in the City of _____, State of _____ [Zip code] (the “**Franchisee**”)

- and -

MTY FRANCHISING USA, INC., a corporation incorporated under the laws of the State of Delaware, having its principal office at 2 East Beaver Creek Road, Building One, Richmond Hill, Ontario L4B 2N3, Canada (“**Franchisor**”)

BACKGROUND:

- A. Franchisor is franchisor of Thai Express™ System in the United States (“**System**”) and, in that capacity, has granted to Franchisee a franchise to operate a Thai Express™ Store in accordance with the System.
- B. The Franchisee has entered into a Franchise Agreement with Franchisor, dated as set forth in Part 1 of **Schedule A** attached to this Security Agreement (“**Franchise Agreement**”), which is part of the Franchise Documents (as defined in this Security Agreement). Under the Franchise Agreement, Franchisee will own, acquire or establish a Thai Express Store (“**Store**”) now located or to be located as set forth in Part 3 of **Schedule A**.
- C. Under the Franchise Agreement, Franchisee is required to grant Franchisor a security interest in the Store, as collateral for Royalties, Marketing Fund contributions, and such amounts as Franchisee may owe to Franchisor from time to time under the Franchise Documents.

AGREEMENT:

For good and valuable consideration (the receipt and sufficiency of which each of the Parties acknowledges), the Parties agree as follows:

ARTICLE 1 DEFINITIONS AND INTERPRETATION

1.1 **Definitions.** Terms used in this Security Agreement, which are defined in the UCC have the meanings given in the UCC. In addition:

1.1.1 “**Collateral**” means the property of the Franchisee which forms the subject matter of the Security Interest created by Section 2 of this Security Agreement.

1.1.2 “**Franchise Agreement**” shall have the meaning set forth in the Background, Paragraph B.

1.1.3 “**Franchise Documents**” means, collectively, this Security Agreement, UCC Financing Statements, any sublease, any assignment of lease, assignment of telephone numbers and listing, construction agreement and any other document or instrument executed in connection with the Franchise Agreement.

1.1.4 “**Franchisee’s Franchised Business**” means the Store operated by the Franchisee at the Premises pursuant to the Franchise Documents.

1.1.5 “**Holiday**” means Saturday, Sunday and any other legal holiday in the United States of America.

1.1.6 “**Material Adverse Effect**” means a material adverse effect on (a) the business, operations, property, condition (financial or otherwise) or prospects of Franchisee, (b) the ability of Franchisee to perform its obligations under this Security Agreement, or any of the other Franchise Documents, or (c) the validity or enforceability of this Security Agreement or any of the other Franchise Documents hereunder or thereunder.

1.1.7. “**Obligations**” means all obligations, liability and indebtedness of the Franchisee to Franchisor (including but not limited to all obligations, liability and indebtedness of the Franchisee under this Security Agreement, the Franchise Documents and under any other agreements which now exist or to which the Franchisee and Franchisor may subsequently be parties), whether present or future, direct or indirect, absolute or contingent, matured or unmatured, extended or renewed, and regardless of where or how incurred, or whether at any time reduced and subsequently increased, or whether totally extinguished and subsequently re-incurred, and whether the Franchisee is bound alone or with others and whether as principal or surety.

1.1.8 “**Party**” means each of the Franchisee and Franchisor, and “**Parties**,” unless the context requires otherwise, means all of them.

1.1.9 “**Permitted Encumbrances**” means the encumbrances (if any) listed in Part 2 of **Schedule A**, as may be amended from time-to-time, which Franchisor has consented to be a lien on the Collateral that may have priority over the lien created by this Security Agreement.

1.1.10 “**Person**” means and includes any individual, partnership, corporation, business trust, firm, trust, limited liability company, unincorporated association or organization, joint venture or other enterprise or any governmental or political subdivision, agency, development or instrumentality thereof.

1.1.11 “**Store**” shall have the meaning set forth in the Background, Paragraph B.

1.1.12 “**Security Agreement**” means this Security Agreement and all Schedules attached to this Security Agreement.

1.1.13 “**Security Interest**” means the security interests created by Section 2 of this Security Agreement.

1.1.14 “**UCC**” means the Uniform Commercial Code as in effect on the date hereof in the State of Arizona; provided that if by reason of mandatory provisions of law, the perfection or the effect of perfection or non-perfection of the security interests in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of Arizona, “UCC” shall mean the Uniform Commercial Code as in effect in the jurisdiction where the Collateral is located for purposes of the provisions hereof relating to such perfection, or effect of perfection or non-perfection.

ARTICLE 2 THE SECURITY INTEREST

2.1 Grant of Security Interest. To secure: (i) the payment of the Obligations (ii) the payment, performance and observance of all the covenants and conditions contained in any notes executed by the Franchisee to evidence the Obligations, this Security Agreement, the Franchise Agreement, and any other Franchise Document; and (iii) the payment of all of Franchisee’s other present and future debts, obligations and liabilities to Franchisor of whatever nature and whenever arising; Franchisee grants, conveys, assigns, transfers, mortgages and pledges to Franchisor, a continuing security interest in the properties, rights, interests and privileges, and in all proceeds and products thereof, and accessions thereto (collectively called the “**Collateral**”) described in this Section 2.1.

2.2 Collateral. The Collateral shall include the following described property used, to be used or acquired for the Store: All equipment, fixtures, inventory, machinery, personal property, accounts receivable (including rights to payment under insurance claims), contract rights, (including all executory contracts pertaining to or arising from the operation of the Store), franchises lease and rights, customer lists, customer profiles, promotional brochures, mailing lists, goodwill, general intangibles and choses in action, of every sort now owned or hereafter acquired by Franchisee, wherever located, in any way related to the operation by Franchisee of the Store, together with all cash and non-cash proceeds and products of any or all of the foregoing, including without limitation, all parts, fittings, accessories, accessions, additions, substitutions, replacements and proceeds (including insurance proceeds thereof).

2.3 Franchise to Deal. Until the Franchisee defaults under this Security Agreement, the Franchisee may use the Collateral in any manner not inconsistent with the terms of the Obligations, may sell inventory and collect and deal with accounts receivable in the ordinary course of the Franchisee’s business, and may sell or otherwise dispose of any part of the Collateral which has become worn out, damaged or is in any other way unsuitable for further use in the operation of the Franchisee’s Franchised Business.

ARTICLE 3 CONDITIONS

3.1 Conditions to Franchisor's Performance. Unless otherwise waived by Franchisor, Franchisor shall not be obligated to perform any of its obligations under the Franchise Documents until the following conditions have been satisfied to the satisfaction of Franchisor:

3.1.1 Franchise Documents. This Security Agreement, the other Franchise Documents and all transactions contemplated by this Security Agreement shall have been duly authorized by Franchisee. Franchisee shall have duly executed and delivered to Franchisor this Security Agreement and all other Franchise Documents.

3.1.2 Default or Event of Default. On the date hereof, no Default or Event of Default shall have occurred and be continuing.

3.1.3 Correctness of Representations. On the date hereof, all representations and warranties made by Franchisee in Article 4 below or otherwise in writing in connection herewith shall be true and correct with the same effect as though such representations and warranties had been made on and as of today's date, except that representations and warranties expressly limited to a certain date shall be true and correct as of that date.

3.1.4 Approvals. On the date hereof, all necessary consents, approvals, licenses, permissions, registrations or validations of any governmental authority or any other Person required for the execution, delivery, performance or carrying out of the provisions of this Security Agreement, and any other Franchise Document, shall have been obtained and shall be in full force and effect and copies thereof certified by a duly authorized officer of Franchisee to such effect shall have been delivered to Franchisor.

3.1.5 Filing of Financing Statements, etc. On or before the date hereof, UCC-1 financing statements or other appropriate documentation relating to the Security Interest and rights granted pursuant to this Security Agreement, shall have been duly recorded or filed in such manner and in such places as is required by law to establish, preserve, protect, and perfect such security interests and rights; and all taxes, fees and other charges in connection with the execution, delivery and filing of this Security Agreement, and such financing statements and other appropriate documentation shall have been duly paid.

3.1.6 Litigation. On the date hereof, no litigation, arbitration, proceeding or investigation shall be pending or, to the knowledge of Franchisee, threatened against Franchisee that, in the reasonable judgment of Franchisor, might have a Material Adverse Effect.

3.1.7 Adverse Change. There shall have been no adverse change in the financial condition or business of Franchisee between the date of the then most recent financial statements furnished to Franchisor and the date hereof which, in the reasonable judgment of Franchisor, might have a Material Adverse Effect.

3.1.8 Legal Matters. All documents and legal matters incident to the transactions contemplated by this Security Agreement shall be reasonably satisfactory to counsel for Franchisor.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF FRANCHISEE

The Franchisee represents and warrants to Franchisor:

4.1 Corporate Status. Franchisee is a duly organized and validly existing corporation/limited liability company in good standing under the laws of the State organization and is duly qualified or licensed as a foreign corporation/limited liability company in good standing in each jurisdiction in which the failure to do so would have a Material Adverse Effect.

4.2 No Violation. Neither the execution or delivery by the Franchisee of this Security Agreement, the Franchise Agreement or any other Franchise Documents, nor the performance by the Franchisee of their obligations under any of said documents (i) violates any provision of law, or of any agreement which is binding upon the Franchisee, (ii) conflicts or is inconsistent with or will result in any breach of, or constitute a default under, any contractual obligation of Franchisee, or (iii) violate any provision of the articles of incorporation or articles of organization, as the case may be, of Franchisee;

4.3 Financial Information. That all of the written financial information furnished to Franchisor by the Franchisee concerning the Franchisee is complete, true and correct as of the date furnished, and that there have been no material adverse changes in the financial condition, operations or business of the Franchisee since the date of such financial information. The Franchisee intends that Franchisor rely upon such written financial information in entering into the Franchise Documents.

4.4 Enforceability. This Security Agreement, the Franchise Agreement and all other Franchise Documents constitute valid, legal and binding obligations of the parties thereto, enforceable against the parties thereto in accordance with their terms.

4.5 Title to Collateral. Franchisee has good and marketable title to all of its properties and assets, including without limitation, the Collateral. Except for the Security Interest granted by this Security Agreement, Franchisee is or shall be the owner of the Collateral free from any adverse lien, claim, security interest or encumbrance; and Franchisee will defend the Collateral against all claims and demands of all persons at any time claiming same or any interest therein.

4.6 No Financing Statements. There is no financing statement now on file in any public office covering any of the Collateral and Franchisee will not execute any other financing statement or security agreement covering any of the Collateral while the Franchise Agreement is in effect, except financing statements or security agreements filed or to be filed in respect of and for the Security Interest provided in this Security Agreement or a Permitted Encumbrances.

4.7 Power and Authority. If the Franchisee is a corporation or other entity, the person or persons executing this Security Agreement and any other Franchise Documents on behalf of

Franchisee have been duly authorized to execute such documents and have full power to bind the Franchisee, by proper and lawful action of the Board of Directors or other appropriate governing body of Franchisee, copies of which shall be provided to Franchisor, if requested.

4.8 Consents or Approvals. No order, permission, consent, approval, license, authorization, registration or validation of, or filing with, or exemption by, any governmental authority or any other Person is required to authorize, or is required in connection with, the execution, delivery and performance of this Security Agreement or any other Franchise Document by Franchisee, or the taking of any action contemplated hereby or thereby, except where the failure to obtain such authorization could reasonably be anticipated to have a Material Adverse Effect.

4.9 Litigation. There are no actions, suits or proceedings pending or threatened against or affecting Franchisee that in any one case or in the aggregate, if determined adversely to the interests of such party, could reasonably be anticipated to have a Material Adverse Effect.

4.10 Compliance with Other Instruments; Compliance with Law. Franchisee is not in default under any agreement, instrument or other undertaking to which Franchisee is a party or by which it or any of its property is bound (including any agreement, instrument or undertaking relating to any indebtedness of Franchisee) where such default could reasonably be anticipated to have a Material Adverse Effect. Franchisee is not in default or in violation of any applicable statute, rule, writ, injunction, decree, order or regulation of any governmental authority having jurisdiction over Franchisee which default or violation could reasonably be anticipated to have a Material Adverse Effect.

4.11 Taxes. All tax returns of Franchisee required to be filed have been timely filed (after giving effect to any permitted extensions), and all material taxes, fees and other governmental charges (other than those being contested in good faith by appropriate proceedings diligently conducted and with respect to which adequate accruals have been established and, in the case of *ad valorem* taxes or betterment assessments, no proceedings to foreclose any lien with respect thereto have been commenced and, in all other cases, no notice of lien has been filed or other action taken to perfect or enforce such lien) shown thereon which are payable have been paid. The charges and reserves on the books of Franchisee for all income and other taxes are adequate, and Franchisee knows of no additional assessment or any basis therefor. The Federal income tax returns of Franchisee has not been audited within the last three years, all prior audits have been closed, and there are no unpaid assessments, penalties or other charges arising from such prior audits.

4.12 Disclosure. None of the representations or warranties made by Franchisee in this Security Agreement, or in any other document furnished to Franchisor by or on behalf of Franchisee in connection herewith contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein or therein, in light of the circumstances under which they are made, not misleading. There is no fact known to Franchisee on the date of this Security Agreement that has any reasonable likelihood of having a Material Adverse Effect that has not been set forth in or referred to in this Security Agreement.

ARTICLE 5

AFFIRMATIVE COVENANTS OF FRANCHISEE

In addition to the warranties, representations and covenants in Article 4 and 6 of this Security Agreement, as long as any of the Obligations are outstanding, the Franchisee agrees as follows:

5.1 Operation of Store. The Franchisee will promptly acquire and maintain all equipment, fixtures, machinery and inventory as may be necessary to operate the Store in accordance with the terms of the Franchise Agreement and shall purchase such property with his own funds.

5.2 Conduct of Business; Maintenance of Existence. Franchisee will continue to engage in the business in which it is engaged and maintain its existence and comply with all applicable statutes, rules and regulations and remain duly qualified as a corporation/limited liability company, licensed and in good standing in each jurisdiction where such qualification or licensing is required by the nature of its business, the character and location of its property, business, or ownership or leasing of its property, except where such noncompliance or failure to so qualify would not have a Material Adverse Effect, maintain its properties in good operating condition and continue to conduct its business as presently conducted.

5.3 Compliance with Laws. Franchisee will comply in all material respects with all applicable laws, ordinances, rules, regulations and requirements of governmental authorities and will obtain all governmental approvals, except where the failure to do so would not have a Material Adverse Effect.

5.4 Financial Statements. The Franchisee will furnish Franchisor with financial statements and balance sheets and Franchisee's most recent federal income tax returns within fifteen (15) days after the Franchisee's receipt of Franchisor's written request for such information. Such financial statements shall set forth all personal assets and liabilities of the Franchisee. If requested by Franchisor, such financial statements shall be prepared by an independent certified public accountant in accordance with generally accepted accounting principles consistently applied.

5.5 Inspection. The Franchisee will permit Franchisor or its authorized representatives to inspect its books and records upon any reasonable request.

5.6 Taxes and Other Liens. The Franchisee shall pay or cause to be paid when due all taxes, assessments and governmental charges or levies, of every kind and description in any way relating to the Collateral or claims for labor, supplies, rent and other obligations made against it which, if unpaid, might become a lien against Franchisee or on its property.

5.7 Insurance. The Franchisee shall insure or cause to be insured all of the property, both real and personal, which constitutes a part of the Collateral, in an amount not less than the amount required by the Franchise Documents. Franchisor shall be made a co-payee of such insurance and such insurance policies shall prohibit cancellation or reduction of coverage except after 10 days' prior written notice to Franchisor.

5.8 Maintenance of Collateral. The Franchisee will maintain, or cause to be maintained, the Collateral in good condition and repair, so as not to impair the security provided under this Security Agreement.

5.9 Further Assurances. From time to time, on request of Franchisor, the Franchisee shall execute such financing statements, continuation statements and other documents and do such other acts and things, as Franchisor may reasonably deem necessary to establish and maintain a valid and perfected first priority security interest in the Collateral.

5.10 Notice of Default. As soon as practicable, and in any event, within three (3) business days of becoming aware of the existence of any condition or event which constitutes a Default, Franchisee will provide Franchisor with written notice specifying the nature and period of existence thereof and what action Franchisee is taking or proposes to take with respect thereto.

5.11 Financial Records. Franchisee will maintain books of accounts and records in which full and correct entries will be made of all of its business transactions in accordance with generally accepted accounting principles.

ARTICLE 6 NEGATIVE COVENANTS OF FRANCHISEE

In addition to the warranties, representations and covenants in Article 4 and 5 of this Security Agreement, as long as any of the Obligations are outstanding, the Franchisee agrees as follows:

6.1. Disposition of Assets. The Franchisee will not sell, transfer or in any way convey any of the Collateral, except in the normal course of business, without the prior written consent of Franchisor.

6.2. Maintenance of Existence. Franchisee shall not change the name, address, identity or form of business organization of Franchisee from that shown on this Security Agreement without the prior written approval of Franchisor. Franchisee appoints Franchisor as Franchisee's attorney-in-fact to prepare, execute, acknowledge, verify, file, record and cause to be published all notices, agreements, documents or instruments as may be necessary or advisable to permit Franchisor to retain its first priority security interest in the Collateral. This power of attorney is coupled with an interest and is, therefore, irrevocable and shall survive the death, mental or physical disability or other incapacity of Franchisee or any assignment of an interest in the Collateral.

6.3. Indebtedness. Franchisee shall not create, incur, assume or suffer to exist any indebtedness against Franchisee, except the Obligations and, with the prior approval of Franchisor, which shall not be unreasonably withheld or denied, purchase money debt for the purchase of inventory, furniture, fixtures or equipment for the Store; and ("**Permitted Indebtedness**"). In connection with any Permitted Indebtedness, Franchisor agrees to execute a UCC-3 form subordinating the security interest granted in this Agreement to any Permitted Indebtedness.

6.4. Liens. Franchisee shall not create, incur, assume or suffer to exist any Lien on any of its properties or assets, except the following (collectively, “**Permitted Liens**”): (a) liens for taxes, fees, assessments and other governmental charges not delinquent or being contested in good faith and by proper proceedings, as to which adequate accruals are maintained on the books of Franchisee in accordance with GAAP; (b) carriers’, warehousemen’s, mechanics’, materialmen’s, landlord’s or similar liens imposed by law incurred in the ordinary course of business in respect of obligations not overdue, or being contested in good faith and by proper proceedings and as to which adequate accruals with respect thereto are maintained on the books of Franchisee in accordance with GAAP; (c) pledges or deposits in connection with workers’ compensation, unemployment insurance and other types of social security legislation; (d) security deposits made to secure the performance of leases, licenses and statutory obligations incurred in the ordinary course of business; (e) liens in favor of Franchisor; and (f) liens securing Permitted Indebtedness.

ARTICLE 7 DEFAULT

The Security Interest will become immediately enforceable on the happening of any one or more of the following events:

7.1 Failure to Perform Obligations. Any covenant, representation or warranty made by the Franchisee in this Security Agreement, the Franchise Agreement or in any certificate, agreement, instrument or statement contemplated hereby or made or delivered pursuant hereto or in connection herewith, is incorrect, if the Franchisee fails to pay, observe or perform any of the Obligations, and if any default by the Franchisee under the Franchise Agreement shall occur and be continuing.

7.2 Failure to Pay. If the Franchisee fails to pay when due any amount owing to Franchisor.

7.3 Failure to Perform Other Obligations. If the Franchisee fails to observe or perform any of the other Obligations and does not cure the default within 10 days after receiving notice of default from Franchisor. The notice of default may (but need not) allow a longer time period to cure the default.

7.4 Bankruptcy. The Franchisee is adjudicated a bankrupt or debtor under the Bankruptcy Code, or makes an assignment for the benefit of creditors; or the Franchisee shall apply for or consent to the appointment of any receiver, trustee, or similar officer for Franchisee or for all or any substantial part of Franchisee’s property; or such receiver, trustee or similar officer shall be appointed without the application or consent of the Franchisee or the Franchisee shall institute (by petition, application, answer, consent or otherwise) any bankruptcy or insolvency proceeding; or any final judgment in excess of \$5,000.00, writ, warrant of attachment or execution or similar process shall be issued or levied against a substantial part of the property of the Franchisee and such final judgment, writ, warrant of attachment, execution or similar process shall not be released, vacated or fully bonded within 30 days after its issue or levy.

ARTICLE 8 REMEDIES ON DEFAULT

8.1 Upon the occurrence of any Event of Default Franchisor shall have all the rights and remedies stated in the Franchise Agreement, in addition to any other rights and/or remedies expressly provided for herein or otherwise available to Franchisor at law or equity.

8.2 Upon the occurrence of any Event of Default Franchisor may by written notice to the Franchisee, declare the commitments of Franchisor under this Security Agreement to be terminated, whereupon such commitments shall forthwith terminate and, regardless of when such event occurs, Franchisor by written notice to the Franchisee may terminate the Franchise Agreement, whereupon all amounts due under the Franchise Documents shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Franchisee.

8.3 Without limiting the foregoing, upon the occurrence of an Event of Default Franchisor shall have all the rights of a secured party under the Uniform Commercial Code, including the right to take possession of and to sell all, or any part, of the Collateral at public or private sale. Upon the request of Franchisor, the Franchisee shall assemble and deliver the Collateral to such location as Franchisor shall request. If any notification of intended disposition of any of the Collateral is required by law, such notification shall be deemed to have occurred if mailed, in accordance with Section 9.11 of this Security Agreement, at least seven (7) days before such disposition. Any proceeds of a disposition of the Collateral or any part thereof may be applied by Franchisor to the payment of expenses in connection with the collateral (including, without limitation, the storage and/or disposition thereof), including reasonable attorneys' fees and legal expenses, and any balance of such proceeds may be applied by Franchisor toward the payment of the any obligation of Franchisee arising under this Security Agreement or any Franchise Documents, in such order of application as Franchisor may from time to time deem appropriate.

8.4 No failure on the part of Franchisor to exercise, and no delay in exercising, any rights under this Security Agreement shall operate as a waiver thereof, nor shall any single or partial exercise by Franchisor of any right preclude any further exercise thereof, or the exercise of any other right. Each and every right granted under this Security Agreement, or under any document delivered under this Security Agreement or in connection herewith, or allowed to Franchisor in law or equity, shall be deemed cumulative and may be exercised from time to time.

ARTICLE 9 GENERAL CONTRACT PROVISIONS

9.1 Headings and Table of Contents. The table of contents, the use of headings and the division of this Security Agreement into Articles and Sections is for the convenience of the reader only, and is not to affect the legal interpretation of this Security Agreement. References herein to Sections and Schedules means Sections and Schedules of or attached to this Security Agreement.

9.2 Governing Law. This Security Agreement is to be governed by and construed in accordance with the laws of the State of Arizona.

9.3 Disputes. The arbitration provision in the Franchise Agreement is hereby incorporated into this Security Agreement by this reference as if the same were fully set forth herein. In the event the arbitration provision set forth in the Franchise Agreement is determined by a court not to apply to this Security Agreement, then any lawsuit or other proceedings under the Franchise Documents shall be commenced and prosecuted in the United States District Court for the District of Arizona or the Superior Court of the State of Arizona, in and for the County of Maricopa and the parties hereto agree and acknowledge that such courts shall have jurisdiction over the Parties hereto and the subject matter of any such lawsuit or other proceedings.

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

9.5 Gender and Number. In this Security Agreement, the use of the singular number includes the plural and vice versa, and the use of a particular gender includes all other genders.

9.6 Covenants Joint and Several. If any Party is comprised of more than one person, the covenants and obligations of such Party under this Security Agreement are intended to be both joint and several.

