

FRANCHISE DISCLOSURE DOCUMENT



BQ Concepts, LLC
dba *Barrio Queen*
an Arizona limited liability company
12701 Whitewater Drive, Suite 100
Minnetonka, Minnesota 55343-4164
952-294-1300
Website: www.barrioqueen.com
www.bbq-holdings.com/franchising
<https://www.bbq-holdings.com/>
www.facebook.com/barrioqueen

We offer *Barrio Queen* franchises. As a franchisee, you will operate a restaurant called *Barrio Queen* specializing in authentic Southern Mexican food and beverages prepared using proprietary recipes on a take-out or eat-in basis, and branded, licensed products.

The total investment necessary to begin operation of a Barrio Queen franchise ranges from \$1,346,502⁵⁰ to \$3,520¹⁵,007⁵⁰ if you lease the premises, and from \$3,273⁴⁶,002⁵⁰ to \$57,495⁵¹,007⁵⁰ if you purchase your premises, and under in either case includes \$71⁴⁰,007⁵⁰ to \$105⁵⁰,007⁵⁰ which must be paid to the franchisor or its affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact BQ Concepts, LLC, Attn: Legal Department, 12701 Whitewater Drive, Suite 100, Minnetonka, Minnesota 55343-4164 and 952-294-1300/9311 E. Via De Ventura, Scottsdale, Arizona 85258 and (480) 362-4800.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: March 27⁸, 2026⁵, as amended October 10,
2025.

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EXHIBITS:

A	State Addenda and Agency Documents
B	Financial Statements
C	Performance Guaranty
D	Franchise Agreement (and state specific addenda, if applicable)
E	Guaranty of Franchise Agreement
F	Non-Disclosure and Non-Competition Agreement
G	Collateral Assignment and Irrevocable Special Power of Attorney
H	Required Lease Terms (Lease Addendum to Lease Agreement)
I	Pre-Authorized Electronic Funds Transfer Form
J	General Release for Renewal of Franchise Agreement
J-1	<u>Asset Purchase Agreement (For Sale of a Corporate Store to a Franchisee) with Promissory Note and Security Agreement and Guaranty (if applicable)</u>
J-2	<u>Sublease and Guaranty of Sublease</u>
K	List of ~~Franchisees~~ Franchise Owners
L	List of Company-Owned Restaurants
M	State Effective Dates
N	Receipts

ITEM 1: THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor, Parents and Predecessors and Affiliates

The franchisor is BQ Concepts, LLC. To simplify the language in this “Disclosure Document,” BQ Concepts, LLC may be referred to as “BQ Concepts,” “we,” “us,” “our” and “Franchisor.” “You” and “your” mean the person(s), partnership, corporation, limited liability company, or other entity that buys the *Barrio Queen* unit franchise. If “you” are a business entity, “you” includes the shareholders, members or owners of the business to the extent each guaranties or otherwise agrees to perform or be bound by the obligations of the business entity. Any email addresses and website URLs referenced in this Disclosure Document, including its exhibits, are current as of the effective date of this Disclosure Document. We may update these email addresses and/or website URLs from time to time.

BQ Concepts is an Arizona limited liability company which was formed on February 4, 2022. BQ Concepts is in the business of owning, operating, and now franchising to others the right to own and operate restaurants, including under the name of Barrio Queen. BQ Concepts purchased the rights to own, operate and franchise the Barrio Queen brand in March 2022 from L&S Culinary Concepts, LLC and certain of its other affiliates pursuant to an Asset Purchase Agreement involving all open and operating Barrio Queen restaurants, which at such time was seven (7) corporate-owned restaurants and zero (0) franchised restaurants. BQ Concepts is the first company to franchise this Barrio Queen brand.

A principal business address of Franchisor is 12701 Whitewater Drive, Suite 100, Minnetonka, Minnesota 55343-4164, (952) 294-1300, www.barrioqueen.com.

We began offering franchises for the first time as of March 2023, and prior to such time this brand had never been franchised.

As of November 30, ~~2024~~2025, Franchisor had zero (0) operational Barrio Queen franchises and eight (8) operational corporate-owned Barrio Queen restaurants, all in the state of Arizona (see Item 20 and Exhibit K and L). Franchisor operates and offers franchises in other lines of business, as detailed in the chart in Item 1 below.

Franchisor’s agents for service of process are listed in Exhibit A to this Disclosure Document. Unless otherwise specified, our registered agent for service of process is CT Corporation System, 300 Montvue Road, Knoxville, Tennessee 37919.

Franchisor’s parent company is BBQ Holdings, Inc., a Minnesota corporation (“BBQ”). BBQ has subsidiaries including Franchisor and other than Franchisor that franchise other restaurant concepts, as further detailed in the chart below. On September 27, 2022, BBQ merged with a wholly owned subsidiary of MTY Food Group, Inc. (“MTY”) having an address at 8150 Transcanada Highway, Suite 200, Saint Laurent, Québec H4S 1MF. BBQ’s parent company became MTY Franchising USA, Inc. (“MTY USA”), originally

known as The Extreme Pita Franchising USA, Inc., and having an address of 9311 E Via De Ventura, Scottsdale, AZ 85258. MTY USA directly and through its other subsidiaries franchise other restaurant concepts, as further detailed in the chart below. MTY USA's parent corporation is MTY Franchising Inc. ("MTY Canada"), a Canadian corporation and a wholly owned subsidiary of MTY, formerly known as MTY Tiki Ming Enterprises Inc., and having an address at 8150 Route Transcanadienne, Suite 200, Ville Saint-Laurent, Quebec, H4S 1M5, Canada.

In addition to the concepts franchised by Franchisor or its current or former US-based affiliates as further detailed in the chart below, MTY or one or more of its Canadian-based subsidiaries franchises over (55) different restaurant concepts and has over ~~2,500~~ 400 units under the following trademarks in Canada primarily, and other international countries: Allo Mon Coco, Baton Rouge Steakhouse & Bar, Ben & Florentine, Big Smoke Burger, BO[W]LD, Café Depot, Casa Grecque, Country Style, Cultures, Dagwoods, Extreme Pita, Giorgio, Jugo Juice, Kim Chi, Koryo, Koya, Kuto Comptoir A Tartares, La Crémère, La Diperie (and Cakes & Shakes by La Dip), Madisons, Manchu Wok, Toujours Mikes, ~~mmmuffins~~, Mr. Souvlaki, Mr. Sub, Mucho Burrito, Muffin Plus, ~~O'Burger~~, Papa Murphy's, Pizza Delight, Poke by Sushi Shop, Scores, South St. Burger, Spice Bros, Steak & Frites St. Paul Sukiyaki, ~~Sushi Go~~, Sushiman, Sushi Shop, Thai Express, Thaizone, The Works, Tiki Ming, Timothy's World Coffee, The COOP Wicked Chicken, Tosto, Turtle Jack's, Tutti Frutti, Valentine, Van Houtte, Vanellis, Vie & Nam, Villa Madina, Spice Brothers, Steak Frites, Wasabi, Wetzel's Pretzels and YUZU trademarks. MTY also sub-franchises two (2) other different restaurant concepts: TCBY and TacoTime. MTY is a publicly-traded company headquartered in Montreal, Québec, Canada.

Other Franchises Offered by Franchisor or Franchisor's Affiliates

FRANCHISOR IS ONLY OFFERING A *BARRIO QUEEN* UNIT FRANCHISE UNDER THIS DISCLOSURE DOCUMENT. EACH OF THE FRANCHISES DETAILED BELOW ARE OFFERED BY FRANCHISOR OR A U.S. AFFILIATE UNDER SEPARATE DISCLOSURE DOCUMENTS FOR EACH BRAND.

We have the following U.S.-based affiliates through common ownership by MTY Food Group, that also offer franchises in the United States and internationally: (1) MTY USA, a Tennessee corporation having an address of 9311 E. Via De Ventura, Scottsdale, Arizona 85258; (2) MTY Canada, a Canada corporation having an address at 8210, route Transcanadienne, Suite 200, Saint-Laurent, Québec, H4S 1M5, Canada; (3) Kahala Franchising, LLC ("Kahala Franchising"), an Arizona limited liability company with its principal address at 9311 E. Via De Ventura, Scottsdale, Arizona 85258; (4) BF Acquisition Holdings, LLC ("BFAH"), a Delaware limited liability company with a principal address at 9311 E. Via De Ventura, Scottsdale, Arizona 85258; (5) La Salsa Franchise, LLC, a Delaware limited liability company with a principal address at 9311 E. Via De Ventura, Scottsdale, Arizona 85258; (6) Imvescor Restaurant Group Inc. ("IRG") a Canada corporation having an address at 8210, route Transcanadienne, Suite 200, Saint-Laurent, Québec, H4S 1M5, Canada; (7) Papa Murphy's International, LLC (Papa

Murphy's), a Delaware limited liability company having an address at 8000 NE Parkway Drive, Suite 350, Vancouver, Washington 98662; (8) VI BrandCo, LLC ("Village Inn"), a Delaware limited liability company having a principal address at 12701 Whitewater Drive, Suite 100, Minnetonka, Minnesota 55343-4164, (9) BQ Concepts, LLC, an Arizona limited liability company having a principal address at 12701 Whitewater Drive, Suite 100, Minnetonka, Minnesota 55343-4164; (10) Wetzel's Pretzels, LLC, a California limited liability company with a principal business office at 35 Hugus Alley, Suite 300, Pasadena, CA 91103; and (11) Famous Dave's of America, Inc.,— a Minnesota ~~limited liability company~~corporation having a principal address at 12701 Whitewater Drive, Suite 100, Minnetonka, Minnesota 55343-4164. These affiliates franchise over 50 different concepts.

The following summarizes the Barrio Queen brand and other franchised restaurant brands offered in the United States by MTY USA or its affiliates as of November 30, ~~2024~~2025, including the type of restaurant business, number of franchised units in operation as of November 30, ~~2024~~2025, and the date Franchisor or its current or former affiliates offered franchises in those brands:

Brand Name	Type of Restaurant Business	Number of Units as of November 30, ~~2024~~ <u>2025</u>	Dates unit franchises began being offered by us or our affiliate
Blimpie	Restaurants serving submarine sandwiches and salads	~~100~~ <u>87</u> franchised units (~~97~~ <u>84</u> in the United States and 3 internationally) (plus 4 company-owned units in the United States)	From 2006 until 2010 by Kahala Franchise Corp. and since August 2010 under Kahala Franchising
Chicken Strips and Dips	Ghost kitchen concept serving primarily chicken tenders.	~~3~~ <u>1</u> franchised units	March 2022, Kahala Franchising.

Brand Name	Type of Restaurant Business	Number of Units as of November 30, ~~2024~~ 2025	Dates unit franchises began being offered by us or our affiliate
Cold Stone Creamery	Restaurants serving super-premium freshly made ice cream, cakes, pies, smoothies, shakes, and other frozen dessert products	1,427- ~~501~~ franchised units (~~992-1052~~ in the United States and ~~435~~ <u>449</u> internationally)(plus 2 company-owned units). ~~405-103~~ Cold Stone Creamery franchises also sell Rocky Mountain Chocolate Factory® products and 1 Cold Stone Creamery franchise also sells Tim Hortons® products. Additionally, ~~13-8~~ licensed units.	From May 2007 until March 2008 by Cold Stone Creamery, Inc., from March 2008 until March 2010 by Kahala Franchise Corp., and since August 2010 under Kahala Franchising
Frullati Cafe & Bakery	Restaurants serving sandwiches, salads, smoothies and baked goods	~~44-10~~ franchised units	From 1999 until 2004 by Frullati Franchise Systems, Inc., from 2004 until March 2010 by Kahala Franchise Corp., and since August 2010 under Kahala Franchising
Great Steak	Restaurants serving Philadelphia cheesesteak sandwiches, chicken sandwiches and French fries	~~34-32~~ franchised units (~~24-23~~ in the United States and ~~10~~ <u>9</u> internationally)	From 2004 until March 2010 by Kahala Franchise Corp. and since August 2010 under Kahala Franchising
Johnnie's New York Pizzeria	Restaurants serving New York style pizza, calzones, salads, and related Italian	2 franchised units	From 2006 until March 2010 by Kahala Franchise Corp. and since August 2010 under Kahala Franchising

Brand Name	Type of Restaurant Business	Number of Units as of November 30, ~~2024~~ 2025	Dates unit franchises began being offered by us or our affiliate
	cuisine menu items		
Kahala Coffee Traders	Restaurants serving coffee and espresso, tea, baked goods, parfaits, sandwiches and merchandise	~~5-6~~ franchised units. And 1 licensed unit.	November 2011 under Kahala Franchising
Maui Wowi	Store fronts or portable units serving fruit smoothies, ~~Hawaiian~~ coffee and espresso, <u>and other beverage and food items</u>	~~88-83~~ franchised units (~~80-75~~ in the United States and 8 internationally)	Since November 2015 under Kahala Franchising
NrGize Lifestyle Cafe	Cafes serving smoothies, fruit drinks and nutritional supplements	57 franchised units	From 2006 until March 2010 by Kahala Franchise Corp. and since August 2010 under Kahala Franchising
Pinkberry	Restaurants serving frozen yogurt, yogurt drinks, smoothies and frozen desserts	~~59-62~~ franchised units. And 30 licensed units.	From July 2008 until April 2016 under Pinkberry Ventures, Inc. and since June 2016 under Kahala Franchising
Planet Smoothie	Restaurants serving smoothies, smoothie bowls, juices ~~and~~ , nutritional supplements, <u>baked goods, parfaits,</u>	~~162-167~~ franchised units (~~154-160~~ in the United States and ~~8~~ <u>7</u> internationally) Additionally, as of fiscal year end there were 2 Tasti D-Lite outlets.	Since June 2016 under Kahala Franchising

Brand Name	Type of Restaurant Business	Number of Units as of November 30, ~~2024~~ 2025	Dates unit franchises began being offered by us or our affiliate
	<u>sandwiches, and salads</u>		
Ranch One	Restaurants specializing in grilled and crispy breaded chicken sandwiches	2 franchised units	From 2001 until 2004 by Ranch *1 Group, Inc., from 2004 until March 2010 by Kahala Franchise Corp., and since August 2010 under Kahala Franchising
Samurai Sam's Teriyaki Grill	Restaurants serving Japanese rice bowls and noodle bowls	~~12~~ <u>10</u> franchised units	From 2003 until 2004 by SP Franchising, Inc., from 2004 until March 2010 by Kahala Franchise Corp., and since August 2010 under Kahala Franchising
Surf City Squeeze	Juice bars serving smoothies, fruit drinks and nutritional supplements	62 franchised units (<u>59 in the United States and 3 internationally</u>) (plus ~~4~~ <u>2</u> company-owned unit)	From 1994 until 2004 by Malibu Smoothie Franchise Corp. and Surf City Squeeze Franchise Corp., from 2004 until March 2010 by Kahala Franchise Corp., and since August 2010 under Kahala Franchising
TacoTime	Restaurants serving ~~freshly-prepared~~ Mexican food including burritos, <u>tacos</u> ,	~~222~~ <u>212</u> franchised units (~~97~~ <u>87</u> franchised in the United States and 125 internationally) (plus 2 company-owned units)	From 2003 until 2004 by Taco Time International, Inc., from 2004 until March 2010 by Kahala Franchise Corp., and since

Brand Name	Type of Restaurant Business	Number of Units as of November 30, ~~2024~~ <u>2025</u>	Dates unit franchises began being offered by us or our affiliate
	quesadillas and nachos	Additionally, there are 78 licensed units.	August 2010 under Kahala Franchising

Brand Name	Type of Restaurant Business	Number of Units as of November 30, ~~2024~~ <u>2025</u>	Dates unit franchises began being offered by us or our affiliate
Extreme Pita	Restaurants serving wrap-style hot and cold pita and wrap sandwiches	1 franchised unit	From March 2001 to July 2014: The Extreme Pita Franchising USA, Inc.; since July 2014: MTY USA
Grabbagreen	Restaurants serving healthy food, juice, smoothies and related products	~~4~~ <u>3</u> franchised units	Since February 2018 under MTY USA
Ginger Sushi Boutique + Poke Shop	Restaurant serving a variety of sushi menu items and drinks	0 franchised units	From September 2015 under MTY USA
Mucho Burrito	Restaurants offering burritos, quesadillas, tacos, nachos, and other assorted food and drinks	~~4~~ <u>0</u> franchised units	From January 2010 under Mucho Burrito Franchising USA, Inc.; from March 2019 under MTY USA

Brand Name	Type of Restaurant Business	Number of Units as of November 30, ~~2024~~ <u>2025</u>	Dates unit franchises began being offered by us or our affiliate
Thai Express	Restaurant serving “Thai-style” foods and drinks	7 franchised units (~~5~~ <u>4</u> in the United States and ~~2~~ <u>3</u> internationally) (plus ~~2~~ <u>1</u> company-owned)	From February 2015 under MTY USA
La Diperie	Restaurant serving retail sale of an ice cream product and various dips and toppings	~~1~~ <u>2</u> franchised units	From April 2019 under MTY USA
Baja Fresh	Restaurant offering a limited menu featuring fresh high quality Mexican-style food products	~~69~~ <u>70</u> franchised units (67 in the United States and ~~2~~ <u>3</u> internationally) (plus ~~6~~ <u>1</u> company-owned units)	October 2016 until July 2017 under Triune, LLC and since then under BFAH
La Salsa	Restaurant offering a limited menu featuring fresh high quality Mexican-style food products	~~5~~ <u>4</u> franchised units	October 2016 under La Salsa Franchise, LLC
The Counter	Full service restaurant featuring build-your-own burgers, signature burgers, side dishes, sandwiches, and salads	~~9~~ <u>7</u> franchised units (~~8~~ <u>6</u> in the United States and 1 internationally) (plus ~~3~~ <u>2</u> company-owned units)	December 2017 under CB Franchise Systems, LLC. Then from March 2019 under MTY USA
Built Custom Burgers	Fast casual restaurant featuring build-your-own burgers, signature burgers, side dishes,	~~7~~ <u>6</u> franchised units (~~3~~ <u>2</u> in the United States and 4 internationally)	December 2017 under Built Franchise Systems, LLC. Then from March 2019 under MTY USA

Brand Name	Type of Restaurant Business	Number of Units as of November 30, ~~2024~~ <u>2025</u>	Dates unit franchises began being offered by us or our affiliate
	sandwiches, and salads		
sweetFrog	Restaurant offering frozen yogurt using a self-serve delivery format	~~216~~ <u>213</u> franchised units (~~206~~ <u>203</u> in the United States which include ~~9~~ <u>7</u> licensed franchisees plus 10 internationally)	September 2018 under MTY USA
Manchu WOK	Quick service restaurant serving fast and fresh Chinese cuisine	15 franchised units	March 2015: MTY USA
Ben & Florentine	Restaurant serving a superior breakfast & lunch experience	0 franchised units	From December 2018 under MTY USA
Papa Murphy's	Retail food outlet serving primarily take and bake pizza	1,000 ~~36~~ franchised units (~~1,001~~ <u>965</u> in the United States and 35 internationally) plus ~~493~~ company-owned units	From May 2019 Papa Murphy's International LLC
Famous Dave's	Restaurants specializing in authentic, down-home, genuine smoked barbecue	~~85~~ <u>80</u> franchised units (~~77~~ <u>70</u> in the United States and ~~8~~ <u>10</u> internationally) plus ~~32~~ <u>30</u> company-owned units	From March 1994 under Famous Dave's of America, Inc.

Brand Name	Type of Restaurant Business	Number of Units as of November 30, ~~2024~~ <u>2025</u>	Dates unit franchises began being offered by us or our affiliate
Village Inn	Restaurant specializing in pancakes, omelets, skilletts, eggs, and other popular breakfast items	~~88-84~~ franchised units plus ~~26-25~~ company-owned units	From August 2020 under VI BrandCo, LLC
Barrio Queen	Restaurants specializing in authentic Southern Mexican	8 company-owned units	From March 2023 under BQ Concepts, LLC
Champps Kitchen + Bar	sports theme restaurants that provide the public with high-quality food and beverage	~~2-1~~ franchised units plus 1 company-owned unit	From September 1999 to October 2008 under Champps Entertainment, Inc. and From August 2023 under BQ Concepts, LLC
Sauce Pizza / Wine	Restaurants serving wood-fired pizzas, a variety of pasta dishes, and salads	13 company-owned units	March 2024
Wetzel's Pretzels	Restaurant specializing in hand-rolled fresh-baked soft pretzels	~~406-455~~ franchised units (~~389-423~~ in the United States and ~~47-32~~ internationally) plus ~~36-35~~ company-owned units	From April 1996 under Wetzel's Pretzels, LLC

In addition to the franchised brands listed herein, our affiliates also own and operate other restaurant concepts that are not franchised or offered to franchisees as of the issuance date of this Disclosure Document. These brands include the following, and Franchisor's affiliate may continue to buy other restaurant concepts which are or are not franchised: Bakers Square, Granite City Food and Brewery, Real Urban BBQ, Craft Republic Bar & Grill, Champps Kitchen + Bar, and Tahoe Joe's Famous Steakhouse.

Marketing and Development and was promoted to Director of Franchise Marketing and Development in August 2016.

Senior Vice President of Development: John Wuycheck

Mr. Wuycheck has served as Kahala Brands' Senior Vice President of Development since September 2014. In this role, Mr. Wuycheck oversees franchise development for Kahala Brands' portfolio, including Wetzel's Pretzels.

Vice President of Franchise Development: Jay Goldstein

Mr. Goldstein has held his current role since May of 2009. Prior to this, he served as Senior Director of Operations, then Senior Director of Development for Kahala Franchising and has worked with the Cold Stone Creamery brand since October 2005.

Director of Franchise Development: Doug Merenda

Mr. Merenda joined Kahala Brands' sales team in October 2015 as a Director of Franchise Development and was a franchise broker for Kahala Brands from April 2015 through October 2015.

Franchise Development Manager: Traci Zandi

Ms. Zandi has assisted our Development team in awarding franchise units since October 2016. She also served as Office Manager and Executive Assistant for Extreme Pita from April 2011 until October 2016.

Vice President of Franchise Development: Peter Tsafoulis

Mr. Tsafoulis is the Vice President of Franchise Development, a position he has held since March of 2018. Prior to that, he served as the Director of Franchising of IRG from January 2008 until March 2018.