9.7 Successors. This Security Agreement inures to the benefit of and is binding upon the Franchisee and its heirs, executors, administrators, successors and assigns.

9.8 Cumulative Remedies and Security. All remedies of Franchisor at law or equity and under this Security Agreement are cumulative. The Security Interest is in addition to and not in substitution of any other security now held or which may subsequently be held by Franchisor.

9.9 Waiver. Franchisor may waive any default by the Franchisee in observing or performing any of the Obligations. No act or omission of Franchisor regarding any such default shall affect Franchisor's rights regarding any subsequent default of the Franchisee.

9.10 Indulgences. Franchisor may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, relinquish any of the Collateral to third parties and otherwise deal with any Person in any manner, without affecting either the liability of the Franchisee or Franchisor's right to hold and to realize on the Collateral.

9.11 Notices. All notices required or permitted to be given by one Party to the other under this Security Agreement or under the UCC shall be in writing and shall be given either by personal delivery or by prepaid registered mail, addressed to the other Party or delivered to the other Party at its address set out on page 1 of this Security Agreement. A Party may change its address for service by giving notice of change of address to the other Party. All notices given in accordance with this Section shall be deemed to have been received when delivered or, if mailed, two days after date of mailing.

9.12 Severability. If any provision of this Security Agreement is incapable of being enforced by reason of any rule of law or public policy, such provision shall be severed. However, it is the intention of the Parties that such severance not invalidate any other provision of this Security Agreement, and accordingly no provision of the Security Agreement shall be interpreted as being dependent on any other provision unless the contrary is stated.

9.13 Further Assurances. At the request of Franchisor and at the expense of the Franchisee, the Franchisee will from time to time do or cause to be done such acts and things, and will execute or cause to be executed such documents and assurances, as Franchisor may require to perfect and preserve the Security Interest.

9.14 No Waiver; Remedies. No failure on the part of Franchisor to exercise, and no delay in exercising, any right hereunder, under any of the other Franchise Documents shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder, or under any of the other Franchise Documents preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

9.15 Right of Set-off. Upon the occurrence and during the continuance of any Event of Default, Franchisor is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all moneys received by Franchisor on Franchisee's behalf or any amounts owing by Franchisor to Franchisee (including, without limitation, vendor or promotional rebates, receivables collected for the benefit of Franchisee, cash or its equivalent in the Store or in any account of Franchisee of which Franchisor obtains custody or possession), at any time held and other indebtedness at any time owing by Franchisor to or for the credit or the account of Franchisee against any and all of the obligations of Franchisee now or hereafter existing under this Security Agreement, irrespective of whether or not Franchisor shall have made any demand hereunder.

9.16 Reproduction of Documents. This Security Agreement and all documents relating hereto, including, without limitation, (a) consents, waivers and modifications which may hereafter be executed, (b) documents received by Franchisor at the closing or otherwise, and (c) financial statements, certificates and other information previously or hereafter furnished to Franchisor, may be reproduced by Franchisor by any photographic, photostatic, microfilm, micro-card, miniature photographic or other similar process and Franchisor may destroy any original document so reproduced. Franchisee agrees and stipulates that any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by Franchisor in the regular course of business) and that any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence.

9.17 Survival. All warranties, representations, and covenants made by Franchisee herein or on any certificate or other instrument delivered by it or on its behalf under this Security Agreement shall be considered to have been relied upon by Franchisor and shall survive the termination of this Agreement, regardless of any investigation made by Franchisor on its behalf. All statements in any such certificate or other instrument shall constitute warranties and representations by Franchisee.

9.18 Counterparts. This Security Agreement may be signed in one or more counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument.

9.19 No Third Party Benefit. This Security Agreement is intended for the exclusive benefit of the parties and their respective heirs, successors and assigns. Nothing contained in this Security Agreement shall be construed as creating any rights or benefits in or to any third party.

9.20 Complete Agreement. This Security Agreement, along with the Franchise Documents, contains the entire agreement among the parties and supersedes any prior discussions, negotiations, representations, or agreements among them respecting the subject matter.

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed and delivered by their respective officers or representatives thereunto duly authorized as of the date first above written.

DATED this _____, 20____.

[FRANCHISEE]

By: _____
[Name, Title]

By: _____
[Name, Title]

MTY FRANCHISING USA, INC.

By: _____
[Name, Title]

STATE OF _____)
_____) ss
COUNTY OF _____)

Before me, a Notary Public, in and for the said State and County, personally appeared _____, to me known to be the person named in and the person executing the above and foregoing Agreement and he/she acknowledged that he/she executed the same as his/her free act and deed for the purposes therein expressed.

IN WITNESS WHEREOF, I have set my hand and affixed my official seal this ____ day of _____, 20__.

Notary Public

My Commission Expires: _____

STATE OF _____)
_____) ss
COUNTY OF _____)

On this ____ day of _____, 20__, before me _____, a Notary Public in and for said state, personally appeared _____, of _____, a Corporation of the State of _____, known to me to be the person who executed the within instrument in behalf of said corporation and acknowledged to me that he executed the same for the purposes therein stated.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal in the County and State aforesaid, the day and year first above written.

Notary Public

My Commission Expires: _____

SCHEDULE A

PART 1 - FRANCHISE DOCUMENTS

Franchise Agreement dated _____, 20__.

Lease/Sublease dated _____, 20__.

Other Documents [list here]

PART 2 - PERMITTED ENCUMBRANCES (circle below whichever is applicable)

NIL / SBA financing / bank financing

PART 3 - PLACE OF FRANCHISEE'S FRANCHISED BUSINESS

Store No. _____, _____ Shopping Center [or, if
free-standing, as the case may be], Town/City of _____,
State of _____.

SCHEDULE K

THAI EXPRESS

SUBLEASE

(Name of Shopping Center)

THIS SUBLEASE is made as of _____, 20__, by and between _____, a _____ (“**Sublandlord**”) and _____, a _____ (“**Subtenant**”).

WHEREAS:

A. By a lease dated _____, 20__, (the “**Prime Lease**”) made between [_____, a _____ (“**Landlord**”), as landlord, and Sublandlord, as tenant, a copy of which is annexed hereto as **Schedule A** (or to be provided at a later date), the Landlord leased to the Sublandlord the premises described as follows:

_____ [Space Address], as marked on the Site Plan portion of **Exhibit** _____ to the Prime Lease, having an estimated floor area of approximately _____ square feet, having a street address of _____ (“**Premises**”).

B. The Subtenant, as franchisee, entered into a franchise agreement for the operation of a Thai Express casual restaurant, dated _____, 20__ (“**Franchise Agreement**”).

C. In furtherance of the Franchise Agreement and upon the giving of notice to the Landlord of, or obtaining its consent in connection with, a permitted transfer, assignment, or sublet, as may be applicable under the Prime Lease, the Sublandlord and Subtenant wish to enter into a sublease of the Premises.

Lease Review Fee is: \$_____

Sublease Security Deposit is: \$_____

NOW THEREFORE in consideration of the rents, covenants and agreements hereinafter set forth, other good and valuable consideration, and the sum of \$10.00 paid by each party to each other party (the receipt and sufficiency of which is hereby acknowledged by each party), the parties covenant and agree as follows:

1. **Grant and Term of Sublease**

a) The Sublandlord demises and subleases the Premises to the Subtenant, and the Subtenant hereby subleases the Premises from the Sublandlord, for a term commencing upon possession of the Premises (as defined in the Prime Lease) and

terminating on the day which is one (1) day prior to the expiration date of the initial term of the Prime Lease (the “**Subterm**”), subject to the provisions of this Sublease.

b) Notwithstanding anything to the contrary, the Sublandlord reserves to itself the last day of the initial term of the Prime Lease.

c) Each party acknowledges that this Sublease is and is intended to be a sublease of the Premises and not an assignment of the Prime Lease to the Subtenant.

2. Rent

The Subtenant covenants and agrees to pay:

a) basic or minimum rent in accordance with the basic or minimum monthly rental provisions of the Prime Lease, initially \$_____ per month, subject to adjustment in accordance with the terms of the Prime Lease (“**Minimum Rent**”); and

b) as additional rent:

i. all amounts required to be paid to the Sublandlord pursuant to the provisions of this Sublease or pursuant to the provisions of the Franchise Agreement; and

ii. all amounts, without duplication, required to be paid by the tenant/lessee to the Landlord or otherwise pursuant to the Prime Lease calculated and payable in accordance with the additional rent provision(s) of the Prime Lease, as applicable, including but not limited to percentage rent and tenant/lessee’s share of common area expenses, real estate taxes, and insurance, save and except as may be otherwise provided herein (collectively “**Additional Rent**”).

3. Payment

a) All payments, for rent or otherwise, provided for in this Sublease shall be made by the Subtenant directly to the Sublandlord or to such other person as the Sublandlord may direct in writing, in advance, without setoff or deduction of any kind, on the earlier of: (i) the 25th day of the month, or (ii) the fourth (4th) Friday of the month; or (ii) on a day reasonably set by Sublandlord to ensure timely payment of all Minimum Rent and Additional Rent due under the Prime Lease, an amount equal to 1/12th of the annual Minimum Rent and 1/12th of the estimated Additional Rent and all applicable taxes thereon, as applicable, for the following month (i.e., Sublessee’s first rental payments payable under this Section will be applied to the second month of the Subterm, so that Minimum Rent and Additional Rent will always be paid one month in advance.). If any such sum is not received by the Sublandlord within five (5) days from the date such sum becomes due, in lieu of interest, the Subtenant shall immediately become liable to the Sublandlord for a late charge equal to seven percent (7%) of the past due amount.

b) Notwithstanding the foregoing, at the Sublandlord's option, the Sublandlord may deliver a notice in writing to the Subtenant requiring the Subtenant to make all payments (except payments pursuant to the Franchise Agreement) to the Landlord in which event the Subtenant shall do so forthwith.

c) The Sublandlord also reserves the right to require the Subtenant to provide post-dated checks or authorization for automatic bank transfers for the purpose of satisfying the Subtenant's payment obligations hereunder, and upon written request by the Sublandlord, the Subtenant shall provide such checks or authorization forthwith.

4. Benefit of Prime Lease and Sublandlord's Covenants

a) Subject to the terms and provisions of this Sublease, the Subtenant shall be entitled to all benefits granted to the Sublandlord pursuant to the provisions of the Prime Lease.

b) The Sublandlord covenants and agrees with the Subtenant that the Subtenant shall peaceably and quietly hold and enjoy the Premises for the Subterm without hindrance or interruption by the Sublandlord, subject to the terms and conditions of this Sublease, the Prime Lease, and the Franchise Agreement.

c) The Sublandlord covenants and agrees with the Subtenant that if the Landlord shall fail to observe or perform any of the obligations on the part of the Landlord contained in the Prime Lease, then the Sublandlord will give such notice to the Landlord and take such reasonable action as may be necessary to enforce such obligations, provided that the Sublandlord shall not be obligated to give such notice or to take such action unless:

- i. the same has been requested in writing by the Subtenant;
- ii. the Subtenant agrees to reimburse the Sublandlord for all its costs and expenses in giving such notice or taking such action and, if required by the Sublandlord, pay to the Sublandlord in advance an amount equal to the Sublandlord's reasonable estimate of such costs and expenses; and
- iii. no such notice or action shall subject the Prime Lease to risk of forfeiture or termination.

The Sublandlord's sole obligations under this Sublease are those expressly stated herein. The Sublandlord shall not be liable for any failure on the part of the Landlord to observe and perform the covenants and agreements contained on the part of the Landlord under the Prime Lease.

5. Subtenant's Covenants

The Subtenant covenants and agrees with the Sublandlord that it shall:

a) assume and agree to be bound by and to keep and perform each and every covenant, agreement and obligation with respect to the Premises to be performed by the Sublandlord, as tenant in the Prime Lease, except as such obligations may be qualified by this Sublease;

b) perform all of the obligations of the Subtenant under this Sublease and the Franchise Agreement;

c) indemnify and save harmless the Sublandlord (including its affiliates, successors and assigns) against all proceedings, damages, costs, claims, counsel fees, liabilities, and expenses of every kind arising from or incurred by reason of:

- i. the Subtenant's failure to perform properly or promptly any of the covenants, agreements and obligations under this Sublease;
- ii. the use and occupation of the Premises by the Subtenant, its employees, agents, or any other person for whom it is in law responsible;

d) maintain in full force an effect throughout the Subterm, in the names of both the Sublandlord and the Subtenant, insurance coverage which at a minimum complies, to the satisfaction of the Sublandlord, with both the terms of the Prime Lease and the Franchise Agreement;

e) forthwith deliver to the Sublandlord any and all notices of default or non-compliance received from the Landlord, the Subtenant's insurers or any governmental body;

f) not contest any of the Subtenant's obligations under this Sublease without the prior written consent of the Sublandlord;

g) not make any alterations or repairs except in accordance with the terms and conditions of the Franchise Agreement. All such work shall be subject to inspection and reasonable supervision by the Sublandlord and shall be performed in accordance with any reasonable conditions or regulations imposed by the Sublandlord. The Sublandlord's costs of inspection and/or supervision shall be paid by the Subtenant to the Sublandlord on demand;

h) maintain and deliver to the Sublandlord all certificates, statements, reports, audited statements and any other records required to be delivered by:

- i. the franchisee to the franchisor pursuant to the Franchise Agreement; and
- ii. the tenant/lessee to the Landlord pursuant to the Prime Lease;

and shall permit the Sublandlord, its officers, agents or auditors to have the same access to the records of the Subtenant as granted to the Landlord under the Prime Lease;

i) within ten (10) days after the Sublandlord requests it from the Subtenant, deliver to the Sublandlord, on a form supplied by the Sublandlord, a certificate to the Sublandlord and/or any proposed mortgagee, purchaser or other transferee of part or all of the Sublease or the Premises, confirming the status of the Sublease; and

j) not file any claim or otherwise assert that it is entitled to any allowances or inducements received by or benefiting the Sublandlord under or pursuant to the Prime Lease and the Subtenant hereby waives any right, claim or entitlement to such allowances and/or inducements.

6. Use of Premises

a) The Premises shall be used by the Subtenant exclusively for the purpose of a “**Thai Express**” franchise and otherwise in accordance with the terms of the Prime Lease and the Franchise Agreement and for no other purpose.

b) The Subtenant covenants and agrees to continuously, actively and diligently carry on the business required to be conducted by it at the Premises pursuant to this Sublease and the provisions of the Franchise Agreement.

7. Subtenant’s Breach

a) In the event that the Subtenant shall not observe, perform and keep each and every of the covenants, agreements, stipulations, provisions and conditions contained herein or in the Franchise Agreement or if the Franchise Agreement shall be terminated for any reason whatsoever or if the Subtenant shall be deemed to be in default under the Franchise Agreement and such default is not cured or remedied as provided for therein, then the Sublandlord shall have all of the rights, remedies, privileges, protections and indemnities against the Subtenant which the Landlord has under the Prime Lease for a breach of the obligations of the tenant/lessee thereunder.

b) It is the intention of the parties hereto that the Sublandlord shall, subject to the notice and curative provisions hereinafter set out, have the right but not the obligation to take remedial steps to cure or commence to cure any default by the Subtenant under this Sublease which default would give rise to the exercise by the Landlord of its rights, remedies, privileges, protections and indemnities under the Prime Lease (hereinafter collectively referred to as the “**Landlord’s Rights**”). Accordingly, if and whenever:

- i. a default with respect to the payment of rent by the tenant/lessee under the Prime Lease requires the Landlord to give the tenant/lessee under the Prime Lease notice and a finite curative period before the Landlord exercises the Landlord’s Rights in respect of such default, the notice and curative period afforded the

Subtenant for a similar default hereunder shall be shortened by two (2) days;

- ii. a non-monetary default by the tenant/lessee under the Prime Lease requires the Landlord to give the tenant/lessee under the Prime Lease notice and a finite curative period before the Landlord exercises the Landlord's Rights in respect of such default, the notice and curative period afforded the Subtenant for a similar default hereunder shall be shortened by five (5) days;
- iii. a monetary or non-monetary default by the tenant/lessee under the Prime Lease requires the Landlord to give the tenant/lessee under the Prime Lease notice but no finite curative period is therein provided before the Landlord exercises the Landlord's Rights in respect of such default, the curative period, if any, afforded to the tenant/lessee by the Landlord, shall, with respect to the Subtenant, be shortened by such reasonable length of time as is necessary to enable the Sublandlord to take action to remedy or commence to remedy such default.

c) Within five (5) days after the Sublandlord gives the Subtenant an itemized statement therefore, the Subtenant agrees to reimburse the Sublandlord for any costs or expenses, including legal fees incurred by the Sublandlord in curing any default by the Subtenant hereunder.

8. Termination

a) The Subtenant acknowledges and agrees that it has no greater interest in the Premises than the Sublandlord under the Prime Lease and that if the Prime Lease is terminated for any reason whatsoever this Sublease shall thereupon terminate forthwith.

b) This Sublease shall terminate forthwith upon the termination of the Franchise Agreement or the breach by the Subtenant of any of its obligations under this Agreement.

The Subtenant acknowledges and agrees that it waives any rights it may have for itself or a trustee or a receiver in state receivership or insolvency proceedings to elect to retain the unexpired term of the Sublease.

c) Provided, the foregoing shall not be construed as a waiver or release by the Subtenant of any right to apply to Court for relief from forfeiture or for other relief to which it may be entitled or obtained including where the Sublandlord has defaulted under the terms of the Prime Lease.

9. Surrender by Subtenant

a) Upon the termination of this Sublease, by lapse of time or otherwise, the Subtenant will immediately surrender to the Sublandlord possession of the Premises and

the improvements therein in the same condition in which the Subtenant received them, excepting only normal wear and tear and items specifically exempted by the Prime Lease.

b) No acceptance of rent by the Sublandlord after termination of this Sublease or after notice of such termination shall constitute a waiver of the termination or notice of the reinstatement of this Sublease. Nothing contained in this Sublease shall operate or in any way create a merger, or alter or prejudice any rights, remedies or priorities of the Sublandlord as against the Subtenant under any other agreement or agreements between them. The only notices necessary to terminate this Sublease are those expressly provided for in this Sublease.

10. Assignment and Subletting

a) The Subtenant covenants not to assign, sublet or part with or share possession of all or any part of the Premises, or mortgage or encumber this Sublease or the Subtenant's interest herein without the consent in writing of the Sublandlord and Landlord, other than in accordance with the provisions of the Prime Lease and the Franchise Agreement with respect to assigning and subletting, such provisions being expressly incorporated into this Sublease *mutatis mutandis*.

b) Where the Subtenant is a corporation, any change in the registered or beneficial ownership of the shares of the Subtenant which results in any change from the date hereof in the effective voting control of the Subtenant shall be deemed to be an assignment hereunder.

c) Notwithstanding any such assignment or subletting, the Subtenant shall remain liable for the performance of all the obligations on the part of the Subtenant under this Sublease.

d) A breach by the Subtenant of this Section 10 shall entitle the Sublandlord, at its option, to immediately re-enter and take possession of the Sublet Premises without notice or demand and otherwise exercise its rights and remedies in accordance with this Sublease.

e) The parties agree that the Prime Lease shall be fully assignable by the Sublandlord in whole or in part and shall inure to the benefit of and be binding upon any assignee or other legal successor to the Subtenant's interest provided such assignment is completed in accordance with the terms set out in the Prime Lease. In the event of such assignment, the Sublandlord shall be released from any further liability for the obligations assigned other than any obligations relating to matters or periods prior to the effective date of the assignment. The Subtenant agrees to attorn to any such assignee and shall execute any attornment agreement or other agreement requested by the Sublandlord, Landlord or assignee.

11. Amendments to Prime Lease

The Sublandlord and the Subtenant agree that the Sublandlord and Landlord may, from time to time, enter into amendments of the Prime Lease without notice to or consent by the

Subtenant provided that such amendments do not materially increase the obligations or materially diminish the rights of the Subtenant under this Sublease. It is agreed that all other amendments to the Prime Lease shall be subject to the consent of the Subtenant, such consent not to be withheld or delayed.

12. Renewal of Prime-Lease

a) If the Subtenant has been in full compliance with this Sublease, the Franchise Agreement and all other agreements with the Sublandlord and/or its affiliates or subsidiaries during the currency of the Sublease, the Subtenant shall have the option to renew this Sublease upon giving notice to the Sublandlord no earlier than eleven (11) months and no later than seven (7) months prior to the expiration of the Subterm. In the event that the Sublandlord receives such notice, then the Sublandlord shall make all reasonable efforts (but shall not be required to make any expenditures in this regard) to exercise any option to extend the term of the Prime Lease. Under no circumstances, however, shall the Sublandlord be liable to the Subtenant for any failure on the Sublandlord's part to negotiate an extension or renewal of the Prime Lease.

b) If the Sublandlord is able to negotiate a renewal of the Prime Lease upon its expiration, the Sublandlord grants to the Subtenant a first right of refusal with respect to a new sublease for the Premises for the same term (less one day) as the length of the term of the renewal lease, at a rent and on such terms and conditions as may be established between the Sublandlord and the Landlord, and otherwise on all the terms and conditions contained in this Sublease.

c) The Sublandlord shall give the Subtenant notice that it has negotiated such a renewal and provide the Subtenant with a copy of the renewal agreement or particulars of the terms and conditions of the renewal. The Subtenant shall then have twenty-one (21) days from the delivery of the notice within which to notify the Sublandlord that it wishes to exercise the right of first refusal granted by this Section.

d) If the Subtenant does not exercise any right of first refusal within the specified twenty-one- (21-) day period, the Sublandlord shall have the free and unfettered right to deal with the Premises as it sees fit and to grant a sublease of the Premises to any third party, provided that such Sublease shall be on the terms not less favorable to the Sublandlord than those offered to the Subtenant.

13. Relocation

The Landlord and the Sublandlord may be entitled to relocate or rearrange the various facilities and improvements comprising the Premises from those existing at the commencement of the Prime Lease, and any such relocation, alteration or re-arrangement shall be at the Tenant's sole expense. If as a result of the exercise by the Landlord or the Sublandlord of their rights set out herein, the facilities in or improvements to the Premises are altered in any manner whatsoever, or the Premises are relocated or rearranged in any manner whatsoever, in accordance with the provisions of this Sublease, neither the Landlord nor the Sublandlord shall be subject to any liability, nor is the Subtenant entitled to any compensation, diminution or

abatement of basic or minimum rent or additional rent nor is any alteration of the facilities or improvements in or to the Premises deemed a breach of any covenant for quiet enjoyment contained in this Sublease, or implied by law.

14. Exercise of Rights

The exercise by the Landlord of any of its rights contained in the Prime Lease shall, upon written notice by the Landlord to the Subtenant of such exercise, be binding upon the Subtenant. Notwithstanding the exercise by the Landlord of any of its rights contained in the Prime Lease, the Sublandlord may also exercise its rights hereunder in the same manner as the Landlord.

15. Waiver

The failure of the Sublandlord to insist upon the strict performance of any of the agreements, terms, covenants and conditions set forth herein shall not be deemed a waiver of any of the rights or remedies that the Sublandlord may have hereunder and shall not be deemed a waiver of any such terms, agreements, covenants or conditions, or any subsequent breach or default. The subsequent acceptance of rent or other payments hereunder or under the Franchise Agreement by the Sublandlord shall not be deemed to be a waiver of any preceding breach by the Subtenant of any term, covenant or condition of this Sublease or the Franchise Agreement, as the case may be, regardless of the Sublandlord's knowledge of such breach at the time of the acceptance of such rent or other payment.

16. No Recording

The Subtenant agrees that it will not record this Sublease in any real property records. Breach of this provision shall entitle the Sublandlord, at its option, to terminate the Sublease.