Manager of Franchise Development: Marilyn Bower

Ms. Bower joined Kahala Brands as Manager of Franchise Development in February 2025. Previously, she held similar roles at Gold Spectrum and SunMed from 2022 through 2024. Prior to that, Ms. Bower was a Customer Service Representative with Farmers Insurance Agency in Bradenton, Florida from 2020 through 2022.

~~Head of Development – Wetzel's Pretzels: Jon Fischer~~

~~Mr. Fischer serves as Head of Development – Wetzel's Pretzels as of March 2023. Previously, Mr. Fischer served as the Wetzel's Pretzels Chief Development Officer from October 2019. In his role, Mr. Fischer is responsible for Wetzel's Pretzels franchise development, including real estate development for franchised outlets. Prior to that, Mr. Fischer held a variety of Vice President positions, including in real estate and development, at Papa Murphy's International from August 2014 to October 2019.~~

September 22, 2016, Koho filed a Notice of Filing of Notice of Appeal and requested that Kahala participate in a mediation to resolve the outstanding award to Kahala. Koho failed to post an appeal bond. On February 13, 2017, Kahala commenced its self-help pursuant to Section 8(i) and (j) of the ARA and began withholding 100% of the Area Representative fees to which Koho would have otherwise been entitled. On June 19, 2017, the parties entered into a settlement agreement whereby Kahala repurchased Koho's Area Developer territory for the sum of \$75,000 and forgave the remaining damages owed in the amount of \$130,000.

Texas Nrgize #1, Inc. v. Kahala Franchising, L.L.C. and Kahala Holdings, L.L.C.; 67th Judicial District Court, Tarrant County, Texas; Civil Action No.: 067-272652-14 subsequently removed to United States District Court for the Northern District of Texas; Case No.: 4:14-cv-544-Y.

On or about June 18, 2014, Texas Nrgize #1, Inc., an Nrgize franchisee ("Plaintiff"), filed a Petition and Request for Disclosure against Kahala Franchise Corp and Kahala Holdings, L.L.C. (collectively "Defendants") alleging (i) violations of the Texas Business Opportunities Act, Tex. Bus. & Comm. Code §§ 51.001 and the Texas Deceptive Trade Practices Consumer Protection Act, Tex. Bus. & Comm. Code §17.46, and (ii) Breach of Contract and Warranties. Plaintiff sought: (i) economic damages in excess of \$200,000, plus treble damages and pre and post judgment interest at the maximum rates allowed by law; (ii) attorneys' fees and costs; and (iii) such other relief to which the Plaintiff may be justly entitled. On July 16, 2014, Defendants filed a Notice of Removal to the United States District Court for the Northern District of Texas. On July 24, 2014, the judge executed the Order Granting the Unopposed Motion to Substitute Parties and Changing Case Style. Kahala Franchising, L.L.C. ("Defendant") was substituted in as a defendant instead of Kahala Franchise Corp. On July 28, 2014, Defendant filed a Motion to Transfer Pursuant to 28 U.S.C. §1404(A) and Brief in Support. This motion sought an order to transfer the litigation to the United States District Court for the District of Arizona pursuant to the parties' forum selection clause contained in the franchise agreement. On August 1, 2014, Defendant filed its Answer, Counterclaim and Third Party Claim. The Counterclaim was against Plaintiff and the Third Party Claim was filed against Duane W. Martin, Argentina Saldivar, and Margena Wood ("Third Party Defendants"). Defendant alleged: (i) Breach of Franchise Agreement against Plaintiff, and (ii) Breach of Guaranty against Third Party Defendants. Defendant sought: (i) judgment against Plaintiff and the Third Party Defendants in an amount to be proven at trial; (ii) attorneys' fees; (iii) costs pursuant to A.R.S. §§12-341 and 12-341.01 and the parties' contractual agreements; and (iv) any other relief the Court deemed fit. Plaintiff filed its Response to Defendant's Motion to Transfer Pursuant to 28 U.S.C. §1404 (A) and Brief in Support on August 18, 2014, then filed its Answer to Defendant's Counterclaim on August 22, 2014. On August 28, 2014, Defendant filed its Reply in Support of Motion to Transfer Pursuant to 28 U.S.C. §1404(A) and Brief in Support. On September 24, 2014, the United States District Court for the Northern District of Texas Court requested that each party submit a supplemental brief to benefit the Court in resolving the Defendant's Motion to Transfer. Mediation was

~~held on September 29, 2014, but the parties failed to come to an agreement. On October 17, 2014, Third Party Defendants filed their Answer and Counterclaim. Third Party Defendants alleged: (i) violations of the Texas Business Opportunities Act, Tex. Bus. & Comm. Code §§ 51.001 and the Texas Deceptive Trade Practices Consumer Protection Act, Tex. Bus. & Comm. Code §17.46, and (ii) breach of contract and warranties. Third Party Defendants sought: (i) economic damages in excess of \$200,000, plus treble damages under the Code and pre- and post judgment interest at the maximum rates allowed by law; (ii) attorney's fees; (iii) costs; and (iv) any other general or special relief that the Court deemed fit. On October 24, 2014, Defendant filed its Supplemental Briefing In Support of Its Motion to Transfer Pursuant to 28 U.S.C. §1404(A). On November 10, 2014, Defendant filed its Answer to the Third Party Counterclaims. On November 13, 2014, Defendant filed its Notice of Dismissal Without Prejudice as to Third Party Defendant Argentina Saldivar only. On November 14, 2014, Plaintiff filed its Response to Defendant's Supplemental Briefing In Support of Their Motion to Transfer Pursuant to 28 U.S.C. §1404(A). On November 26, 2014, Defendant filed its Reply to Plaintiff's Response to Defendant's Supplemental Briefing in Support of Its Motion to Transfer Pursuant to 28 U.S.C. §1404(A). On February 24, 2015, the Court granted Defendant's Motion to Transfer the case to the United States District Court of the District of Arizona; Phoenix Division; Case No.: CV15-0337 PHX DGC. In April 2015, Plaintiff moved to compel arbitration which was ultimately denied by the Court. The parties participated in a mediation in August 2015 which was unsuccessful. In December 2015, the parties executed a settlement agreement in which Defendant paid Plaintiff the sum of \$35,000. The parties filed a Stipulation to Dismiss With Prejudice on December 18, 2015.~~

Concluded Arbitration and Litigation Involving SFF, L.L.C., successor in interest to SweetFrog Enterprises, L.L.C.

Urquieta Sweet Frog, L.L.C. and Ana Urquieta v. SweetFrog Enterprises, L.L.C. d/b/a SFF, L.L.C., American Arbitration Association; Case No. 01 14 0001 8086.

~~On December 23, 2014, Urquieta Sweet Frog, L.L.C. and Ana Urquieta, a former sweetFrog franchisee and its owner (collectively "Plaintiffs"), filed a Demand for Arbitration against SweetFrog Enterprises, LLC ("Defendant"). Plaintiffs alleged: (i) Defendant engaged in fraud; (ii) unfair practices; and (iii) deceptive actions. On February 2, 2015, Defendant timely filed an Answer and Counterclaim and denied all allegations, and further asserted a counterclaim against Plaintiffs for unpaid royalties. This matter was settled in December of 2015. Under the settlement, Defendant agreed to pay Plaintiffs \$300,000 and the parties executed mutual releases.~~

SFF, L.L.C. v. Carmel Village Yogurt Company L.L.C.; City of Richmond, Virginia Circuit Court; Case No. CL16-3927.

On August 29, 2016, SFF, L.L.C. ("Plaintiff") filed a lawsuit against three sweetFrog franchisee entities, Carmel Village Yogurt Company L.L.C. ("Defendant Carmel YC"), Huntersville Yogurt Company, L.L.C. ("Defendant Huntersville YC"), and Mooresville

Yogurt Co, L.L.C. ("Defendant Mooresville YC"), and their main member, Steve Anto ("Defendant Anto"); (all named Defendants collectively referred to as, "Anto Defendants"). Plaintiff alleged: (i) Defendant Carmel YC breached its franchise agreement through its unauthorized closure of its franchised shop; and (ii) as a result of the breach, Plaintiff had the contractual right to terminate Defendant Carmel YC's franchise agreement and cross terminate the franchise agreements of Defendant Huntersville YC and Defendant Mooresville YC. Plaintiff sought: (i) declaratory judgment that the three franchise agreements had terminated; (ii) specific performance of the Anto Defendants' post-termination obligations; (iii) damages for past due fees; (iv) lost future royalties in excess of \$116,000; and (v) recovery of its attorneys' fees. In response to Plaintiff's complaint, Anto Defendants denied Plaintiff's claims and asserted counterclaims against Plaintiff and alleged: (i) Defendant Carmel YC's franchise agreement was unenforceable and, alternatively, that Plaintiff was in breach of Defendant Carmel YC's franchise agreement due to Plaintiff's allowance of another franchisee to open a shop within three miles of Defendant Carmel YC's shop. Anto Defendants sought: (i) a declaratory judgment that they were not in default of their franchise agreements; (ii) damages of not less than \$425,000; and (iii) recovery of their attorneys' fees. Plaintiff denied Anto Defendants' claims and filed a demurrer and pleas in bar seeking to have those claims dismissed. Prior to the court hearing and ruling on Plaintiff's motion, the parties entered into an agreement pursuant to which: (i) the parties acknowledged the valid termination of Defendant Carmel YC's franchise agreement; (ii) Defendant Carmel YC transferred the assets of its business to Plaintiff and Plaintiff paid Defendant Carmel YC \$25,000; (iii) Plaintiff reinstated Defendant Huntersville YC's and Defendant Mooresville YC's terminated franchise agreements; and (iv) Plaintiff granted Defendant Anto the right to develop a new sweetFrog shop at a mutually acceptable location on or before November 8, 2018. The case was dismissed with prejudice on December 15, 2016.

Concluded Arbitration and Litigation Involving Fresh Enterprises, L.L.C. successor in interest to BF Acquisition, L.L.C.

Fresh Enterprises, L.L.C. v. Ledang Investment Group, L.L.C., Vincent Tienn Le, Ho Tien Le and Hue Thi Dang Superior Court of the State of California, County of Santa Clara, Case No. 1-13-CV-257219.

On July 2, 2013, Fresh Enterprises, L.L.C., as successor-in-interest to Baja Fresh Westlake Village, Inc. ("Plaintiff"), filed a complaint against Ledang Investment Group, L.L.C.; Vincent Tien Le, Ho Tien Le and Hue Thi Dang (collectively "Defendants Ledang" or "Cross Claimants Ledang") for: (i) implied indemnity; (ii) equitable indemnity; (iii) express indemnity; (iv) breach of contract; (v) declaratory relief seeking unspecified damages; (vi) indemnification; (viii) a judgment of unlawful detainer; and (ix) declaration that Defendants Ledang were obligated to reimburse Plaintiff for various expenses. On January 6, 2014, Cross Claimants Ledang filed a Cross-Complaint against Plaintiff, Baja Fresh Westlake Village, LLC, Triune Corporation and National Franchise Sales, Inc. (collectively "Counter Defendants") for: (i) breach of contract; (ii) breach of covenant of

good faith and fair dealing; (iii) negligent misrepresentation; and (iv) intentional misrepresentation. On February 19, 2014, Counter Defendants filed a Motion to Compel Arbitration, which was granted. The disputes between the parties were then arbitrated before the American Arbitration Association (Case Number 72-20-1400-0126). On February 2, 2015, the Arbitrator issued an award in favor of Cross Claimants Ledang in the amount of \$660,620.84. The parties entered into a Settlement and Release Agreement on July 20, 2015, under which Counter Defendants paid the Cross Claimants Ledang the sum of \$585,000 and the matter was dismissed with prejudice.

Concluded Arbitration and Litigation Involving Famous Dave's of America, Inc.

Desert Ribs, L.L.C., Famous Gracie, L.L.C., Famous Freddie, L.L.C., Famous George, L.L.C. and Famous Charlie, L.L.C. v. Famous Dave's of America, Inc., American Arbitration Association, Minneapolis, Minnesota, Case No. 01 16 0000 8549.

On March 14, 2016, the franchisees for the Famous Dave's® Restaurants in Chandler, Peoria, Mesa and Gilbert, Arizona ("Claimants") filed a Demand for Arbitration against Famous Dave's alleging that Famous Dave's (1) violated the Minnesota Franchise Act ("MFA"), (2) breached the implied covenant of good faith and fair dealing under the Famous Dave's® Franchise Agreements with Claimants (the "Franchise Agreements"), and (3) breached certain express provisions of the Franchise Agreements. Claimants sought damages of \$2,984,098, and a permanent injunction prohibiting Famous Dave's from engaging in discriminatory conduct in violation of the MFA. On July 20, 2016, the arbitrators ruled in partial favor of the pre-hearing motion filed by Famous Dave's by dismissing Claimants' MFA claims against Famous Dave's. Upon the dismissal of the MFA claims, Claimants voluntarily dismissed their remaining claims against Famous Dave's and entered into a confidential settlement agreement and mutual release (the "Settlement Agreement"), dated August 22, 2016, with Famous Dave's. The Settlement Agreement included the following material terms: (i) the territorial rights granted to Claimants in the Franchise Agreements were modified; (ii) the managing member of Claimants (the "Consultant") entered into a consulting agreement with Famous Dave's that provided for the design, development and build-out of a counter-service/line-service prototype barbecue restaurant concept (the "Prototype") and the payment of a consulting fee of \$410,000 to the Consultant in installments over a three-year period; and (iii) Claimants entered into a right of first offer agreement with Famous Dave's granting to a Claimant the first right to enter into an area development agreement with Famous Dave's for the development of seven Prototype restaurants in a reserved territory in Arizona.

Famous Dave's of America, Inc. v. Allan Gantes; John Gantes; M Mart 1, LLC; Kurt Schneider; Shoreline FD Investors, L.L.C.; SR El Centro FD, Inc. SR Long Beach FD, Inc.; SR Palmdale FD, Inc.; SR Restaurant Holdings Group, Inc.; SR Simi Valley FD, Inc.; SR Tracey FD, Inc., Superior Court of the State of California, County of Los Angeles, Central Division, Case No. BC589329.

On July 24, 2015, Famous Dave's of America, Inc. filed a lawsuit against Allan Gantes; John Gantes; M Mart 1, L.L.C.; Kurt Schneider; Shoreline FD Investors, LLC; SR El Centro

In February 2012, the State of Maryland alleged that during the period January 1, 2009 to November 26, 2009, Triune, LLC ("Triune"): (i) did not retain signed acknowledgements of receipt reflecting the dates that its Franchise Disclosure Document was delivered to certain Maryland residents and non-residents; (ii) sold franchises to certain Maryland residents and non-residents without providing them with a copy of a 2009 Franchise Disclosure Document; (iii) sold franchises to certain Maryland residents and non-residents without providing them with a copy of a 2009 Franchise Disclosure Document that contained its 2008 financial statements with a going concern note from its auditors resulting from the unfavorable financial condition of its parent company; and (iv) sold franchises to certain Maryland residents and non-residents without including, or abiding with, a deferral condition in their Franchise Agreements that was imposed upon it by the State of Maryland, all as required by the Maryland Franchise Registration and Disclosure Law (the "Maryland Law") and in violation of the Maryland Law. Without admitting or denying the allegations, in September 2012, Triune voluntarily entered into a Consent Order with the Office of the Attorney General of Maryland and agreed to: (i) not violate the Maryland Law in the future; (ii) pay the Office of the Attorney General the sum of \$50,000 as a civil penalty; (iii) retain copies of all acknowledgments of receipt confirming dates that prospective Maryland franchisees received any Maryland Franchise Disclosure Documents; (iv) comply with the disclosure and antifraud provisions of the Maryland Franchise Law and the record keeping and escrow requirements of the Code of Maryland Regulations; and (v) send a copy of the Consent Order to certain Maryland franchisees.

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

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

Lawsuits Filed by Franchisor Kahala Franchising, L.L.C. Against Franchisees During Fiscal Year December 1, 2024³ through November 30, 2025⁴

Suit for Breach of Contract

Kahala Franchising, L.L.C. v. Golden Enterprises, Inc.; DBH Associates, LP, Deseret Sales, Inc., Randy Herzog, Laurie Herzog, Amy Wilson, Rob Wilson, Clare Hunter, Deobrah Hunter; United States District Court in and for the Eastern District of Washington; Case No.: 2:25-cv-00426. ~~Kahala Franchising, L.L.C. v. All About Food, Inc. and Chu Yup Lee a/k/a Michale Lee; In the Circuit Court of the Nineteenth Judicial Circuit Lake County, Illinois; Case No.: 2024LA000000001.~~

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

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

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

Suit for Forcible Entry and Detainer

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

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

ITEM 4: BANKRUPTCY

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

ITEM 5: INITIAL FEES

Initial Franchise Fee

If/when you sign the Franchise Agreement, you must pay to Franchisor the initial franchise fee ("Initial Franchise Fee") for your Restaurant in an amount equal to \$50,000. There are no refunds of the Initial Franchise Fee under any circumstances. We may periodically reduce the Initial Franchise Fee in connection with limited time promotions, new concepts and/or operational programs. We may vary the terms of our franchises in connection with testing new marketing, branding and/or operational programs. These tests are generally conducted with experienced, existing franchisees and may include incentives and other rights which are not available to all franchisees. If you sign the Franchise Agreement in connection with a transfer or renewal, you will not pay the Initial Franchise Fee.

Opening Team Expenses

You will reimburse Franchisor for the Travel Expenses and the prorated Salaries and Benefits for the Opening Team members who assist you with the opening of your Restaurant (see Item 11). These expenses are nonrefundable and will typically range between \$~~1055~~,000 and \$~~5100~~,000 but may be lower or higher depending upon the particular needs and the location of your Restaurant. You will pay to Franchisor 50% of the estimated Opening Team expenses for your Restaurant, which Franchisor will determine based on the size of the Opening Team, distance traveled, and other factors, before the date that the Opening Team arrives at your Restaurant.- Upon completion of the Opening Team's assistance, Franchisor will send you an invoice for the actual amount of remaining Opening Team costs. You must pay this invoice within 30 days.

Site ~~Model~~ Review Report Fee

You will pay to Franchisor the then-current Site ~~Model~~ Review Report Fee after Franchisor prepares a site ~~model~~ review report and issue a "no brand standard objection" letter for the proposed site of your Restaurant. The current Site ~~Model~~ Review Report Fee is \$~~7501~~,000 to \$5,000, and may increase if a site visit is required. The Site ~~Review~~ ~~Model~~ Report Fee is nonrefundable.

We may offer you the option to purchase a license to sell additional signature products in your Restaurant and to use the signature products trademark(s) as signature products are developed.

The initial fees to be paid to us and/or our affiliate(s) before the Franchised Business opens are indicated on the chart below and in the notes to the chart.

CATEGORY	AMOUNT	METHOD OF PAYMENT	DUE DATE	TO WHOM PMT IS MADE	REFUNDABILITY
Initial Franchise Fee	\$50,000	Lump Sum	Signing of the Franchise Agreement	Franchisor	See Note (1)

CATEGORY	AMOUNT	METHOD OF PAYMENT	DUE DATE	TO WHOM PMT IS MADE	REFUNDABILITY
Opening Team Expense	~~\$55~~ <u>10</u> ,000 to ~~\$100~~ <u>50</u> ,000	Two Installments	50% prior to Opening Team's arrival, balance after Opening Team's Arrival	Franchisor or its affiliate	See Note (1)
~~Site Model~~ Review Report Fee	~~\$750~~ <u>1</u> ,000 to <u>\$5,000</u>	Lump Sum	After Franchisor prepares a ~~site model~~ <u>review</u> report and issue a "no brand standard objection" letter for the proposed site	Franchisor or its affiliate	See Note (1)

Notes:

(1) There are no refunds under any circumstances. Franchisor does not offer any financing. We may periodically reduce a fee in our sole discretion, for example, in connection with limited time promotions, new concepts and/or operational programs.

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
<u>Remodeling Costs</u>	<u>The amount you incur to remodel your Franchised Location. These costs may range from \$50,000 to \$350,000 each time you remodel.</u>	<u>Payable to suppliers as incurred</u>	<u>You must remodel your Franchised Location in accordance with Barrio Queen's requirements. Barrio Queen can require that you extensively remodel your Restaurant once every five to ten years. This does not include routine maintenance costs.</u>
Third-Party Performance Measurement Evaluations (Note 1)	~~Up to one-half of the cost of set programs,~~ <u>eEstimated to range from \$300-250 to \$600-500 per month, per unit inspection</u>	Within 30 days after receipt of an invoice	<u>Barrio Queen can utilize feedback and inspection programs to evaluate your operations, quality, compliance and food safety. Barrio Queen (in its sole discretion) may share the cost for these services upon the audit or inspection of your location if passing feedback is obtained.</u> ~~Franchisor can hire an independent shopping service and/or utilize feedback programs to evaluate your operations, quality, compliance and food safety. You and Franchisor may share the cost for these services, the frequency, nature, and extent of which Franchisor may determine.~~
Annual Meeting Registration Fee (Notes 1 and 5)	Up to \$1,000 plus incidental costs to attend	60-90 days prior to the Meeting	We will debit your account for this fee, which is non-refundable. This fee is charged to all franchisees whether or not they attend the Meeting.
Depository Account	Minimum amount to be determined by us	Signing of Franchise Agreement	(Note 3)
Charitable Contributions	To be determined by us	As determined by us	(Note 6)
<u>Network Infrastructure Equipment and Security</u>	<u>\$3,500 to \$4,500</u>	<u>Upon invoicing</u>	<u>Payable to Barrio Queen</u>

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Technology Support Fees (Notes 1 and 7)	~~None as of the Issuance Date, but subject to reasonable annual and/or service enhancement increases throughout the Term~~ \$200 to \$325 per month	~~Same as Royalty Fee (Note 3)~~ As incurred	~~Payable to Barrio Queen for ongoing technology support~~ Begins immediately after you open your Restaurant. May be paid to us or an affiliate, or an outside vendor and remitted to us by Vendor, to at minimum cover our costs
Credit Card Processing Fee (Note 1)	None as of the Issuance Date, but subject to reasonable annual and/or service enhancement increases throughout the Term	As invoiced	
Charges for Testing and Evaluation (Note 1)	Will vary under circumstances	As incurred	See Item 8
Renewal Franchise Fee (Note 1)	50% of the then-current Initial Franchise Fee not including any discounts or reductions	Signing of new Franchise Agreement at renewal	Applicable if you are renewing your Franchise Agreement. Renewal term is ten years.
Transfer Franchise Fee (Notes 1 and 10)	\$5,000	Prior to consummation of transfer	Payable if you are purchasing your Franchised Business as a result of a full transfer. A full transfer is including, but not limited to, a transfer of 50% or more ownership or control.
Relocation Fee (Note 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.