17. Notices

a) All notices or other documents either required to be or which may be given under this Sublease shall be in writing, duly signed by the party giving the notice, transmitted by registered or certified mail, or fax machine (with confirmation of transmission), and addressed as follows:

Sublandlord:	[Sublandlord] 9311 E. Via De Ventura Scottsdale, Arizona 85258 Attention: Real Estate Department
Subtenant:	_____ _____ _____
FAX No.	(____) ____ - ____

b) Any notice or document so given shall be deemed to have been received when delivered, or on the third business day following the date of mailing, if sent by registered mail, but shall be deemed to have been received on the next business day if transmitted by fax machine. If the postal system is disrupted by labor strike, any notice shall be sent by fax machine, delivered via recognized private courier, or delivered personally by one party to the other. Any party may from time to time by notice given as provided above change its address for the service of notice.

18. Severability

If any provision of this Sublease shall be deemed illegal, invalid or unenforceable, then it shall be considered separate and severable from this Sublease and the remainder of this Sublease shall not be affected by the severance, but shall remain in force and be binding on the parties and enforceable to the fullest extent of the law.

19. Successors and Assigns

This Sublease and everything contained in it, including all schedules annexed to it, shall inure to the benefit of and be binding on the respective heirs, legal personal representatives, successors and permitted assigns of the parties.

20. Time

Time is of the essence of this Sublease and each and every provision in it.

21. Governing Law

This Sublease shall be construed and be governed by the laws of the State of Arizona.

22. Complete Agreement

This Sublease, the Franchise Agreement and any agreements contemplated herein or therein, including any schedules thereto, constitute the entire agreement among the parties pertaining to the subject matter hereof, and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, between the parties. There are no warranties, representations or other agreements between the parties in connection with the subject matter hereof except as specifically set forth herein.

23. Amendments in Writing

Subject to Section 12 hereof, no amendment or other modification to this Sublease shall be valid or binding upon the parties unless the same is in writing.

24. Further Assurances

Each party will from time to time hereafter and upon any reasonable request of any other party, execute, make or cause to be made, all such further acts, deeds, assurances, certificates and

things as may be required to more effectually implement the true intent of this Sublease or the Prime Lease.

25. Interpretation

a) Each capitalization used in this Sublease shall have the meaning ascribed to it by the Sublease, and if such term is not defined herein, then it shall have the meaning ascribed to it in the Prime Lease.

b) Reference to the Subtenant as male shall include a female or a corporation or other legal business entity, with all appropriate grammatical and other changes wherever the context requires and refer in appropriate cases to corporations or other legal entities.

c) The headings in this Sublease are for ease of reference only and are not to be used as an aid in the interpretation of this Sublease.

d) It is the express intent of the parties that this Sublease is to be a lease absolutely net and carefree to the Sublandlord during the Subterm and all renewals thereof, free and clear of all payments, charges, taxes and obligations of any nature whatsoever with respect to the Premises, except as may be expressly set forth in this Sublease.

e) Wherever any provision of this Sublease and a provision of the Franchise Agreement address the same or similar matter it is acknowledged and agreed that the more restrictive provision set forth in this Sublease or the Franchise Agreement, as the case may be, shall prevail.

f) Save and except as may be otherwise provided in this Sublease, all provisions contained in the Prime Lease to be performed or observed on the part of the tenant/lessee thereunder are hereby incorporated *mutatis mutandis* into this Sublease as if the Sublandlord were the Landlord and the Subtenant were the tenant/lessee under the Prime Lease. If any provision of this Sublease is inconsistent with or at variance with any provision of the Prime Lease, then the provision of this Sublease shall prevail;

g) Wherever in the Prime Lease a covenant is made by the Landlord in favor of the Sublandlord, such covenant shall not be considered to be a covenant made by the Sublandlord in favor of the Subtenant, nor shall such covenant by this Sublease be considered a covenant by the Landlord in favor of the Subtenant. For greater certainty, the Subtenant acknowledges that any rights of renewal referred to in the Prime Lease are in favor of the Sublandlord, do not run with the leasehold estate hereunder, and do not benefit the Subtenant in any way.

h) Wherever in the Prime Lease a covenant is entered into by the Sublandlord in favor of the Landlord, such covenant shall not be deemed to be a covenant made by the Sublandlord in favor of the Subtenant. For greater certainty, the Subtenant acknowledges that any covenant in the Prime Lease between the Landlord and the Sublandlord with regard to the establishment and maintenance of competing businesses are entirely

personal to the Landlord and Sublandlord, are subject to amendment at any time by those parties, do not run with the leasehold estate hereunder, and do not benefit the Subtenant in any way.

26. Conditions

This Sublease is expressly conditioned on the execution and delivery of the Guaranty in the form attached hereto as **Schedule B** and the Landlord's recognition of this Sublease as a permitted transfer, assignment, or sublease, as applicable under the Prime Lease.

IN WITNESS WHEREOF the parties have duly executed this Sublease by officers duly authorized in that regard as of the date first set out above.

SUBLANDLORD:

SUBTENANT:

_____,
a _____

_____,

By: _____
[Name, Title]

By: _____
[Name, Title]

By: _____
[Name, Title]

SCHEDULE A

LEASE

B-K-A

SCHEDULE B

GUARANTY

_____, a _____ (“**Subtenant**”), seeks to enter into that certain Thai Express Sublease dated _____, 20____, (“**Sublease**”) with _____, a _____ (“**Landlord**”), pertaining to certain retail space at _____ located at _____, as referenced in the Sublease (“**Premises**”); and

WHEREAS, as a condition of entering into the Sublease, Sublandlord requires that _____, _____, and _____ (jointly and severally, “**Guarantor**”), execute and deliver this continuing guaranty of Subtenant’s obligations under the Sublease (“**Guaranty**”).

NOW, THEREFORE, in consideration of the mutual promises of the parties, and other good and valuable consideration, the receipt and adequacy of which are forever acknowledged, and in order to induce Sublandlord to enter into the Sublease, Guarantor hereby covenants and agrees as follows:

1. Scope of Guaranty. Guarantor absolutely, irrevocably and unconditionally guarantees the payment of all minimum rent, additional rent and other sums of any nature payable by Subtenant pursuant to the Sublease, and the performance of all other obligations of Subtenant pursuant to the Sublease. Guarantor acknowledges that this is a guaranty of payment and performance, not merely of collection. For all purposes, Guarantor acknowledges that the date of this Guaranty shall be the same as the date of this Guaranty.

2. Continuing Nature of Guarantor’s Obligations. The obligations of Guarantor under this Guaranty shall remain in effect, undiminished and unchanged by any: (a) amendment or other modification of to the Sublease, and any accord, waiver, deferral or other compromise with respect to any obligations under the Sublease, (b) expansions, contractions or alterations of the Premises, (c) extensions of the term of the Sublease, (d) sublease, assignment or other transfer of any interest in the Sublease by the original parties or their successors or assignees, with or without the express consent of Sublandlord; (e) bankruptcy, reorganization or insolvency of Subtenant or any successor or assignee or any other Guarantor; (f) appointment of any trustee or receiver for Subtenant or any successor or assignee or any other Guarantor; and (g) disaffirmance or rejection of the Sublease or any obligations thereunder in any proceedings with respect to clauses (e) and (f) above. Guarantor waives any right to notice or approval of any of the matters set forth in clauses (a) through (f) above.

3. Independent Liability of Guarantor. The liability of Guarantor under this Guaranty shall be primary and independent of the liability of Subtenant; and in any action commenced by Sublandlord arising out of any Event of Default under the Sublease, Sublandlord may proceed against Guarantor without having commenced any action or having obtained any judgment against Subtenant. Guarantor hereby waives: (a) any rights of subrogation or similar rights against Subtenant, and (b) the relevant provisions of the State of Arizona Rules of Civil

Procedure, as amended or superseded. Sublandlord's election to proceed separately against either Subtenant or Guarantor shall not release the other from liability.

4. Attorneys' Fees. Guarantor shall pay Sublandlord's reasonable attorneys' fees and all costs and other expenses incurred in connection with any default under the Sublease and the enforcement of this Guaranty, whether or not an action is commenced by Sublandlord.

5. Waivers. Guarantor waives: (a) notice of Sublandlord's acceptance of this Guaranty, and (b) notice of any demand by Sublandlord on Subtenant, including notice of any breach or non-performance under the Sublease. In addition, Guarantor waives any right to require Sublandlord to (a) proceed against Subtenant; (b) proceed against or exhaust any security held from Subtenant, including any Sublandlord's liens; (c) proceed against any other Guarantor; and (d) pursue any other remedy in Sublandlord's power whatsoever.

6. No Waiver by Sublandlord. No delay on the part of Sublandlord in exercising any right or remedy under this Guaranty or failure to exercise any such right or remedy shall operate as a waiver in whole or in part of any such right or remedy. No notice to or demand on Guarantor shall be deemed to be a waiver of the obligations of Guarantor or of the right of Sublandlord to take further action without notice or demand as provided in this Guaranty. No course of dealing between Guarantor and Sublandlord shall change, modify or discharge, in whole or in part, this Guaranty or any obligations of Guarantor under this Guaranty.

7. Assignment. Sublandlord may, without notice to or consent of Subtenant or Guarantor, assign this Guaranty in whole or in part. No such assignment shall extinguish, diminish or otherwise change the liability of Guarantor. Guarantor shall have no right to assign, delegate or otherwise transfer any obligations under this Guaranty without the prior written consent of Sublandlord, which Sublandlord may withhold in its sole and absolute discretion.

8. Parties Bound. The provisions of this Guaranty shall be binding upon and inure to the benefit of the respective successors and assigns of the original parties, subject to the limitations of the preceding paragraph.

9. Miscellaneous. The use of singular herein shall include the plural. The obligation of two or more parties signing below shall be joint and several. The provisions of this Guaranty shall be binding upon and inure to the benefit of the respective successors and assigns of the original parties, including any successors by corporate merger or acquisition. This Guaranty shall be governed by the substantive laws of the State of Arizona, without reference to choice of law principles. Guarantor stipulates that the state courts (and, to the extent applicable, federal courts) located in Maricopa County, Arizona shall have exclusive jurisdiction and venue with respect to all actions arising out of the Sublease or this Guaranty, and Guarantor submits to the personal jurisdiction of such courts and waives any rights to change venue.

[Signatures on following page]

IN WITNESS WHEREOF, the undersigned have caused this Guaranty to be executed to be effective as of the effective date of the Sublease.

GUARANTOR:

[Name], an individual

Address: _____

[Name], an individual

Address: _____

[Name], an individual

Address: _____

[Name], an individual

Address: _____

SCHEDULE L

THAI EXPRESS

SAMPLE ACKNOWLEDGMENT OF TERMINATION AND RELEASE AGREEMENT

This Acknowledgment of Termination and Release Agreement (“**Agreement**”) is entered into this ____ day of _____, 20____, between MTY Franchising USA, Inc.(“**Franchisor**”) and _____ (“**Franchisee**”). The Franchisee and the Franchisor will collectively be referred to herein as the “**Parties**.”

RECITALS

WHEREAS, Franchisor and Franchisee entered into that certain Franchise Agreement (“**Franchise Agreement**”) dated _____, 20____, in which Franchisor granted Franchisee the right to operate a Thai Express Store; and

WHEREAS, on _____ 20____, Franchisee’s rights under the terms of the Franchise Agreement were terminated (“**Termination**”) as a result of

WHEREAS, the Parties desire to enter into this Agreement for the purpose of acknowledging the Termination; acknowledging Franchisor’s retention of all rights and remedies under the Franchise Agreement including, but not limited to, Franchisor’s right to retain all Initial Franchise Fees, Lease Review Fees, Royalties, Marketing Fund Contributions, Administrative Fees, Training Fees and any other fees or charges under the Franchise Agreement, and the right to audit Franchisee’s books and records; and fully and finally resolving all legal and equitable claims, known or unknown, of Franchisee existing against Franchisor that were or could have been asserted by Franchisee in any action.

NOW, THEREFORE, in consideration of the mutual covenants, promises and agreements herein contained, the parties hereto hereby covenant, promise and agree as follows:

AGREEMENT

1. Acknowledgment of Termination. Franchisee acknowledges and agrees that all of its rights under the Franchise Agreement were fully and finally terminated on _____, 20____. Franchisee agrees to abide by all provisions which expressly survive the Termination of the Franchise Agreement, as more fully set forth in the Franchise Agreement.

2. Release by Franchisee. As of the date of this Agreement, Franchisee does hereby compromise, settle, and absolutely, unconditionally, and fully release, discharge, and hold harmless for itself and each of its respective heirs, executors, administrators, representatives, successors, assigns, officers, members, managers, directors, shareholders, employees, partners, and Affiliates (as hereinafter defined) (collectively, the “**Franchisee Releasing Parties**”), the Franchisor and its past, present and future officers, directors, agents, attorneys, employees, shareholders, successors, assigns, members, managers, and Affiliates (collectively, the

“**Franchisor Released Parties**”), for all purposes, of and from any and all claims, debts, demands, damages, costs, expenses, actions, causes of action, or suits of any kind whatsoever, at common law, statutory or otherwise, whether now known or not, whether contingent or matured, including, without limitation, any claim, demand, or cause of action arising out of or in connection with the Franchisee’s Thai Express Store or the Franchise Agreement or any other contractual relation between Franchisee and Franchisor and/or any Affiliate of the Franchisor, which the Franchisee Releasing Parties may have had or may now have directly or indirectly against any or all of the Franchisor Released Parties based upon or arising out of any event, act, or omission that has occurred prior to the date hereof. The Franchisee Releasing Parties further covenant and agree to never institute, prosecute or assist others to institute or prosecute, or in any way aid any claim, suit, action at law or in equity, or otherwise assert any claim against any or all of the Franchisor Released Parties for any damages (actual, consequential, punitive or otherwise), injunctive relief, or other loss or injury either to person or property, cost, expense, attorneys’ fees, amounts paid on account of recovery or settlement, or any other damage or harm whatsoever, based upon or arising out of any event, act, or omission that has occurred prior to the date hereof. The Franchisor Released Parties are not releasing any claim which they may have against the Franchisee Releasing Parties or any rights or remedies the Franchisor Released Parties may have under the Franchise Agreement or any applicable confidentiality agreements (including but not limited to the right to retain all Initial Franchise Fees, Lease Review Fees, Royalties, Marketing Fund Contributions, Administrative Fees, Training Fees any other sums paid to the Franchisor or its Affiliates by the Franchisee or its Affiliates and any audit rights), under law or equity, or under any other contractual relationship between the Franchisee and the Franchisor and/or any Affiliate of the Franchisor.

3. **Affiliates.** When used in this Agreement, the term “**Affiliates**” has the meaning as given in Rule 144 under the Securities Act of 1933.

4. **Full Release.** Except as is set forth in this Agreement, the Parties intend that this Agreement shall be effective as a full and final accord and satisfaction and release as to the Franchisor Released Parties and shall extend to all matters, claims, demands, actions or causes of action of any kind or nature whatsoever which the Franchisee Releasing Parties may have against the Franchisor Released Parties. The Parties acknowledge that they may hereafter discover facts in addition to, or different from, those which they now know or believe to be true with respect to the subject matter of this Agreement but that, notwithstanding the foregoing, it is their intention hereby to fully, finally, completely and forever settle and release the Franchisor Released Parties and that the release given herein shall be and remain irrevocably in effect as a full and complete general release notwithstanding the existence of any such additional or different facts.

5. **No Coercion.** The Parties acknowledge that they are freely and voluntarily entering into this Agreement, uncoerced by any person, and that they have been advised and afforded the opportunity to seek the advice of legal counsel of their choice with regard to this Agreement.

6. **Notices.** Any notices given under this Agreement shall be in writing and if delivered by hand, or transmitted by U.S. certified mail, return receipt requested, postage prepaid, or via telegram or telefax, shall be deemed to have been given on the date so delivered or transmitted, if sent to the recipient at its address or telefax number appearing on the records of the sending party.

7. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.
8. Amendments. This Agreement may not be changed or modified except in a writing signed by all of the parties hereto.
9. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Arizona.
10. Jurisdiction. The Parties agree that any disputes relating to the enforcement of this Agreement will be governed by the dispute resolution provisions set out in the Franchise Agreement.
11. Fees and Costs. In any action to enforce, interpret or seek damages for violation of this Agreement, the prevailing Party shall recover all attorney's fees and litigation expenses.
12. Severability. If any provision of this Agreement shall be held by a court of competent jurisdiction to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not be affected or impaired thereby.
13. Authorization. Each Party warrants that each individual executing this Agreement on behalf of the respective Parties is fully authorized to do so by each of the respective Parties and each individual executing this Agreement warrants that he or she is acting within the scope of his or her employment and authority in executing this Agreement.
14. Counterparts and Telecopies. This Agreement may be executed in counterparts or by copies transmitted by telecopier, all of which shall be given the same force and effect as the original. This Agreement shall be effective when the signatures of all Parties have been affixed to counterparts or copies.
15. Entirety. This Agreement contains the entire agreement between the Parties related to the subject matter hereof, and in entering into this Agreement, each Party represents that he, she, or it is doing so voluntarily and of his, her or its own free will, and have executed this Agreement below acknowledging that each Party has completely read and fully understands the terms of this Agreement.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have executed this Agreement under seal, with the intent that this be a sealed instrument, as of the day and year first above written.

FRANCHISOR:

FRANCHISEE:

MTY Franchising, USA Inc., a Delaware corporation

By: _____

By: _____

Its: _____

Its: _____

By: _____

SCHEDULE M

**SBA ADDENDUM TO
MTY FRANCHISING USA, INC.
FRANCHISE AGREEMENT**



ADDENDUM TO FRANCHISE AGREEMENT

THIS ADDENDUM ("Addendum") is made and entered into on _____, 20____, by and between _____ ("Franchisor"), located at _____, and _____ ("Franchisee"), located at _____.

Franchisor and Franchisee entered into a Franchise Agreement on _____, 20____, (such Agreement, together with any amendments, the "Franchise Agreement"). Franchisee is applying for a loan ("Loan") from a lender in which funding is provided with the assistance of the U. S. Small Business Administration ("SBA"). SBA requires the execution of this Addendum as a condition for obtaining the SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge, the parties agree that notwithstanding any other terms in the Franchise Agreement:

CHANGE OF OWNERSHIP

- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Franchisor's consent is required for any transfer (full or partial), Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the franchise interest or any portion thereof, the transferor will not be liable for the actions of the transferee franchisee.

FORCED SALE OF ASSETS

- If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the franchise location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the franchise term (excluding additional renewals) for fair market value.

COVENANTS

- If the Franchisee owns the real estate where the franchise location is operating, Franchisor may not record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions.

EMPLOYMENT

- Franchisor will not directly control (hire, fire or schedule) Franchisee's employees.

This Addendum automatically terminates on the earlier to occur of the following: (i) the Loan is paid in full; or (ii) SBA no longer has any interest in the Loan.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

FRANCHISOR:

FRANCHISEE:

By: _____

By: _____

Print Name: _____

Print Name: _____

Note to Parties: This Addendum only addresses “affiliation” between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the franchise system must meet all SBA eligibility requirements.



EXHIBIT B1

ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT ("Agreement"), dated _____ 20__ ("Effective Date") by and between [SELLING ENTITY], a [state] [Corporation/Limited Liability Company, etc.] ("Seller"), and _____, a [state] [Corporation/Limited Liability Company, etc.] ("Purchaser"). Seller and Purchaser may also be referred to in this Agreement as a "Party" and collectively as "Parties."

Recitals

A. Seller owns and operates *Thai Express*[®] restaurant no. ____ ("Franchised Business") located at [store address, city and state] ("Premises").

B. [LEASING ENTITY,] a(n) _____ affiliated with Seller ("Sublessor"), has executed a lease with respect to the Premises. [MONTH TO MONTH LANGUAGE IF APPLICABLE: Notwithstanding the foregoing, the Lease Agreement is currently on a month-to-month basis, and Purchaser is currently in direct negotiations with the landlord for the Premises to enter into a new lease directly with the landlord. Upon execution of said newly negotiated lease, the Lease Agreement shall be terminated and become null and void.]

C. Seller desires to sell and transfer to Purchaser, and Purchaser desires to purchase and acquire from Seller, substantially all of the assets owned by Seller and to be used in connection with the operation of the Franchised Business.

D. In conjunction with the execution of this Agreement, Purchaser executed a franchise agreement[, as amended,] effective _____ 20__ ("Franchise Agreement") with MTY Franchising USA, Inc., a Delaware corporation, affiliated with Seller ("Franchisor").

E. In conjunction with the execution of this Agreement, Purchaser executed a sublease effective _____ 20__ ("Sublease Agreement") with Sublessor and shall comply with all terms and conditions in the Sublease, including but not limited to, paying any additional security deposits, if required. [MONTH TO MONTH LANGUAGE IF APPLICABLE: Notwithstanding the foregoing, the Sublease Agreement is currently on a month-to-month basis and may be terminated by Sublessor with thirty (30) days prior written notice to Purchaser. As stated above, Purchaser is currently in direct negotiations with the landlord for the Premises to enter into a new lease directly with the landlord and upon execution of said newly negotiated lease, the Sublease Agreement shall be terminated and become null and void.]

Agreement

NOW, THEREFORE, in consideration of the foregoing promises and the mutual covenants and agreements contained herein, the Parties hereby agree as follows:

1. **Sale of Assets.** At Closing (as defined in Section 5(a), below), Seller shall sell, transfer, convey, assign and deliver to Purchaser, and Purchaser shall purchase and acquire from Seller, all of the furniture, fixtures and equipment and other items owned by Seller and to be used in connection with the Franchised Business (excluding cash, company record books and tax records) (collectively, "Transferred Assets")[, and to Seller's knowledge, free and clear of all

liens, claims, charges, encumbrances and security interests of any nature or type whatsoever][OR][subject to the terms of the Franchise Agreement]. A list of the Transferred Assets is attached hereto as **Schedule 1** to **Exhibit A**. Seller makes no representation or warranty, express or implied, regarding the merchantability of the Transferred Assets or the condition or quality thereof AND HEREBY EXPRESSLY DISCLAIMS ANY IMPLIED WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR A PARTICULAR PURPOSE and the Parties hereby agree that the Transferred Assets are being purchased in as “**AS IS**” condition.

2. Purchase Price.

(a) In consideration of the sale of the Transferred Assets, Purchaser shall pay:

[Simultaneously with the execution and delivery of this Agreement, the Purchase Price (as defined in Section 2(b) below) by electronic funds transfer, wire or cashiers’ or certified check in immediately available funds.]

[OR]

[Simultaneously with the execution and delivery of this Agreement, the Purchase Price (as defined in Section 2(b) below) payable as set forth in the attached Promissory Note (“Deferred Payment”).]

[OR]

[(i) Simultaneously with the execution and delivery of this Agreement, a non-refundable deposit in the amount of XX Thousand Dollars (**\$XX,000**) (“Deposit”), by electronic funds transfer, wire or cashiers’ or certified check in immediately available funds; and

(ii) At Closing, an amount equal to the difference between the Purchase Price (as defined in Section 2(b) below) minus the Deposit (such difference is referred to as “Purchase Price Balance”), by electronic funds transfer, wire or cashiers’ or certified check in immediately available funds.] OR [At Closing, XX Thousand Dollars (**\$XX,000**) (“Deferred Payment”), payable as set forth in the attached Promissory Note.]