Column 1	Column 2	Column 3	Column 4
Type of Fee	Amount	Due Date	Remarks
Early Termination Damages (Note 1)	The average monthly Royalty and Advertising Fees paid for any consecutive 12 month period within the preceding 48 month period multiplied by the number of months remaining in the term of the Franchise Agreement, and the product is divided by 2.	30 days prior to the early closing of the restaurant	You must provide us with 90 days prior written notice of the termination of your Franchise Agreement.
Attorneys' Fees and Costs	Will vary under the circumstances.	As incurred	Payable to us.
Indemnification of us and/or our affiliates for damages suffered or incurred for your actions or omissions, including amounts paid on your behalf or to cure your breaches under the Franchise Agreement	Will vary under the circumstances.	As incurred	Payable to us.
Damages for Breach of Non-Compete Obligations under the Franchise Agreement	Will vary under the circumstances.	As incurred	Payable to us
Management Fee	6% of the Franchised Business' Gross Sales (in addition to the Royalty Fee and Advertising Fee) plus our direct out-of-pocket costs and expenses.	Payable with Royalty and Advertising Fee	If we assume the management of your Franchised Business for any period of time.
<u>Lease Guarantee Fee</u> (optional)	<u>10% of the total amount guaranteed, up to a maximum payment of \$10,000 (if applicable) (Note 15)</u>	<u>Signing of the lease guarantee agreement (if applicable)</u>	<u>See Note 15</u>

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
<u>Sublease Late Charge</u>	<u>5% of the late or unpaid amount plus any late charges and interest incurred under the Master Lease as a result of the late payment (where applicable).</u>	<u>As incurred</u>	<u>Payable to our affiliate if you are subleasing your restaurant space from our affiliate.</u>
<u>Reimbursement of Taxes</u>	<u>We may seek reimbursement from you the cost of all taxes, assessments and similar charges we incur arising from your operation of the Franchised Business or our licensing of intellectual property to you in the state where your Franchised Business is located.</u>	<u>Payable monthly by electronic funds transfer at same time as royalty and service fee.</u>	<u>Only imposed if government authority collects these taxes or assessments</u>

Notes:

(1) These fees are collected by Franchisor or its affiliate, are payable to Franchisor, and are non-refundable. These fees are uniformly imposed by Franchisor; however, Franchisor, 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) In our sole discretion, we may charge, in addition to the Royalty Fee, a Surcharge of up to \$10 per week if your Restaurant is located in a state that imposes additional reporting requirements on a franchisor.

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

(4) Franchisor directs that Advertising Fees be paid to us, a national advertising fund ("National Fund") designated by us, and/or, in our sole discretion, to a designated approved regional advertising fund ("Regional Fund," and together with the National Fund, the "Advertising Fund" or "Fund"). Upon sixty (60) days' notice by us to you, we may unilaterally increase the Advertising Fee from its current level by one half percent (.5%) of your weekly Gross Sales in any twelve-month period. We encourage the formation of franchisee local advertising associations (each an "LAA"). Currently, there

all the direct and indirect costs to develop, test and implement an Additional Ordering System are paid from other sources, then such up-front and ongoing fees charged by us would be intended only to cover our ongoing expenses, including direct costs and reasonable allocations.

(8) If you fail to deliver or provide to us any statement, report or other document or information required to be delivered (for example, sales reports, certificates of insurance and financial statements), by the applicable deadline, you will be assessed a late charge per week, or part thereof (until that statement, document or other information has been delivered or provided), which amount may be increased by us from time to time.

(9) If you fail to provide us with any necessary information or documentation with respect to our practice of drawing drafts against your bank accounts, you will be assessed a fee in the amount of \$100 per day.

(10) If you want to transfer the restaurant or the Franchise, or if you want to sell more than 50% of the equity of your business, you must first give us a right of first refusal, at the same price offered by any bona fide buyer. Before transfer, we must approve any new franchisee, transferee, stockholder, or assignee.

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

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

(13) Royalties may be increased to up to fifteen percent (15%) of Gross Sales with respect to any period during which Franchisee is in breach or default of its/his/her obligations under this Agreement without providing Franchisee advance notice or right to cure. The Royalties paid or owing to Franchisor with respect to the period during which Franchisee is in breach or default are referred to as "Breaching Royalties." Breaching Royalties will be charged for a minimum fourteen (14) day period, regardless of the length of the actual breach or default.

(14) This fee may be initiated for a Gift Card Redemption fee, which is not currently applicable as of the Issuance of this FDD, and from time to time increased to cover the potential of future increased costs affecting the gift card program, such as increased production and shipping costs and costs of processing. If fees are to increase, franchisees will receive 30-day advanced notice.

(15) If, in order to obtain the lease agreement for the site of your Barrio Queen 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.

ITEM 7: ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount Low End (1)	Amount High End (1)	Method of Payment (2)	When Due	To Whom Payment is to be Made
Initial Franchise Fee	\$50,000	\$50,000	Lump Sum	See Item 5 of this Disclosure Document	Franchisor
Leasehold Improvements (3)	\$500,000	\$2,000,000	As Incurred	Before Opening	Suppliers
Land, Building and Construction (4)	\$2,400,000	\$4,000,000	As Arranged	Before Opening	Suppliers
Travel and Living Expenses for You and Your Management Staff During Training (5)	\$25,000	\$40,000	As Incurred	During Training	Employees , Airlines, Hotels and Restaurants
Reimbursement of Expenses for Opening Team	\$55,000	\$100,000	50% in advance of Opening Team's arrival; balance due after Opening Team's departure	See Items 5 and 11 of this Disclosure Document	Franchisor
Furniture, Fixtures, Décor, and Equipment (6)	\$500,000	\$800,000	As incurred	As Incurred	Supplier or Leasing Company
Architectural and Engineering Fees	\$50,000	\$170,000	As Arranged	Before Opening	Suppliers
Exterior Signs	\$45,000	\$100,000	Lump Sum	Before Opening	Suppliers
Liquor License Costs (7)	\$25,000	\$75,000	Lump Sum	Before Opening	Governmental Agencies and for Professional Services
~~Site Model Review Report Fee (13)~~	~~\$750~~ <u>1,000</u>	~~\$750~~ <u>5,000</u>	Lump Sum	As Incurred	Franchisor
Restaurant Lease Payments - 3 Months (8)	\$10,500	\$25,000	As Incurred	As Incurred	Landlord
Employee Salaries - 3 Months (9)	\$60,000	\$110,000	As Incurred	As Incurred	Employees

Type of Expenditure	Amount Low End (1)	Amount High End (1)	Method of Payment (2)	When Due	To Whom Payment is to be Made
Miscellaneous (10)	\$5,000	\$10,000	As Incurred	Before Opening or otherwise as arranged	Landlord, Utilities, Government Agencies, Insurance Companies, Attorneys, Accountants, and Other Professionals
Grand Opening Celebration (11)	\$15,000	\$25,000	As Arranged	Before Opening	Suppliers
Additional Funds - 3 Months [these figures have not been offset by operating revenues] (12)	\$5,000	\$10,000	As Incurred	As Incurred	Franchisor, Employees, Suppliers and Utilities
Total if premises leased by you (143)	\$1,346,50250	\$3,52015,00750			
Total if premises purchased by you (143)	\$3,236746,00250	\$57,495515,00750			

Notes:

- (1) This estimated initial investment is for one new Restaurant that you develop after signing a Franchise Agreement. If you purchase a Refranchised Restaurant, the estimated initial investment will be different. For instance, unless we otherwise consent, you will assume a refranchised Restaurant's existing lease. As a result, the costs you incur in connection with identifying and developing a site will be different. Additionally, you may not need to hold a Grand Opening Celebration.

The initial franchise fee represents an actual amount. The remaining amounts included in this Item 7 are based upon Franchisor's affiliates' years of experience in the restaurant business, as discussed in Item 1 of this Disclosure Document. You should carefully review these figures with your business advisor before making any decision to purchase a franchised Restaurant.
- (2) Payments are not refundable unless otherwise noted. Franchisor does not offer direct or indirect financing.
- (3) Lease only: These figures represent the cost to lease and remodel an existing building to a Restaurant. Barrio Queen Restaurants are generally located in free-standing buildings and end caps in retail centers and require from 4,000 square

are not obligated to, obtain the required insurance on your behalf and charge the insurance premium to you.

- (11) You must spend a minimum of \$15,000 on, provided Franchisor can require you spend up to \$25,000 on, the Grand Opening Celebration for your Restaurant.
- (12) During at least the first three months of operations, you will need additional funds to cover your expenditures for supplies, food and beverage inventories, local advertising, utilities, and other miscellaneous operating costs. This estimate has not been offset by any allowance for your operating revenues during this three-month period. Your working capital requirements may increase or decrease depending upon your geographic area, number of employees, labor rates, minimum wage laws, and employment laws and regulations, operating revenues and other economic factors.
- (13) The Site Review Report Fee is applicable if a site review is requested by Franchisee. The cost of the report may increase if a site visit is required.
- (143) These figures are estimates only, and it is very possible that you may have additional or greater expenses during this period. We cannot guarantee that you will not have additional expenses starting the business. Your costs will vary depending on the size of your Restaurant, your geographic area, economic and market conditions, competition, interest rates, wage rates, sales levels attained, and other economic factors. Cash flow from your operations may not be adequate to cover operating and other costs during the initial phase of business.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We will provide you with specifications for authorized food and beverage preparation, beverage dispensing, storage and display equipment, computer hardware, software licenses, other equipment, fixtures, furniture, exterior and interior signs and decorating that we require you to use or install in the Restaurant. We may specify brands, types or models for any of these items. Franchisor determines its standards and specifications at its sole discretion and may modify its written standards and specifications and you must comply with any modifications. You may purchase items meeting our specifications from any source unless we designate an approved source or sources for any of these items. You must use only such items that meet our specifications in the operation of the Restaurant and to purchase them from approved vendors if we so require. In addition to requiring purchases from approved distributors or suppliers, we may, in our sole discretion, require that you purchase certain products or services through designated purchasing channels, programs, platforms, or contractual arrangements that we specify. We or our affiliates or an approved vendor may be the only source for some of these items and we may otherwise limit the number of approved vendors.

All requests for approving new or alternative suppliers must be submitted in writing by you and/or the supplier to Franchisor's purchasing department. Each request will be reviewed in accordance with our then-current procedures and the supplier must meet our then-current requirements, ~~which may include that our representatives be allowed to~~

~~inspect the facilities of the proposed supplier,~~ and that samples from the proposed supplier be delivered, at no charge to us, either to us or to our designee for testing. Our criteria for approving suppliers is available to franchisees upon written request to the purchasing department. We reserve the right to charge you a New Vendor Approval Fee for the inspection and tests of the proposed supplier. If approved, in our sole reasonable discretion, we will notify you and/or the supplier in writing within sixty (60) days of our receipt of an approval request. You must not offer for sale or sell any of the proposed alternative supplier's products until you receive our written approval of the proposed alternative supplier. We may, at our option, re-inspect the facilities and products of any approved supplier and revoke its approval upon the supplier's failure to meet any of our then-current minimum standards and specifications. If you receive a written notice of revocation from us, you must stop selling disapproved products and stop purchasing from the disapproved supplier.

The Franchise Agreement requires that all food and beverage products, ingredients, equipment, computer hardware and software, furniture, fixtures, millwork, décor, signs, supplies and other products, services and materials which you will use in the operation of your Restaurant meet our standards and be purchased only from our approved distributors and suppliers (if any). You may use any operational service providers, such as exterminators, refrigeration services companies, refuse removal companies, and similar service providers that you desire. If at any time during the Term we organize a rollout for a new approved product or a new supplier of an approved product, you will be required to purchase such approved product(s) and/or service(s) from our approved distributors of the approved supplier within 60 days of notification from us and it may require you to enter into a contract directly with such vendor.

Barrio Queen estimates that purchases of products and services under Barrio Queen requirements, including purchases of proprietary and selected products and services, purchases of products and services that meet Barrio Queen standards and specifications and purchases from designated or approved suppliers, including costs of initial construction, will range from 70% to 90% of your initial investment if you develop a brand new Barrio Queen Restaurant and approximately 50% to 75% of your ongoing expenses of operating your Barrio Queen Restaurant.

We will provide you with one set of our confidential "ops package" which may consist of the operations manual, "ops toolkit" and related printed and electronic documents (collectively, the "Confidential Manual".) We provide all specifications and standards to you in the Confidential Manual, which we may modify from time to time by providing you with "rollout guides" for limited time offers, amendments, modifications or supplemental inserts through notices or bulletins, or by amending the Confidential Manual. A list of approved distributors for our approved vendors is maintained by our purchasing department and will be provided to you during the pre-opening and/or construction phase for your Franchised Business. Updates will be provided to you as changes are made (i.e., additions and deletions) to the list of approved distributors for our approved vendors.

Unless otherwise agreed to by us in writing, if the property which the Restaurant is located is not owned by you, you must maintain a lease for the site of the Restaurant which must contain such terms as we specify from time to time for all leases of a similar type. Each original lease, renewal leases and lease addenda and modification of any type must be submitted to us prior to execution for our examination and approval that it contains the terms we require in all leases. You must provide us with a copy of the executed lease, any renewal lease, and any addenda and modification or other instrument or agreement governing occupancy of the premises within thirty (30) days after execution by you and the landlord. Attached as Exhibit H is a Lease Addendum to lease agreement which contains the terms we currently require. This document must be signed at the time the lease is executed.

Franchisor or other third-parties we may designate are is the only approved suppliers for services related to the preparation of the Site Model Review Report for your Restaurant. You must, at your own cost and expense, use our designated and approved architect, as detailed in the Confidential Manual and no other architect may be used by you for the design of your restaurant. You must also, at your own cost and expense, retain a licensed architect of record to prepare the permitted construction set of drawings.

You must use in the development and operation of your Restaurant the management system and computer hardware and software and related technology designated by us, including without limitation, features such as high-speed broadband connectivity, high-speed broadband monitoring, online ordering, delivery, methods and means of encryption and access to our network resources, an approved debit, credit and/or gift/loyalty card processing system, mobile application, and other technology and peripheral devices that we specify from time to time ~~(the "Brand Technology")~~. We may modify all aspects and the components of the Brand Technology from time to time. You are required to install, maintain, and operate a network security appliance and related network components approved or designated by Barrio Queen in order to support secure connectivity with the Barrio Queen technology systems. The current estimated cost for the required security appliance hardware is approximately \$3,000 to \$4,500 per restaurant. This amount generally includes the required security license and management through the franchisor's designated platform for the applicable subscription term.

You are responsible for all costs associated with the purchase, installation, configuration, maintenance, replacement, and operation of the required network infrastructure and related equipment, which may include, without limitation, firewalls, switches, wireless access points, cabling, internet connectivity, and other hardware or services necessary to support the restaurant's technology systems.

You may also elect to utilize For2Fi for a secondary backup internet connection. The estimated cost for this optional service is approximately \$100 to \$125 per month per restaurant.

From time to time, Barrio Queen may require you to install updates, replacements, or upgrades to hardware, software, security systems, or related technology in order to

maintain system security, functionality, and compatibility with Barrio Queen technology environment. You will be responsible for the cost of those updates, replacements or upgrades. Although requirements may change based on technology, security, or operational needs, it is generally Barrio Queen's current practice not to require significant system upgrades more frequently than approximately once every five years. We have the right to charge reasonable fees for software or systems modifications and enhancements specifically made for us that are licensed to you and other maintenance and support services that we or our affiliates furnish to you.

In addition, you must comply with our required restaurant technology standards, which may include, without limitation, the following systems and services:

Point of Sale (POS) System

You must purchase and maintain a point of sale system ("POS" or "POS System") that conforms to our specifications and standards and through our approved vendor. The POS system is used to process sales transactions and integrate with other required restaurant technology systems. You are responsible for all costs associated with the purchase (\$2,500 to \$8,000), licensing (\$200 to \$600 monthly), installation, configuration, maintenance, support, and replacement of the POS system and related hardware and software components. We are currently an approved provider of certain POS computer system maintenance, monitoring, and support services including the technology support. These services may include remote system monitoring, help desk support, software updates, configuration management, and coordination with third-party vendors. From time to time, Barrio Queen may require you to implement additional or replacement technology systems, software applications, security tools, or operational platforms to support brand standards, operational efficiency, customer engagement, reporting, or system security. These requirements may include, without limitation, new POS features, digital ordering systems, loyalty platforms, kitchen display systems, network security tools, or other restaurant technology systems. You will be responsible for the costs associated with the purchase, licensing, installation, maintenance, and operation of any such required technology. We shall have independent access to data created by or stored on your POS System and other systems, including sales figures. There are no contractual limitations on our right to access this information and data.

Back Office System

You must purchase and maintain a Back Office ("RMS") system that conforms to our specifications and standards ~~to our specifications and standards~~ and through our approved vendor. The RMS system is used to process sales, inventory, labor, cost of goods and integrate with other required restaurant technology systems. You are responsible for all costs associated with the licensing (\$100 to \$400 monthly), installation, configuration, maintenance, support, and software components.

Tablets

You are required to maintain tablet devices approved by Barrio Queen for use with certain operational and management applications. Barrio Queen currently requires a minimum of two (2) tablets per restaurant. These devices may be used to access and operate required systems such as back-office management, enablement platform for training and communications, acquisition and recruitment platform for hiring and onboarding, and Olo for digital ordering management. youYou are responsible for all costs associated with the purchase (currently \$400 with a case), setup, connectivity, maintenance, and replacement of these devices.

You must implement and maintain appropriate data security measures to protect customer payment card and business information. This includes compliance with applicable data security standards, including the Payment Card Industry Data Security Standard (PCI DSS), and the use of approved security tools, monitoring systems, and protective services designated by us. You are responsible for all costs associated with maintaining required security controls, security software, monitoring services, incident response measures, and any remediation required to maintain compliance with applicable security standards or Barrio Queen requirements.

~~As part of the Brand Technology, we may require you to obtain computer hardware and/or software we specify from a single vendor designated by us and we or our affiliates may be the sole supplier of all or any part of the Brand Technology. You may use only such items and services as we specify in connection with the Brand Technology. We may require that you enter into a license exclusively with us or our affiliates to use proprietary software developed by or for us. You may also be required to enter into agreements with others for use of third-party software incorporated or used in connection with the Brand Technology. Our modification of such specifications or components for the Brand Technology may require you to incur costs to purchase, lease and/or license new or modified computer hardware and/or software and to obtain service and support for the Brand Technology during the term of the Franchise Agreement. The cost to you of obtaining the Brand Technology (including software licenses) (or additions, substitutions, replacements or modifications thereto) may not be fully amortizable over the remaining term of the Franchise Agreement. You must incur such costs in connection with obtaining the computer hardware and software comprising the Brand Technology (or additions, substitutions, replacements or modifications to the Brand Technology). We have the right to charge reasonable fees for software or systems modifications and enhancements specifically made for us that are licensed to you and other maintenance and support services that we or our affiliates furnish to you related to the Brand Technology. You may also incur charges from third parties who render services or provide products that we require you to purchase or use. We shall have independent access to data created by or stored on your Brand Technology, including sales figures. There are no contractual limitations on our right to access this information and data.~~

You must purchase an integrated front-of-house and back-of-house POS system that includes terminals, guest check printers, a mechanism to communicate orders to the kitchen, and a mechanism for electronically accepting credit cards and gift cards which complies with then-current Payment Card Industry Payment Application Data Security

Standards that is required by Franchisor. The Payment Processor will charge fees for credit card processing based on the applicable card brand and issuing bank. Network and interchange fees vary depending on card brand, card type, and method of acceptance. For certain required credit card brands, fees are assessed on an interchange-plus basis at the then-current interchange and network rates, plus a processor markup of \$0.0175 per transaction, and are subject to future changes. Other required credit card brands may be assessed using a tiered discount rate structure, under which the applicable percentage rate varies based on card type and tier classification. All rates and fees are subject to change by the applicable network and other applicable third parties. In addition, the Payment Processor may assess additional charges for voice authorizations, chargebacks, and debit PIN transactions, as applicable. There are currently no third-party vendors for help desk services. We reserve the right to offer help desk and support services and to charge fees for these services. Help desk and support services providers may also require you to sign an agreement for their services.

We reserve the right to charge you fees and expenses associated with your use of online ordering, accepting and processing applications for Restaurant-level positions through an online platform, and the requisite internet usage and connections, including the fees charged by the service provider(s), which may be subject to increase each year.

We reserve the right to require you to participate in a gift card program and obtain and use gift cards, processors, and related services from vendors approved by us and pay the fees associated with such gift card programs, which may be subject to increase each year.

There are certain seasonings, spices, food, food items, disposable and tabletop items, recipe ingredients, and drink items (and, if applicable, dispensing equipment for the drink items) that are proprietary to Franchisor or that are selected by Franchisor for consistency in quality and other considerations. These items, such as certain brand name products, are manufactured or produced only by manufacturers or producers approved by Franchisor in writing. To ensure that you adhere to the uniformity requirements and quality standards associated with all Barrio Queen restaurants, you must purchase all such items from a member of Franchisor's Distribution Marketing Advantage system, Sysco Corporation, or from any other vendor/distributor Franchisor may designate in the future. Franchisor reserves the right to limit the number of approved suppliers. Franchisor will provide a written list of these proprietary or selected products and services. Franchisor will also notify you of any additions to or deletions from the list.

As of the date of this Disclosure Document, Coca-Cola beverages have been designated as the company standard for soda beverages for sale at Barrio Queen.

In the future Franchisor or an affiliate may be an approved supplier of products and services for your Restaurant, including a single source for proprietary or other products and services. You will pay the then-current price in effect for all purchases you make from Franchisor or an affiliate, and Franchisor or its affiliate may derive revenue from such purchases by charging you more than its costs. Franchisor reserves the right

(See Exhibit H: Required Lease Terms). If we require you to enter into a Direct Lease, you must provide us with a copy of the Direct Lease and the Lease Addendum(s) for our approval at least 10 days before you sign the Direct Lease, and you must provide us with a copy of the executed Direct Lease and Lease Addendum(s) within 10 days after signing. If you do not provide us with all of the required documents, we will not approve your Direct Lease.