(b) The “Purchase Price” is XX Thousand Dollars (**\$XX,000**), which shall be allocated as follows: [(i) XX Thousand Dollars (**\$XX,000**) to the leasehold improvements at the Premises;] [(ii) XX Thousand Dollars (**\$XX,000**) to the Transferred Assets, including all furniture, fixtures and equipment, as more fully described in **Schedule 1** to the Bill of Sale, attached hereto as **Exhibit A**, and incorporated herein by reference.

[The Purchase Price does not include: (i) consumable inventory including food products, perishables and paper products; or (ii) cash on hand.]

3. Representations and Warranties.

(a) To induce Purchaser to enter into this Agreement and to perform Purchaser’s obligations hereunder, and with full knowledge that Purchaser will rely thereon,

Seller represents and warrants as follows:

- (i) Seller has title to and rightful possession to the Transferred Assets, and each of the Transferred Assets is and shall, upon the delivery thereof to Purchaser, be free and clear of recorded and publicly available liens, claims, charges, encumbrances and security interests.
 - (ii) Seller is a limited liability company duly organized, validly existing and in good standing under the law of the State of Arizona.
 - (iii) Seller has full right, power and authority to execute and deliver this Agreement, and to consummate the transactions contemplated hereby.
 - (iv) This Agreement has been duly executed and delivered by Seller and constitutes the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms.
 - (v) Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will conflict with, violate or result in a breach of or default under (with or without the giving of notice or the passage of time, or both): (a) any license, instrument, contract or agreement to which Seller is a party or by which Seller is bound, or (b) the articles of incorporation or the bylaws of Seller. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will result in the creation of any lien, claim, charge, encumbrance or security interest of any nature or type whatsoever with respect to the Transferred Assets. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will require any consent or approval of, or any filing with, any governmental entity or other person.
 - (vi) At Closing, the Transferred Assets are being purchased in “**AS IS**” condition and will comprise all of the assets and property necessary to conduct the Franchised Business in accordance with Franchisor’s operations manual (“Manual”).
 - (vii) The development and/or conduct of the Franchised Business, and the ownership and use of the Transferred Assets in accordance with Franchisor’s Manual, complies, or will (as of the date of Closing) comply, with all applicable federal, foreign, state and local laws, regulations and ordinances; provided, however, that Purchaser may be required to obtain certain licenses and permits in connection with the operation of the Franchised Business.
- (b) To induce Seller to enter into this Agreement and to perform Seller’s obligations hereunder, and with full knowledge that Seller will rely thereon, Purchaser represents and warrants as follows:
- (i) Purchaser is a [type of entity] duly organized, validly existing and in good standing under the law of the State of [state].

- (ii) Purchaser has full right, power and authority to execute and deliver this Agreement, and to consummate the transactions contemplated hereby.
- (iii) This Agreement has been duly executed and delivered by Purchaser and constitutes the legal, valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms.
- (iv) Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will conflict with, violate or result in a breach of or default under (with or without the giving of notice or the passage of time, or both): (a) any license, instrument, contract or agreement to which Purchaser is a party or by which Purchaser is bound, or (b) the certificate of incorporation or the bylaws (or other comparable charter documents) of Purchaser. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will require any consent or approval of, or any filing with, any governmental entity or other person.
- (v) Purchaser acknowledges that:
 - (a) There are several potential locations for the location of Purchaser's *Thai Express* restaurant;
 - (b) The decision to establish and operate Purchaser's *Thai Express* restaurant at the Premises was made solely by Purchaser, without any reliance upon any information provided (if any), recommendation made (if any) or approval given by Seller, any area representative, Sublessor, or any of their respective shareholders, directors, officers, employees, representatives, agents or affiliates;
 - (c) Seller's selection and approval of the Premises as a site for a[n] *Thai Express* restaurant provides no assurance or guaranty as to Purchaser's results of operations in connection with its *Thai Express* restaurant at the Premises;
 - (d) Purchaser has reviewed the lease (including all amendments and addendums) with respect to the Premises and approves of the terms thereof, including rental payment amounts;
 - (e) Purchaser accepts full responsibility for the consequences of Purchaser's decision to open and operate a *Thai Express* restaurant at the Premises.

4. Interim Period.

- (a) Between the date hereof and the Closing, Seller has operated the Franchised Business, in accordance with Seller's standard operating procedures for operating *Thai Express* restaurants and the Franchised Business is open to the public for business.
- (b) Purchaser shall attend Seller's training program, if so required by Seller in the

Franchise Agreement.

5. Closing.

- (a) Subject to the conditions set forth in Sections 5(b) and 5(c) hereof, the transactions contemplated by this Agreement shall be consummated on the Effective Date ("Closing") at Seller's office or at another mutually agreeable location.
- (b) The obligations of Seller to consummate the transactions contemplated by this Agreement are subject to the satisfaction at or prior to the Closing of the following conditions, any of which may be waived by Seller, in its sole discretion. Purchaser shall use its best efforts to cause each and every one of the following conditions to be satisfied at or before the Closing.
 - [(i) Purchaser shall have delivered to Seller the [Purchase Price] or [Purchase Price Balance], as set forth in Section 2 of this Agreement;]
 - [OR]
 - [(i) Purchaser shall have executed and delivered to Seller the Promissory Note and Security Agreement attached hereto as **Exhibit B** ("Promissory Note") in the amount of the Deferred Payment and a portion of the Purchase Price in the form of cash or by cashiers' or certified check;]
 - (ii) Purchaser shall have executed and delivered to Franchisor the Franchise Agreement and to Sublessor the Sublease with respect to the Premises, in the forms then being executed by new franchisees of Franchisor and sublessees of Sublessor;
 - (iii) Purchaser shall have delivered to Sublessor the Sublease Security Deposit in the amount of _____ Dollars (\$____.) as defined in the Sublease [and a Lease Security Deposit in the amount of _____ Dollars (\$____.)] as defined in the Sublease in connection with the Premises as contemplated by the Sublease and pursuant to Section 5(d) below, as applicable;
 - (iv) Purchaser shall have delivered to Franchisor the Initial Franchise Fee in the amount of _____ Dollars (\$____.) as defined in the Franchise Agreement; and
 - (v) The representations and warranties of Purchaser contained in this Agreement shall be true and correct on and as of Closing, with the same effect as though such representations and warranties had been made on and as of the date of Closing; and each and all of the terms, covenants, conditions and agreements to be performed or complied with by Purchaser on or before Closing shall have

been performed or complied with. This provision shall be self-executing, and the consummation of the transactions contemplated by this Agreement by Purchaser shall constitute Purchaser's certification of the conditions stated herein.

Assuming that Seller has satisfied all of the conditions precedent contained in Section 5(c), if any of the requirements of this Section 5(b) have not been satisfied by Closing, Purchaser shall be in breach of its obligations hereunder.

- (c) The obligations of Purchaser to consummate the transactions contemplated by this Agreement are subject to the satisfaction at or prior to Closing of the following conditions, any of which may be waived by Purchaser, in its sole discretion. Seller shall use its best efforts to cause each and every one of the following conditions to be satisfied at or before Closing.
 - (i) As of Closing, there shall have been no material adverse change in the Franchised Business, the Transferred Assets or the Premises, or the condition thereof, since the date of this Agreement, other than changes contemplated by Section 5;
 - (ii) Seller shall have delivered to Purchaser the Bill of Sale executed by Seller; and
 - (iii) The representations and warranties of Seller contained in this Agreement shall be true and correct on and as of Closing, with the same effect as though such representations and warranties had been made on and as of the date of Closing; and each and all of the terms, covenants, conditions and agreements to be performed or complied with by Seller on or before Closing shall have been performed or complied with. This provision shall be self-executing, and the consummation of the transactions contemplated by this Agreement by Seller shall constitute Seller's certification of the conditions stated herein.

Assuming that Purchaser has satisfied all of the conditions precedent contained in Section 5(b) if any of the requirements of this Section 5(c) (other than the requirement contained in clause (i) if such material adverse change shall be beyond the control of Seller) has not been satisfied by Closing, Seller shall be in breach of its obligations hereunder.

- (d) The rent payable pursuant to the lease for the Premises shall be paid by Seller for the month in which the Closing occurs and Purchaser shall pay to Seller (on a per diem basis, based upon a thirty (30)-day month) an amount equal to the rent prepaid by Seller with respect to the period on and after the date of Closing, via an ACH debit or Seller will bill Purchaser for such pro-rated rent amount.
- (e) Seller shall be responsible for all compensation to employees of the Franchised Business for the period through the date immediately preceding the Closing. Purchaser shall be responsible for all compensation to employees of the Franchised Business for the period on and after the date of Closing. Notwithstanding anything contained in this Agreement to the contrary, Purchaser

shall not be obligated to employ any of Seller's employees after Closing.

- (f) Seller shall be responsible for all costs, fees and expenses relating to the Franchised Business, including but not limited to CAM reconciliation charges, and property taxes, on a pro-rated basis for the period through the date immediately preceding the Closing. Purchaser shall be responsible for all costs, fees and expenses relating to the Franchised Business, including but not limited to, CAM reconciliation charges, property taxes, etc., on a pro-rated basis for the period on and after the date of Closing.

6. Notices. All notices, consents, approvals or other instruments required or permitted to be given by either Party pursuant to this Agreement shall be in writing and given by (a) hand delivery, (b) facsimile, (c) express overnight delivery service or (d) certified or registered mail, return receipt requested, and shall be deemed to have been delivered upon (i) receipt, if hand-delivered, (ii) transmission, if delivered by facsimile, (iii) the next business day following the date of deposit with the delivery service, if delivered by express overnight delivery service, or (iv) the third business day following the day of deposit of such notice with the United States Postal Service, if sent by certified or registered mail, return receipt requested. Notices shall be provided to the Parties at the addresses and facsimile numbers specified below:

If to Seller: [Selling Entity]
Attention: Legal Department
9311 East Via De Ventura
Scottsdale, Arizona 85258
Telephone Number: (480) 362-4800
Facsimile Number: (480) 362-4819

If to Purchaser: [name]
[address]
Telephone Number:
Facsimile Number: OR
Email:

Any Party may change its address or facsimile number by giving notice in writing, stating its new address or facsimile number, to the other Party to this Agreement as provided in the foregoing manner.

7. [USE ONLY IF BROKER INVOLVED WITH SALE, OTHERWISE RESERVE][Brokers' Fees. Seller has retained Broker Entity ("Broker") as broker in connection with the sale of the Transferred Assets contemplated hereby. The Seller shall be solely responsible for the payment of any fees due Broker in connection with the sale of the Transferred Assets contemplated hereby.]

8. Survival. Each of the representations, warranties and covenants contained herein shall survive Closing, irrespective of any investigation or inquiry made by, or any knowledge of, any Party.

9. Successors and Assigns. This Agreement shall be binding upon, and inure to the benefit of, the Parties and their respective assigns, legal representatives, executors, heirs and successors.

10. Amendment, Modification or Waiver.

- (a) No amendment, modification or waiver of any condition, provision or term of this Agreement shall be valid or of any effect unless made in writing, signed by the Parties and specifying with particularity the nature and extent of the amendment, modification or waiver. Waiver of any matter shall not be deemed a waiver of the same or any other matter on any future occasion.
- (b) Failure on the part of any Party to complain of any act or failure to act of the other Party or to declare the other Party in default, irrespective of how long the failure continues, shall not constitute a waiver by that Party of its rights under this Agreement.

11. Entire Agreement. This Agreement, including the exhibits hereto, contains the entire understanding and agreement of the Parties with respect to the subject matter hereof and supersedes all prior agreements and understandings between the Parties with respect to such subject matter. Each of the exhibits is incorporated in this Agreement by this reference and constitutes a part of this Agreement.

12. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Party.

13. Dispute Resolution.

- (a) Except as otherwise provided herein, any dispute, claim or controversy arising out of or relating to this Agreement, the breach hereof, the rights and obligations of the Parties hereto or the relationship between the Parties, or the entry, making, interpretation, or performance of either Party under this Agreement ("Dispute"), which cannot be resolved by mediation under Section 13(d) below or is not subject to mediation under the terms of this Agreement, shall be settled by arbitration administered by the American Arbitration Association ("AAA") in accordance with its Commercial Arbitration Rules as modified below.
- (b) Any arbitration shall take place before a sole arbitrator in Maricopa County, Arizona or, if our headquarters are no longer located in Maricopa County, Arizona, then the arbitration shall take place in the county in which our principal place of business is located at the time the arbitration is commenced. Purchaser agrees to conducting the arbitration where Seller is located is appropriate. The Parties agree that the arbitrator shall be an attorney licensed to practice law in the United States and must have a minimum of five (5) years of experience in franchise law. Judgment on the award rendered by the arbitrator may be entered in any court of competent jurisdiction. The arbitrator shall, in the award, allocate all of the costs of the arbitration, including the fees of the arbitrator and the reasonable attorney's fees of the prevailing Party, against the Party who did not prevail. To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any other dispute, arbitration proceeding or litigation, except to the extent such issue may have been specifically determined in another proceeding between the Parties. This agreement to arbitrate shall survive any termination or expiration of this Agreement, however effected. The Parties agree that any arbitration shall be

solely between them (including any affiliates) and shall not include as a Party, by consolidation, joinder, or in any other manner, any other person or entity, unless both Parties consent in writing. Both Parties shall have the absolute right to refuse such consent. Further, the Parties expressly waive any right to bring and/or participate in any class or other consolidated, joined or multi-party arbitration claim or proceeding, whether or not permissible under the AAA Commercial Arbitration Rules, including, but not limited to, any claim brought on their behalf by an association of which it, he or she is a member. At the request of any Party, the arbitration shall be conducted in a manner that maintains the confidentiality of the proceedings.

- (c) The arbitrator(s) will issue a reasoned award, with findings of fact and conclusions of law. Actions to enforce an express obligation to pay monies may be brought under the Expedited Procedures of the AAA's Commercial Arbitration Rules. The Federal Arbitration Act shall govern, excluding all state arbitration laws. Arizona law will govern all other issues. With respect to discovery, the arbitrator shall require each Party to make a good cause showing before any discovery exceeding that specifically authorized by the AAA Commercial Arbitration Rules will be granted.
- (d) Prior to the commencement of an arbitration proceeding, the Parties must first submit any Dispute to non-binding mediation. At the request of any Party, the mediation will be confidential. The mediation shall be conducted in Maricopa County, Arizona or in the county in which our headquarters are located at the time of mediation, unless the Parties shall mutually agree to a different location. The Parties to the mediation will share equally in its costs and expenses, except those costs and expenses incurred separately by each Party, including, without limitation, counsel fees and expenses. The mediation process will be deemed "Completed" when the Parties agree that it has been completed, the mediator declares that any impasse exists or sixty (60) days have elapsed since the date of the initiating Party's notice to the other Party that it is initiating the mediation process, whichever occurs first.
- (e) Notwithstanding anything contained in this Agreement to the contrary, the provisions of Sections 13(a), 13(b), 13(c) and 13(d) do not apply to a Dispute where: (i) Seller brings an action for an express obligation to pay monies, declaratory relief, preliminary or permanent equitable relief, any action at law for damage to Seller's goodwill, the confidential information, the proprietary marks or for fraudulent conduct by Purchaser; or (ii) the delay resulting from the mediation process may endanger or adversely affect the public (for example, unhealthy, unsafe or unsanitary conditions would continue to exist). For such disputes, Seller may bring an action in any federal or state court having jurisdiction, whether for monetary damages and/or for temporary preliminary and permanent injunctive relief or specific performance in addition to, and not exclusive of, any other remedies available to Seller. Purchaser hereby consents to and waives any objection or defense and agrees not to contest venue, forum non conveniens or jurisdiction of such court or arbitration.
- (f) Disputes concerning the validity or scope of arbitration, including whether a dispute is subject to arbitration, are beyond the authority of the arbitrator(s) and will be determined by a court of competent jurisdiction pursuant to the Federal Arbitration Act, 9 U.S.C. § 1 et seq., as amended from time to time.

- (g) Either Party may appeal the final award of the arbitrator, if it is over One Hundred Thousand Dollars (\$100,000), to the appropriate U.S. District Court. The Court's review of the arbitrator's findings of fact will be under the clearly erroneous standard, and the Court's review of all legal rulings will be *de novo*. If it should be determined that this provision for federal court review is not enforceable, then either Party may appeal the arbitrator's final award, if it is over One Hundred Thousand Dollars (\$100,000), to a panel of three arbitrators chosen under AAA procedures, which will employ the same standards of review stated immediately above.

14. Applicable Law and Forum; Waiver of Jury; Statute of Limitations.

Except to the extent that the United States Trademark Act of 1946, as amended (15 U.S.C., § 1051 et seq.) or the franchising laws of any state that may be applicable, the laws of the State of Arizona govern all rights and obligations of the Parties under this Agreement. Seller and Purchaser agree, subject to the mandatory mediation and arbitration provisions of Section 13 of this Agreement, that any appropriate state or federal court located in Maricopa County, Arizona has exclusive jurisdiction over any Dispute arising under or in connection with this Agreement and is the proper forum in which to adjudicate the case or controversy. Notwithstanding the foregoing, any action initiated by Seller may, at Seller's election, be brought in any jurisdiction where Purchaser is domiciled or that has jurisdiction over Purchaser. The Parties hereto irrevocably submit to the jurisdiction of, and venue in, any such court, and hereby waive any objection or defense thereto. THE PARTIES AGREE THAT ALL DISPUTES SUBMITTED TO THE COURT PURSUANT TO THIS SECTION SHALL BE TRIED TO THE COURT SITTING WITHOUT A JURY, NOTWITHSTANDING ANY STATE OR FEDERAL CONSTITUTIONAL OR STATUTORY RIGHTS OR PROVISIONS.

Notwithstanding anything contained in this Agreement to the contrary, the Parties agree that any claims under, arising out of, or related to, this Agreement must be brought within two (2) years of the date on which the underlying cause of action accrued, and Seller and Purchaser hereby waive any right to bring any such action after such two-year period except for the collection of any unpaid amounts due to Seller or its affiliate.

15. Attorneys' Fees. In the event of any claim, controversy or dispute arising out of or relating to this Agreement, or the breach thereof, the prevailing Party may recover reasonable attorneys' fees incurred in connection with any court or arbitration proceeding.

16. Remedies Cumulative. The remedies of the Parties under this Agreement are cumulative and shall not exclude any other remedies to which any Party may be lawfully entitled.

17. Captions. Captions used throughout this Agreement are for convenience of reference only and shall not be considered in any manner in the construction or interpretation hereof.

18. Additional Actions. Each Party agrees to do all acts and things and to make, execute and deliver such written instruments as may from time to time be reasonably required to carry out the terms and provisions of this Agreement.

19. Construction. The Parties acknowledge that each Party was represented (or had the opportunity to be represented) by legal counsel in connection with this Agreement, the exhibits hereto and the transactions contemplated by this Agreement and that each of them and its counsel have reviewed this Agreement, or have had an opportunity to do so, and that any rule of construction to the effect that ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation of this Agreement or any amendments or any exhibits hereto or thereto.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties hereto, by and through its respective representatives with full rights, power and authority to enter into and bind his or her respective Party without further consent or approval of any kind, has duly executed and delivered this Agreement as of the Effective Date.

SELLER:

[SELLING ENTITY,]

a(n) _____

By: _____
[Name,] [Title]

PURCHASER:

[NAME OF PURCHASER,]

a(n) _____

By: _____
[Name, Title]

By: _____
[Name, Title]

EXHIBIT A
TO ASSET PURCHASE AGREEMENT
(BILL OF SALE)

BILL OF SALE

This BILL OF SALE, dated _____, 20____, executed by [SELLING ENTITY], a(n) _____ (“Grantor”) in favor of [NAME OF PURCHASER], a(n) _____ (“Grantee”).

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, Grantor does hereby convey, grant, bargain, sell, transfer, set over, assign, alien, remise, release, deliver and confirm unto Grantee, its successors and assigns forever, free and clear of all liens, security interests, claims, charges or encumbrances of any kind, the assets listed on **Schedule 1** attached hereto (collectively, “Assets”), TO HAVE AND TO HOLD all of the Assets unto Grantee, its successors and assigns to their own use and behoof forever.

The following are excluded assets and are excluded from **Schedule 1**:

- a. Cash deposits, including, but not limited to, any utility and security deposits, banks accounts, certificates of deposit, securities or evidences of indebtedness received prior to and including the date of this Bill of Sale;
- b. Credit card or house accounts receivable from sales generated from the Franchised Business and constituting a part thereof, prior to and including the date of this Bill of Sale, any other accounts receivable, or choses of action accruing on or before Closing, as defined in the Asset Purchase Agreement; and
- c. Consumable inventory including, but not limited to, food products, perishables, paper products, cash on hand and other goods.

EXECUTED as of the date first set forth above.

GRANTOR:

[SELLING ENTITY],
a(n) _____

By: _____
[Name, Title]

Schedule 1 to Bill of Sale

List of Assets

1. All telephone numbers used in connection with the Franchised Business, including, without limitation, the following:
2. All leasehold improvements associated with the Franchised Business.
3. All goodwill associated with the Franchised Business.
4. All of Grantor's furniture, fixtures and equipment, appliances and personal property located at the Franchised Business, including, without limitation, the following:

Quantity

Description

Serial Number

EXHIBIT B
TO ASSET PURCHASE AGREEMENT

(PROMISSORY NOTE AND SECURITY AGREEMENT)

[Attached]

[Not Applicable] [OR] [Applicable only if Purchaser enters into a Promissory Note and Security Agreement]

B1-B

PROMISSORY NOTE AND SECURITY AGREEMENT

Note Amount:
[**\$AMOUNT**]

Scottsdale, Arizona
[**DATE**]

1. Promise to Pay. For value received, [NAME], a(n) [_____] corporation / limited liability company / individual] ("Maker"), promises to pay to the order of [Holder Entity], a [state] [Corporation/Limited Liability Company, etc.] ("Holder"), at 9311 East Via De Ventura, Scottsdale, Arizona 85258, or at such other address as Holder may designate at any time by written notice to Maker, in lawful money of the United States of America, the principal sum of XX Thousand Dollars (**\$XX,000.00**) together with all then-accrued and unpaid interest and other amounts that are Maker's obligations under this Promissory and Security Agreement ("Note"), if any. Maker and Holder may also be referred to in this Agreement as a "Party" and collectively as "Parties." The Note balance represents the principal amount owing by Maker to Holder for the purchase price of the Store (as defined below) due under the Asset Purchase Agreement in the aggregate amount of XX Thousand Dollars (**\$XX,000.00**) [plus the UCC-1 filing fee (as described in Section 7) in the amount of One Hundred Dollars (\$100)](collectively, "Debt") for the *Thai Express*[®] store number ____ at the following location ____ ("Store").

2. Computation of Interest. Except as otherwise set forth in this Note, this Note shall [not bear interest OR bear interest at the rate of ____% per annum] based on a ____ [month/year] amortization schedule.