Depending on whether you purchase certain goods and/or services from us or our affiliates, you can expect the products and services you will purchase in accordance with our specifications will represent over 90% of the total purchases you will make to begin operations if you develop a new Restaurant, approximately 80% of the total purchases you will make to begin operations if you acquire a refranchised Restaurant, and generally are approximately 50% of your annual ongoing expenses for your Restaurant.

For the year ending November 30, 2025~~4~~, MTY USA and its subsidiaries, as of such date, derived revenues from the sales of products, services, and vendor allowances in the amount of ~~\$47,054,607~~~~51,714,322~~, which was approximately ~~8.57~~~~.8~~% of MTY USA's total consolidated recognized revenue in the amount of ~~\$604,239,000~~~~597,538,000~~.

Various suppliers and vendors of MTY USA and its subsidiaries contribute marketing and other revenues to MTY USA and/or its subsidiaries based upon system-wide purchases from those suppliers and vendors. During our last fiscal year, MTY USA and its subsidiaries on a consolidated basis earned a total of ~~\$29,352,205~~~~30,372,764~~ of the ~~\$47,054,607~~~~51,714,322~~ from such vendors. Additional other revenues (for example, revenue from miscellaneous fees and expenses from franchisees) in the amount of ~~\$5,917,821~~~~5,680,438~~ were also received by MTY USA and its subsidiaries during the last fiscal year.

Currently, we are not an approved supplier of any products or services. None of our officers own an interest in any of the approved suppliers not affiliated with us.

ITEM 9: FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

Obligation	Article or Section in Franchise Agreement	<u>Section in Sublease</u>	Disclosure Document Item
a. Site selection and acquisition/lease	2.1 and 2.2	<u>Preamble</u>	7 and 11
b. Pre-opening purchases and leases	2.2, 3.3, 4.6 and 9.3	<u>Not Applicable</u>	5, 7, 8, 10 and 11

Obligation	Article or Section in Franchise Agreement	<u>Section in Sublease</u>	Disclosure Document Item
c. Site development and other pre-opening requirements	2.3, and 2.4	<u>1.2</u>	7, 8 and 11
d. Initial and ongoing training	4.1, 4.2 and 4.3	<u>Not Applicable</u>	11
e. Opening	3.1 (Note 1)	<u>Not Applicable</u>	7 and 11
f. Fees	5	<u>3, 4, 5 and 18</u>	5, 6, 7 and 11
g. Compliance with standards and policies/ Confidential Manual	1.4, 3.2, 4.5 and 9	<u>Not Applicable</u>	8, 11, 14 and 16
h. Trademarks and proprietary information	6 and 7	<u>Not Applicable</u>	13 and 14
i. Restrictions on products/ services offered	2.6, 3.2 and 9.2	<u>6</u>	8 and 16
j. Warranty and customer service requirements	No obligation imposed	<u>Not Applicable</u>	Not applicable
k. Territorial development and sales quotas	No obligation imposed in Franchise Agreement;	<u>Not Applicable</u>	11
l. Ongoing product/service purchases	3.2, 9.2 and 9.3	<u>Not Applicable</u>	8
m. Maintenance, appearance and remodeling requirements	1.4, 2.3, 12.3 and 13	<u>8</u>	7 and 11
n. Insurance	9.5	<u>12</u>	<u>7 and 8</u>
o. Advertising	5.3, 5.4 and 10	<u>Not Applicable</u>	6, 7 and 11
p. Indemnification	8.2, 8.3, 14.7 and 16.17	<u>2.3, 7, 11 and 16</u>	13 and 14
q. Owner's participation/ management/staffing	4.1, 4.2, 4.3, 9.1 and 9.6	<u>Not Applicable</u>	11 and 15
r. Records and reports	5.2, 5.6 and 11.1	<u>3</u>	6 and 11
s. Inspections and audits	4.3, 4.4, 5.18, 5.20, 9.7 and 11.2	<u>3.3 and 13</u>	6 and 11

Obligation	Article or Section in Franchise Agreement	Section in Sublease	Disclosure Document Item
t. Transfer	12	<u>9</u>	6, 16 and 17
u. Renewal	13	<u>2.2</u>	6, 16 and 17
v. Post-termination obligations	14.5	<u>Not Applicable</u>	17
w. Non-competition covenants	14.6	<u>Not Applicable</u>	15 and 17
x. Dispute resolution	16.3	<u>Not Applicable</u>	17
y. Other			
Personal Acceptance; Personal and Spousal Guarantees; Non-Disclosure and Non-Competition	9.8; Personal Acceptance of Sections 7.1, 7.2, 14.6 and 14.8; Guaranty of Franchise Agreement; and Non-Disclosure and Non-Competition Agreement	<u>Guaranty of Sublease</u>	10, 15

Note 1: Not applicable for renewal Franchise Agreements.

ITEM 10: FINANCING

We do not offer ~~any direct or indirect financing or financing arrangement, nor will we guaranty your obligations under any note or other obligation to franchisees.~~ However, in limited circumstances and in our sole discretion, we or one of our affiliates may provide financing in connection with your purchase of a corporate-owned restaurant sold on an "as-is" basis, or in other limited, one-off circumstances. In addition, we may, in our sole discretion, provide a lease guarantee for an approved restaurant site.

Other than as described above, we do not guarantee franchisee obligations under any note or other obligation, except as specifically described below.

If you are an individual and married, we reserve the right to require your spouse to execute and deliver to us a Guaranty of Franchise Agreement (See Exhibit E: Guaranty of Franchise Agreement) and a Non-Disclosure and Non-Competition Agreement (See

Exhibit F: Non-Disclosure and Non-Competition Agreement) at the same time that you sign the Franchise Agreement unless your spouse is also signing the agreement as an individual. If you are a corporation, limited liability company, or other business entity, each of your shareholders, members, or other owners (and their respective spouses, if married) must execute and deliver to us a Guaranty of Franchise Agreement, and their respective spouses must execute and deliver to us a Non-Disclosure and Non-Competition Agreement, at the same time ~~that you sign this Agreement~~. In the event any person who has not previously signed a Guaranty of Franchise Agreement or a Non-Disclosure and Non-Competition Agreement becomes your spouse or the holder of any class of your stock or ownership interests or a spouse of such holder, at any time after the execution of such agreement, you must cause such person(s) to immediately execute and deliver a Guaranty of Franchise Agreement and a Non-Disclosure and Non-Competition Agreement to us as appropriate.

Lease guarantee fees, if applicable, are disclosed in Item 6 (Other Fees) of this Disclosure Document.

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 J-1: Asset Purchase Agreement (For Sale of a Corporate Store to a Franchisee with Promissory Note and Security Agreement and Guaranty). If you finance any portion of the purchase price of the corporate-owned restaurant through 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 (and also the form of agreement we would use in any other limited, one-off circumstance in which we or our affiliates, in our sole discretion, provide financing). The purchase price may include the initial franchise fee, any transferrable furniture, fixtures, and equipment, the leasehold and/or any transferable leasehold improvements that are located in the restaurant at the time of purchase, along with any inventory in the restaurant at the time of purchase. The lender providing the financing may be one of our affiliates, whichever entity owns the restaurant. 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 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 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 but not limited to all accrued and unpaid interest, if the default is not cured within seven 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 named in the Promissory Note and Security Agreement and granting us or our affiliate the right to take back the restaurant(s). Additional waiver provisions are set forth in the Promissory Note and Security Agreement attached as Exhibit J-1 to this Disclosure Document. 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 by reason of any release or substitution of, or other change in, any security given for the indebtedness or the obligation of any person or entity who may become directly or indirectly liable for the note or any extension or other modification of the note; and 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.

We may 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 exhibits to the Asset Purchase 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 Exhibit J-2: Sublease and Guaranty of Sublease). 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.

If we determine that you do not have the financial capacity to perform your obligations with respect to the site or the Master Lease, we may deny approval of the site and/or Master Lease. That disapproval will be deemed to be reasonable. In that event, we or our affiliates or franchisees may operate a *Barrio Queen* restaurant at that site.

We or our affiliates may, in our sole discretion, lease the site approved by us for your *Barrio Queen* restaurant and sublease the site to you. In addition, if and when you sign the Sublease, you must pay to us an amount equal to two months base rent under the Master Lease, plus a security deposit in an amount equal to the security deposit required under the Master Lease. (We reserve the right, however, to require a greater security deposit, based upon your creditworthiness.)

Please note, if you intend to lease the site of your restaurant, the lease must include certain required provisions (See Exhibit H: Required Lease Terms; Exhibit D: Franchise Agreement (New) – Section 2.2)

ITEM 11: FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as disclosed below, Franchisor is not required to provide you with any assistance.

Pre-Opening Assistance

Before you open your Restaurant, we will provide the following assistance to you:

Site Selection

1. Although Franchisor has no obligation, duty, or liability to you as a result of the site selected by you and/or the purchase or lease of the Franchised Business, Franchisor will provide a Site ~~Model~~ Review Report for the proposed site and if a lease exists, may review the lease for the premises for compliance with the terms and conditions of the Franchise Agreement. You will provide the information as may be reasonably specified by Franchisor for the proposed site selected by you. Franchisor reserves the right, that within 30 days, Franchisor will visit the proposed site and prepare a Site ~~Model~~ Review Report for you which provides certain site information relevant to assessing whether the proposed site is suitable for development of a Restaurant. Factors considered when reviewing a proposed site include visibility, potential traffic flows, population trends, household income and financial considerations, lease terms and other demographic information. The Site ~~Model~~ Review Report is not a warranty, representation or guaranty by Franchisor that a Restaurant opened at that site will be a financial success or that the site complies with any or all applicable laws, codes, ordinances or regulations (including without limitation, the Americans with Disabilities Act). If applicable, you may not purchase or lease any proposed site until Franchisor has issued a “no brand standard objection” letter, signifying the site meets brand standards. Once a “no brand standard objection” letter is issued, you will pay Franchisor the then-current fee (currently \$1,000 to \$5,000, subject to increase if a site visit is

~~required currently \$750~~ for the Site ~~Model~~ Review Report (see Item 5). Franchisor can terminate your Franchise Agreement if you do not purchase or lease a site for your Restaurant within 90 days after you sign the Franchise Agreement. Franchisor can also terminate your Franchise Agreement if you fail to open your Restaurant within one (1) year after the effective date of the Franchise Agreement (“Required Opening Date”). The decision to establish and operate your Restaurant at the location will be made solely by you, without any reliance upon any information provided (if any), recommendation made (if any) or approval given (if any) by us, or any of our respective shareholders, directors, officers, employees, representatives, agents or affiliates. You must purchase or lease your business location from independent third parties. If you intend to lease your business location, the lease must include certain required provisions. (See Exhibit H: Required Lease Terms; Exhibit D: Franchise Agreement (New)—Section 2.2).

Construction and Furnishings

1. You must hire and use, at your sole cost and expense, our designated and approved third party

architect. You are solely responsible for conforming the premises to all codes and ordinances, including the Americans with Disabilities Act (the “ADA”), and obtaining all required permits. You are solely responsible for constructing or remodeling and decorating the location to our system standards and subject to our approval. We do not provide assistance with conforming the premises to codes and ordinances, including the ADA, obtaining permits, or constructing, remodeling or otherwise decorating your Restaurant.

2. We will identify the furnishings, fixtures, and equipment (including cash registers, point of sale systems, and computer hardware and software and other equipment and devices), signs, products, materials, and supplies necessary or authorized for the restaurant to begin operation. Franchisor reserves the right to have independent access to the information and data collected and generated by these items.

3. We will provide you with all standards of operation that you must use or satisfy before you open the Restaurant (See Franchise Agreement—Section 4.5).

4. We will provide you with the names and contact information of any distributors and/or suppliers you are required or authorized to use to supply you with products or services complying with our standards and specifications. The names and contact information of the approved distributors and suppliers and the written specifications for the approved equipment, signs, fixtures, opening inventory and supplies will be provided to you during the pre-opening and/or construction phase for your Franchised Business. Updates will be provided to you as changes are made (i.e., additions and deletions) to the list of approved distributors for our approved suppliers. We do not deliver or install any of these approved items.

5. Franchisor will provide access to a “grand opening celebration” package which will include advertising and promotional materials for your Restaurant (see

time are: lease or purchase negotiations; whether your Restaurant will be operated out of a converted premises or newly constructed building; zoning procedures; financing applications; local ordinances and approvals; obtaining licenses and permits; construction delays; weather conditions; shortages; delayed installation of equipment, fixtures and signs; development or construction not in accordance with our requirements; labor disputes; Acts of God; hiring and training your employees, and completing the training program and other reasons.

Training

1. Your Management Staff includes your Operating Partner, General Manager and, if applicable, Multi-Unit Manager, and a minimum of two and a maximum of four members of management personnel. Franchisor will train your Operating Partner up to ~~of~~ 20 shifts, your General Manager up to 35 shifts, and two to four other members of your Management Staff up to 35 shifts (see Section 4.1 of the Franchise Agreement). Each shift is an eight (8) to ten (10) hour day. All training programs will be held at a certified training location designated by Franchisor. The current training program includes classroom and on-the-job instruction on the topics selected by Franchisor and is summarized in the following chart:

TRAINING PROGRAM ⁽¹⁾

Subject ⁽²⁾	Hours of Classroom Training	Hours of On-The-Job Training	Location
Orientation and Initial Kitchen Training, including overview of Restaurant operations, and recipes and technical skills	5	0	Certified training location designated by Franchisor
Kitchen Training, including technical skills, kitchen positions, and food preparation	30	160	Certified training location designated by Franchisor
Front of the Restaurant, including food presentation, service, and front positions and functions	15	35	Certified training location designated by Franchisor
Management Training, including management functions, purchasing and inventory, openings and closing, and documentation and systems	15	85	Certified training location designated by Franchisor
Review of training, Restaurant System, goal-setting and problem-solving	10	0	Certified training location designated by Franchisor
Totals:	75	280	

Notes:

⁽¹⁾ This table is for the training provided to your General Manager, Multi-Unit Manager (if applicable), Kitchen Manager and Assistant Manager(s).

(2) You will utilize the Standard Operating Procedures/Training Manual(s) (the “Operating Manuals”, which form part of the “Confidential Manual”) and other proprietary training tools and documents required by Franchisor.

All training will be conducted under the supervision of a suitable instructor provided by Franchisor. All instruction will be conducted by instructors who have experience with Barrio Queen and/or with restaurant operations. Our instructors have been adequately trained in the ownership and operation of a Barrio Queen franchise, including having, at a minimum, completed the entire Training Program, and having experience in training each of the subjects listed in the table above.

The initial training program is provided to you and your Management Staff at no additional cost to you. You must pay the Salaries and Benefits, Travel Expenses and all other expenses for all persons who attend training on your behalf. The training program generally takes seven weeks (35 shifts) for you and your Management Staff to complete. You and your Management Staff must begin the training program before the scheduled opening of your Restaurant and must successfully complete the training program before you open your Restaurant. If the opening of your Restaurant is delayed, you and your Management Staff may have to attend re-training as determined by Franchisor.

(3) After you and your Management Staff have successfully completed the training program, Franchisor will arrange for an Opening Team, at your expense, to assist you with opening your Restaurant (see Section 4.3 of the Franchise Agreement). For up to 14 consecutive days, certain Opening Team members will assist you with implementing the restaurant system at your Restaurant and training your staff and kitchen employees. For your second and each subsequent Restaurant opening, if any, you will be asked to provide a prescribed number of certified trainers for the Opening Team based upon your existing number of staff. Franchisor will determine and provide, at your expense, the additional personnel needed to complete the Opening Team who will be on site at your Restaurant for a minimum of 14 days. All Opening Teams will be assembled based on guidelines established by Franchisor. There is no fee for this opening assistance. However, you will pay Franchisor for the Travel Expenses and the prorated Salaries and Benefits for the Opening Team within 30 days after receipt of an invoice from Franchisor. Note: 50% of this expense is billed up front before the opening date.

(4) Franchisor will provide franchisees access to Manuals (see Section 4.5 of the Franchise Agreement). The Manuals are confidential and will remain the property of Franchisor during and after the term of the Franchise Agreement. You and your restaurant managers must be able to read and write English adequately, in our good faith opinion, to satisfactorily complete our Training Program and to communicate with employees, customers and suppliers. Notwithstanding the foregoing, Franchisor has the right to require Franchisee and/or its manager_s(s) to attend additional in-store training in the event Franchisee is not operating the Franchised Business pursuant to Franchisor’s systems standards. Please note, at our sole discretion, the Training Program for a non-traditional Restaurant may differ slightly from the Training Program outlined above.

of point-of-purchase materials, public relations, promotional programs, advertising market research, graphics and design costs, creation and maintenance of a Home Page or website, Internet costs, miscellaneous advertising costs, other costs and expenses as Franchisor deems appropriate and in the best interests of all Barrio Queen system and advertising services provided by an in-house marketing/social media/advertising department and local, regional or national advertising agencies. All administrative and other costs associated with or incurred in the administration of the Fund, including marketing and administrative personnel salaries, fringe benefits and Travel Expenses, long-distance telephone charges, office rental, FF&E, leasehold improvements, collection costs (including attorneys' fees paid in collecting past-due Advertising Fees) and office supplies may in our discretion be paid from the Fund. All costs for the administration of the Fund, collection costs and office supplies will be paid from the Fund (including attorneys' fees paid in collecting past due Advertising Fees). Except for possible incidental website costs, the monies in the Fund will not be spent for the solicitation of prospective franchisees. Franchisor does not have to spend the monies in the Marketing Fund for local, regional or national media coverage using any particular media or in any particular market. Franchisor does not have to spend the Advertising Fees in your market area in proportion to the Advertising Fees paid by you. Franchisor does not have to spend the funds in the Fund in the calendar year in which the payments were made. Payments to the Fund not spent in the calendar year in which they were paid and the interest accrued will remain in the Fund. The Fund is not audited. A summary generally showing the income to and the expenditures from the Marketing Fund during each ~~calendar~~-fiscal year will be prepared by Franchisor each year for the preceding year, and copies of the summary will, upon written request, be provided to you on a confidential basis no more than once a year.

4. A telephone directory advertisement must be approved by us in advance (See Franchise Agreement—Section 10.2).

5. All advertising by you in any medium must be conducted in a professional manner, must conform to the standards and requirements in our Confidential Manual, and must display our Proprietary Marks only in those forms approved by us. We may make available to you, from time to time, approved advertising, promotional plans and materials for purchase (See Franchise Agreement—Sections 3.2 and 10.2).

6. You may not maintain a website, software application, a mobile application, social media account (including, but not limited to, an account, group or page on Facebook®, Flickr®, Foursquare®, Google+®, Instagram®, LinkedIn®, Pinterest®, Snapchat®, Tumblr®, Twitter®/X, YouTube®, Vine®, VKontakte or Weibo®). In addition, if and when Franchisor provides the Franchisee with access to the local restaurant template page (the “Subpage”) on Franchisor’s main Barrio Queen public website or another website maintained by Franchisor, the Franchisee will be required to maintain its own content and information on the Subpage consistent with the standards and specifications that Franchisor may set forth in the Manuals or otherwise. Finally, you may not use the words “Barrio Queen” or any other Marks as any part of an email address or any domain name, absent Franchisor’s prior approval (See Franchise Agreement – Section 3.4).

franchisees in connection with marketing, promotional or advertising initiatives.