3. Required Payments; Method of Payment. Principal and interest, if any, shall be repaid to Holder in a total of ____ (XX) [weekly/monthly] installments, which installments shall be due and payable in ____ (XX) equal installments each in the amount of \$____, with the first installment due on [DATE OF] and the remaining ____ (XX) installments due on the [DAY OF THE WEEK, or DATE OF THE MONTH] of each consecutive [week / month] thereafter, with a final payment in the amount of \$____ due on [MATURITY DATE], all as set forth on the Amortization Schedule attached hereto as **EXHIBIT "1"** and incorporated herein by reference. Maker authorizes Holder (or one of its affiliates) to deduct payments owed by Maker (or one of its affiliates) to Holder under this Note out of Maker's bank accounts via electronic funds transfer in the same way Holder (or one of its affiliates) is authorized to collect payment under the Franchise Agreement entered into by and between Holder and Maker dated _____, 20____ or other franchise documents that Maker (or a related entity) entered into with Holder (or one of its affiliates) for the Store (individually and collectively, "Franchise Agreement"). All payments due under this Note shall be deducted by Holder's close of business from Maker's Depository Account (as defined in the Franchise Agreement) on the day they are due (or the preceding banking business day if such date is a holiday or falls on a weekend). Holder shall not be responsible for any interest charges for any overage collected due to Maker's failure to timely authorize payment. Additionally, Holder shall not be responsible for any bank service charges incurred by Maker which result in the withdrawal of funds from Maker's Depository Account. Maker shall pay Holder FIFTY AND 00/100 DOLLARS (\$50.00) for each withdrawal attempted from Maker's Depository Account pursuant to this Section 3 that is returned for non-sufficient funds. Maker shall also reimburse Holder for all other costs incurred by Holder in collecting or attempting to collect funds due Holder from the Depository Account (for example, without limitation, charges for non-sufficient funds, uncollected funds or other discrepancies in deposits or maintenance of the Depository Account balance in accordance with the terms of the Franchise Agreement). Holder does not have to make or give

“presentment, demand, protest or notice” to get paid. Maker hereby waives any right to “presentment, demand, protest and notice” as set forth in Section 10 below.

4. Application of Payments. All payments and other credits due under this Note shall be applied: [if part of Note balance a non-refundable fee (i) first to the amount of principal allocated to the Initial Franchisee Fee/Renewal Fee/Transfer Fee,] [(i) first][[(ii) second,] to fees, costs and expenses payable by Maker under this Note, [(ii) second,][(iii) third,] to accrued and unpaid interest, if any, and [(iii) third][(iv) fourth,] to principal.

5. Collection Costs. If suit, arbitration, or other legal proceeding or any non-judicial foreclosure proceeding is instituted or any other action is taken by Holder to collect all or any part of the indebtedness evidenced hereby or to proceed against the Collateral (as defined below) for any portion of such indebtedness or against any guarantor of the payment of any portion of the indebtedness, Maker promises to pay Holder’s attorneys’ fees and other costs (to be determined by the court and not by a jury) incurred thereby. Such fees and costs shall be included in any judgment or arbitration award obtained by Holder, and shall bear interest at the default rate set forth in Section 12.

6. Optional Prepayments. Maker shall have the option to prepay this Note, in full or in part, at any time and from time to time, without penalty. Maker shall identify each optional prepayment of principal as such by written notice to Holder at the time of payment, and no such prepayment shall decrease or defer the monthly installment payments required by Section 3 above.

7. Security Interest. The indebtedness evidenced by this Note shall be secured by, and Maker hereby grants to Holder, a security interest in the equipment, inventory, leasehold improvements, and all proceeds thereof, and all increases, additions, accessories, accessions, substitutions, and replacements thereto located at the Store including, without limitation, insurance proceeds (“Collateral”). A description of the Collateral is attached hereto as **EXHIBIT “2”** and incorporated herein by reference. Concurrent with the execution of this Note or at any time after the execution of this Note so long as a balance remains outstanding under this Note, Maker shall execute and deliver to Holder, or alternatively Maker gives Holder permission to file, at Maker’s expense, a UCC-1 financing statement, evidencing the security interest granted by this Section 7.

8. [If Maker is a Corporate Entity][Guaranty of Promissory Note and Security Agreement. Maker represents and warrants that Maker’s obligations under this Note are guaranteed by each of the persons who owns, directly or indirectly, a five percent (5%) or more interest in Maker’s stock or other equity; and/or any other individuals requested by Holder as consideration for its agreements herein (together, “Guarantors”), pursuant to the Guaranty of Promissory Note and Security Agreement attached hereto as **EXHIBIT “3”** and incorporated herein by reference.] [Maker further represents and warrants that Holder received the signature of the spouse of any individual Guarantor, if applicable, in the consent of spouse signature block.] [If Maker is an individual][Reserved.]

9. Maker’s Representations and Warranties. Maker represents and warrants the following:

A. Collateral.

(i) Maker will make sure that the Collateral is maintained and in good operating condition, necessary to the conduct of Maker's business. All maintenance must also comply with any legal or regulatory requirements.

(ii) Maker will make sure that Maker has not suffered any material adverse change in Maker's financial condition or operations.

(iii) Maker will protect and preserve the Collateral and Holder's security interest therein, and assist Holder in all ways in enforcing Holder's security interests in the Collateral.

(iv) Maker will not incur any debts beyond Maker's ability to pay such debts as they mature.

(v) Maker will pay, before they become delinquent, all taxes and claims, assessments, charges, and the like, as well as all amounts due under all agreements with third parties.

(vi) Maker will take all actions necessary or appropriate to protect the Collateral that consists of technology and proprietary information. This includes, without limitation, filing all applicable documentation with the United States and foreign patent and trademark offices.

(vii) Holder will give Maker prior notice if Holder, or Holder's agents, want to inspect the Collateral. Holder may inspect the Collateral during regular business hours. Holder will take reasonable steps not to interfere with Maker's business operations during any such inspection. If Holder finds during an inspection that Maker is not complying with this Note or if Maker is otherwise in default under this Note, Maker (and not Holder) will pay Holder's reasonable travel, meals and lodging costs, Holder's salary costs, and Holder's costs and fees and those of Holder's agents for re-inspection. Maker will promptly cure any problems with the Collateral that are discovered during Holder's inspections.

(viii) Maker will use the Collateral only for business purposes. Maker will obey all legal and regulatory requirements in Maker's use of the Collateral and the conduct of Maker's business.

(ix) Maker will make all additions, modifications and improvements to the Collateral to the extent necessary. Otherwise, Maker will not alter the Collateral without Holder's written permission.

(x) Maker will not remove the Collateral from the Store location.

(xi) Maker has and will continue to have good and merchantable title to all of the Collateral, free and clear of all security interests, liens and other encumbrances, with the exception of Holder's lien described in Section 7 above.

(xii) Maker will not convey, assign, sell, mortgage, transfer, encumber, pledge, hypothecate, grant a security interest in, grant options with respect to, lease or otherwise dispose of all or any part of any interest whatsoever in or to any or all of the Collateral, or any interest therein.

B. Insurance.

(i) Until Maker has made all payments to Holder under this Note in full, Maker will keep the Collateral insured. The amount of insurance, the coverage, and the insurance company must be acceptable to Holder.

(ii) If Maker does not provide Holder with written evidence of insurance that is acceptable to Holder, Holder may buy the insurance, at Maker's expense. Maker will promptly pay Holder the cost of this insurance. Holder has no obligation to purchase any insurance. Any insurance that Holder purchases will be Holder's insurance, and not Maker's, and Holder may insure the Collateral beyond the date of satisfaction of the Debt.

(iii) Insurance proceeds may be used to repair or replace damaged or lost Collateral or to pay Holder the present value of the payments described herein.

(iv) Maker appoints Holder as Maker's "attorney-in-fact" to make claims under the insurance policies, to receive payments under the insurance policies, and to endorse Maker's name on all documents, checks or drafts relating to insurance claims for Collateral. Upon request by Maker, Holder will provide Maker with copies of any and all documents signed as Maker's attorney-in-fact. Holder agrees to pay Maker any insurance proceeds received by Holder in excess of the any and all amounts due Holder under this Note.

10. Waivers and Acknowledgments. Maker, and any sureties, endorsers and guarantors of all or any portion of the indebtedness evidenced by this Note waive: (a) demand, notice, diligence, protest, presentment for payment, and notice of extension, dishonor, protest, demand and nonpayment of this Note; and (b) any release or discharge by reason of (i) any release or substitution of, or other change in, any security given for the indebtedness evidenced by this Note or the obligation of any other person or entity who or which is now or may become directly or indirectly liable for all or any portion of the indebtedness evidenced by this Note, or (ii) any extension or other modification of the time or terms of payment of all or any portion of the indebtedness evidenced by this Note. Maker, and any sureties, endorsers and guarantors agree that their liability for the indebtedness evidenced hereby shall be joint and several.

11. Default, Take-Back Rights and Additional Remedies.

A. Default. Maker will be in default if any of the following occurs:

(i) Maker does not pay Holder, within ten (10) days after written notice is received by Maker from Holder, any payment that Maker owes Holder under this Note, the Franchise Agreement (including, but not limited to, royalty and advertising fees) or any other agreement, loan, debt, lease or other financial arrangement that Maker has with Holder or one of its affiliates (each a "Payment Default").

(ii) Any of the financial information that Maker gives Holder is not materially true and complete, or Maker fails to tell Holder anything that would make the financial information not materially misleading.

(iii) Maker does something it is not permitted to do, or Maker fails to do anything that is required of them, under this Note, the Franchise Agreement or any other lease,

loan, debt or other financial arrangement that Maker has with Holder and such breach continues uncured for a period of ten (10) days after Holder has given written notice of such default to Maker, provided that such cure period shall not apply to any covenant relating to insurance covering the Collateral described in Section 7.

(iv) An event of default occurs under the Franchise Agreement, or under any other lease, loan, debt or obligation of Maker (or any guarantor) that exceeds Fifty Thousand Dollars (\$50,000) in the aggregate that results in the acceleration or mandatory prepayment thereof.

(v) Maker files bankruptcy, or involuntary bankruptcy is filed against Maker or any guarantor and such involuntary bankruptcy is not dismissed within sixty (60) days.

(vi) Maker is subject to any other insolvency proceeding other than bankruptcy (for example, a receivership action or an assignment for the benefit of creditors) and such proceeding that is involuntary is not dismissed within sixty (60) days.

(vii) Without Holder's permission, Maker sells all or a substantial part of Maker's assets, merges or consolidates (other than with an affiliate where Maker is the surviving entity), or a majority of Maker's voting stock or interests (or any guarantor's voting stock or interests) is transferred.

(viii) There is a material adverse change in Maker's financial condition, business or operations.

B. "Take Back Rights." In the event of a Payment Default, Maker hereby grants Holder the following "Take Back Rights" (as defined below in this Section 11.B.) with respect to the Store. Maker shall have five (5) days after receipt of written notice from Holder to cure any such Payment Default. If Maker does not timely cure the Payment Default, Maker hereby grants Holder the irrevocable right to immediately enter the Store and take possession and full ownership of the Store going forward, and further agrees to execute any and all reasonably necessary documents to transfer ownership of the Store, including all assets located therein, to Holder or its designee and to assign the lease for the premises of the Store to Holder or its designee ("Take Back Rights"). In the event of an uncured Payment Default, Maker further acknowledges and agrees to the following: (i) the Take Back Rights represent Holder's liquidated damages for Maker's Payment Default; (ii) that such damages are reasonable under the circumstances; (iii) that Maker shall have no right to contest, and hereby waives any such rights to contest or appeal, Holder's Take Back Rights, including Holder's entry into the Store and subsequent possession, control; and ownership of the Store thereafter; and (iv) that Maker shall receive no compensation or other monetary consideration from Holder for the Store. For purposes of the Take Back Rights under this Section 11, all notices shall be sent by certified mail, return receipt requested, or via overnight delivery service, to the other Party at the addresses listed in Section 16.

C. Acceleration in the Event of Default. In the event of any default, including a Payment Default, under this Note which is not cured within ten (10) calendar days after the date of such default, the principal sum hereof, together with all accrued and unpaid interest, shall, at the option of the Holder (and without limiting any remedies available to Holder), become immediately due and payable without further notice or demand by the Holder.

D. Consent to Credit Reports. Maker hereby agrees that upon notice of default or upon an uncured default of this Note, the Franchise Agreement or any other agreement between Maker (or a legal entity thereof) and Holder or its affiliates, and with no prior notice, Maker consents to Holder's (or its affiliates' or third-party contractors') acquisition and use of non-business consumer credit reports on Maker in order to evaluate as necessary the financial condition of Maker as principal(s), member(s), manager(s), franchisee(s), and/or guarantor(s) in connection with the collection of monetary obligations as contemplated by this Note, Maker's Franchise Agreement, the Guaranty of Agreement, or any other agreements between Maker (or a legal entity thereof), and Holder or its affiliates.

12. Default Interest. After maturity, including maturity upon acceleration as described in Section 11 above, or at any time that Maker is more than ten (10) calendar days delinquent in the payment of money as required by this Note (whether or not Holder has given any notice of default or any cure period has expired), then all amounts outstanding hereunder and any advances thereafter made from the Debt evidenced hereby and any accruing costs and reasonable attorneys' fees which are the obligation of Maker shall thereafter bear interest at the rate of eighteen percent (**18%**) per annum until paid.

13. Indemnity. Maker shall indemnify, defend and hold Holder harmless for, from and against any and all claims, expenses and reasonable attorneys' fees actually incurred by Holder concerning or arising from the Collateral, this Note, or Maker's breach of any material representation, warranty or covenant. It includes, without limitation, any claims, losses or charges actually incurred concerning, arising out of or in connection with the manufacture, selection, delivery, possession, use, operation or return of the Collateral and any claims, losses or damages actually incurred concerning, arising out of or in connection with this Note. This obligation of Maker's to indemnify Holder continues even after satisfaction of this Note.

14. No Waiver by Holder. Failure of the Holder to exercise any option hereunder shall not constitute a waiver of the right to exercise the same in the event of any subsequent default or in the event of continuance of any existing default after demand for strict performance thereof.

15. Time of Essence. Time is of the essence of this Note.

16. Notices. All notices required or permitted to be given by either Party pursuant to this Note shall be in writing and given by (a) hand delivery, (b) facsimile, (c) express overnight delivery service or (d) certified or registered mail, return receipt requested, and shall be deemed to have been delivered upon (i) receipt, if hand delivered, (ii) confirmation of transmission, if delivered by facsimile, (iii) the next business day following the date of deposit with the delivery service, if delivered by express overnight delivery service, or (iv) the third business day following the day of deposit of such notice with the United States Postal Service, if sent by certified or registered mail, return receipt requested. Notices shall be provided to the Parties at the addresses and facsimile numbers specified below:

If to Holder:	[Seller Entity]
	Attention: Legal Department
	9311 East Via De Ventura
	Scottsdale, Arizona 85258
	Telephone Number: (480) 362-4800
	Facsimile Number: (480) 362-4819

If to Maker:

Telephone Number:

Facsimile Number:

17. Governing Law. This Note shall be construed according to the substantive laws and judicial decisions of the State of Arizona, without regard to any conflict of laws principles. Any action brought to enforce this Note may be commenced and maintained in the Superior Court of the State of Arizona in and for the County of Maricopa. Maker and any sureties, endorsers and guarantors irrevocably consent to jurisdiction and venue in such court for such purposes.

18. RELEASE. IN EXCHANGE FOR HOLDER'S AGREEMENT TO ARRANGE FOR MAKER'S PAYMENT OF THE DEBT, MAKER AND EACH OF ITS CURRENT, PAST AND FUTURE PREDECESSORS, SUCCESSORS AND ASSIGNS, AND EACH OF ITS AND THE FOREGOING ENTITIES' RESPECTIVE PARENTS, SUBSIDIARIES, SHAREHOLDERS, MEMBERS, MANAGERS, OWNERS, PARTNERS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, AGENTS, SUCCESSORS, ASSIGNS, GUARANTORS, INSURERS, SPOUSES, HEIRS, EXECUTORS, TRUSTEES, AND ESTATES, IF ANY, OF ANY AND ALL SUCH ENTITIES (COLLECTIVELY WITH MAKER "MAKER PARTIES"), HEREBY IRREVOCABLY AND UNCONDITIONALLY RELEASE, REMISE AND FOREVER DISCHARGE HOLDER AND EACH OF ITS CURRENT, PAST AND FUTURE PREDECESSORS, SUCCESSORS AND ASSIGNS, AND EACH OF ITS AND THE FOREGOING ENTITIES RESPECTIVE PARENTS, SUBSIDIARIES, SHAREHOLDERS, MEMBERS, MANAGERS, OWNERS, PARTNERS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, AGENTS, SUCCESSORS, ASSIGNS, GUARANTORS, INSURERS, SPOUSES, HEIRS, EXECUTORS, TRUSTEES, AND ESTATES, IF ANY, OF ANY AND ALL SUCH ENTITIES (COLLECTIVELY WITH HOLDER "HOLDER PARTIES"), FROM ANY AND ALL CLAIMS, DEMANDS, CAUSES OF ACTION, SUITS, DEBTS, DUTIES, ACCOUNTS, COVENANTS, CONTRACTS, AGREEMENTS, PROMISES, DAMAGES, JUDGMENTS, TAXES, LIABILITIES AND OBLIGATIONS, BOTH CONTINGENT AND FIXED, KNOWN AND UNKNOWN, NOW EXISTING OR HEREAFTER, OF EVERY KIND AND NATURE WHATSOEVER, IN LAW OR EQUITY, OR OTHERWISE, UNDER LOCAL, STATE, OR FEDERAL LAW OR THE LAW OF ANY OTHER APPLICABLE JURISDICTION, THAT ANY OF THE MAKER PARTIES HAVE AGAINST ANY OF THE HOLDER PARTIES, INCLUDING, WITHOUT LIMITATION, THOSE ARISING FROM, IN CONNECTION WITH OR RELATING TO: (I) THE FRANCHISE AGREEMENT (INCLUDING ANY AMENDMENTS OR MODIFICATIONS THERETO); (II) THE OPERATION, LEASING OR SUBLEASING OF THE STORE; AND (III) THE OFFERING AND SALE OF THE FRANCHISE FOR THE STORE; ARISING FROM AN ACT, OMISSION, CONDUCT OR ACTIVITY OCCURRING BEFORE AND INCLUDING THE DATE OF THIS NOTE WRITTEN ABOVE.

IT IS UNDERSTOOD BY MAKER THAT IF THE FACTS OR LAW WITH RESPECT TO THE FOREGOING RELEASE HEREAFTER TURN OUT TO BE DIFFERENT FROM THE FACTS OR LAW KNOWN TO BE OR BELIEVED BY MAKER TO BE TRUE AT THE TIME OF EXECUTION OF THIS NOTE, THEN MAKER EXPRESSLY ASSUMES THE RISK OF THE

FACTS OR LAW TURNING OUT TO BE SO DIFFERENT, AND AGREES THAT THE FOREGOING RELEASE SHALL BE IN ALL RESPECTS EFFECTIVE AND NOT SUBJECT TO TERMINATION OR RESCISSION, IN WHOLE OR IN PART, BASED UPON SUCH DIFFERENCES.

19. Counterparts; Signatures. This Note may be executed in one or more counterparts, each of which shall be deemed to be an original copy of this Note and all of which, when taken together, shall be deemed to constitute one and the same Note. The signatures required for execution may be transmitted to the other Party via facsimile or a scanned .pdf file sent via email and such signature shall be deemed a duplicate original, shall be effective upon receipt by the other Party, may be admitted in evidence and shall fully bind the Party and person making such signature.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Maker, by and through its respective representative with full rights, power and authority to enter into and bind his or her respective Party without further consent or approval of any kind, has duly executed and delivered this Note as of the date first written above.

MAKER:

_____, a(n) _____

By: _____
[Name, Title]

EXHIBIT “1” TO PROMISSORY NOTE

AMORTIZATION SCHEDULE

(Attached)

B1-B-10

EXHIBIT "2" TO PROMISSORY NOTE

COLLATERAL

All assets owned by [NAME], a(n) [State] [corporation / limited liability company] ("Borrower"), whether now owned or hereafter acquired by Borrower and located at the following location: [Store Address], including, without limitation, the following properties of Borrower:

- (a) All accounts, contract rights, rights to payment, accounts receivable, chattel paper, leases, instruments, notes, securities, documents of title, deposit accounts, certificates of deposit and general intangibles;
- (b) All inventory, including, without limitation, raw materials, work-in-process or materials used or consumed in the business of Borrower, whether in the possession of Borrower, warehouseman, bailee or any other person or entity;
- (c) All machinery, furniture, fixtures and other equipment;
- (d) All negotiable and nonnegotiable documents of title;
- (e) All proceeds of any of the above-described property;
- (f) All books and records pertaining to any of the above-described property, including, without limitation, any computer readable memory and any computer hardware or software necessary to process such memory;
- (g) All rights under contracts of insurance covering any of the above-described property;
- (h) All attachments, accessions, tools, parts, supplies, increases and additions to and all replacements of and substitutions for any of the above-described property; and
- (i) All products of any of the above-described property.

EXHIBIT “3” TO PROMISSORY NOTE

**[GUARANTY OF PROMISSORY NOTE AND SECURITY AGREEMENT] or [NOT
APPLICABLE]**

GUARANTY OF PROMISSORY NOTE AND SECURITY AGREEMENT

This GUARANTY OF PROMISSORY NOTE AND SECURITY AGREEMENT ("Guaranty") is dated as of [Date] ("Effective Date"), and is executed by each of the undersigned ([individually and collectively,]"Guarantor") in favor of [SELLING ENTITY], L.L.C., a [state] [Corporation/Limited Liability Company, etc.] ("MTY"). To the extent this Guaranty contains terms and conditions that differ from those contained in the Note (as defined in Recital A below), this Guaranty shall control. All capitalized terms not otherwise defined in this Guaranty will have the same meanings ascribed to such terms in the Note.

Recitals

A. As an inducement for MTY to provide debt to [Franchisee], a [State] [corporation/limited liability company], ("Franchisee"), and to perform MTY's obligations under the Promissory Note and Security Agreement dated [Start Date] ("Note") in the amount of _____ Dollars (\$_____), Guarantor has agreed to jointly and severally guarantee the obligations of Franchisee under the Note.

B. Franchisee and MTY signed a Franchise Agreement, as amended, with respect to *Thai Express*® Store No. _____ ("Franchise") dated [Franchise Agreement Date] ("Franchise Agreement").

C. Guarantor owns, directly or indirectly, a five percent (5%) or greater equity interest in the Franchise or has agreed to guarantee the Franchisee's obligations pursuant to the Franchise Agreement and Note.

NOW THEREFORE, in consideration of the foregoing, the execution and delivery of the Note by MTY, and the performance of MTY's obligations under the Note, Guarantor agrees, for the benefit of MTY and its affiliates as follows:

Agreement

1. Guarantor unconditionally guarantees and promises to pay to MTY and/or its affiliates and to perform, for the benefit of MTY and/or its affiliates, on demand, any and all obligations and liabilities of Franchisee in connection with, with respect to, or arising out of, the Note and all Schedules entered into in connection therewith ("Obligations").

2. This is a guaranty of payment and not of collection. This Guaranty will remain in full force and effect until all amounts payable by Guarantor have been validly, finally and irrevocably paid-in-full and all Obligations will have been validly, finally and irrevocably satisfied or performed-in-full.

3. Guarantor's Obligations under this Guaranty are joint and several and are independent of the obligations of Franchisee. A separate action or actions may be brought and prosecuted against Guarantor regardless of whether an action is brought against the Franchisee or whether the Franchisee (or, if more than one Guarantor, the other Guarantors) is joined in any such action. Guarantor waives the benefit of any statute of limitations affecting Guarantor's liability under this Guaranty or the enforcement of this Guaranty. Guarantor waives its rights under A.R.S. Section 12-1641, *et seq.* and Rule 17(f) of the Arizona Rules of Civil Procedure for the Superior Courts of Arizona, which set forth certain rights and obligations among guarantors,

debtors and creditors, if applicable, including the right to require MTY to bring an action against the Franchisee prior to enforcing its rights under this Guaranty. Guarantor waives any right to require MTY to proceed against or exhaust any security interest held in the property of Franchisee or to pursue any other remedies that MTY may have. Guarantor waives all requirements as to presentment, demand for performance, notice of non-performance, protest, notice of protest, notice of dishonor, and notice of acceptance of this Guaranty and of the existence, creation or incurring of new or additional Obligations or indebtedness.

4. Guarantor authorizes MTY, without notice or demand and without affecting Guarantor's liability under this Guaranty to renew, compromise, modify, extend, accelerate or otherwise change the terms of any present or future Obligations and/or agreements between Franchisee and MTY. Any change in the Obligations and/or agreements will have no effect on Guarantor's liability under this Guaranty. Guarantor will remain liable for the Obligations as set forth in this Guaranty if Franchisee fails to satisfy any of its obligations.

5. If any one or more of the provisions in this Guaranty will be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provision of this Guaranty, and this Guaranty will be construed as if such provision had never been contained herein. Notwithstanding the foregoing, if the provision held invalid, illegal or unenforceable is a material part of this Guaranty, as determined by MTY, the Parties shall promptly negotiate a substitute provision consistent with then-current law and the Parties' original intent to replace the provision held to be invalid, illegal or unenforceable.

6. If MTY is required to take any legal action to enforce its rights under this Guaranty, MTY may recover from Guarantor MTY's costs and expenses in connection therewith, including, without limitation, reasonable attorneys' fees, whether or not suit is filed, and all costs of collection, suit, and preparation for suit (whether at the trial or appellate level).

7. Nothing in this Guaranty will constitute a waiver or limitation of any other rights or remedies of MTY or its affiliates against Franchisee or Guarantor. No failure or delay on the part of MTY or its affiliates in exercising its rights under this Guaranty will operate as a waiver of, or impair, any such right. No single or partial exercise of any such right will preclude any other or further exercise thereof or the exercise of any other right. No waiver of any right will be effective unless given in writing, specifying with particularity the nature of the waiver. No waiver of any right will be deemed a waiver of any other right. The rights provided for in this Guaranty are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law.

8. Guarantor agrees that it will not exercise any rights of subrogation that Guarantor may acquire due to any payment or performance of the Obligations of the Franchisee pursuant to this Guaranty unless and until all amounts payable to MTY or its affiliates, and all Obligations for the benefit of MTY or its affiliates, due under the Note will have been validly, finally and irrevocably paid and performed in full.

9. This Guaranty will be binding upon Guarantor and its respective successors, heirs and assigns, and will inure to the benefit of MTY, its affiliates and their respective successors and assigns.

10. If more than one person signs this Guaranty, each Guarantor's obligations will be joint and several. Guarantor acknowledges and agrees that MTY will materially rely upon Guarantor's promises and obligations under this Guaranty.

[11. Guarantor [if multiple guarantors, include names here, _____,] hereby represents that he or she is not married as of the Effective Date.]

This Guaranty will be governed by, and construed and enforced in accordance with, the law of the State of Arizona, notwithstanding any conflict of law provisions to the contrary.

Guarantor agrees that any litigation in connection with this Guaranty will be commenced and maintained only in the courts located in Maricopa County, Arizona, and Guarantor consents to the jurisdiction of such courts.

GUARANTOR:

[Name], an individual

[Name], an individual



EXHIBIT C

DEPOSIT AND APPLICATION AGREEMENT

EXHIBIT C

MTY FRANCHISING USA, INC. DEPOSIT AND APPLICATION AGREEMENT ("APPLICATION")

This Application is entered into this _____ day of _____, 20____, by and between MTY FRANCHISING USA, INC. (hereinafter "**We**" or "**Us**"), and _____ (hereinafter "**You**" or "**Your**"). You hereby acknowledge and agree as follows:

1. You have made application or expressed a desire to purchase a Thai Express Franchise ("**Franchise**") and you have had an opportunity to review our disclosure documentation that we provided to you more than ten (10) business days prior to the date of this Application ("**Disclosure Documentation**").
2. We hereby acknowledge receipt of the sum of five thousand dollars \$5,000 ("**Deposit**") that you have deposited with us as an indication of your *bona fide* intent to enter into a franchise agreement ("**Franchise Agreement**") with us on such terms and conditions as are generally contained in our standard form of Franchise Agreement.
3. You understand that, in reliance upon this Application, we may exert a substantial amount of time and expense in assisting you with locating, surveying and securing a location suitable for a Thai Express Franchise and in undertaking various other steps before granting you a Franchise.
4. If you enter into a Franchise Agreement with us, the entire amount of the Deposit without any interest or deduction whatsoever will be applied towards the Initial Franchise Fee and will be governed thereafter in accordance with the terms and conditions of the Franchise Agreement.
5. If you wish to cancel this Application or if we, in our absolute discretion, elect not to grant a Franchise to you, and provided that you return all materials provided by us, and execute a release in a form reasonably prescribed by us, the Deposit shall be returned less three thousand five hundred dollars (\$3,500) required to help us cover expenses incurred and the time expended in reliance upon this Application. We reserve the right to terminate this Application at any time before we enter into a Franchise Agreement with you, upon 30 days' notice to you.
6. You understand that, prior to executing the Franchise Agreement, we or our subsidiaries or affiliates or our franchisees ("**Franchisees**") have furnished, disclosed or otherwise imparted to you information and material pertaining to us, our methods of operation, techniques, know how, promotion, and publicity, including, without limitation, the Disclosure Documentation (collectively the "**System Information**"). You acknowledge that the System Information is of a proprietary and confidential nature constituting our trade secrets and having immeasurable value. Accordingly, in recognition of the foregoing and in consideration thereof, you agree to hold in confidence and keep secret the System Information that is disclosed or made known to you in the course of your discussions with us, the Franchisees, and our subsidiaries and affiliates, and you will not impart or make known any of the same or anything relating to the same to any person,

firm, or corporation unless we authorize you to do so in writing or unless otherwise required by law.

7. You agree that you will retain and receive all the System Information for use only in connection with the business to be operated pursuant to the Thai Express Franchise applied for herein and will not use, directly or indirectly, the System Information for any other purpose without our prior written consent.

8. Upon termination of this Application for any reason whatsoever, you shall promptly return the System Information to us, together with any copies thereof. Upon our request, you shall execute a document in the form reasonably prescribed by us stating that all of the System Information has been returned and that any further System Information in your possession shall be returned if discovered.

9. You acknowledge that consumer credit reports containing personal information are being or may be referred to in connection with this Application for a Thai Express Franchise and you hereby consent to the disclosure of credit or personal information to any credit reporting agency or to any person with whom you have or propose to have financial relations. You agree to provide us with a copy of your social security number, or if you are a business entity, your employer identification number, or proof of citizenship, in order to enable us to verify your registered name for the purposes of properly conducting any such inquiries.

10. If you are a business entity, you agree to provide us with a copy of the articles of incorporation and bylaws, or your articles of organization and operating agreement, or your partnership agreement, as well as any other business documents we may reasonably request.

Dated at _____, this ____ day of _____, 20__.

WITNESS:

Name of Applicant

By: _____

Its: _____

MTY Franchising, USA, Inc. hereby acknowledges the foregoing together with the receipt of the amount of the Deposit and agrees to consider you as a candidate for a Thai Express Franchise.

Dated at _____, this ____ day of _____, 20__.

MTY FRANCHISING USA, INC.

By: _____

Its: _____



EXHIBIT D

LIST OF STATE FRANCHISE ADMINISTRATORS

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

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	Department of Business Oversight One Sansome Street, Suite 600 San Francisco, CA 94104 415-972-8559 1-866-275-2677	Commissioner of Business Oversight 320 West 4th Street, Suite 750 Los Angeles 90013-2344 1-866-275-2677
CONNECTICUT	Securities and Business Investment Division Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 860-240-8230	Connecticut Banking Commissioner Same Address
FLORIDA	Department of Agriculture & Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, FL 32399-0800 850-245-6000	Same
GEORGIA	Office of Consumer Affairs 2 Martin Luther King Drive, S.E. Plaza Level, East Tower Atlanta, GA 30334 404-656-3790	Same
HAWAII	State of Hawaii Business Registration Division Securities Compliance Branch Dept. of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 808-586-2722	Hawaii Commissioner of Securities Same Address
ILLINOIS	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 217-782-4465	Illinois Attorney General Same Address
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E 111 Indianapolis, IN 46204 317-232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
IOWA	Iowa Securities Bureau Second Floor Lucas State Office Building Des Moines, IA 50319 515-281-4441	Same

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
KENTUCKY	Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40602 502-696-5389	Same
LOUISIANA	Department of Urban & Community Affairs Consumer Protection Office 301 Main Street, 6th Floor One America Place Baton Rouge, LA 70801 504-342-7013 (gen. info.) 504-342-7900	Same
MAINE	Department of Business Regulations State House - Station 35 Augusta, ME 04333 207-298-3671	Same
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 410-576-6360	Maryland Securities Commissioner Same Address
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit G. Mennen Williams Building, 1 st Floor 525 W. Ottawa Street Lansing, MI 48909 517-373-7117	Michigan Department of Commerce Corporations and Securities Bureau Same Address
MINNESOTA	Minnesota Department of Commerce 85 7 th Place East, Suite 500 St. Paul, MN 55101 651-296-4026	Minnesota Commissioner of Commerce Same Address
NEBRASKA	Nebraska Department of Banking and Finance 1526 "K" Street, Suite 300 Lincoln, NE 68508-2732 P.O. Box 95006 Lincoln, Nebraska 68509-5006 Tele: 402-471-2171	Same
NEW HAMPSHIRE	Attorney General Consumer Protection and Antitrust Bureau State House Annex Concord, NH 03301 603-271-3641	Same
NEW YORK	Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23rd Floor New York, NY 10271 212-416-8222	Secretary of State of New York 99 Washington Avenue Albany, New York 12231
NORTH CAROLINA	Secretary of State's Office/Securities Division	Secretary of State

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
	2 South Salisbury Street Raleigh, NC 27601 919-733-3924	Secretary of State's Office Same Address
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fifth Floor Bismarck, ND 58505-0510 701-328-4712; Fax: 701-328-0140	North Dakota Securities Commissioner Same Address
OHIO	Attorney General Consumer Fraud & Crime Section State Office Tower 30 East Broad Street, 15th Floor Columbus, OH 43215 614-466-8831 or 800-282-0515	Same
OKLAHOMA	Oklahoma Securities Commission 2915 Lincoln Blvd. Oklahoma City, OK 73105 405-521-2451	Same
OREGON	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 96310 503-378-4387	Director Department of Insurance and Finance Same Address
RHODE ISLAND	Rhode Island Department of Business Regulation Securities Division John O. Pastore Center – Building 69-1 1511 Pontiac Avenue Cranston, RI 02920 401-222-3048	Director, Rhode Island Department of Business Regulation Same address
SOUTH CAROLINA	Secretary of State P.O. Box 11350 Columbia, SC 29211 803-734-2166	Same
SOUTH DAKOTA	Department of Labor and Regulation Division of Securities 124 S. Euclid, Suite 104 Pierre, SD 57501-3185 605-773-4823	Director of South Dakota Division of Securities Same Address
TEXAS	Secretary of State Statutory Documents Section P.O. Box 12887 Austin, TX 78711-2887 512-475-1769	Same
UTAH	Utah Department of Commerce Consumer Protection Division 160 East 300 South (P.O. Box 45804) Salt Lake City, UT 84145-0804 TELE: 801-530-6601	Same

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
	FAX:801-530-6001	
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising Tyler Building, 9 th Floor 1300 E. Main Street Richmond, VA 23219 804-371-9733	Clerk of the State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 1 st Floor Richmond, VA 23219
WASHINGTON	Department of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501 360-902-8762	Director, Dept. of Financial Institutions Securities Division 150 Israel Rd S.W.
WISCONSIN	Wisconsin Dept. of Financial Institutions Division of Securities 345 W. Washington Avenue, 4th Floor Madison, WI 53703 608-266-8557	Wisconsin Commissioner of Securities Same Address



EXHIBIT E

LIST OF FRANCHISEES, MULTIPLE UNIT OPERATORS AND INSTITUTIONAL LICENSEES

EXHIBIT E

LIST OF FRANCHISEES, MULTIPLE UNIT OPERATORS AND INSTITUTIONAL LICENSEES

The following is a list of our Franchisees in the United States as of November 30, 2017:

Scope foods Corp
Salim Punjani
7801 Copper Kettle WY
Flowery Branch, GA 30542
704-953-6191

Pho Nugyen
7785 N Durango Drive
Las Vegas, NV 89131
909-499-1975

The following is a list of our Multiple Unit Operators in the United States as of November 30, 2017:

Scope Foods Corp
Salim Punjani
7801 Copper Kettle Wy.
Flowery Branch, GA 30542
704-953-6191

Pho Nugyen
7785 N Durango Drive
Las Vegas, NV 89131
909-499-1975



EXHIBIT F

STATE ADDENDUM

EXHIBIT F

MTY FRANCHISING USA, INC. SPECIFIC DISCLOSURES REQUIRED BY VARIOUS STATES

MTY Franchising USA, Inc. Franchise Disclosure Document (“**FDD**”) and Franchise Agreement (“**FA**”) are modified and/or clarified as follows for franchisees and prospective franchisees in the following states:

CALIFORNIA

Franchise Disclosure Document

ITEM 17 of the Franchise Disclosure Document is revised to including the following:

“THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.”

Neither the Franchisor, any person or franchise broker in ITEM 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et seq.*, suspending or expelling such persons from membership in such association or exchange.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at www.DBO.ca.gov.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Section 101 and following).

The franchise agreement contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The franchise agreement requires binding arbitration. The arbitration will occur in Phoenix, Arizona with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.4 Code of

Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The franchise agreement requires application of the laws of the State of Arizona. This may not be enforceable in the State of California.

Section 31125 of the Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of Corporations before we ask you to consider a material modification of your franchise agreement.

You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 3100 Through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

ILLINOIS

Franchise Disclosure Document

ITEM 17 of the Franchise Disclosure Document and the Franchise Agreement is amended by adding the following:

In accordance with Illinois law 815 ILCS 705/19 and Rule Section 200.608, any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside Illinois is void with respect to any action which is otherwise enforceable in Illinois, except that the Franchise Agreement may provide for arbitration outside Illinois. In addition, Illinois law will govern the Franchise Agreement.

The following should be added to Provision f. of ITEM 17 of the Franchise Disclosure Document:

Illinois law may affect the conditions under which we may terminate the Franchise Agreement, 815 ILCS 705/19 and Rule 200.608.

The following should be added to Provision i. of ITEM 17 of the Franchise Disclosure Document:

Illinois law may affect your rights upon non-renewal, 815 ILCS 705/19 and 705/20.

Section 200.702 requires any person to whom the right to sell subfranchises or to service franchises is granted must first register as a subfranchisor prior to soliciting or servicing Illinois franchisees. The Franchise Disclosure Document is amended accordingly, to the extent required by Illinois law.

Franchise Agreement

Article 2.2(a)(i) of the Franchise Agreement is deleted in its entirety.

Article 2 of the Franchise Agreement is amended by adding the following:

2.4. Illinois Law. Your rights upon non-renewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

Article 12.4(i) of the Franchise Agreement is deleted in its entirety.

Article 9 of the Franchise Agreement is amended by adding the following:

Illinois Law. The conditions under which your franchise can be terminated may be affected by Illinois law, 815 ILCS 7051/19 and Rule 200.608.

Article 16.2 of the Franchise Agreement is deleted in its entirety, and in its place is added:

This Agreement shall be interpreted under the laws of the State of Illinois except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 et seq.).

The first sentence of Article 16.5 of the Franchise Agreement is revised to read as follows:

This Agreement and the representations contained in the Franchise Disclosure Document set forth the entire understanding between the parties relating to the subject matter hereof, and there are no agreements, promises, representations or understandings between the parties.

Article 16.14(e) is revised to provide that litigation under this provision will take place in Illinois.

Any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside the State of Illinois is amended to the extent required by Illinois law.

The governing law or choice of law clause described in the Franchise Disclosure Document and contained in the Franchise Agreement may not be enforceable under Illinois law. This governing law clause shall not be construed to negate the application of the Illinois Franchise Disclosure Act in all situations to which it is applicable.

Article 16.15 is amended by the addition of the following as the last sentence of the section:

“However, this Section shall not act as a condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act of 1987 at Section 705/4.”

Institutional License Agreement

Section 11 is revised to provide that the Institutional License Agreement will be interpreted by the laws of the State of Illinois.

Any provision in the Institutional License Agreement that designates jurisdiction or venue in a forum outside the State of Illinois is amended to the extent required by Illinois law.

The governing law or choice of law clause described in the Franchise Disclosure Document and contained in the Institutional License Agreement may not be enforceable under Illinois law. This governing law clause shall not be construed to negate the application of the Illinois Franchise Disclosure Act in all situations to which it is applicable.

INDIANA

The Indiana Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with Indiana law. To the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended by the following language:

“Indiana law prohibits franchisors from requiring their franchisees to prospectively agree to a release, assignment, novation, waiver or estoppel that attempts to relieve any person from liability.”

“Franchisor will not permit a franchise to sell or renew without good cause or in bad faith. However, Indiana law does not prohibit a Franchise Agreement from providing that the agreement is not renewable on expiration or that the agreement is renewable if Franchisee meets certain conditions specified in the agreement.”

“Unilateral termination of the franchise is not permitted under Indiana law if the termination is without good cause or in bad faith. Good cause within the meaning of Indiana law includes any material violation of the Franchise Agreement.”

“Franchisee will not be required to indemnify Franchisor for any liability imposed upon Franchisor as a result of Franchisee’s reliance upon or use of procedures or products which were required by Franchisor, if such procedures or products were utilized by Franchisee in the manner required by Franchisor.”

“Franchisee is not responsible for tortious claims from Franchisor’s gross negligence or willful misconduct in the making of or causing of the changes necessary in Franchisor’s protection of its Marks.”

“Indiana prohibits covenants not to compete in an area greater than the Area of Primary Responsibility; therefore, Franchisee agrees to abide by the covenants not to compete terms within the Territory as defined in this Franchise Agreement.”

“If there is an alleged breach of Sections 5.18 or 5.19 of the Franchise Agreement, Franchisor may be entitled to seek immediate equitable remedies, including, restraining orders and injunctive relief to safeguard the proprietary and confidential information.”

“Indiana prohibits the limitation of litigation brought for breach of the Franchise Agreement in any matter. Any terms, which designate jurisdiction or venue or require you to agree to jurisdiction or venue in a forum outside of Indiana is void concerning any cause of action, which is otherwise enforceable in Indiana. The Franchise Agreement and all related agreements will be interpreted and construed under the Indiana Franchise Laws, except to the extent governed by the United States Trademark Act of 1946.”

“If there is an alleged breach of Section 15, Company may be entitled to seek immediate equitable remedies, including, restraining orders and injunctive relief to safeguard the proprietary and confidential information.”

“Despite anything to the contrary in this provision, Franchisee does not waive any right under the Indiana statutes with regard to prior representations made in the Indiana Uniform Franchise Offering Circular.”

MARYLAND

The Deposit Agreement, Franchise Agreement, , Institutional License Agreement, and the Statement of Prospective Franchisee are amended to specifically state that representations and acknowledgments, required to be made by a prospective franchisee as a condition of purchasing a franchise, which disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland Franchise Registration and Disclosure Law are not intended to nor shall they act as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

ITEM 17 of the Franchise Disclosure Document, and the appropriate sections of the Deposit Agreement, Franchise Agreement, Institutional License Agreement and/or Receipt are amended to provide that the general release required, as a condition of renewal, sale and/or assignment transfer, shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

ITEM 17 of the Franchise Disclosure Document and sections of the Deposit Agreement, and Franchise Agreement and Institutional License Agreement are amended to state that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration & Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

ITEM 17 of the Franchise Disclosure Document and sections of the Deposit Agreement, Franchise Agreement and Institutional License Agreement are amended to state that any limitation of claims provision will not act to reduce the amount of time afforded a franchise for bringing claims under the Maryland Franchise Registration and Disclosure Law.

ITEM 17 of the Franchise Disclosure Document is hereby amended to the extent required under the Maryland Franchise Registration and Disclosure Laws.

The Franchise Disclosure Document, Deposit Agreement, Institutional License Agreement and Franchise Agreement are amended to state that you may commence any cause of action against us in any court of competent jurisdiction, including the state or federal courts of

Maryland. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

The following is added as the last paragraph to the Statement of Franchisee attached as Attachment J to the Franchise Agreement:

“The representations made in this Statement of Franchisee are not intended to, nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.”

The following is added to the end of Section 4 “Full Release,” to the Sample Acknowledgement of Termination and Release Agreement attached as Attachment M to the Franchise Agreement:

“The general release shall not apply to any liability under the Maryland Franchise registration and Disclosure Law.”

The Deposit Agreement, Institutional License Agreement and Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Section 101 and following).

MICHIGAN

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE AGREEMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

1. A prohibition on the right of a franchisee to join an association of franchisees.
2. A requirement that a franchisee asset to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
3. A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful 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.
4. A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee’s inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if:
(a) the term of the franchise is less than five years, and (b) 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 six months' advance notice of franchisor's intent not to renew the franchise.

5. A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
6. A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
7. A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (a) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (b) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (c) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (d) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
8. A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
9. A provision which permits the franchisor to directly or indirectly convey, assign or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL RECOMMENDATION OR ENDORSEMENT BY THE ATTORNEY GENERAL.

MINNESOTA

Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, may prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or Franchise Agreement can abrogate or reduce any of 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.

The Franchise Disclosure Document and Franchise Agreement are amended to state that we will comply with Minnesota Statute 80C.14 subdivisions 3, 4, and 5, which require except in certain specific cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

Pursuant to Minnesota Statute 80C.12 subdivisions 1(g), to the extent required by law, the Franchise Disclosure Document is amended to state that we will protect your right to use the trademark, service mark, trade name, logo or other commercial symbol or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of our trade name.

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a general release. The Franchise Disclosure Document and Franchise Agreement are modified accordingly, to the extent required by Minnesota law.

In Item 6, the table entry in the second column pertaining to "Amount" for "Non-Sufficient Funds Fee" is hereby deleted and replaced with the following: "\$30 for each electronic funds transfer returned for non-sufficient funds; \$25 for each check or draft returned for non-sufficient funds."

Franchise Agreement

Section 8.1. of the Franchise Agreement is deleted in its entirety and replaced with the following:

8.1 Initial Franchise Fee. In consideration of the Franchisor entering into this Agreement and the opportunity to establish the Business as herein provided, the Franchisee agrees to pay the Franchisor a fee ("**Initial Franchise Fee**") of Thirty Thousand Dollars (\$30,000.00) upon execution of this Agreement. The Initial Franchise Fee shall be deemed fully earned upon receipt by Franchisor. The Initial Franchise Fee shall be refunded (without interest or deduction, except for any legal costs and other expenses reasonably incurred by the Franchisor in respect of dealing with the Franchisee of an amount not to exceed Three Thousand Five Hundred Dollars (\$3,500.00), which amount may be deducted from the Initial Franchise Fee) if this Agreement is terminated for failure to identify and agree upon a Store pursuant to Section 4.1 but shall otherwise be fully paid and earned by the Franchisor and non-refundable to the Franchisee.

The third sentence in the second paragraph (beginning with "If any fees or assessments due under this Agreement . . .") in Section 9.9, is hereby deleted and replaced with:

For any payments made by you to us under this Agreement which are returned for non-sufficient funds of an attempted electronic funds transfer, you shall be charged a non-sufficient funds fee of Thirty Dollars (\$30).

NEW YORK

Offering Prospectus

The following is added to the Cover Page of this Franchise Disclosure Document:

SPECIAL RISK FACTORS:

THE FRANCHISE AGREEMENT PERMITS YOU TO ARBITRATE WITH US ONLY IN ONTARIO, CANADA. OUT-OF-STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE OR LITIGATE WITH THE FRANCHISOR IN THE ONTARIO THAN IN YOUR HOME STATE.