Computer System

1. We require you to exclusively use a specific and approved electronic point-of-sale system to record all your sales during the operation of your Restaurant, the components of which are identified in the Confidential Manual ("POS System"). Prior to the opening of your Restaurant, you will be required to acquire and to exclusively use an approved cash register/computer system POS System during the operation of the Franchised Business. We require that the manufacturer or its authorized representative on an ongoing basis service the POS System, at your cost. You will be required to maintain the POS System in good working order at all times, and to upgrade or update the POS System during the term of your Franchise Agreement as we may require from time to time. There are no contractual limitations on the frequency or cost for the franchisee to upgrade or update the POS System during the term of the Franchise Agreement. It will be your responsibility to enter into contracts for the maintenance, upgrades and updates to the POS System with an approved supplier of such services identified by us on the list of approved vendors and distributors or other notification to you from us advising of suppliers for your market area. As the date of this disclosure the estimated average costs for maintenance, upgrades and updates of the POS System are approximately \$2,500 per year, which may vary depending on system upgrades, replacements, or operational requirements. Your POS System cost per restaurant will depend, among other things, on your restaurant's size and configuration, the system options you choose and/or we determine (such as drive-thru needs (if any), and printer needs), and the types of telephone and internet access services available. As of the date of this disclosure the estimated costs of the required POS System for a restaurant ranges from \$2,500 to \$8,000 fully installed. The systems may include, without limitation, back-office computers, manager workstations, telephony systems, network-connected peripherals, printers, scanners, and other hardware necessary to operate the required restaurant technology systems. You are responsible for all costs associated with the purchase, installation, configuration, maintenance, licensing, support, and replacement of these systems, including related telecommunications equipment, hardware, peripherals, maintenance agreements, software, and operating systems. Required equipment and services may be obtained from vendors approved or designated by Barrio Queen, or from commercially available vendors that meet Barrio Queen specifications and compatibility requirements that are approved by us. You may be required to obtain a high-speed/always-on internet connection service for your POS System. This requirement shall be defined by the then-current Confidential Manual, which may change from time to time. If high-speed/always-on internet connection service is not available in your area, dial-up Internet access may be used until high-speed/always-on internet connection service becomes available in your area. As noted in Item 8, you have an obligation to make additions, substitutions, replacements and modifications ~~to the Brand Technology~~ which includes that you may be required, from time to time, to upgrade the POS System's hardware and/or software, at your sole cost and expense, to maintain the POS System in conformity with our then current requirements. You are also required to maintain software and hardware support service agreements for the required POS system

and restaurant network infrastructure. These services must include, at a minimum, network security and encryption services, POS system maintenance and technical support, assistance with menu configuration and updates, and support for required back-office systems. As of the disclosure date the estimated cost for these required software and hardware support and maintenance services is approximately \$3,900 per restaurant per year. You are responsible for all costs associated with maintaining these service agreements and ensuring that all required systems remain operational, secure, and compliant with franchisor standards. These services may be provided by Barrio Queen, its affiliates, or approved third-party vendors. The scope of required services and the associated fees may be modified by Barrio Queen from time to time based on technology requirements, system changes, or operational needs, and such changes may occur without prior notice. In addition, Barrio Queen may require additional office and telecommunications equipment, and computer hardware, peripherals and software you use in your Barrio Queen Restaurant, which may include (a) a back-office personal computer for managing e-mail, composing and editing documents, running restaurant management applications, and web browsing; and (b) high-speed Internet connectivity with antivirus and data security software (Barrio Queen specifies in the Confidential Manuals or otherwise in writing). You are responsible for the cost of those items. You must complete training for the POS System as we require. If you are buying refranchised restaurant with an older cash register system, it is a requirement for the transfer that you purchase and install the then current POS System in the restaurant. (See Franchise Agreement – Section 4.6).

a. We require you to use a POS System that meets our specifications in order to: (i) assist you in the operation of your Restaurant; (ii) allow us to monitor your gross sales; (iii) enable us to develop chain-wide statistics that may improve purchasing; (iv) assist us in the development of new authorized products or the removal of existing unsuccessful authorized products; (v) enable us to refine existing authorized products; (vi) generally improve system-wide understanding of our marketing efforts; and (vii) obtain new types of information. The POS System must be configured so that we have independent and remote access to the information and data stored in it. This access allows us to exchange/collect data and other information on such basis as we shall from time to time communicate to you. There are no contractual limitations on our right to access the information in your POS System. All approved cash registers are capable of recording accumulated sales and cannot be turned back or reset, and must be able to retain data in the event of power loss. You must purchase the approved electronic POS System from an approved vendor, as we have required our approved supplier to make special modifications to their equipment and systems to comply with our requirements (See Franchise Agreement – Section 4.6). You must also purchase approved software for your restaurant, and it is recommended that you also purchase hardware support for all modules for the first year you operate your Restaurant. This cost is subject to change by the supplier.

b. The approved POS System has in its specifications integrated “card swipe” systems that process debit card, credit card, or other non-cash payment systems including our stored value gift cards, loyalty cards, frequency cards, gift certificates,

vouchers, and any other similar electronic card and/or payment programs (collectively, the “Gift/Loyalty Card”) sponsored by us or our affiliates (if any). You must obtain credit card and gift card processing services from our approved vendors. Charges associated with credit card and gift card transactions are traditionally compiled per transaction and therefore will likely vary from restaurant to restaurant, and may increase at any time with a 30 day notice. 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, completing an annual questionnaire and quarterly network PCI scans and installing a network firewall appliance for logging, tracking, reporting, and security assessment. We may require a particular firewall (hardware and/or software). The PCI compliance is mandated by the Payment Card Industry. The cost is subject to change by supplier. You are also required to validate with Franchisor that your store is PCI compliant to show validation you must send Franchisor your Passing Certificate showing your store is PCI compliant and also verify that you have a PCI compliant firewall appliance installed at your location if you process credit cards via high-speed internet connectivity.

c. You must purchase a computer and connect to the Internet so that you can report your gross sales online, so that you can receive online orders, so that we can communicate by email, so that you can use Internet services, and so that you can receive other electronic information we send. You also must, at your cost, maintain membership in a designated third-party network, and maintain an active email account. We may revise our computer specifications. If we do so, we may require you to upgrade or update your computer. There is no contractual limitation on the frequency and cost of this obligation. There may be comparable equivalents on the market for the computer we require, but we have not yet tested or approved any comparable computer; however, we may do so in the future. You are responsible for backing up and otherwise protecting your data on your computer. You are also responsible for recording and restoring all software license keys. We may require you to upgrade the hardware and software as reasonably necessary to provide reports and information required by us. You may be required to participate in online ordering and delivery programs, which may, in Franchisor’s sole discretion, require you to pay for certain goods and/or services from Franchisor, Franchisor’s affiliate, and/or unaffiliated third-party providers. You are required to enter into an agreement with, and pay corresponding fees to, Olo as established by Olo for such goods and/or services. Applicable fees may include, as of the Disclosure Document’s Issuance Date, a monthly fee ranging from \$75 to \$150, a Transaction Fee ranging from \$0.11 to \$0.13 per transaction and a one-time store activation fee of \$250 for all new locations. This provider and/or its fees may change, in Franchisor’s sole discretion, upon advance notice to you. Additionally, third-party delivery programs may charge varying fees, including commissions of 15% to 24%, order processing fees (for example, \$0.99 promo fees, or native delivery fees of \$5.49 to \$12 based on distance), and pickup fees of 5% to 7%. Program terms and fees vary by provider and may change or increase under the provider’s then-current terms. ~~You may be required to participate in online ordering and delivery programs, that require you to pay a fee us, our affiliate, and/or a third-party vendor.~~

this paragraph are your sole and exclusive remedy for any infringement by any part of the System.

We have no pending patent applications that are material to the franchise. We do not actually know of any current material determinations of the United States Patent and Trademark Office, United States Copyright Office, or of any court, nor do we actually know of any effective determinations or any material proceedings pending in the United States Patent and Trademark Office or of any court regarding the patent application. We do not actually know of any patent or copyright infringement that could materially affect the franchisee.

ITEM 15: OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Your Operating Partner is required to have at least a 20% ownership interest in the entity that is the Franchisee and participate full time in the operation of your Restaurant. You and each Management Staff member you employ must successfully complete the training program. Your employees do not have to own an equity interest in your Restaurant. Your Restaurant must be open during the business hours as specified in the Manuals.

The operating company responsible for operating and managing your Restaurant must be dedicated solely to developing and operating Barrio Queen Restaurants, and may not hold any interest in, operate, or manage any other business without the prior written approval of Franchisor.

If you are an individual and married, your spouse must: sign the Guaranty of Franchise Agreement in which your spouse agrees to perform, and guarantees, all of the franchisee's obligations to us and our affiliates contained in the Franchise Agreement (see Exhibit E) and a Non-Disclosure and Non-Competition Agreement (see Exhibit F); if applicable; sign the Guaranty of Sublease in which your spouse agrees to perform, and guarantees, all of the sublessee's obligations to us and our affiliates contained in the Sublease (see Exhibit J-2); and, if you purchase a corporate restaurant, sign the Guaranty of Promissory Note and Security Agreement and Guaranty of Sublease in which your spouse agrees to perform, and guarantees, all of the franchisee's obligations to us and our affiliates contained in the Promissory Note and Security Agreement, and all of the sublessee's obligations to us and our affiliates contained in the Sublease (see Exhibit J-1: Asset Purchase Agreement (For Sale of a Corporate Store to a Franchisee with Promissory Note and Security Agreement and Guaranty) and Exhibit J-2: Guaranty of Sublease). Each person, corporation, partnership, limited liability company or other entity that owns, directly or indirectly, an equity interest in the franchised entity ("Principal"), and each executive officer must sign the Personal Acceptance attached to the Franchise Agreement ("Personal Acceptance") in which the Principal agrees to be bound by the restrictive covenants, the confidentiality provisions and certain other provisions contained in the Franchise Agreement. Each Principal (and his/her spouse, if married) must also:

sign the Guaranty of Franchise Agreement in which the Principal (and his/her spouse, if married) agree to perform, and guarantee, all of the franchisee's obligations to us and our affiliates contained in the Franchise Agreement; his/her spouse, if married, sign the Non-disclosure and Non-Competition Agreement; if applicable, sign the Guaranty of Sublease in which the Principal (and his/her spouse, if married) agree to perform, and guarantee, all of the sublessee's obligations to us and our affiliates contained in the Sublease; and if purchasing a corporate restaurant, sign the Guaranty of Promissory Note and Security Agreement and Guaranty of Sublease in which each Principal (and his or her spouse, if married) agrees to perform, and guarantees, all of the franchisee's obligations to us and our affiliates contained in the Promissory Note and Security Agreement and all of the sublessee's obligations to us and our affiliates contained in the Sublease. In the event that any person who has not signed an appropriate guaranty becomes your spouse or the holder of any class or your stock or ownership interests or a spouse of such holder, at any time after the execution of the respective agreement as referenced above, you must cause such person(s) to immediately execute and deliver the required guaranty to us.-

We are not seeking to license you to operate a Restaurant if your Principals are merely seeking a passive investment.

Additionally, you must employ on a full-time basis at least one on-premises supervisor (the "Manager") for the Restaurant. The Manager of the Restaurant must at all times be a person who meets our criteria as a qualified restaurant operator. The Manager is not required to have any equity interest in the Franchised Business. The Manager must devote his or her entire time during normal business hours to the management, operation and development of the Franchised Business and must maintain the confidentiality of the trade secrets and proprietary information, comply with the use of the proprietary marks, conform with the covenants not to compete, and conform with the operating standards in the Franchise Agreement and Confidential Manual. The Manager is required to sign the Confidentiality Agreement.

In the interest of safe and efficient job performance, business operation and public health and safety, you must have a Manager on each shift who is able to read and understand our written materials and communicate with your employees and customers in the English language. This requirement will not restrict the Manager or your employees from speaking in any other language with you, other employees or customers, and shall not apply to any employee while on personal time or breaks.

ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require that your business is solely that of a *Barrio Queen* restaurant, and you may not conduct any other business or activity at the site of the Restaurant without our prior written approval. You must offer the full menu prescribed by us, subject to change from time to time in our sole discretion. We have the right to require you to sell additional authorized products and services from time to time that we believe will be successful. You will be obligated to offer and sell those new products and to participate in all local,

regional, seasonal and promotional programs, initiatives and campaigns adopted by us in which we require you to participate. We reserve the right to designate which of our franchisees may, or will be required to, participate in new product or service tests, new or modified product or service offerings and other programs and initiatives that we may periodically develop. If we designate you for participation in any such program, initiative or campaign, you must participate when and as required by us. There are no limits on our right to require you to offer and sell those new products or to participate in those programs, initiatives and campaigns. There is no limitation on the right of Franchisor to change the products and services offered by Barrio Queen restaurants. You may not add any item to your menu unless it is first researched and tested through our research and development center and approved by us in writing. In addition, you may not offer or sell any products or services specified by us in any configuration, form or manner (including items for resale) other than those specifically approved by us. You may not market your Restaurant or use the Service Marks on the Internet without our prior approval. You are prohibited from offering or selling any products or services not authorized or approved by us. You may only use products, materials, ingredients, supplies, paper goods, uniforms, fixtures, furnishings, signs, equipment, POS System, debit and credit card and Gift/Loyalty Card processing service, and methods of product preparation and delivery that meet our requirements as specified in the Confidential Manual.

If we believe in good faith that any product offered by you may be unhealthy, unsafe or unsanitary, and we request that you discard that product, you must do so immediately. In addition, we may require you to close your Restaurant until we are satisfied that any unhealthy, unsafe or unsanitary condition has been completely corrected.

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.

Provision	Section in Franchise Agreement	Summary
a. Length of the Term of the Franchise	Section 1.3	<u>if you are purchasing a new or existing non-operating <i>Barrio Queen</i> restaurant, the term is (10) years from the Required Opening Date, or (ii) the term of the sublease if you enter into a sublease with us or our affiliate excluding any extensions or renewal options . If you are purchasing an existing and operating <i>Barrio Queen</i> restaurant, the term is 10 years from the effective date of the franchise agreement if you</u>

Provision	Section in Franchise Agreement	Summary
		<u>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 us or our affiliate excluding any extensions or renewal options. Ten (10) years from the Required Opening Date.</u>
b-1. Renewal or extension of the Term	<u>Section Article 13</u>	If you are not in default and satisfy certain conditions, you may renew for a single renewal term of ten (10) years, with no further right to renew at the end of the renewal term.
c-1. Requirements for you to renew or extend	<u>Section Article 13</u>	“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 at least ~~420~~ <u>210</u> days’ notice prior to the expiration date of the term; not be in default; be in compliance with the terms of the Franchise Agreement and Confidential Manual; not have received more than 3 notices of default or breach of the 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 different terms and conditions than the original 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 in form attached to the Disclosure Document as <u>Exhibit J</u> .
d. Termination by you	Not Applicable	-----

Sublease

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

<u>Provision</u>	<u>Section in Sublease</u>	<u>Summary</u>
1. <u>Term of the Sublease</u>	<u>2.1</u>	<u>Ends one day before expiration of Master Lease, including any renewals of Master Lease.</u>
2. <u>Renewal or extension of the term</u>	<u>2.2 and 2.3</u>	<u>If the Master Lease contains a renewal option, you must notify us to exercise it.</u>
3. <u>Requirements for you to renew or extend</u>	<u>2.2 and 2.3</u>	<u>You must be in good standing and you must notify us of your intent to renew at least 60 (but not more than 90) days before we are required to notify the Master Landlord of intent to renew.</u>
4. <u>Termination by you</u>	<u>Not Applicable</u>	<u>You have no right to terminate the Sublease.</u>
5. <u>Termination by us without cause</u>	<u>Not Applicable</u>	<u>There is no right to terminate the Sublease without cause.</u>
6. <u>Termination by us with cause</u>	<u>15</u>	<u>Our Leasing Affiliate may terminate the Sublease for cause. Our Leasing Affiliate can terminate only if you default under the Master Lease, Sublease or the Franchise Agreement.</u>
7. <u>"Cause" defined – curable defaults</u>	<u>15.1</u>	<u>Our Leasing Affiliate can terminate if you default in the: (i) payment of any sums you owe; (ii) performance of any of the terms, covenants, or conditions of the Master Lease or Sublease; or (iii) default under the Franchise Agreement or any other agreement between you or your affiliates and us or our affiliates.</u>
8. <u>"Cause" defined – defaults that cannot be cured</u>	<u>15.1</u>	<u>Bankruptcy of, or general assignment for the benefit of creditors by, franchisee; defaults under the Master Lease that are not curable</u>
9. <u>Your obligations on termination/nonrenewal</u>	<u>15</u>	<u>Our Leasing Affiliate may enter and take possession of the premises and all of the furniture, fixtures, equipment, signage, inventory and other items covered by our lien under Section 4.2 of the Sublease; you are not relieved of further obligations under the Sublease.</u>
10. <u>Assignment of agreement by us</u>	<u>22</u>	<u>Our Leasing Affiliate has the right to assign under the Master Lease.</u>
11. <u>"Transfer" by you – defined</u>	<u>9 and 22</u>	<u>Approval of Leasing Affiliate is required.</u>
12. <u>Our approval of transfer by you</u>	<u>9</u>	<u>Approval of Leasing Affiliate, at its sole discretion, and approval of landlord may be required.</u>
13. <u>Conditions for our approval of transfer</u>	<u>9</u>	<u>Our Leasing Affiliate must consent.</u>

<u>Provision</u>	<u>Section in Sublease</u>	<u>Summary</u>
<u>14. Our right of first refusal to acquire your business</u>	<u>Not Applicable</u>	<u>None. Our Leasing Affiliate already holds the Master Lease.</u>
<u>15. Our option to purchase your business</u>	<u>Not Applicable</u>	<u>None. Our Leasing Affiliate already holds the Master Lease.</u>
<u>16. Your death or disability</u>	<u>Not Applicable</u>	<u>None</u>
<u>17. Non-competition covenants during the term of the franchise</u>	<u>Not Applicable</u>	<u>None</u>
<u>18. Non-competition covenants after the franchise is terminated or expires</u>	<u>Not Applicable</u>	<u>None</u>
<u>19. Modification of the agreement</u>	<u>Not Applicable</u>	<u>None</u>
<u>20. Integration/merger clause</u>	<u>24</u>	<u>The Sublease, including any exhibits, contains the entire agreement of the parties.</u>
<u>21. Dispute resolution by arbitration or mediation</u>	<u>Not Applicable</u>	<u>None</u>
<u>22. Choice of forum</u>	<u>Not Applicable</u>	<u>None</u>
<u>23. Choice of law</u>	<u>20</u>	<u>The laws of the state where the Premises are located applies.</u>

ITEM 18: PUBLIC FIGURES

We currently do not use any public figure to promote our franchise system.

ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

The average gross sales amounts contained in the table below pertain to the historic performance of all Barrio Queen restaurants located in the United States that were

existing outlets that did not open for the first time during the past fiscal year. The period measured was December 1, 2024³, through November 30, 2025⁴. All restaurants detailed below were company-owned restaurants as of such November 30, 2025⁴ date, and none were operated by a franchisee. Prospective franchisees should be advised that no certified public accountant has audited these figures or expressed his/her opinion concerning their content or form.

All Restaurants in the chart below are considered standard Restaurants, and they operate under the Barrio Queen system and the Marks. We are not aware of any material differences between the Franchisor-owned restaurants in the chart below and the franchises being offered in this Disclosure Document.

	Average Gross Sales	Median Gross Sales	Number of Stores Measured	Number of stores that met or exceeded the Average Gross Sales	Percentage of stores that met or exceeded the Average Gross Sales	Number of stores that met or exceeded the Median Gross Sales	Percentage of stores that met or exceeded the Median Gross Sales
All company-owned outlets	\$3,766,350 <u>101,041</u>	\$3,953,087 <u>341,796</u>	8	4 ⁵	50 ⁶ 3%	4	50%

Notes:

1. As of November 30, 2025⁴, there were 8 Barrio Queen restaurants open in the United States. Of these, none were franchised and all were owned and operated by Franchisor, its affiliate or predecessor.
2. The information is based upon gross sales, which means the total revenue derived from the sales of goods and services less sales tax, discounts, allowances and returns, of franchised stores.
3. Many of these Restaurants have been open and operating for several years and have an existing customer base. New franchisees developing a Restaurant in new markets where there is less brand awareness and less unit development may need to take more time and make more effort to build marketing effectiveness, brand awareness, a base of customers, and operational efficiencies. Geographic and socio-economic variations from locality to locality may affect the results of the Restaurant, as well as performance of the national and world economy.

4. We strongly encourage you to consult with your legal and financial advisors in reviewing all information, and in particular, estimating the expenses you will incur in establishing and operating your Restaurant prior to executing any agreement. We recommend that you make your own independent investigation to determine whether or not your Restaurant may be profitable.

5. **Some Barrio Queen outlets have sold this amount. Your individual results may differ. There is no assurance that you'll sell as much.**

6. We will provide to you the spreadsheets as written substantiation for the representations made in this Item 19 upon reasonable request.

Other than the preceding financial performance representation, we do not make any financial performance representations. 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 the franchisor's management by contacting BQ Concepts, LLC, Attn: Legal Department, 12701 Whitewater Drive, Suite 100, Minnetonka, Minnesota 55343-4164, (952) 294-1300, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

Systemwide Outlet Summary For Years ~~2022~~2023 to ~~2024~~2025 (United States)

Column 1	Column 2	Column 3	Column 4	Column 5
OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR (Note 1)	OUTLETS AT THE END OF THE YEAR (Note 1)	NET CHANGE
Franchised				
	~~2022~~ 2023	0	0	0
	~~2024~~ 2023	0	0	0
	~~2024~~ 2025	0	0	0
Company - Owned				

	~~2022~~ 2023	7	7	0
	~~2024~~ 2023	7	~~7~~ 8	~~0~~ 1
	~~2024~~ 2025	~~7~~ 8	8	~~1~~ 0
Total Outlets				
	~~2023~~ 2022	7	7	0
	~~2024~~ 2023	7	~~7~~ 8	~~0~~ 1
	~~2024~~ 2025	~~7~~ 8	8	~~1~~ 0

(1) Owned and operated by Franchisor's unaffiliated predecessor until March 2022 (see Item 1).

Table No. 2

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years ~~2022~~2023 to ~~2024~~2025**

Column 1	Column 2	Column 3
STATE	YEAR	NUMBER OF TRANSFERS
[All States]	~~2023~~ 2022	0
	~~2024~~ 2023	0
	~~2024~~ 2025	0
Total	~~2023~~ 2022	0
	~~2023~~ 2024	0
	~~2024~~ 2025	0

Table No. 3

**Status of Franchised Outlets
For years ~~2022~~2023 to ~~2024~~2025**

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS-OTHER	OUTLETS AT END OF THE YEAR

							REASON S	
[All States]								
-	<u>2022</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2023</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2024</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2025</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total								
-	<u>2022</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2023</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2024</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2025</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Table No. 4

Status of Company Owned Outlets
For years 20222023 to 20242025

Col. 1	Col.2	Col.3	Col.4	Col. 5	Col. 6	Col. 7	Col. 8
STATE	YEAR	OUTLETS AT START OF YEAR (Note 1)	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEE	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEE	OUTLETS AT END OF THE YEAR (Note 1)
AZ							
	<u>2022</u>	<u>7</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7</u>
	<u>2023</u>	<u>7</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7</u>
	<u>2024</u>	<u>7</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8</u>
Totals							
-	<u>2022</u>	<u>7</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7</u>
	<u>2023</u>	<u>7</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7</u>
	<u>2024</u>	<u>7</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8</u>
	<u>2025</u>	<u>8</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8</u>
Totals	-	-	-	-	-	-	-
-	<u>2023</u>	<u>7</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7</u>
	<u>2024</u>	<u>7</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8</u>
	<u>2025</u>	<u>8</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8</u>

- (1) Owned and operated by Franchisor's unaffiliated predecessor until March 2022 (see Item 1).

Table No. 5

Projected Openings as of November 30, ~~2024~~2025

~~Column~~ 1	~~Column~~ -2	~~Column~~ -3	~~Column~~ -4
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
<u>AZCA</u>	<u>01</u>	<u>01</u>	0
<u>TX</u>	<u>1</u>	<u>1</u>	<u>0</u>
Total	<u>02</u>	<u>02</u>	0

Attached as is Exhibit K is the List of Franchisees. Attached as Exhibit L is the List of Company-Owned Restaurants

~~As there are no franchisees as of the Issuance Date of this Disclosure Document, there is no list of names or contact information of franchisees,~~ there were no franchisees who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business, there were no franchisees who had an outlet transfer, and there were no franchisees who did not communicate with us for the 10-week period before the date of this Disclosure Document.

If you buy this franchise, your contact information may be disclosed to other buyers during your time in and after you leave the franchise system.

During the last three (3) fiscal years, we have not signed any agreements with franchisees that contain confidentiality clauses that would restrict a franchisee's ability to speak openly about their experiences as a franchisee in our franchise system.

We are not currently aware of any trademark-specific franchisee organizations associated with the franchise system which we have created, sponsored or endorsed, or any independent franchisee organizations that have asked to be included in this disclosure document.

ITEM 21: FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit B are the ~~audited consolidated~~unaudited interim financial statements of Franchisor's parent company, MTY Franchising USA, Inc. ("Guarantor") for the 13 weeks ended March 1, 2026. THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM. Also attached are the Guarantor's audited consolidated financial statements for the fiscal years ended November 30, 202~~5~~4, and 202~~4~~3, and for the fiscal years ended on November 30, 202~~4~~3, and 202~~3~~2.