THE FRANCHISE AGREEMENT STATES THAT ARIZONA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

INFORMATION ABOUT COMPARISONS OF FRANCHISORS MAY BE AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT D OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS 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.

WE MAY, IF WE CHOOSE, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, WE CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.

The following should be added to ITEM 3 of this Franchise Disclosure Document:

Neither Thai Express, its predecessor, a person identified in ITEM 2, or an affiliate offering franchises under Thai Express's principal trademark has an administrative, criminal or civil action pending against it alleging a fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations.

Neither Thai Express, its predecessor, a person identified in ITEM 2, or an affiliate offering franchises under Thai Express's principal trademark has been convicted of a felony or pleaded nolo contendere to a felony charge or within the ten-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 a violation of a franchise, antifraud or securities law; fraud, embezzlement fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

Neither Thai Express, its predecessor, a person identified in ITEM 2, or an affiliate offering franchises under Thai Express's principal trademark 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 injunction or restrictive order relating to any to the business activity as a result of an action brought by a public agency or department, including without limitation, action affecting a license as a real estate broker or sales agent.

The following should be added to ITEM 4 of this Franchise Disclosure Document:

Neither Thai Express, its affiliate, its predecessor, officers or general partner during the 10-year period immediately before the date of the Franchise Disclosure Document: (a) filed as debtor or had filed against it) a petition to start an action under the U.S. Bankruptcy Code (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer or 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 during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

The following should be added to ITEM 5 of this Franchise Disclosure Document:

Proceeds from the Initial Franchise Fee will be used to cover our expenses associated with such things as:

- (1) Providing you with initial training;

- (2) Protection and enforcement of all trademarks, trade names and commercial symbols associated with our System;
- (3) Legal and accounting fees and compliance with state and federal laws;
- (4) Administrative expenses; and
- (5) Provision of an operations manual.

The following should be added to Provision d. of ITEM 17 of this Franchise Disclosure Document:

You may terminate upon any ground permitted by law.

The following should be added to Provision j. of ITEM 17 of this Franchise Disclosure Document:

However, no assignment will be made except to an assignee who, in our good faith and judgment, is willing and able to assume our obligations under the Franchise Agreement.

The following should be added to Provision s. of ITEM 17 of this Franchise Disclosure Document:

Revisions to the Manual will not unduly affect your obligations, including economic requirements, under the Franchise Agreement.

The following should be added to Provision w. of ITEM 17 of this Franchise Disclosure Document:

The choice of law should not be considered a waiver of any right conferred upon the Franchise by the General Business Law of the State of New York, Article 33.

Franchise Agreement

Section 5.19 of the Franchise Agreement is amended by adding the following to the last sentence of the first paragraph:

however, no changes to the Manual will be made which would impose an unreasonable economic burden to you or unreasonably increase your obligation;

Section 16.2 of the Franchise Agreement shall be amended by adding the following:

The foregoing choice of law should not be considered a waiver of any right conferred upon either us or upon you by the General Business Law of the State of New York, Article 33.

NORTH DAKOTA

Sections of the Franchise Disclosure Document and Franchise Agreement requiring that you sign a general release, estoppel or waiver as a condition of renewal and or assignment, may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

The Franchise Agreement and Non-Disclosure and Non-Competition Agreement contain a covenant not to compete which are generally considered unenforceable in the state of North Dakota.

Sections of the Franchise Disclosure Document and Franchise Agreement requiring resolution of disputes, including but not limited to arbitration, mediation or litigation, to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are deleted accordingly to the extent required by law.

Sections of the Franchise Disclosure Document and Franchise Agreement relating to choice of law and jurisdiction, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Franchise Disclosure Document and Franchise Agreement requiring you to consent to liquidated damages and/or termination penalties, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are deleted accordingly to the extent required by law.

Sections of the Franchise Disclosure Document and Franchise Agreement requiring you to consent to a waiver of trial by jury, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are deleted accordingly to the extent required by law.

Sections of the Franchise Disclosure Document and Franchise Agreement requiring you to consent to a waiver of exemplary and punitive damages, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are deleted accordingly to the extent required by law.

Sections of the Franchise Disclosure Document and Franchise Agreement requiring payment of the initial franchise fee are hereby amended to state that payment of the initial franchise fee shall be deferred until franchisor has completed all of its pre-opening obligations and the franchised location is open for business.

RHODE ISLAND

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.” The Franchise Disclosure Document, and the Franchise Agreement are amended accordingly to the extent required by law.

The above language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all choice of law provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for MTY Franchising USA, Inc. for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to ITEM 17.e.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for MTY Franchising USA, Inc. for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to ITEM 17.h.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

WASHINGTON

1. The Director of the Washington Department of Financial Institutions requires that certain provisions contained in franchise documents be amended to be consistent with Washington law, including the Washington Franchise Investment Protection Act, WA Rev. Code §§ 19.100.010 to 19.100.940 (1994). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. The Washington Franchise Investment Protection Act, may supersede the Franchise Agreement including areas of termination and renewal of the franchise. There may also be court decisions which may supersede the terms of the Franchise Agreement including areas of termination and renewal of the franchise. If the Agreement contains a provision that is inconsistent with the Act, the Act will control.
- b. If the Franchisee is required in the Agreement to execute a release of claims, such release shall exclude claims arising under the Washington Franchise Investment Protection Act; except when the release is executed under a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel. If there are provisions in the Agreement that unreasonably restrict or limit the statute of limitations period for claims brought under the Act, or other rights or remedies under the Act, those provisions may be unenforceable.
- c. If the Agreement requires litigation, arbitration, or mediation to be conducted in a forum other than the State of Washington, the requirements may be unenforceable under Washington law. Arbitration involving a franchise purchased in the State of Washington, must either be held in the State of Washington or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.
- d. If the Franchisee wants to transfer its Agreement and upon Franchisor's approval, the Washington Franchise Investment Protection Act requires that parties deal with one another in "good faith" during this transfer process including collecting transfer fees as provided by the Agreement to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
- e. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act, such as a right to a jury trial, may not be enforceable.
- f. If the Agreement requires that it be governed by the law of a state, other than the State of Washington, and there is a conflict between the law and the Washington Franchise Investment Protection Act, the Washington Franchise Investment Protection Act will control.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Washington law applicable to the provision are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

WISCONSIN

Notwithstanding anything to the contrary set forth in the Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Wisconsin:

1. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF SECURITIES OF THE STATE OF WISCONSIN.
2. The following shall apply to Franchise Agreements in the State of Wisconsin:
 - a. The Wisconsin Fair Dealership Act, Wisconsin Statutes, Chapter 135 (the “Act”), shall apply to and govern the provisions of Franchise Agreements issued in the State of Wisconsin.
 - b. The Act’s requirements, including that in certain circumstances a Franchisee receive ninety (90) day notice of termination, cancellation, non-renewal or substantial change in competitive circumstances, and sixty (60) days to remedy claimed deficiencies, shall supersede the provisions of the Franchise Agreement to the extent they may be inconsistent with the Act’s requirements.

ACKNOWLEDGMENT:

It is agreed that the applicable foregoing state law addendum, if any, supersedes any inconsistent portion of the Deposit Agreement, Franchise Agreement dated the ____ day of _____, 20__, and of the Franchise Disclosure Document.

MTY FRANCHISING USA, INC.:

By: _____
Name: _____
Title: _____
Date: _____

FRANCHISEE:

By: _____
Date: _____

GUARANTOR:

By: _____
Date: _____



EXHIBIT G

OPERATIONS MANUAL TABLE OF CONTENTS

EXHIBIT G

LE GROUPE
MTY
GROUP

THAI EXPRESS RESTAURANTS
OPERATIONS MANUAL

Thai

Thai

OPERATIONS MANUAL

EMPLOYEE POLICIES & PROCEDURES	5
UNIFORMS	5
PERSONAL STANDARDS	6
EMPLOYEE MEAL POLICY	6
SCHEDULES	7
PAY PERIODS	7
PERFORMANCE REVIEWS	7
PROBATIONARY PERIOD	7
DISCIPLINE	7
SPECIAL CIRCUMSTANCES:	9
CUSTOMER SERVICE	9
COMPLAINT PROCEDURES	9
CELLULAR PHONE & TELEPHONE	9
HEALTH, SAFETY & SANITATION	10
- A single incident could put your restaurant out of business -	11
FOOD CONTAMINATION	11
PREVENTING FOOD CONTAMINATION & SPOILAGE	12
PREVENTING FOOD CONTAMINATION	12
PREVENTING CROSS CONTAMINATION FROM UTENSILS	13
PREVENTING CROSS CONTAMINATION FROM OTHER FOOD	13
MEASURING FOOD TEMPERATURES	14
FOOD STORAGE & DATING	14
SPOTTING SPOILED FOOD	15
CLEANING & SANITIZING	15
DISHWASHING PROCEDURES	15
CLEANING CHECKLISTS	16
FIRE EXTINGUISHER	17
OPENING PROCEDURES (more staff is needed in busier locations)	18
SEE DETAILED CHECK LIST FOR OPENING PROCEDURES	18
MORNING	18
Soup server comes in at 10:30 a.m.:	18
GENERAL CLEANING	19
KITCHEN	19
CLOSING PROCEDURES	19
FRONT COUNTER:	20
HOODS:	20
REPORT TO MANAGER ALL MISSING PRODUCTS AND THE ONES THAT ARE RUNNING LOW	20
FINAL CHECK BEFORE LEAVING	20
SERVING AREA/COUNTER	20
GOOD SERVICE	21
TREAT CUSTOMER AS A GUEST	21



TAKE THE INITIATIVE.....	22
SALES AND SERVICE.....	22
ATTRACT CUSTOMER.....	24
CLOSE THE SALE.....	25
SERVE THE CUSTOMER.....	26
3 WORKSTATIONS.....	26
5 WORKSTATIONS.....	26
6 WORKSTATIONS.....	26
7 WORKSTATION.....	27
BACK SERVER.....	27
PROPER SERVING TECHNIQUE.....	28
SERVING TRAYS.....	28
PORTION CONTROL.....	29
SOFT DRINKS AND BEVERAGE.....	29
SUGGESTIVE SELLING.....	30
CASH HANDLING.....	30
CASH REGISTER RECEIPTS.....	30
MAKING CHANGE.....	30
LARGE DENOMINATION BILLS.....	31
PERSONAL CHECKS.....	31
TRAVELERS CHECKS.....	31
CREDIT CARDS.....	31
CUSTOMERS LACKING FULL PAYMENT.....	31
MALL OR EMPLOYEE DISCOUNT CARDS.....	31
COMPLIMENTARY MEAL COUPONS.....	31
COUPONS.....	32
VOIDS AND REFUNDS.....	32
HANDLING CUSTOMER COMPLAINTS.....	32
ALLERGIES.....	33
SOUP UNIT/IMPERIAL ROLLS/BATTERED GENERAL THAI REFILL PROCEDURES.....	33
SMALLWARES.....	34
CLEANING SCHEDULES AND CHECKLISTS.....	34
KITCHEN – DAILY CLEANING SCHEDULES.....	34
HAND SINK & SOAP DISPENSER: Before closing every night, you must wipe clean the sink and dispenser surfaces, and to make sure dispenser is full.....	35
ICE MACHINE: Wipe & clean all surfaces. Clean the filter once a month and check over all condition of the machine.....	35
POTS, PANS, TRAYS, KNIVES & OTHER UTENSILS: Prepare sink as per dishwashing procedures. Scrub pots & pans (no knives) in soapy hot water. Rinse thoroughly and dry, and place clean items back in proper storage areas.....	35
WALK IN COOLER: Remove all items from shelves, wipe and clean all shelves and put back all items. Check temperature daily.....	35
SHELVES: Before closing, use a clean damp cloth to wipe all shelf surfaces.....	35
VEGETABLE PROCESSOR: Unplug after each use and take each unit apart. Wash removable parts in warm water, with approved cleaning & sanitising solution. Dry and store them in walk in cooler. Wipe motor unit housing and other area with clean, damp towel. Sharpening the blades should be done once every 4 to 5 months by a professional knife sharpener.....	35
FRONT COUNTER – DAILY CLEANING SCHEDULES.....	35



BACK COUNTER & STORAGE AREA: Use only a little water, as wood absorbs water and will warp. Soak towel in soapy water. Wring out towel thoroughly. Wipe all inside and outside surfaces and shelves, then wipe area with dry cloth. 35

CASH REGISTER: Thoroughly and carefully clean the surfaces with a slightly damp cloth. Dry with a clean cloth. Make sure cloth is almost dry, as excess water can short out the cash register... 35
MENU BOARD: Wipe strips with damp clean cloth. Dust pictures. Clean light box and frames with glass cleaner. 36

MIRRORS & TILES: Wipe and clean all surfaces, including all edges and corners, of mirror, glass, tiles and steam table glass, with glass cleaner and dry cloth. 36

PASS THROUGH WINDOW: Use clean and damp cloth to wipe the surface. Clean as needed. 36

SOFT DRINK DISPENSER: Use clean damp cloth to wipe the entire area including the drain and ice containers. Soak dispenser heads in tap water nightly. Check the overall condition of the machine. 36

TRAY RAILS: Do not use excess water. Wipe fixtures with a dampened cloth. Dry fixtures with clean and dry cloth. 36

CLEANING CHECKLISTS 36

KITCHEN - DAILY 36

KITCHEN - WEEKLY 36

FRONT COUNTER - DAILY 37

FRONT COUNTER - WEEKLY 37

EQUIPMENT & PREVENTIVE MAINTENANCE 37

EQUIPMENT RECORDS 37

EQUIPMENT WARRANTY 39

PREVENTIVE MAINTENANCE 40

ICE BIN - QUARTERLY 46



EXHIBIT H

**SUMMARY OF
INDUSTRY SPECIFIC LAWS**

EXHIBIT H

SUMMARY OF INDUSTRY-SPECIFIC LAWS

The business of operating a **Thai Express Restaurant** is subject to all of the laws, codes and regulations (referred to below generally as “**laws**”) normally applicable to retail businesses. These include: (1) federal, (2) state, and (3) in most instances, city, county, parish, borough, municipality or other local laws.

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

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

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

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

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

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

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

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



EXHIBIT I

LIST OF FRANCHISEES, MULTI UNIT OPERATORS AND INSTITUTIONAL LICENSEES WHO HAVE LEFT THE SYSTEM

NONE

EXHIBIT I

LIST OF FRANCHISEES, MULTIPLE UNIT OPERATORS AND INSTITUTIONAL LICENSEES WHO HAVE LEFT THE SYSTEM

The following is a list of our Franchisees in the United States who have left the system during our last fiscal year ended November 30, 2017:

NONE.

As of November 30, 2016, we have not had any Multiple Unit Operators in the United States leave the system.

As of November 30, 2016, we have not had any Institutional Licensees in the United States leave the system.



EXHIBIT J

INSTITUTIONAL LICENSE AGREEMENT

INSTITUTIONAL LICENSE AGREEMENT

This Institutional License Agreement (the “**Agreement**”) is made as of _____, 20__ (the “**Effective Date**”), and is entered into by and between **MTY FRANCHISING USA, INC.**, a Delaware corporation with offices at 8150, Transacana Highway, suite 200, St-Laurent (Quebec), H4S 1M5, Canada (“**Licensor**”) and _____, a _____ corporation with offices at _____ (“**Licensee**”).

Recitals:

A. Licensee desires to obtain a license to use certain trademarks, trade names and service marks owned by Licensor (collectively the “**Marks**”), and certain recipes, methods, processes, and other proprietary information provided by Licensor to Licensee in writing and identified as proprietary to Licensor (collectively, “**Licensor’s Information**”). Licensor is willing to authorize such use, subject to the terms and conditions hereinafter set forth.

B. Licensee further desires to add Licensor’s Approved Products (as set forth on Exhibit C hereto) to the other products and services currently being sold (or to be sold) by Licensee at the food facility now operated (or to be operated) by it at the Location (as defined herein). The parties anticipate that aggregate sales of Approved Products shall constitute no more than 20% of the dollar volume of Licensee’s gross sales within the reasonably foreseeable future at the Location.

C. Licensee represents that it has substantial net worth and a minimum of two years’ prior experience in the food service business, and neither needs, nor desires to receive, any marketing plan or marketing, management, operational, sales, or promotional assistance from Licensor in connection with the operation of Licensee’s business at the Location.

D. Licensor is granting this license in reliance on the representations of Licensee that wishes to obtain a license to operate a retail food service business of the standard and quality set by Licensor and to utilize Licensor’s system (“**System**”), the Approved Products, the suppliers, the distinctive fixtures, accessories and color scheme specified by Licensor and the know-how, experience, goodwill, and marks of Licensor at various licensed locations throughout United States.

E. Licensee provides food service to colleges, universities, airports, and/or high schools (each, a “**Client**”) under food service agreements (each, a “**Client Contract**”).

Agreement:

1. License.

1.1 Licensor grants to Licensee for a term of five (5) years from the Effective Date (“**Term**”) a license to use the Marks and Licensor’s Information (hereinafter defined) (the “**License**”) at the food facility (i.e., kiosk, serving station or other point of retail service designated by the Marks) (“**Store**”) currently operated or to be operated by Licensee at the location set forth on Exhibit A to this Agreement: (“**Location**”); provided, however, that in no event shall the Term, or any renewal term, extend beyond Licensee’s right to operate such Store.

The parties may, from time to time, amend, modify, add or delete Locations to the list included on **Exhibit A** as mutually agreeable, but all the other terms and conditions contained in this Agreement shall remain in full force and effect as long as the term of this Agreement continues.

1.2 Licensee shall comply with Licensor's requirements regarding the use and protection of the Marks, including those Marks which Licensor hereafter creates and authorizes for use by Licensee at the Location; provided such requirements are communicated to Licensee in writing. The Marks and the goodwill associated therewith, and Licensor's Information, are and shall remain the exclusive property of Licensor.

1.3 The Licensor grants Licensee the right to sell products using the Marks at the Location only. Licensor and its affiliates may:

- (a) use or license others to use the Marks at any location other than the Location, as and in the manner Licensor shall elect; and
- (b) develop, lease or license the use of, at any location trade-marks other than the Marks in connection with the operation of a system which offers products or services which are the same as or similar to those offered under the System on any terms or conditions which Licensor deems advisable.

1.4 Licensor and Licensee agree that this Agreement is limited to the use of the Marks in connection with the sale of Approved Products at the Location, and does not include any marketing plan, or any marketing, management, operational, sales, or promotional assistance to Licensee in connection with Licensee's business at the Location, or any right by Licensor to control the operation of Licensee's business.

1.5 Licensee or its affiliate shall submit a completed Site Analysis Request in the form attached hereto as Exhibit B. The Licensor shall review the Site Analysis Request form and will, within 21 days of receiving the form, and all information requested thereon and any additional information which the Licensor reasonably believes it requires in order to make a decision thereon, notify the Licensee or its designated affiliate of its approval of the request or, if the request is not approved, its reasons for not approving the request. If the Licensee does not approve or disapprove within such 21 day period (or any extension agreed by the parties), the request shall be deemed to have been denied. Licensor reserves the right to approve or deny any submitted request on any basis which it, in its sole discretion, deems reasonable including, without limitation, any conditions which would require modification to or prevent Licensee or its affiliates from complying with Licensor's standards and specification for equipment, products or methods of operation and the proximity of the proposed location to Licensor's franchised or corporate owned restaurants.

2. Products.

2.1 Licensee may not sell any products using the Marks other than Approved Products.

2.2 The current Approved Products for sale at the Location are listed on Exhibit C, which may be amended by Licensor from time to time. Licensee may, in its discretion, sell at the

Location any current Approved Products and any additional Approved Products which Licensor approves in writing for sale at the Location.

2.3 The menu for sale at the Location (“**Core Menu**”) shall be as set forth on Exhibit C, as it may be amended upon the mutual agreement of the parties.

3. Standards.

3.1 To protect the goodwill associated with the Marks, Licensee shall prepare, offer, and sell approved products in conformance with Licensor’s uniform standards then in effect for such approved products, which standards may include, without limitation, methods of product preparation, display, and sale. Licensor shall have the right during reasonable business hours to inspect the Location and verify Licensee’s compliance with Licensor’s standards. Licensor, at its cost, shall loan Licensee manuals and/or other materials sufficient to advise Licensee of Licensor’s standards, which the Licensee shall return to the Licensor at the end of the Term. Licensee shall, at its own cost, attend and successfully complete, training programs required by Licensor regarding the System. Without limiting the generality of the foregoing, three (3) weeks before the Store is permitted to open by the Licensor, the Store manager, or any other designated person at the Location responsible for the day-to-day operations of the Store must complete and provide evidence of successfully completing the local food and safety program and must have successfully completed and passed the Licensor’s on-line test regarding daily operations, product preparation and portion sizes. Once the training and tests have been successfully completed to Licensor’s full satisfaction, Licensee will be permitted to open the Store. During the first four to five days after the Store’s opening, Licensor will provide on-site training to the Licensee’s employees at the Location. Licensor may designate the location of all such training programs. Licensee shall at its cost construct and equip the Store in conformity with Licensor’s standard plans, specifications and drawings provided by Licensor or its affiliates. The plans and specifications for the construction of the Store shall be subject to final approval by Licensor or its affiliates and no revisions may be made to such plans and specifications without Licensor’s written approval or the written approval of any of its affiliates. Licensee agrees to use in the operation of the Store only those brands or types of fixtures, equipment (including without limitation, computer, cash registers and point of sales systems), billboards and signs that Licensor has approved, acting reasonably, as meeting its specifications and standards for design, appearance, function, performance and serviceability. Licensee shall stock the Store with an inventory of products and supplies approved by Licensor and shall only sell such approved products.

4. Advertising.

4.1 Licensee shall not use any advertising or promotional material which bears the Marks without Licensor’s prior written approval.

5. Fees and Records.

5.1 Licensee agrees to pay Licensor a fee (“**License Fee**”) equal to \$_____ (_____ dollars), upon execution of this Agreement for each Location opened in accordance with this Agreement. The License Fee is fully earned by Licensor once paid and is not refundable, in whole or in part, under any circumstances. Licensee shall pay to Licensor a

royalty (“**Royalty**”) of _____% (_____ percent) of Gross Revenues for each partial or full month of the Term. Licensee shall pay each month’s Royalty within 25 days after the end of each monthly accounting period for which such Royalty is due. Each payment shall be accompanied by a statement of the respective month’s Gross Revenues in such form as Licensors and Licensee may mutually determine, both exercising good faith.

5.2 Licensors shall not charge Licensee for services which Licensors elects to provide and Licensee purchases, including the introductory basic operations training of Licensee’s employees and any subsequent training.

5.3 Gross Revenues shall mean all monies and receipts (consisting of cash, checks, debit cards, meal cards, and credit cards) derived from the sale of any Approved Products from the Location. Gross Revenues shall not include (a) any sales or other taxes which are required by law to be collected from customers, provided such taxes are added to the selling price, or (b) discount coupons to the extent Licensee realizes no revenue therefrom. Cash refunded and credit given to customers shall be deducted from Gross Revenues, but only to the extent that such cash or credit represent amounts previously included in Gross Revenues; or (c) any beverages sold from a remote location, that is, beverages not sold in the Store.

5.4 Licensee shall maintain accurate records of Gross Revenues for each year of the Term, in such form as Licensee may determine, exercising its good faith, business judgment as a food service provider. Licensee shall maintain these records for such period as Licensee maintains records for other operations at the Location. During the Term, Licensors shall have the right to inspect such records upon reasonable notice and during regular business hours.

6. Renewal.

6.1 At the expiration of the Term, Licensee may renew the License for two (2) additional five (5) year periods, provided that at the time of expiration of the Term and renewal period, Licensee has complied with its obligations hereunder during the Term, or the renewal period, as the case may be.