Guarantor absolutely and unconditionally guarantees to assume the duties and obligations of Franchisor under its franchise registration in each state where the franchise is registered, and under the Franchise Agreement, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns. (See Exhibit C: Performance Guaranty).

ITEM 22: CONTRACTS

Attached to this Disclosure Document are the following franchise-related contracts:

Exhibit D	Franchise Agreement <u>(and state specific addenda, if applicable)</u>
Exhibit E	Guaranty of Franchise Agreement
Exhibit F	Non-Disclosure and Non-Competition Agreement
Exhibit G	Collateral Assignment and Irrevocable Special Power of Attorney
Exhibit H	Required Lease Terms (Lease Addendum to Lease Agreement)
Exhibit I	Pre-Authorized Electronic Funds Transfer Form
Exhibit J	General Release for Renewal of Franchise Agreement
Exhibit J-1	<u>Asset Purchase Agreement (For Sale of a Corporate Store to a Franchisee) with Promissory Note and Security Agreement and Guaranty (if applicable)</u>
Exhibit J-2	<u>Sublease and Guaranty of Sublease</u>
Exhibit K	List of ~~Current/Former Franchisees~~ <u>Franchise Owners</u>
Exhibit L	List of Company-Owned Restaurants

**ADDENDUM TO THE BQ CONCEPTS, LLC
DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF MINNESOTA**

1. The following legends are added to the Risk Factors on the Cover Page:

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE COMMISSIONER OF ~~SECURITIES~~ COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE, AND NOT MISLEADING.

THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

IF THIS DISCLOSURE DOCUMENT IS NOT DELIVERED ON TIME, OR IF IT CONTAINS A FALSE, INCOMPLETE, INACCURATE OR MISLEADING STATEMENT, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND TO THE COMMISSIONER OF SECURITIES, DEPARTMENT OF COMMERCE, SECURITIES DIVISION, 85 7TH PLACE EAST, SUITE 500, ST. PAUL, MINNESOTA 55101, WHICH ADMINISTERS AND ENFORCES THE MINNESOTA FRANCHISE ACT.

2. Pursuant to Minnesota Rules 604.113, 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

3. The following paragraph is added to Item 13:

The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

Agreement; or (iii) 10 business days before the payment of any consideration that relates to the franchise relationship.

FACTORS TO BE CONSIDERED:

~~Any disputes, differences or controversies that arise pursuant to the Franchise Agreement or breach thereof which cannot be settled by mediation shall be settled by arbitration. This information should be taken into consideration in determining whether or not to purchase this franchise.~~

The franchisor represents that this prospectus does not knowingly omit any material fact or contain any untrue statement of a material fact.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, THE FRANCHISE AGREEMENT, AND ALL RELATED AGREEMENTS

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.
14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be

adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. Nonsolicitation Agreements. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

16. Questionnaires and Acknowledgements. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

17. Prohibitions on Communicating with Regulators. Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. Advisory Regarding Franchise Brokers. Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

**ADDENDUM TO THE BQ CONCEPTS, LLC
DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF WASHINGTON**

~~— The State of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your Franchise Agreement. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your Franchise Agreement.~~

~~If any provisions governing termination or non-renewal disclosed herein are inconsistent with Washington law, then Washington law shall apply. The applicable law reads as follows:~~

~~— Section 19.100.180. Without limiting the other provisions of this chapter, the following specific rights and prohibitions shall govern the relation between the franchisor or subfranchisor and the franchisees:~~

~~— (2) For the purpose of this chapter and without limiting its general application, it shall be an unfair or deceptive act or practice or an unfair method of competition and therefore unlawful and violation of this chapter for any person to:~~

~~— (a) Restrict or inhibit the right of the franchisees to join an association of franchisees.~~

~~— (b) Require a franchisee to purchase or lease goods or services of the franchisor or from approved sources of supply unless and to the extent that the franchisor satisfies the burden of proving that such restrictive purchasing agreements are reasonably necessary for a lawful purpose justified on business grounds, and do not substantially affect competition: PROVIDED, that this provision shall not apply to the initial inventory of the franchise. In determining whether a requirement to purchase or lease goods or services constitutes an unfair or deceptive act or practice or an unfair method of competition the courts shall be guided by the decisions of the courts of the United States interpreting and applying the anti-trust laws of the United States.~~

~~— (c) Discriminate between franchisees in the charges offered or made for royalties, goods, services, equipment, rentals, advertising services, or in any other business dealing, unless and to the extent that the franchisor satisfies the burden of proving that any classification of or discrimination between franchisees is: (i) Reasonable, (ii) based on franchises granted at materially different times and such discrimination is reasonably related to such difference in time, or is based on other proper and justifiable distinctions considering the purposes of this chapter, and (iii) is not arbitrary. However, nothing in (c) of this subsection precludes negotiation of the terms and conditions of a franchise at the initiative of the franchisees.~~

~~— (d) Sell, rent, or offer to sell to a franchisee any product or service for more than a fair and reasonable price.~~

~~— (e) Obtain money, goods, services, anything of value, or any other benefit from any other person with whom the franchisee does business on account of such business unless such benefit is disclosed to the franchisee.~~

~~— (f) If the franchise provides that the franchisee has an exclusive territory, which exclusive territory shall be specified in the franchise agreement, for the franchisor or subfranchisor to compete with the franchisee in an exclusive territory or to grant competitive franchises in the exclusive territory area previously granted to another franchisee.~~

~~— (g) Require franchisee to assent to a release, assignment, novation, or waiver which would relieve any person from liability imposed by this chapter, except as otherwise permitted by RCW 19.100.220.~~

~~———— (h) Impose on a franchisee by contract, rule, or regulation, whether written or oral, any standard of conduct unless the person so doing can sustain the burden of proving such to be reasonable and necessary.~~

~~———— (i) Refuse to renew a Franchise Agreement without fairly compensating the franchisee for the fair market value, at the time of expiration of the Franchise Agreement, or the franchisee's inventory, supplies, equipment, and furnishings purchased from the franchisor and good will, exclusive of personalized materials which have no value to the franchisor, and inventory, supplies, equipment and furnishings not reasonably required in the conduct of the franchised business: PROVIDED, that compensation need not be made to a franchisee for good will if: (i) the franchisee has been given one year's notice of nonrenewal; and (ii) the franchisor agrees in writing not to enforce any covenant which restrains the franchisee from competing with the franchisor: PROVIDED FURTHER, that a franchisor may offset against amounts owed to a franchisee under this subsection any amounts owed by such franchisee to franchisor.~~

~~———— (j) Terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include, without limitation, the failure of the franchisee to comply with lawful material provisions of the franchise or other agreement between the franchisor and the franchisee and to cure such default after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty days, to cure such default, or if such default cannot reasonably be cured within thirty days, the failure of the franchisee to initiate within thirty days substantial and continuing action to cure such default: PROVIDED, that after three willful and material breaches of the same term of the Franchise Agreement occurring within a twelve month period, for which the franchisee has been given notice and an opportunity to cure as provided in this subsection, the franchisor may terminate the Franchise Agreement upon any subsequent month period without providing notice or opportunity cure: PROVIDED FURTHER, that a franchisor may terminate a Franchise Agreement without prior notice or opportunity to cure a default if the franchisee: (i) is adjudicated bankrupt or insolvent; (ii) makes an assignment for the benefit of creditors or similar disposition of the assets of the franchised business; (iii) voluntarily abandons the franchised business; or (iv) is convicted of or pleads guilty or no contest to a charge of violating any law relating to the franchised business. Upon termination for good cause the franchisor shall purchase from the franchisee at a fair market value at the time of termination, the franchisee's inventory and supplies, exclusive of: (i) personalized materials which have no value to the franchisor; (ii) inventory and supplies not reasonably required in the conduct of the franchised business; and (iii) if the franchisee is to retain control of the premises of the franchised business, any inventory and supplies not purchased from the franchisor or on his express requirement: PROVIDED, that a franchisor may offset against amounts owed to a franchisee under this subsection any amounts owed by such franchisee to the franchisor."~~

~~In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.~~

~~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.~~

~~Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.~~

~~Lehr Restaurant Group, Lehr Real Estate (dba Dvincis Restaurant) and Adam Lehr, all affiliates of BQ Concepts LLC, filed for Bankruptcy Protection Code Chapter 13 of the United States Bankruptcy Code on January 30, 2018. Full disclosure of the particulars of this filing is in Item 4 of this Disclosure Document.~~

~~No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.~~

EXHIBIT B
TO THE FRANCHISE DISCLOSURE DOCUMENT

Financial Statements

Consolidated interim financial statements of MTY Franchising USA, Inc.

For the 13 weeks ended March 1, 2026

MTY Franchising USA, Inc.**Consolidated interim statement of operations and comprehensive income**

For the 13 weeks ended March 1, 2026

(In thousands of US dollars)

(Unaudited)

	2026
	\$
Revenue	162,741
Costs and expenses	
Operating expenses	138,027
Depreciation – property, plant and equipment and right-of-use assets	2,982
Amortization – intangible assets	4,251
Interest expense	23,900
	169,160
Other income (expenses)	
Interest income	13,438
Loss on disposal of property, plant and equipment and intangible assets	(539)
Restructuring	711
	13,610
Income before income taxes	7,191
Income tax expense (recovery)	
Current	3,454
Deferred	(227)
	3,227
Net income and comprehensive income	3,964

MTY Franchising USA, Inc.
Consolidated interim balance sheet

As at March 1, 2026
(In thousands of US dollars)
(Unaudited)

	2026
	\$
Assets	
Current assets	
Cash	23,923
Restricted cash	9
Accounts receivable	31,094
Inventories	3,951
Current portion of loans receivable	389
Receivables from ultimate parent and parent company	243,855
Prepaid expenses and deposits	8,045
Other current assets	4,225
Income taxes receivable	2,941
	318,432
Non-current assets	
Loans receivable	35
Contract cost asset	4,653
Property, plant and equipment	40,231
Operating lease right-of-use assets	179,349
Intangible assets	555,716
Goodwill	346,490
	1,444,906
Liabilities	
Current liabilities	
Accounts payable	5,635
Accrued liabilities	29,890
Gift card liability	95,464
Promotional funds payable	6,894
Current portion of operating lease liabilities	37,017
Current portion of deferred revenue and deposits	4,968
	179,868
Non-current liabilities	
Long-term loan from parent and ultimate parent	715,585
Operating lease liabilities	146,375
Deferred revenue and deposits	32,468
Deferred income taxes	95,587
	1,169,883
Stockholder's equity	
Common stock	179,154
Retained earnings	95,869
	275,023
	1,444,906

Consolidated financial statements of MTY Franchising USA, Inc.

For the years ended November 30, 2025 and 2024

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Report of Independent Auditors

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

Opinion

We have audited the accompanying consolidated financial statements of MTY Franchising USA, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of November 30, 2025 and 2024, and the related consolidated statements of operations and comprehensive (loss) income, of changes in stockholder's equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of November 30, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

PricewaterhouseCoopers LLP
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T.: +1 514 205 5000, F.: +1 514 876 1502, Fax to mail: ca_montreal_main_fax@pwc.com

PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP¹

Montréal, Canada
February 5, 2026

¹ CPA auditor, public accountancy permit No. A125677

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

Years ended November 30, 2025 and 2024

(In thousands of US dollars)

	Notes	2025 \$	2024 \$
Revenue	16	604,239	597,538
Costs and expenses			
Operating expenses	17	481,496	490,300
Depreciation – property, plant and equipment	6	12,469	13,469
Amortization – intangible assets	7	17,523	15,765
Impairment charge – property, plant and equipment	6 & 9	3,813	6,150
Impairment charge – operating lease right-of-use assets	5	130	849
Impairment charge – intangible assets and goodwill	7, 8 & 9	1,261	37,452
Interest expense	19	54,884	53,768
Management fees charged by parent company	22	2,319	2,101
		573,895	619,854
Other income (expenses)			
Interest income		8,122	12,145
Loss on disposal of property, plant and equipment and intangible assets		(699)	(376)
Restructuring	18	—	(1,342)
Gain on extinguishment of debt		—	97
Loss on de-recognition/lease modification of operating lease liabilities	5	(387)	(41)
		7,036	10,483
Income (loss) before income taxes		37,380	(11,833)
Income tax expense (recovery)	20		
Current		11,724	9,918
Deferred		(5,021)	(9,195)
		6,703	723
Net income (loss) and comprehensive income (loss)		30,677	(12,556)

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

Years ended November 30, 2025 and 2024

(In thousands of US dollars, except number of common stock issued)

	Common stock issued	Common stock value	Retained earnings	Total stockholder's equity
		\$	\$	\$
Balance as at November 30, 2023	15	179,154	73,782	252,936
Net loss and comprehensive loss	—	—	(12,556)	(12,556)
Balance as at November 30, 2024	15	179,154	61,226	240,380
Net income and comprehensive income	—	—	30,677	30,677
Balance as at November 30, 2025	15	179,154	91,903	271,057

MTY Franchising USA, Inc.
Consolidated balance sheets

As at November 30, 2025 and 2024
(In thousands of US dollars)

		2025	2024
	Notes	\$	\$
Assets			
Current assets			
Cash		21,840	12,834
Restricted cash	2	104	250
Accounts receivable	3	28,436	28,755
Inventories		5,244	7,182
Assets held for sale	4, 6 & 7	830	3,116
Current portion of loans receivable		189	384
Receivables from ultimate parent and parent company	12 & 22	233,800	204,389
Prepaid expenses and deposits		7,790	8,039
Other current assets		4,704	4,834
Income taxes receivable	20	6,356	4,402
		309,293	274,185
Non-current assets			
Loans receivable		34	66
Contract cost asset		4,643	4,277
Other assets		2,565	2,106
Property, plant and equipment	6	42,751	53,675
Operating lease right-of-use assets	5	181,327	190,303
Intangible assets	7	559,967	577,327
Goodwill	8	346,490	346,490
		1,447,070	1,448,429
Liabilities			
Current liabilities			
Accounts payable		6,939	14,808
Accrued liabilities		30,080	26,837
Gift card liability	10	93,010	109,252
Promotional funds payable		8,152	10,523
Current portion of operating lease liabilities	5	36,983	38,340
Current portion of deferred revenue and deposits	11	7,037	8,093
Advances from parent company	12 & 22	2,540	4,417
Short-term loan from parent	13	13,793	—
		198,534	212,270

MTY Franchising USA, Inc.
Consolidated balance sheets (continued)

As at November 30, 2025

(In thousands of US dollars)

		2025	2024
	Notes	\$	\$
Liabilities (continued)			
Non-current liabilities			
Long-term loan from parent and ultimate parent	13	701,795	708,363
Liabilities held for sale	4, 6 & 7	441	2,116
Operating lease liabilities	5	149,724	156,073
Deferred revenue and deposits	11	29,483	28,170
Deferred income taxes	20	96,036	101,057
		1,176,013	1,208,049
Stockholder's equity			
Common stock; 15 (2024 - 15) shares issued and authorized at \$11,943.6 (2024 - \$11,943.6) per share		179,154	179,154
Retained earnings		91,903	61,226
		271,057	240,380
		1,447,070	1,448,429

Approved by the Board on February 5, 2026

_____, Director

MTY Franchising USA, Inc.
Consolidated statements of cash flows

Years ended November 30, 2025 and 2024
(In thousands of US dollars)

		2025	2024
	Notes	\$	\$
Operating activities			
Net income (loss) and comprehensive income (loss)		30,677	(12,556)
Items not affecting cash:			
Depreciation – property, plant and equipment	6	12,469	13,469
Amortization – intangible assets	7	17,523	15,765
Interest expense	19	54,884	53,768
Loss on disposal of property, plant and equipment and intangible assets		699	376
Impairment charge – property, plant and equipment	6 & 9	3,813	6,150
Impairment charge – operating lease right-of-use assets	5	130	849
Impairment charge – intangible assets and goodwill	7 & 9	1,261	37,452
Loss on de-recognition/lease modification of operating lease liabilities	5	387	41
Deferred income tax recovery		(5,021)	(9,195)
		116,822	106,119
Interest paid		(51,376)	(53,768)
Changes in non-cash working capital items			
Accounts receivable		319	558
Inventories		2,032	(925)
Prepaid expenses and deposits		(89)	(278)
Loans receivable		227	(27)
Other current assets		130	(1,502)
Income taxes		(2,775)	(303)
Accounts payable		(8,753)	(1,070)
Accrued liabilities		3,128	(1,817)
Promotional funds payable		(2,371)	(4,166)
Gift card liability		(16,286)	4,546
Deferred revenue and deposits		257	3,735
Other		3,752	713
Net cash provided from operating activities		45,017	51,815

MTY Franchising USA, Inc.**Consolidated statements of cash flows (continued)**

Years ended November 30, 2025 and 2024

(In thousands of US dollars)

	Notes	2025 \$	2024 \$
Investing activities			
Additions to property, plant and equipment	6	(7,050)	(10,963)
Additions to intangible assets	7	(27)	(318)
Proceeds on disposal of intangible assets	6	—	230
Proceeds on disposal of property, plant and equipment		1,322	692
Proceeds on disposal of assets held for sale		—	1,614
Net cash used in investing activities		(5,755)	(8,745)
Financing activities			
Receivables from ultimate parent and parent company	12	(29,411)	(53,246)
Advances from parent company	12 & 22	(991)	—
(Repayment) issuance of loans payable to companies under common control		—	2,638
Repayment of holdback payable		—	(787)
Net cash used in financing activities		(30,402)	(51,395)
Net increase (decrease) in cash and restricted cash		8,860	(8,325)
Cash and restricted cash, beginning of year		13,084	21,409
Cash and restricted cash, end of year		21,944	13,084

Supplemental cash flow information

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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 operates, develops and franchises restaurants under a multitude of different banners in the United States of America (the "US").

2. Significant accounting policies

Basis of presentation

The accounting policies of the Company are in accordance with accounting principles generally accepted in the US ("US GAAP"). The Company uses the US dollar as its functional and reporting currency, and tabular amounts are rounded to the nearest thousand (\$000) except when otherwise indicated. MTY USA is a wholly owned subsidiary of MTY Franchising Inc. which is a subsidiary of the ultimate parent MTY Food Group Inc.

The preparation of the consolidated financial statements in conformity with US 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Presented below are those policies considered particularly significant:

Basis of consolidation

The consolidated financial statements reflect the financial position and operating results of the Company, including wholly owned subsidiaries and investees that it controls.

The principal subsidiaries of the Company are as follows:

Principal subsidiaries	Percentage of equity interest
	%
BF Acquisition Holdings, LLC	100
BQ Concepts, LLC	100
Famous Dave's of America Inc.	100
Kahala Franchising, LLC	100
La Salsa Franchise, LLC	100
Papa Murphy's International, LLC	100
VI Brandco, LLC	100
Wetzel's Pretzels, LLC	100

Revenues and expenses of subsidiaries are included in the consolidated statement of operations and comprehensive income (loss) 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.

Functional currency

The functional currency of the Company and its subsidiaries is the US dollar. 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 the statement of operations.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2025 and 2024

(In thousands of US dollars)

2. Significant accounting policies (continued)

Revenue recognition

Revenue is recognized upon the transfer of control of promised goods or services to customer in an amount that reflects the consideration the Company expects to receive for those goods or services:

Revenue from franchise locations

- i) 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, as they are earned.
- ii) Promotional fund contributions are based on a percentage of gross sales as reported by the franchisees. Corresponding promotional fund transfers are presented directly on the consolidated balance sheets. The Company is not entitled to retain these promotional fund payments received and is obligated to transfer these funds to be used solely for use in promotional and marketing-related costs for specific restaurant banners. The Company sometimes charges a fee for the administration of the promotional funds.
- iii) Initial franchise fees are recognized on a straight-line basis over the term of the franchise agreement as the performance obligation relating to franchise rights is fulfilled. Amortization begins once the restaurant has opened.
- iv) Upfront fees related to master license agreements are recognized over the term of the master license agreements on a straight-line basis.
- v) Renewal fees and transfer fees are recognized on a straight-line basis over the term of the related franchise agreement.
- vi) The Company earns rent revenue on certain leases it holds; the Company's policy is described below.
- vii) Revenue from equipment sale and retail sales are recognized upon transfer of control, generally upon shipment of the equipment or goods. This revenue is recorded in resale material and retail sales.
- viii) The Company recognizes breakage income proportionately as each gift card is redeemed, based on the historical redemption patterns of the gift cards. The Company also charges various program fees to its franchisees as gift cards are redeemed.
- ix) The Company receives considerations from certain suppliers. Fees are generally earned based on the value of purchases during the period. Agreements that contain an initial upfront fee, in addition to ongoing fees, are recognized on a straight-line basis over the term of the respective agreement. Supplier contributions are recognized as revenue as they are earned and are recorded in franchising revenue.
- x) The Company earns e-commerce fees, which includes point-of-sale ("POS") support fees and transaction fees for purchase made through one of the Company's brands' e-commerce platforms. POS supports fees are received quarterly in advance and are recognized over the period they cover. Transaction fees are recognized when the food items purchased from a store are delivered or picked up by customers.

Revenue from corporate-owned locations

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

2. Significant accounting policies (continued)*Contract cost asset*

The Company recognizes incremental costs of obtaining a contract as an asset if they are expected to be recoverable, unless their amortization period would be less than one year, in which case they are expensed as incurred. The costs are amortized to operating expenses over the term of the related franchise agreement.

Leasing

In accordance with ASC 842, the Company determines if an arrangement is or contains a lease at contract inception and recognizes a right-of-use asset and a lease liability at the lease commencement date. Leases with an initial term of 12 months or less but greater than one month are not recorded on the balance sheet for select asset classes.

The lease liability is measured at the present value of future lease payments as of the lease commencement date. The right-of-use asset recognized is based on the lease liability adjusted for prepaid and deferred rent and unamortized lease incentives. An operating lease right-of-use asset is amortized on a straight-line basis over the lease term and is recognized as a single lease cost against the operating lease liability. A finance lease right-of-use asset is amortized on a straight-line basis, with interest costs reported separately, over the lesser of the useful life of the leased asset or lease term.

Operating lease expense is recognized on a straight-line basis over the lease term and is included in Operating expenses. Variable lease payments are expensed as incurred. The Company uses its incremental borrowing rates as the discount rate for its leases, which is equal to the rate of interest the Company would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. The lease terms for all the Company's leases include the contractually obligated period of the leases, plus any additional periods covered by Company options to extend the leases that the Company is reasonably certain to exercise. Certain leases provide that the lease payments may be increased annually based on the fixed rate terms or adjustable terms such as the Consumer Price Index. Future base rent escalations that are not contractually quantifiable as of the lease commencement date are not included in the lease liability.