7. Competitive Activities.

7.1 Licensee shall sell only Approved Products from the Store. Licensee may not have any other national competing brand or franchisees that sell any products containing Thai or Asian food items at the server and/or food court at the Location.

8. Transfers.

8.1 The rights and duties created by this Agreement are personal to Licensee, and Licensors is granting this License in reliance on the business and financial capacity of Licensee.

8.2 Neither this Agreement nor any interest herein may be transferred or assigned, in whole or in part, without Licensors’s prior written consent; provided, however, that this Agreement may be assigned by Licensee to an affiliate of Licensee or its ultimate parent corporation without Licensors’s written consent.

9. Insurance and Indemnity.

9.1 Licensee shall procure, maintain and provide evidence of insurance for the Store and its operations of the types, in the amounts and with such terms and conditions as Licensee, exercising its good faith business judgment as a leading provider of branded quick-serve restaurants, determines (provided, however, that the types and amounts of coverage shall not be less than the types and amounts shown below. All of the required policies of insurance shall name Licensor, RDHR Investments & Holdings Inc., their employees, directors and officers, as additional insureds and provide for 30 days' prior written notice to Licensor of their cancellation or non-renewal. Prior to opening each Store, Licensee shall furnish Licensor with certified copies of the applicable insurance policies. Licensee shall promptly refer all claims or potential claims against it or Licensor to Licensee's insurer and to Licensor.

During the term of this Agreement, Licensee shall maintain the following types and amounts of insurance with companies reasonably acceptable to Licensor and licensed to do business in the state where the work is to be performed. Upon request, Licensee shall provide a certificate of insurance to Licensor.

1. a. Workers Compensation covering Licensee's employees with statutory coverage.
- b. Employers' Liability Insurance covering Licensee's employees with a limit of \$1,000,000 per incident for bodily injury by accident, \$1,000,000 policy limit by disease, and \$1,000,000 per employee for bodily injury by disease.
2. Commercial General Liability with a limit of \$5,000,000 per occurrence combined single limit for bodily injury and property damage including premises and operations, products and completed operations, liquor liability and contractual liability.
3. Automobile Liability with a limit of \$1,000,000 combined single limit for bodily injury and property damage.
4. Excess or Umbrella Liability providing coverage in excess of 1.b., 2 and 3 above.
5. Property insurance covering Licensee's property.

The above coverage can be satisfied through a combination of primary and excess coverage, with no deductible or self-insured retention.

9.2 Licensee shall defend and hold harmless Licensor from and against any claim, liability or other obligation, including reasonable attorneys' fees, arising out of the negligent operation of the Location, including all claims of bodily injury, or death, or damage to property resulting therefrom. Licensor shall defend and hold harmless Licensee and its officers and directors from and against any claim, liability or other obligation, including reasonable attorneys' fees, arising out of the failure of Licensor to perform in accordance with this Agreement, including any breach of representation, warranty or covenant hereunder. Any party requesting indemnity hereunder (the "Indemnified Party") shall give the other party (the "Indemnifying Party") prompt written notice of any claim for indemnity. The Indemnifying Party shall have full power and authority to direct any litigation of such claim, and the Indemnified Party shall cooperate with the Indemnifying Party in the defense of such claim.

10. Termination.

10.1 Either Licensor or Licensee may terminate this Agreement, at any time, for any reason or no reason, upon thirty (30) days' prior written notice to the other party.

10.2 Licensor may terminate this Agreement in the event of any breach of any term hereof by Licensee, provided Licensee has not fully cured such breach within thirty (30) days after receipt of written notice from Licensor (unless a longer period for cure is otherwise provided by applicable law).

10.3 Licensee may terminate this Agreement in the event of any breach of any term hereof by Licensor, provided Licensor has not fully cured such breach within thirty (30) days after receipt of written notice from Licensor.

10.4 This Agreement shall automatically terminate without any further action on behalf of either party hereto in the event that the Client Contract expires or terminates for any reason whatsoever.

10.5 Neither party shall be entitled to sue for, or recover, and each party waives any right to sue for, or recover, consequential, incidental or punitive damages as a result of any breach of any provision of this Agreement.

11. Disputes. This Agreement shall be governed by and interpreted in accordance with the substantive laws of the State of Arizona, without regard to its conflicts or choice of laws rules.

12. Miscellaneous.

12.1 Licensee and Licensor are independent contractors. Neither Licensee nor Licensor is, or shall be considered as, the principal, agent, employer, employee, or partner of the other, and neither shall have the power to bind or obligate the other, except as may be otherwise expressly permitted under this Agreement. No fiduciary relationship exists between Licensor and Licensee.

12.2 Licensee acknowledges that Licensor's Information may be highly confidential. Licensee shall not disclose the Licensor's Information to any third party (unless required by law or unless Licensor's Information comes into the public domain or is disclosed by any person or entity without such disclosure being a breach of any confidentiality or non-disclosure covenant), and shall use Licensor's Information solely for the purpose of fulfilling the terms of this Agreement. All copies of all such written information shall be destroyed or returned to Licensor upon the expiration or termination of this Agreement.

12.3 Upon the expiration or termination of this Agreement, Licensee shall promptly discontinue use of all of the Marks and take such action as specified by Licensor to remove all Marks from the Location. If Licensee fails to promptly take such action, Licensor shall be entitled to do so at Licensee's expense. At Licensor's option, it may purchase at Licensee's direct cost all supplies and other materials bearing any of the Marks.

12.4 The following provisions shall survive the expiration or termination of this Agreement: Sections 2.1, 9.2, 11, 12.2 and 12.3.

12.5 The failure by either party to enforce at any time one or more of the terms of this Agreement shall not be a waiver of any such terms or either party's right to thereafter enforce each term in strict accordance therewith.

12.6 This Agreement (including the Recitals, incorporated herein by this reference) constitutes the entire understanding and agreement of the parties concerning the Location, and all prior understandings and agreements, written and oral, between the parties which in any way pertain to the Location are superseded hereby. Nothing in this or in any related Agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you. This Agreement may not be modified, except by a writing executed by an authorized representative of Licensee and Licensor. The terms "include" and "including" when used in this Agreement, are used in the non-exclusive sense, and shall always be read herein as if followed by the phrase "but [is] not limited to" or the phrase "without limitation."

12.7 Any notice required or permitted to be given under this Agreement shall be in writing and shall be either personally delivered or mailed by certified, receipted overnight express or other receipted mail to the other party at the address first specified above. Any notice to be given to Licensor shall be directed to 8150, Transacana Highway, suite 200, St-Laurent (Quebec), H4S 1M5, Canada Attention: Legal Department with an additional copy directed to Attention: President. Any notice to be given to Licensee shall be directed to _____, Attn: Chief Financial Officer. Notices shall be deemed to be given when delivered personally or, if mailed, on the next business day following the date of mailing. Either party may change its address for receiving notice by giving the other party notice thereof in the manner required under this Agreement.

12.8 Any reference to "affiliates" of Licensor shall mean all entities that control, are controlled by or are under common control with Licensor.

12.9 The headings in this Agreement are provided for convenience of reference only and shall not be considered in construing any of the provisions herein.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

Licensee:

Licensor:

MTY FRANCHISING USA, INC.

By: _____

By: _____

Title: _____

Title: _____

EXHIBIT A LOCATION

Institution Name:

Location Description:

Physical/mailing address:

EXHIBIT B
SITE ANALYSIS FORM
NON-TRADITIONAL LOCATION

This form has been designed to allow you to easily analyze a potential THAI EXPRESS site. Within 21 days after the site is registered, you will receive a status update - Approve, Deny or Pending. If a site is listed as Pending, additional time will be required to analyze the trade area. Please direct further questions to Ray Zandi (rayz@mtgroup.com).

Completed form must be e-mailed to Ray Zandi at rayz@mtgroup.com or fax to Ray Zandi at 480-634-6987.

Date: _____

College/University/Airport/Hospital Name: _____

Street Address: _____

City/State/Zip: _____

Cross Streets: _____ County: _____

Student Enrollment: Commuter ☐ Resident ☐ (Check One)

Number of existing or projected brands at proposed location: _____

Will this unit be part of the college meal plan? Yes ☐ No ☐

Will the THAI EXPRESS be located in the main retail area ☐ or a secondary location? ☐

Is this a student union/hub type of location? Yes ☐ No ☐

Name of Location: _____

Distance to closest Traditional Brand Unit (in miles): _____

Projected annual sales volume: _____

Total Daily Food Sales: _____ Current Daily Food Customer Count: _____

Additional growth % expected by adding THAI EXPRESS: _____

Expected % of customers buying THAI EXPRESS: _____

Operating Days/Week: _____ Operating Weeks/Year: _____

OPERATING HOURS:

- Facility: From _____ A.M. to _____ P.M. ☐/A.M. ☐ or 24 Hours ☐
- TBX: From _____ A.M. to _____ P.M. ☐/A.M. ☐ or 24 Hours ☐

PROJECTED OPENING DATE: _____

Please indicate why you think this would be a good location for a THAI EXPRESS:

LOCAL CONTACT INFORMATION

Name: _____

Title: _____

Address: _____

City/State/Zip: _____

Phone _____ Fax: _____

The undersigned hereby requests approval of the above site and states:

1. I/we personally inspected the above site and the surrounding market area for use as a Thai Express restaurant. I/we have provided, reviewed and verified all information in this form and recommend acceptance of this site.
2. I/we understand that an approval of the site by Thai Express does not mean the Thai Express agrees with, approves or warrants the information contained above or the success of the proposed restaurant at the referenced location.
3. I/we understand that the Institutional License Agreement and exhibits cannot be finalized until: (a) this form has been submitted to and approved by Thai Express, (b) the sign package and layout of the Thai Express space within the facility have been submitted to and approved by Thai Express, and (c) restaurant cannot open until the License Agreement has been executed and all initial franchise fees, construction and/or graphics invoices have been paid.

By: _____

Its Representative (Please Print Name)

Signature of Representative

Date

The undersigned representative of MTY Franchising USA, Inc. based on the foregoing information provided above by the Licensee hereby:

Approve
[]

Deny
[]

Pending
[]

By: MTY Franchising USA, Inc.

Its Representative (Please Print Name)

Signature of Representative

Date

EXHIBIT C CORE MENU

The following is the Core Menu for the Location:

1.A TOM YUM SOUP SHRIMPS
1.B TOM YUM SOUP BEEF
1.C TOM YUM SOUP CHICKEN
1.D TOM YUM SOUP VEGETABLE
1.E TOM YUM SOUP TOFU
1.F TOM YUM SOUP FISH
2.A REGULAR SOUP SHRIMPS
2.B REGULAR SOUP BEEF
2.C REGULAR SOUP CHICKEN
2.D REGULAR SOUP VEGETABLES
2.E REGULAR SOUP TOFU
2.F REGULAR SOUP FISH
1.A Mini Tom Yum Soup SHRIMPS
1.B Mini Tom Yum Soup BEEF
1.C Mini Tom Yum Soup CHICKEN
1.D Mini Tom Yum Soup VEGETABLES
1.E Mini Tom Yum Soup TOFU
1.F Mini Tom Yum Soup FISH
Mini Extra Coco
2.A Mini Regular Soup SHRIMPS
2.B Mini Regular Soup BEEF
2.C Mini Regular Soup CHICKEN
2.D Mini Regular Soup VEGETABLES
2.E Mini Regular Soup TOFU
2.F Mini Regular Soup FISH
3.A CURRY SHRIMPS
3.A RED CURRY SHRIMP
3.A GREEN CURRY SHRIMP
3.A YELLOW CURRY SHRIMP
3.B CURRY BEEF
3.B GREEN CURRY BEEF
3. B RED CURRY BEEF
3.BYELLOW CURRY BEEF
3.C CURRY CHICKEN
3.CGREEN CURRY CHICKEN
3. C RED CURRY CHICKEN3.C YELLOW CURRY CHICKEN
3.D CURRY VEGETABLES3.D GREEN CURRY VEGETABLE
3.D RED CURRY VEGETABLE
3.D YELLOW CURRY VEGETABLE
3.E CURRY TOFU
3.E GREEN CURRY TOFU
3.E RED CURRY TOFU

3.E YELLOW CURRY TOFU
3.E GREEN CURRY TOFU
3.F CURRY FISH
3.F RED CURRY FISH
3.F GREEN CURRY FISH
3.F YELLOW CURRY FISH
3. GENERAL CURRY BATTERED CHICKEN
3.G RED GENERAL CURRY
3.G GREEN GENERAL CURRY
3.G YELLOW GENERAL CURRY
4. GENERAL THAI BATTERED CHICKEN
4.H GENERAL THAI BEEF
5.A FRIED RICE SHRIMPS
5.B FRIED RICE BEEF
5.C FRIED RICE CHICKEN
5.D FRIED RICE VEGETABLES
5.E FRIED RICE TOFU
5.F FRIED RICE FISH
6.A STIR FRIED SHRIMPS
6.A BASIL STIR-FRY SHRIMP
6.A CASHEW STIR-FRY SHRIMP
6.A CHILI PASTE STIR-FRY SHRIMP
6.A EGGPLANT STIR-FRY SHRIMP
6.A GINGER STIR-FRY SHRIMP
6.A LEMONGRASS STIR-FRY SHRIMP
6.A PEANUT STIR-FRY SHRIMP
6.A SOYA GARLIC STIR-FRY SHRIMP
6.A SWEET AND SOUR STIR-FRY SHRIMP
6.A BASIL PAD SALAD AND SHRIMP
6.A CASHEW PAD SALAD SHRIMP
6.A CHILI PASTE PAD SALAD SHRIMP
6.A EGGPLANT PAD SALAD SHRIMP
6.A GINGER PAD SALAD SHRIMP
6.A LEMONGRASS PAD SALAD SHRIMP
6.A PEANUT PAD SALAD SHRIMP
6.A SOYA GARLIC PAD SALAD SHRIMP
6.A SWEET AND SOUR PAD SALAD SHRIMP
6.B STIR FRIED BEEF
6.B CASHEW STIR-FRY BEEF
6.B BASIL STIR-FRY BEEF
6.B CHILI PASTE STIR-FRY BEEF
6.B EGGPLANT STIR-FRY BEEF
6.B GINGER STIR-FRY BEEF
6.B LEMONGRASS STIR-FRY BEEF
6.B PEANUT STIR-FRY BEEF
6.B SONYA GARLIC STIR-FRY BEEF
6.B SWEET AND SOUR STIR-FRY BEEF

6.B BASIL PAD SALAD BEEF
6.B CASHEW PAD SALAD BEEF
6.B CHILI PASTE PAD SALAD BEEF
6.B EGGPLANT PAD SALAD BEEF
6.B GINGER PAD SALAD BEEF
6.B LEMONGRASS PAD SALAD BEEF
6.B PEANUT PAD SALAD BEEF
6.B SOYA GARLIC PAD SALAD BEEF
6.B SWEET AND SOUR PAD SALAD BEEF
6.C STIR FRIED CHICKEN
6.C BASIL STIR-FRY CHICKEN
6.C CASHEW STIR-FRY CHICKEN
6.C CHILI PASTE STIR-FRY CHICKEN
6.C EGGPLANT STIR-FRY CHICKEN
6.C GINGER STIR-FRY CHICKEN
6.C LEMONGRASS STIR-FRY CHICKEN
6.C PEANUT STIR-FRY CHICKEN
6.C SOYA GARLIC STIR-FRY CHICKEN
6.C SWEET AND SOUR STIR-FRY CHICKEN
6.C BASIL PAD SALAD CHICKEN
6.C CASHEW PAD SALAD CHICKEN
6.C CHILI PASTE PAD SALAD CHICKEN
6.C EGGPLANT PAD SALAD CHICKEN
6.C GINGER PAD SALAD CHICKEN
6.C LEMONGRASS PAD SALAD CHICKEN
6.C PEANUT PAD SALAD CHICKEN
6.C SOYA GARLIC PAD SALAD CHICKEN
6.C SWEET AND SOUR PAD SALAD CHICKEN
6.D STIR FRIED VEGETABLES
6.D BASIL STIR-FRY VEGETABLES
6.D CASHEW STIR-FRY VEGETABLES
6.D CHILI PASTE STIR-FRY VEGETABLES
6.D EGGPLANT STIR-FRY VEGETABLES
6.D GINGER STIR-FRY VEGETABLES
6.D LEMONGRASS STIR-FRY VEGETABLES
6.D PEANUT STIR-FRY VEGETABLES
6.D SOYA GARLIC STIR-FRY VEGETABLES
6.D SWEET AND SOUR STIR-FRY VEGETABLES
6.D BASIL PAD SALAD VEGETABLES
6.D CASHEW PAD SALAD VEGETABLES
6.D CHILI PASTE PAD SALAD VEGETABLES
6.D EGGPLANT PAD SALAD VEGETABLES
6.D GINGER PAD SALAD VEGETABLES
6.D LEMONGRASS PAD SALAD VEGETABLES
6.D PEANUT PAD SALAD VEGETABLES
6.D SOYA GARLIC PAD SALAD VEGETABLES
6.D SWEET AND SOUR PAD SALAD VEGETABLES

6.E STIR FRIED TOFU
 6.E BASIL STIR-FRY TOFU
 6.E CASHEW STIR-FRY TOFU
 6.E CHILI PASTE STIR-FRY TOFU
 6.E EGGPLANT STIR-FRY TOFU
 6.E GINGER STIR-FRY TOFU
 6.E LEMONGRASS STIR-FRY TOFU
 6.E PEANUT STIR-FRY TOFU
 6.E SOYA GARLIC STIR-FRY TOFU
 6.E SWEET AND SOUR STIR-FRY TOFU
 6.E BASIL PAD SALAD TOFU
 6.E CASHEW PAD SALAD TOFU
 6.E CHILI PASTE PAD SALAD TOFU
 6.E EGGPLANT PAD SALAD TOFU
 6.E GINGER PAD SALAD TOFU
 6.E LEMONGRASS PAD SALAD TOFU
 6.E PEANUT PAD SALAD TOFU6.E SOYA GARLIC PAD SALAD TOFU
 6.E SWEET AND SOUR PAD SALAD TOFU
 6.F STIR FRIED FISH
 6.F BASIL STIR-FRY FISH
 6.F CASHEW STIR-FRY FISH
 6.F CHILI PASTE STIR-FRY FISH
 6.F EGGPLANT STIR-FRY FISH
 6.F GINGER STIR-FRY FISH
 6.F LEMONGRASS STIR-FRY FISH
 6.F PEANUT STIR-FRY FISH
 6.F SOYA GARLIC STIR-FRY FISH
 6.F SWEET AND SOUR STIR-FRY FISH
 6.F BASIL PAD SALAD FISH
 6.F CASHEW PAD SALAD FISH
 6.F CHILI PASTE PAD SALAD FISH
 6.F EGGPLANT PAD SALAD FISH
 6.F GINGER PAD SALAD FISH
 6.F LEMONGRASS PAD SALAD FISH
 6.F PEANUT PAD SALAD FISH
 6.F SOYA GARLIC PAD SALAD FISH
 6.F SWEET AND SOUR PAD SALAD FISH
 7.A PAD THAI SHRIMPS
 7.B PAD THAI BEEF
 7.C PAD THAI CHICKEN
 7.D PAD THAI VEGETABLES
 7.E PAD THAI TOFU
 7.F PAD THAI FISH
 8.A PAD SEW SHRIMPS
 8.B PAD SEW BEEF
 8.C PAD SEW CHICKEN
 8.D PAD SEW VEGETABLES

8.E PAD SEW TOFU
8.F PAD SEW FISH
IMPERIAL ROLLS
COLD VEG ROLLS
COLD SHRIMP ROLLS
DUMPLINGS
FRIED TOFU
MANGO SALAD
A. SHRIMPS SALAD 24oz
C. CHICKEN SALAD 24oz
A. SHRIMPS SALAD 8oz
C. CHICKEN SALAD 8oz
20OZ DRINK
BOTTLE/JUICE
WATER
THAI EXPRESS COCONUT WATER
PERRIER
VEGETABLE JUICE
MANGO SORBET WITH THAI MILK GELATO
FRIED BANANA WITH CHOCOLATE SAUCE
ASIAN DRINKS
PURE LEAF LIPTON
RED BULL
Sencha Green Tea
Darjeeling Black Tea
Pu Er Tea
Rooibos Chai Tea Lungo Forte 10oz
Espresso Forte 4oz
Lungo Decaffeinato 10oz
A COMBO IMPERIAL ROLL
B COMBO IMPERIAL ROLL
C COMBO IMPERIAL ROLL
D COMBO IMPERIAL ROLL
E COMBO IMPERIAL ROLL
F COMBO IMPERIAL ROLL
G COMBO IMPERIAL ROLL
EXTRA RICE
EXTRA CHICKEN
EXTRA BEEF
EXTRA SHRIMP (6)
EXTRA VEGETABLE
EXTRA PEANUT SAUCE
EXTRA NOODLE
EXTRA CASHEW
EXTRA EGG
EXTRA ON NOODLES
EXTRA TOFU

EXTRA GEN CHICKEN
EXTRA FISH
EXTRA COCO
COMBO IMP ROLL
COMBO VEG ROLL
COMBO SHRIMP ROLL
COMBO MANGO
COMBO MINI SOUP COMBO IMP ROLL + WATER
COMBO IMP ROLL +BOTTLE
COMBO IMP ROLL + ASIAN DRINKS
COMBO IMP ROLL + RED BULL
COMBO IMP ROLL + TÉ
COMBO IMP ROLL + NESPRESSO
COMBO BANANE FRITE + 20oz
COMBO BANANE FRITE + TÉ
COMBO BANANE FRITE + NESPRESSO
SPECIAL SOUPE
CHICKEN WINGS - 3 PCS
CHICKEN WINGS - 6 PCS
CHICKEN WINGS - 9 PCS



EXHIBIT K

RECEIPT

EXHIBIT K
RECEIPT
(Retain This Copy)

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 Thai Express offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Thai Express or an affiliate in connection with the proposed franchise sale. Under Illinois, Iowa, Maine, Nebraska, New York, Oklahoma, Rhode Island, or South Dakota law, if applicable, Thai Express must provide this disclosure document to you at your first personal meeting to discuss the franchise.

New York State Law requires a franchisor to provide the franchise disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Thai Express 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency identified on **Exhibit D**.

The name, principal business address and telephone number of the franchise seller offering the franchise is Ray Zandi at 9311 East Via de Ventura, Scottsdale, Arizona, 85258, (480) 515-6250.

Issuance Date: **March 1, 2018**

See **Exhibit D** for Thai Express's registered agents authorized to receive service of process.

I have received a disclosure document dated **March 1, 2018** that included the following Exhibits:

Exhibit A:	Financial Statements
Exhibit B:	Franchise Agreement with Schedules
Exhibit B1:	Asset Purchase Agreement
Exhibit C:	Deposit and Application Agreement
Exhibit D:	List of State Franchise Administrators and Agents for Service
Exhibit E:	List of Franchisees, Multiple Unit Operators and Institutional Licensees
Exhibit F:	State Addendum
Exhibit G:	Operations Manual Table of Contents
Exhibit H:	Summary of Industry-Specific Laws
Exhibit I:	List of Franchisees, Multi Unit Operators and Institutional Licensees Who Have Left the System
Exhibit J:	Institutional License Agreement
Exhibit K:	Receipt

_____	_____	_____
Date	Signature	Printed Name

Please sign this copy of the receipt, date your signature, and return it to Ray Zandi, 9311 East Via de Ventura, Scottsdale, Arizona, 85258.

EXHIBIT K

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Printed Name

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