Lease expense is comprised of operating and finance lease costs, short-term lease costs, and variable lease costs, which primarily include common area maintenance, real estate taxes, and insurance for the Company's real estate leases.

The Company enters into leases for franchised and corporately-owned locations, offices, and equipment in the normal course of business.

The Company as lessee

The Company recognizes operating lease liabilities with corresponding operating lease right-of-use assets, except for short-term leases and leases of low value assets, which are expensed on a straight-line basis over the lease term. The Company's leases are all classified as operating leases. The amortization of the operating lease right-of-use asset and interest expense related to the operating lease liability are recorded together as the lease expense to produce a straight-line recognition effect in the consolidated statement of operations. Under ASC 842, operating lease right-of-use assets are tested for impairment in accordance with ASC 360, Property, Plant and Equipment.

The Company as lessor

When the Company enters into a sublease arrangement as an intermediate lessor, the Company accounts for the head lease and the sublease as two separate contracts. All the subleases of the Company are classified as operating subleases by reference to the operating lease right-of-use asset arising from the underlying asset. For operating subleases, the Company recognizes an operating right-of-use asset relating to the head lease and recognizes a deferred rent asset or liability in the sublease. As the intermediate lessor, the Company retains the operating lease liability on the head lease in its consolidated balance sheet. During the term of the sublease, the Company recognizes both lease income on the sublease and lease expense on the head lease.

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2025 and 2024

(In thousands of US dollars)

2. Significant accounting policies (continued)

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.

Expected Credit loss

The Company currently uses an expected credit loss ("ECL") model for its trade receivables, which permits the uses of the lifetime expected loss provision for all trade receivables and also incorporates forward-looking information. Lifetime ECL represents the ECL that will result from all probable default events over the expected life of a financial instrument.

Assets held for sale

Assets are classified as held for sale when management with the appropriate authority commits to a plan to sell the assets, the assets are available for immediate sale, the assets are actively marketed at a reasonable price, the sale is probable within a year, and certain other criteria met. Assets held for sale primarily include Company-owned stores and, in some instances, associated trademarks and right-of-use assets, when the Company has committed to their sale as part of an approved plan. Assets designated as held for sale are held at the lower of the net book value or fair value less costs to sell. Depreciation is not charged against property, plant and equipment or right-of-use assets classified as assets held for sale.

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 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 the statement of operations.

Depreciation is based on the following terms:

Buildings	Straight-line	25 to 50 years
Equipment	Straight-line	Three to 10 years
Leasehold improvements	Straight-line	Term of the lease
Rolling stock	Straight-line	Five to seven years
Computer hardware	Straight-line	Three to seven years

2. Significant accounting policies (continued)

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

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 reduced by previous 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 the statement of operations 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 brand recognition and their ability to generate revenue through changing economic conditions with no foreseeable time limit.

Other

Included in other intangible assets are purchased software and liquor licences, which are being amortized over their expected useful life on a straight-line basis.

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 and infinite 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 exceed 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. The indefinite intangible assets are tested at the individual brand level, which is comprised of franchise rights, trademarks and perpetual licenses.

2. Significant accounting policies (continued)

Impairment of goodwill

For the purposes of impairment testing, goodwill is allocated to the unit or group of units ("reporting unit") that are considered to represent the lowest level within the group.

As at November 30, 2025 and 2024, goodwill is allocated as follows:

	Goodwill unit description
US Goodwill Unit A	A group of reporting units comprised of all the brands, excluding Papa Murphy's and the brands acquired with BBQ Holdings, Inc. ("BBQ Holdings")
US Goodwill Unit B	A group of reporting units comprised of the BBQ Holdings brands and the Papa Murphy's brand

Goodwill is tested for impairment on an annual basis (September 1 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 value¹ is determined using a discounted cash flow methodology with a risk adjusted weighted average cost of capital.

Cash and restricted cash

Cash 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, 2025, cash and restricted cash included \$104 of restricted cash (2024 – \$250) that is required as part of guarantees on certain lease commitments.

Inventories

Inventories are measured at the lower of cost and net realizable value. Costs of inventories are determined on a first-in-first-out basis and include acquisition costs and other costs incurred to bring inventories to their present location and condition.

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

Provisions for the expected cost of litigation, disputes and the cost of settling leases for closed stores, with the exception of operating lease liabilities already recorded pursuant to ASC 842, 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.

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.

2. Significant accounting policies (continued)

Financial instruments

The Company's financial instruments consist of cash, restricted cash, accounts receivable, loans receivable, receivable from parent and ultimate parent, accounts payable, accrued liabilities, promotional funds payable, advance from parent company and long-term loan from parent and ultimate parent. 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 values for cash, restricted cash, accounts receivable, loans receivable, receivable from parent, receivable from ultimate parent, accounts payable, accrued liabilities, promotional funds payable, advance from parent company approximate their carrying values due to their immediate or short-term maturities, unless otherwise noted. The long-term loan from parent and ultimate parent are measured at fair value.

Promotional funds

Pursuant to the franchise agreements, franchisees must pay a fee to the promotional funds. 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 promotional funds collected, and the related expenditures are reported on a gross basis in the consolidated statements of operations and comprehensive income. To the extent that promotional funds received exceed the related promotional expenditures, the excess contributions will be recorded in accounts payable or accrued liabilities.

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. As at November 30, 2025, promotional funds were in a net liability position amounting to \$3,018 (2024 – net liability position of \$7,694).

Subsequent events

Subsequent events were evaluated through the date that the consolidated financial statements were issued, which was February 5, 2026.

Estimates and assumptions

Goodwill and indefinite-lived intangible assets

The fair value calculation includes estimates of revenue growth, which are based on past performance and internal projections for the intangible asset group's forecasted growth, which are adjusted for our particular facts and circumstances. The discount rate is selected based on the estimated cost of capital that reflects the risk profile of the related business. These estimates are highly subjective, the ability to achieve the forecasted cash flows used in our fair value calculations is affected by factors such as the success of strategic initiatives, changes in economic conditions, changes in our operating performance and changes in our business strategies.

Gift card liabilities

Management is required to make certain assumptions in both the prorated recognition based on redemption pattern and remoteness recognition of gift card breakage. The significant estimate is the breakage rate based on redemption patterns.

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

Years ended November 30, 2025 and 2024

(In thousands of US dollars)

3. Accounts receivable

Details of accounts receivable are as follows:

	2025	2024
	\$	\$
Total accounts receivable	30,269	30,676
Less: Allowance for credit losses	(1,833)	(1,921)
Total accounts receivable, net	28,436	28,755
Of which:		
Not past due	22,953	23,612
Past due for more than one day but no more than 30 days	957	1,736
Past due for more than 31 days but no more than 60 days	985	695
Past due for more than 61 days	3,541	2,712
Total accounts receivable, net	28,436	28,755
	2025	2024
	\$	\$
Allowance for credit losses, beginning of year	(1,921)	(2,277)
Recovery	64	322
Reversal of amounts previously written off	—	(33)
Write-offs	24	67
Allowance for credit losses, end of year	(1,833)	(1,921)

4. Assets and liabilities held for sale

Assets and liabilities held for sale as at November 30, 2025 and 2024 are stated at fair value less costs to sell. During the reporting period, the Company designated certain assets and liabilities related to a casual dining brand as held for sale. This decision reflects management's formal commitment to a plan to divest these assets, which include both Company-owned stores and associated intangible assets.

The assets reclassified as held for sale primarily consist of inventories, prepaid expenses, deposits, right-of-use assets (Note 5), property plant, and equipment (Note 6) and intangible assets (Note 7). The liabilities included in the carrying value are the gift card payable and the lease liability (Note 5). This reclassification on November 30, 2025 led to an impairment charge of nil (2024 - \$849) to right-of-use-asset, nil (2024 - \$505) to property, plant and equipment and nil (2024 - \$1,088) to trademarks in Reporting Unit A. The total carrying amount reclassified as held for sale is comprised of assets of \$830 (2024 - \$3,116) and liabilities of \$441 (2024 - \$2,116) resulting in a net amount of \$389 (2024 - \$1,000).

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

Years ended November 30, 2025 and 2024

(In thousands of US dollars)

5. Leases**Operating lease right-of-use assets**

The following table provides the net carrying amounts of the operating lease right-of-use assets by class of underlying asset and the changes in the years ended November 30, 2025 and 2024:

	Offices and stores	Other	Total
	\$	\$	\$
Balance as at November 30, 2023	186,764	310	187,074
Additions	12,844	90	12,934
Assets held for sale (Note 4)	(953)	—	(953)
Depreciation expense	(39,781)	(139)	(39,920)
Impairment charge	(849)	—	(849)
De-recognition/lease modifications	32,047	(30)	32,017
Balance as at November 30, 2024	190,072	231	190,303
Additions	8,776	—	8,776
Assets held for sale (Note 4)	626	—	626
Depreciation expense	(41,135)	(112)	(41,247)
Impairment charge	(130)	—	(130)
De-recognition/lease modifications	22,985	14	22,999
Balance as at November 30, 2025	181,194	133	181,327

The Company recorded sublease income from its operating lease right-of-use assets amounting to \$24,743 (2024 – \$23,431).

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

Years ended November 30, 2025 and 2024

(In thousands of US dollars)

5. Leases (continued)**Operating lease liabilities**

The following table provides the net carrying amounts of the operating lease liabilities and the changes in the years ended November 30, 2025 and 2024:

	2025	2024
	\$	\$
Operating lease liabilities, beginning of year	194,413	190,493
Additions	8,776	12,934
Transfer from (to) assets held for sale (Note 4)	1,516	(1,848)
Lease renewals and modifications	26,631	35,264
Lease terminations	(3,503)	(3,316)
Other adjustments	(497)	(329)
Interest expense	11,004	10,731
Payments	(51,633)	(49,516)
Operating lease liabilities, end of year	186,707	194,413

Recorded in the consolidated balance sheets as follows:

	2025	2024
	\$	\$
Current portion	36,983	38,340
Long-term portion	149,724	156,073
	186,707	194,413

Maturity analysis

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be paid after November 30, 2025:

	Leases	Expected sublease income
	\$	\$
2026	48,059	23,063
2027	41,654	19,093
2028	35,124	15,314
2029	28,220	11,083
2030	20,706	7,498
Thereafter	49,981	13,704
Total undiscounted lease payments	223,744	89,755
Less: Unearned finance income	(37,037)	—
Total present value of lease liabilities and expected sublease income	186,707	89,755

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

Years ended November 30, 2025 and 2024

(In thousands of US dollars)

6. Property, plant and equipment

Cost	Equipment	Leasehold improve- ments	Rolling stock	Computer hardware	Land	Building	Total
	\$	\$	\$	\$	\$	\$	\$
Balance as at November 30, 2023	28,811	38,544	16	4,777	3,220	3,245	78,613
Additions	5,100	4,427	—	1,369	—	67	10,963
Disposals	(1,088)	(221)	—	(90)	—	—	(1,399)
Impairment (Note 9)	(2,239)	(3,662)	—	(249)	—	—	(6,150)
Transfer to assets held for sale	(469)	(323)	—	(22)	—	—	(814)
Balance as at November 30, 2024	30,115	38,765	16	5,785	3,220	3,312	81,213
Additions	3,782	2,408	—	320	—	540	7,050
Disposals	(1,796)	(1,256)	(16)	(1,180)	—	—	(4,248)
Impairment (Note 9)	(901)	(2,912)	—	—	—	—	(3,813)
Transfer to/from assets held for sale (Note 4)	66	(70)	—	7	—	—	3
Balance as at November 30, 2025	31,266	36,935	—	4,932	3,220	3,852	80,205
Accumulated depreciation	Equipment	Leasehold improve- ments	Rolling stock	Computer hardware	Land	Building	Total
	\$	\$	\$	\$	\$	\$	\$
Balance as at November 30, 2023	4,615	8,828	—	1,429	—	142	15,014
Transfer to assets held for sale (Note 4)	(141)	(98)	—	(7)	—	—	(246)
Depreciation	4,658	8,087	3	531	—	190	13,469
Disposals	(516)	(115)	—	(68)	—	—	(699)
Balance as at November 30, 2024	8,616	16,702	3	1,885	—	332	27,538
Depreciation	4,527	6,548	—	1,259	—	135	12,469
Disposals	(1,870)	(260)	(3)	(279)	—	—	(2,412)
Transfer to/from assets held for sale (Note 4)	(88)	(56)	—	3	—	—	(141)
Balance as at November 30, 2025	11,185	22,934	—	2,868	—	467	37,454
Carrying amounts	Equipment	Leasehold improve- ments	Rolling stock	Computer hardware	Land	Building	Total
	\$	\$	\$	\$	\$	\$	\$
November 30, 2024	21,499	22,063	13	3,900	3,220	2,980	53,675
November 30, 2025	20,081	14,001	—	2,064	3,220	3,385	42,751

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2025 and 2024

(In thousands of US dollars)

7. Intangible assets

Cost	Franchise rights	Trademarks	Other	Total
	\$	\$	\$	\$
Balance as at November 30, 2023	214,925	482,196	5,912	703,033
Additions	275	—	43	318
Transfer to assets held for sale (Note 4)	—	(1,222)	(175)	(1,397)
Disposals	—	—	(230)	(230)
Impairment (Note 9)	(1,390)	(6,191)	(186)	(7,767)
Balance as at November 30, 2024	213,810	474,783	5,364	693,957
Additions	—	—	27	27
Impairment (Note 9)	(344)	(1,027)	110	(1,261)
Transfer from assets held for sale (Note 4)	—	1,222	175	1,397
Balance as at November 30, 2025	213,466	474,978	5,676	694,120
Accumulated amortization	Franchise rights	Trademarks	Other	Total
	\$	\$	\$	\$
Balance as at November 30, 2023	99,027	—	1,838	100,865
Amortization	15,124	—	641	15,765
Balance as at November 30, 2024	114,151	—	2,479	116,630
Amortization	16,818	—	705	17,523
Balance as at November 30, 2025	130,969	—	3,184	134,153
Carrying amounts	Franchise rights	Trademarks	Other	Total
	\$	\$	\$	\$
November 30, 2024	99,659	474,783	2,885	577,327
November 30, 2025	82,497	474,978	2,492	559,967

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

Years ended November 30, 2025 and 2024

(In thousands of US dollars)

8. Goodwill

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

	2025	2024
	\$	\$
Goodwill, beginning and end of year	424,828	424,828
Accumulated impairment, beginning of year	(78,338)	(48,653)
Impairment (Note 9)	—	(29,685)
Accumulated impairment, end of year	(78,338)	(78,338)
Carrying amount	346,490	346,490

9. Impairment – property, plant and equipment, intangible assets and goodwill

The Company performs quarterly impairment indicator analysis followed by its annual impairment test which is executed as at September 1, 2025. These assessments resulted in the recognition of \$1,261 of impairment losses on its intangible assets for one brand (2024 - \$6,679 for five brands). The Company did not have any impairment recognized as a result of the reclass to assets held for sale (2024 - \$1,088 for one brand) (Note 4).

As of September 1, 2024, the Company reassessed the reporting unit based on a strategic realignment and merger of business units in the US. The goodwill impairment for the reporting unit comprised of Papa Murphy's brand was subject to an impairment test prior to the strategic realignment and this resulted in an impairment of goodwill of \$29,685. There was no impact on the consolidated statements of operations and comprehensive income (loss) for the year ended November 30, 2025.

Additionally, the Company recorded \$3,813 of impairment losses on its property, plant and equipment (2024 – \$6,150), for a total of \$5,074 (2024 – \$43,602) of impairment charges on its property, plant and equipment, intangible assets and goodwill for the year ended November 30, 2025, which have been recognized in the consolidated statement of operations.

Impairment charges were based on the amount by which the carrying values of the assets exceeded the fair value, determined using expected discounted projected operating cash flows for trademarks and franchise rights.

Impairment by reporting unit for the year ended November 30, 2025:

	Intangible assets					
	Property, plant and equipment	Franchise rights	Trademarks	Other	Goodwill	Total
	\$	\$	\$	\$	\$	\$
Reporting Unit A	176	—	—	—	—	176
Reporting Unit B	3,637	344	1,027	(110)	—	4,898
	3,813	344	1,027	(110)	—	5,074

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2025 and 2024

(In thousands of US dollars)

9. Impairment (continued)

Impairment by reporting unit for the year ended November 30, 2024:

	Property, plant and equipment	Intangible assets				Total
		Franchise rights	Trademarks	Other	Goodwill	
	\$	\$	\$			\$
Reporting Unit A	1,886	205	2,069		—	4,160
Reporting Unit B	4,264	1,185	4,122	186	29,685	39,442
	6,150	1,390	6,191	186	29,685	43,602

The key assumptions used are those related to projected operating cash flows, as well as the discount rates. The sales forecasts for cash flows were based on the subsequent fiscal year's budgeted operating results, which were prepared by management and approved by the Board, and internal forecasts for subsequent years, which were prepared by management and developed from the budgeted operating results.

The following table presents the key assumptions used in the Company's impairment tests, as well as the recoverable amounts measured at fair value as at September 1, 2025 and 2024:

	2025		2024	
	Reporting Unit A	Reporting Unit B	Reporting Unit A	Reporting Unit B
(\$, except percentage data)				
Discount rates after tax	9.5%	9.5%	10.0%	10.0%
Discount rates pre-tax	10.3%	11.5%	12.7%	13.0%
Recoverable amounts	873,628	531,589	875,925	604,533

Long-term growth rates ranging from 0% to 2% (2024 – 0% to 2%) were used in the impairment test for Reporting Unit A. A change of 100 basis points in discount rates in Reporting Unit A would result in additional impairment charges on intangible assets of one brand (2024 – four brands) representing 0.4% (2024 – 0.5%) of the total carrying value of the franchise rights and trademarks in that unit. A change of 100 basis points in discount rates in Reporting Unit A would not result in additional impairment charges on goodwill for the years ended November 30, 2025 and 2024. For Reporting Unit A, an increase of 443 basis points in the discount rate would have resulted in its recoverable amount being equal to its carrying value.

Long-term growth rates of 0% to 2% (2024 – 2%) were used in the impairment test for Reporting Unit B. A change of 100 basis points in discount rates in Reporting Unit B would result in additional impairment charges on intangible assets of one brand (2024 – one brand) representing 0.9% (2024 – 0.1%) of the total carrying value of the franchise rights and trademarks in that unit. A change of 100 basis points in discount rates in Reporting Unit B would result in additional impairment charges of \$25,520 on goodwill (2024 - nil). For Reporting Unit B, an increase of 54 basis points in the discount rate would have resulted in its recoverable amount being equal to its carrying value.

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

Years ended November 30, 2025 and 2024

(In thousands of US dollars)

10. Gift card liability

The changes in the carrying amount of the gift card liability are as follows:

	2025	2024
	\$	\$
		Adjusted ⁽¹⁾
Gift card liability, beginning of year	109,252	104,858
Activations	57,920	56,723
Redemptions	(46,467)	(46,020)
Deferred program fees and other	(719)	(320)
Gift card breakage recorded	(26,976)	(5,989)
Gift card liability, end of year	93,010	109,252

⁽¹⁾ Prior year amounts have been adjusted to reflect a reclassification decreasing activations and redemptions for \$20,967.

During the year, the Company revised the estimates for its gift card breakage based on changed redemption patterns. This change in estimate resulted in an increase of gift card breakage of \$21,151.

11. Deferred revenue and deposits

	2025	2024
	\$	\$
Franchise fee deposits	34,149	33,594
Unearned rent	1,842	1,737
Supplier contributions and other allowances	529	932
	36,520	36,263
Current portion	(7,037)	(8,093)
	29,483	28,170

Deferred revenues consist mostly of initial, transfer and renewal franchise fees paid by franchisees, as well as upfront fees paid by master franchisees, which are generally recognized on a straight-line basis over the term of the related agreement. Deferred revenues also include amounts paid in upfront fees received from agreements with suppliers, which are amortized over the term of the related agreement.

\$7,824 (2024 – \$8,570) of revenue recognized in the current year was included in the deferred revenue balance at the beginning of the year.

The following table provides estimated revenues expected to be recognized in future years related to performance obligations that are unsatisfied as at November 30, 2025:

Estimate for fiscal year:	\$
2026	7,037
2027	4,386
2028	3,508
2029	3,098
2030	2,487
Thereafter	16,004
	36,520

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

Years ended November 30, 2025 and 2024

(In thousands of US dollars)

12. Receivables and advances from ultimate parent and parent company

The receivables from ultimate parent and parent are primarily comprised of a renewable one-year term loan facility of \$212,834 (2024 – \$194,988) and other receivables of \$20,966 (2024 – \$9,401). The term loan is unsecured and bears interest at the rate set at the Applicable Federal Rates as issued by the US Internal Revenue Service for short-term instruments. Interest revenue of \$8,091 was recognized in Consolidated statements of operations and comprehensive income (loss) in the other revenue (2024 - \$12,119). The term loan may be repaid, in whole or in part, at any time, without premium or penalty. MTY USA may also request repayment, in whole or in part, at any time, without penalty.

The advances due to the parent company are payable on demand with no specified collection terms.

13. Long-term loan from parent and ultimate parent

	2025	2024
	\$	\$
Interest-bearing loan at 5.5% from parent, repayable by November 27, 2026 ⁽¹⁾	13,793	12,700
Interest-bearing loan at 9.36% from parent, repayable by December 8, 2031 ⁽¹⁾	26,108	20,000
Interest-bearing loan at 9.26% from ultimate parent, repayable by December 8, 2029 ⁽¹⁾	385,837	385,813
Interest-bearing loan at 5.4% from ultimate parent, repayable by November 27, 2031 ⁽¹⁾	289,850	289,850
	715,588	708,363
Less: Current portion	(13,793)	—
	701,795	708,363

⁽¹⁾ These loans have been made to parent and ultimate parent and may be repaid, in whole or in part, at any time, without premium or penalty. Comparative figures have been adjusted for loans from parent and ultimate parent.

14. Contingencies

The contingencies for litigation and disputes represent management's best estimate of the outcome of litigations and disputes that are ongoing at the date of the consolidated balance sheet. These contingencies consist of multiple items, a large part of which are insurance claims, including worker's compensation claims, at the Company's corporately owned locations. The timing of the settlement of these contingencies is unknown given their nature, as the Company does not control the litigation timelines.

	2025	2024
	\$	\$
Provision for litigations, disputes and other contingencies, beginning of year	2,693	2,849
Reversals	(226)	(790)
Amounts used	(10,546)	(9,424)
Additions	10,661	10,058
Provision for litigations, disputes and other contingencies, end of year	2,582	2,693

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

Years ended November 30, 2025 and 2024

(In thousands of US dollars)

15. 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

The Company has determined that the fair value of its financial assets and financial liabilities with short-term maturities approximates their carrying value. These financial instruments include cash, accounts receivable, receivables from ultimate parent, deposits, loans receivable, accounts payable, accrued liabilities, promotional funds payable.

Risk management policies

The Company, through its financial assets and financial liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at November 30, 2025 and 2024.

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 consolidated balance sheets are net of expected credit losses, 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 due to the Company's broad client base is spread mostly across the US, which limits the concentration of credit risk.

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.

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 parent and ultimate parent have fixed interest rates.

16. Revenue

	For the year ended					
	November 30, 2025			November 30, 2024		
	Franchising	Corporate	Total	Franchising	Corporate	Total
	\$	\$	\$	\$	\$	\$
Corporate store revenues	—	314,875	314,875	—	330,599	330,599
Royalties	124,221	—	124,221	128,335	—	128,335
Franchise fees, transfer fees and master license fees	5,894	—	5,894	5,770	—	5,770
Promotional funds	55,241	—	55,241	56,563	—	56,563
Program allowances	29,352	—	29,352	30,373	—	30,373
Breakage income	26,976	—	26,976	5,989	—	5,989
Resale material and retail sales	4,822	—	4,822	4,781	—	4,781
Rent	26,521	—	26,521	25,199	—	25,199
Other	16,337	—	16,337	9,929	—	9,929
	289,364	314,875	604,239	266,939	330,599	597,538

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

Years ended November 30, 2025 and 2024

(In thousands of US dollars)

17. Operating expenses

	For the year ended					
	November 30, 2025			November 30, 2024		
	Franchising	Corporate	Total	Franchising	Corporate	Total
	\$	\$	\$	\$	\$	\$
Cost of goods sold	1,905	89,044	90,949	2,342	89,624	91,966
Wages and benefits	52,932	117,584	170,516	52,855	118,514	171,369
Advertising, marketing and promotion	906	6,400	7,306	443	6,000	6,443
Rent	28,990	36,910	65,900	27,748	37,925	65,673
Professional and consulting fees and commission	12,161	671	12,832	11,544	2,037	13,581
Office, travel, meals and entertainment and utilities	10,420	37,402	47,822	13,482	37,998	51,480
Promotional funds	55,241	—	55,241	56,563	—	56,563
Gift card program costs	6,269	—	6,269	6,499	—	6,499
Bad debt expense (recovery)	414	93	507	(293)	147	(146)
Other ⁽¹⁾	1,332	22,822	24,154	954	25,918	26,872
	170,570	310,926	481,496	172,137	318,163	490,300

(1) Other operating expenses are comprised mainly of supplies, repairs and maintenance and administration expenses.

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.

18. Restructuring

During the year ended on November 30, 2024, the Company initiated a restructuring plan as part of a strategic realignment to streamline operations and improve efficiency. During the year ended November 30, 2025, the Company recognized restructuring costs of nil (2024 - \$1,342) primarily related to employee severance costs of nil (2024 - \$832) with the reminder being in relation to the discontinuation of one of its brands. No additional expenses were incurred in the current year.

19. Interest expense

	2025	2024
	\$	\$
Interest charged by parent and ultimate parent	54,884	53,768
Interest expense	54,884	53,768

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

Years ended November 30, 2025 and 2024

(In thousands of US dollars)

20. Income taxes

The Company accounts for income taxes in accordance with 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 consolidated financial statements than for tax purposes.

As at November 30, 2025, Canada has enacted the global minimum top-up income tax under Pillar Two tax legislation into domestic tax legislation. The top-up income tax relates to the Company's operations in the Canada with no impact on the Company. The Corporation has applied the exception to not recognize deferred tax assets and liabilities related to Pillar Two income taxes.

	2025	2024
	\$	\$
Income tax expense (recovery)		
Current tax expense	11,724	9,918
Deferred tax recovery	(5,021)	(9,195)
Total tax expense	6,703	723

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 21% (2024 – 21%) to the income for the period as follows:

	2025	2024
	\$	\$
Income (loss) before income taxes	37,380	(11,833)
Income tax expense (recovery) at federal statutory rate	7,850	(2,478)
State and local income taxes net of federal tax benefit	2,736	881
State and local income taxes - deferred	(1,391)	—
Non-deductible/non-taxable items	(1,941)	5,484
True-up of prior year tax provision	129	(3,950)
Rate variation on deferred income tax	(484)	724
Other	(196)	62
Income tax expense	6,703	723

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

Years ended November 30, 2025 and 2024

(In thousands of US dollars)

21. Income taxes (continued)

Components of the net deferred tax asset (liability):

	2025	2024
	\$	\$
Inventories	(242)	(275)
Allowance for credit losses	239	192
Deferred revenue and deposits	5,697	4,676
Accrued and gift card liabilities	43,791	44,117
Non-capital losses and other tax credits	346	1,917
Other	(775)	(1,941)
Operating lease liabilities	(525)	48,125
Total deferred tax assets	48,531	96,811
Deferred costs	(517)	(600)
Property, plant and equipment	(8,360)	(9,632)
Operating lease right-of-use assets	74	(47,277)
Intangible assets	(135,357)	(140,054)
Holdback payable	(407)	(305)
Total deferred tax liabilities	(144,567)	(197,868)
Net deferred tax liability	(96,036)	(101,057)

21. Supplemental cash flow information

During the year ended November 30, 2025, the Company paid \$13,535 (2024 – \$10,348) in income taxes. Furthermore, there are non-cash items included in the proceeds on disposition of property, plant and equipment amounting to a net liability of \$186 (2024 – net liability of \$113). The non-cash items were primarily related to commitments made as part of the disposal of a portfolio of corporately-owned locations.

22. Related party transactions

The Company has transactions in the normal course of business with its parent company, ultimate parent 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.

Consolidated financial statements of MTY Franchising USA, Inc.

For the years ended November 30, 2024 and 2023

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Report of Independent Auditors

To the Management and Stockholder of MTY Franchising USA, Inc.

Opinion

We have audited the accompanying consolidated financial statements of MTY Franchising USA, Inc. and its subsidiaries (the Company), which comprise the consolidated statements of operations and comprehensive (loss) income for the years ended November 30, 2024 and 2023, the consolidated statements of changes in stockholder's equity for the years ended November 30, 2024 and 2023, the consolidated balance sheets as of November 30, 2024 and 2023, and the consolidated statements of cash flows for the years then ended, including the related notes (collectively referred to as the consolidated financial statements).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of November 30, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

PricewaterhouseCoopers LLP
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502, Fax to mail: ca_montreal_main_fax@pwc.com

PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP¹

**Montréal, Canada
January 31, 2025**

¹ CPA auditor, public accountancy permit No. A125677

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

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

	Notes	2024	2023
		\$	\$
			Adjusted ⁽¹⁾
Revenue	19	597,538	606,617
Costs and expenses			
Operating expenses	20	490,300	498,484
Depreciation – property, plant and equipment	7	13,469	11,358
Amortization – intangible assets	8	15,765	19,213
Impairment charge – property, plant and equipment	7 & 10	6,150	169
Impairment charge – operating lease right-of-use assets	6	849	—
Impairment charge – intangible assets and goodwill	8, 9 & 10	37,452	4,063
Interest expense	22	53,768	53,977
Management fees charged by parent company	25	2,101	2,249
		619,854	589,513
Other income (expenses)			
Interest income		12,145	2,255
Loss on disposal of property, plant and equipment and intangible assets		(376)	(1,843)
Restructuring	21	(1,342)	—
Gain on extinguishment of debt		97	—
Gain on contingent consideration from a business acquisition	3	—	1,600
Loss on de-recognition/lease modification of operating lease liabilities	6	(41)	(736)
		10,483	1,276
(Loss) income before income taxes		(11,833)	18,380
Income tax expense (recovery)	23		
Current		9,918	7,807
Deferred		(9,195)	(6,405)
		723	1,402
Net (loss) income and comprehensive (loss) income		(12,556)	16,978

(1) Certain comparative figures have been reclassified to conform with current year presentation. Lease income in comparative period of \$26.3 million was reclassified from operating expense to revenue.

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

Years ended November 30, 2024 and 2023

(In thousands of US dollars, except number of common stock issued)

	Common stock issued	Common stock value	Retained earnings	Total stockholder's equity
		\$	\$	\$
Balance as at November 30, 2022	15	179,154	56,804	235,958
Net income and comprehensive income	—	—	16,978	16,978
Balance as at November 30, 2023	15	179,154	73,782	252,936
Net loss and comprehensive loss	—	—	(12,556)	(12,556)
Balance as at November 30, 2024	15	179,154	61,226	240,380

MTY Franchising USA, Inc.
Consolidated balance sheets

As at November 30, 2024 and 2023

(In thousands of US dollars)

		2024	2023
	Notes	\$	\$
Assets			
Current assets			
Cash		12,834	21,138
Restricted cash	2	250	271
Accounts receivable	4	28,755	29,461
Inventories		7,182	6,414
Assets held for sale	5, 7 & 8	3,116	1,668
Current portion of loans receivable		384	272
Receivable from ultimate parent	13 & 25	204,389	148,828
Prepaid expenses and deposits		8,039	8,386
Other current assets		4,834	3,333
Income taxes receivable	23	4,402	4,919
		274,185	224,690
Loans receivable		66	151
Contract cost asset		4,277	3,696
Other assets		2,106	1,896
Property, plant and equipment	7	53,675	63,599
Operating lease right-of-use assets	6	190,303	187,074
Intangible assets	8	577,327	602,168
Goodwill	9	346,490	376,175
		1,448,429	1,459,449
Liabilities			
Current liabilities			
Accounts payable		14,808	15,878
Accrued liabilities		26,837	28,769
Gift card liability	11	109,252	104,858
Promotional funds payable		10,523	14,690
Current portion of operating lease liabilities	6	38,340	37,080
Current portion of deferred revenue and deposits	12	8,093	7,775
Advance from parent company	13 & 25	4,417	2,249
Advances from companies under common control	13 & 25	—	42
Current portion of holdback payable	15	—	912
		212,270	212,253

MTY Franchising USA, Inc.
Consolidated balance sheets (continued)

As at November 30, 2024 and 2023

(In thousands of US dollars)

		2024	2023
	Notes	\$	\$
Liabilities (continued)			
Long-term loan from company under common control	14	708,363	705,683
Other liabilities		—	159
Liabilities held for sale	5, 7 & 8	2,116	—
Operating lease liabilities	6	156,073	153,413
Deferred revenue and deposits	12	28,170	24,753
Deferred income taxes	23	101,057	110,252
		1,208,049	1,206,513
Stockholder's equity			
Common stock	17	179,154	179,154
Retained earnings		61,226	73,782
		240,380	252,936
		1,448,429	1,459,449

Approved by the Board on January 31, 2025

_____, Director

MTY Franchising USA, Inc.
Consolidated statements of cash flows

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

		2024	2023
	Notes	\$	\$
Operating activities			
Net (loss) income and comprehensive (loss) income		(12,556)	16,978
Items not affecting cash:			
Depreciation – property, plant and equipment	7	13,469	11,358
Amortization – intangible assets	8	15,765	19,213
Interest expense	22	53,768	53,977
Loss on disposal of property, plant and equipment and intangible assets		376	1,843
Impairment charge – property, plant and equipment	7 & 10	6,150	169
Impairment charge – operating lease right-of-use assets	6	849	—
Impairment charge – intangible assets and goodwill	8 & 10	37,452	4,063
Gain on contingent consideration from a business acquisition	3	—	(1,600)
Loss on de-recognition/lease modification of operating lease liabilities	6	41	736
Deferred income tax recovery		(9,195)	(6,405)
		106,119	100,332
Interest paid		(53,768)	(53,977)
Changes in non-cash working capital items			
Accounts receivable		2,874	(4,133)
Inventories		(925)	198
Prepaid expenses and deposits		(278)	(1,140)
Loans receivable		(27)	1,410
Other current assets		(1,502)	(412)
Income taxes		(303)	(1,842)
Accounts payable		(1,070)	(911)
Accrued liabilities		(1,817)	(5,853)
Promotional funds payable		(4,166)	(2,045)
Gift card liability		4,546	7,521
Deferred revenue and deposits		3,735	1,088
Other		713	1,512
Net cash provided from operating activities		54,131	41,748

MTY Franchising USA, Inc.**Consolidated statements of cash flows (continued)**

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

		2024	2023
	Notes	\$	\$
Investing activities			
Net cash outflow on acquisitions	3	—	(221,180)
Net cash acquired through business acquisitions	3	—	6,884
Additions to property, plant and equipment	7	(10,963)	(13,250)
Additions to intangible assets	8	(318)	(565)
Proceeds on disposal of intangible assets	7	230	—
Proceeds on disposal of property, plant and equipment		692	358
Proceeds on disposal of assets held for sale		1,614	—
Net cash used in investing activities		(8,745)	(227,753)
Financing activities			
Receivable from ultimate parent and parent company	13	(55,562)	(221,985)
Receivable from companies under common control		2,638	405,836
Repayment of holdback payable	15	(787)	—
Net cash (used in) provided from financing activities		(53,711)	183,851
Net decrease in cash		(8,325)	(2,154)
Cash, beginning of year		21,409	23,563
Cash, end of year		13,084	21,409
Supplemental cash flow information	24		

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

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

1. Nature of operations

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

2. Significant accounting policies

Basis of presentation

The accounting policies of the Company are in accordance with accounting principles generally accepted in the US ("US GAAP"). The Company uses the US dollar as its functional and reporting currency, and tabular amounts are rounded to the nearest thousand (\$000) except when otherwise indicated. MTY USA is a wholly owned subsidiary of MTY Franchising Inc. which is a subsidiary of the ultimate parent of MTY Food Group Inc.

The preparation of the consolidated financial statements in conformity with US 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Presented below are those policies considered particularly significant:

Basis of consolidation

The consolidated financial statements reflect the financial position and operating results of the Company, including wholly owned subsidiaries and investees that we control.

The principal subsidiaries of the Company are as follows:

Principal subsidiaries	Percentage of equity interest
	%
BF Acquisition Holdings, LLC	100
BQ Concepts, LLC	100
Famous Dave's of America Inc.	100
Kahala Franchising, LLC	100
La Salsa Franchise, LLC	100
Papa Murphy's International, LLC	100
VI Brandco, LLC	100
Wetzel's Pretzels, LLC (Note 3)	100

Revenues and expenses of subsidiaries are included in the consolidated statement of operations and comprehensive income (loss) 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

The Company accounts for acquired businesses using the acquisition method of accounting in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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.

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

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

2. Significant accounting policies (continued)

Business combinations (continued)

Goodwill is measured as the excess of the purchase price over the estimated fair values of the net assets acquired. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in the statement of operations as a bargain purchase gain.

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.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Company obtains control) and the resulting gain or loss, if any, is recognized in the statement of operations. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in income and other comprehensive income are reclassified to the statement of operations where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete.

Functional currency

The functional currency of the Company and its subsidiaries is the US dollar. 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 the statement of operations.

Revenue recognition

Revenue is recognized upon the transfer of control of promised goods or services to customer in an amount that reflects the consideration the Company expects to receive for those goods or services:

Revenue from franchise locations

- i) 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, as they are earned.
- ii) Promotional fund contributions are based on a percentage of gross sales as reported by the franchisees. Corresponding promotional fund transfers are presented directly on the consolidated balance sheets. The Company is not entitled to retain these promotional fund payments received and is obligated to transfer these funds to be used solely for use in promotional and marketing-related costs for specific restaurant banners. The Company sometimes charges a fee for the administration of the promotional funds.

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

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

2. Significant accounting policies (continued)

Revenue recognition (continued)

Revenue from franchise locations (continued)

- iii) Initial franchise fees are recognized on a straight-line basis over the term of the franchise agreement as the performance obligation relating to franchise rights is fulfilled. Amortization begins once the restaurant has opened.
- iv) Upfront fees related to master license agreements are recognized over the term of the master license agreements on a straight-line basis.
- v) Renewal fees and transfer fees are recognized on a straight-line basis over the term of the related franchise agreement.
- vi) The Company earns rent revenue on certain leases it holds; the Company's policy is described below.
- vii) Revenue from equipment sale and retail sales are recognized upon transfer of control, generally upon shipment of the equipment or goods. This revenue is recorded in resale material and retail sales.
- viii) The Company recognizes breakage income proportionately as each gift card is redeemed, based on the historical redemption patterns of the gift cards. The Company also charges various program fees to its franchisees as gift cards are redeemed. Notably, this does not apply to gift card liabilities assumed in a business acquisition, which are accounted for at fair value at acquisition date.
- ix) The Company receives considerations from certain suppliers. Fees are generally earned based on the value of purchases during the period. Agreements that contain an initial upfront fee, in addition to ongoing fees, are recognized on a straight-line basis over the term of the respective agreement. Supplier contributions are recognized as revenue as they are earned and are recorded in franchising revenue.
- x) The Company earns e-commerce fees, which includes point-of-sale ("POS") support fees and transaction fees for purchase made through one of the Company's brands' e-commerce platforms. POS supports fees are received quarterly in advance and are recognized over the period they cover. Transaction fees are recognized when the food items purchased from a store are delivered or picked up by customers.

Revenue from corporate-owned locations

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

Contract cost asset

The Company recognizes incremental costs of obtaining a contract as an asset if they are expected to be recoverable, unless their amortization period would be less than one year, in which case they are expensed as incurred. The costs are amortized to operating expenses over the term of the related franchise agreement.

Leasing

In accordance with ASC 842, the Company determines if an arrangement is or contains a lease at contract inception and recognizes a right-of-use asset and a lease liability at the lease commencement date. Leases with an initial term of 12 months or less but greater than one month are not recorded on the balance sheet for select asset classes.

The lease liability is measured at the present value of future lease payments as of the lease commencement date. The right-of-use asset recognized is based on the lease liability adjusted for prepaid and deferred rent and unamortized lease incentives. An operating lease right-of-use asset is amortized on a straight-line basis over the lease term and is recognized as a single lease cost against the operating lease liability. A finance lease right-of-use asset is amortized on a straight-line basis, with interest costs reported separately, over the lesser of the useful life of the leased asset or lease term.

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

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

2. Significant accounting policies (continued)

Leasing (continued)

Operating lease expense is recognized on a straight-line basis over the lease term and is included in Operating expenses. Variable lease payments are expensed as incurred. The Company uses its incremental borrowing rates as the discount rate for its leases, which is equal to the rate of interest the Company would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. The lease terms for all the Company's leases include the contractually obligated period of the leases, plus any additional periods covered by Company options to extend the leases that the Company is reasonably certain to exercise. Certain leases provide that the lease payments may be increased annually based on the fixed rate terms or adjustable terms such as the Consumer Price Index. Future base rent escalations that are not contractually quantifiable as of the lease commencement date are not included in the lease liability.

Lease expense is comprised of operating and finance lease costs, short-term lease costs, and variable lease costs, which primarily include common area maintenance, real estate taxes, and insurance for the Company's real estate leases.

The Company enters into leases for franchised and corporately-owned locations, offices, and equipment in the normal course of business.

The Company as lessee

The Company recognizes operating lease liabilities with corresponding operating lease right-of-use assets, except for short-term leases and leases of low value assets, which are expensed on a straight-line basis over the lease term. The Company's leases are all classified as operating leases. The amortization of the operating lease right-of-use asset and interest expense related to the operating lease liability are recorded together as the lease expense to produce a straight-line recognition effect in the consolidated statement of operations. Under ASC 842, operating lease right-of-use assets are tested for impairment in accordance with ASC 360, Property, Plant and Equipment.

The Company as lessor

When the Company enters into a sublease arrangement as an intermediate lessor, the Company accounts for the head lease and the sublease as two separate contracts. All the subleases of the Company are classified as operating subleases by reference to the operating lease right-of-use asset arising from the underlying asset. For operating subleases, the Company recognizes an operating right-of-use asset relating to the head lease and recognizes a deferred rent asset or liability in the sublease. As the intermediate lessor, the Company retains the operating lease liability on the head lease in its consolidated balance sheet. During the term of the sublease, the Company recognizes both lease income on the sublease and lease expense on the head lease.

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.

Expected Credit loss

The Company currently uses an expected credit loss ("ECL") model for its trade receivables, which permits the uses of the lifetime expected loss provision for all trade receivables and also incorporates forward-looking information. Lifetime ECL represents the ECL that will result from all probable default events over the expected life of a financial instrument.

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

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

2. Significant accounting policies (continued)

Assets held for sale

Assets are classified as held for sale when management with the appropriate authority commits to a plan to sell the assets, the assets are available for immediate sale, the assets are actively marketed at a reasonable price, the sale is probable within a year, and certain other criteria met. Assets held for sale primarily include Company-owned stores and, in some instances, associated trademarks and right-of-use assets, when the Company has committed to their sale as part of an approved plan. Assets designated as held for sale are held at the lower of the net book value or fair value less costs to sell. Depreciation is not charged against property, plant and equipment or right-of-use assets classified as assets held for sale.

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 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 the statement of operations.

Depreciation is based on the following terms:

Buildings	Straight-line	25 to 50 years
Equipment	Straight-line	Three to 10 years
Leasehold improvements	Straight-line	Term of the lease
Rolling stock	Straight-line	Five to seven years
Computer hardware	Straight-line	Three to seven 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

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 reduced by previous impairment losses, if applicable.

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

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

2. Significant accounting policies (continued)

Intangible assets (continued)

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 the statement of operations 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 brand recognition and their ability to generate revenue through changing economic conditions with no foreseeable time limit.

Other

Included in other intangible assets are purchased software and liquor licences, which are being amortized over their expected useful life on a straight-line basis.

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 and infinite 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 exceed 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. The reporting units of indefinite intangible assets are individual brands, comprised of franchise rights, trademarks, and perpetual licenses.

Impairment of goodwill

For the purposes of impairment testing, goodwill is allocated to the unit or group of units ("reporting unit") that are considered to represent the lowest level within the group at which the goodwill is monitored for internal management purposes. As of September 1, 2024, the Company reassessed the reporting units based on a strategic realignment and merger of business units in the US. With the change in management team and the overall change in decision making and overall synergies brought from the merger of these units, it was determined that the merger US Goodwill Unit A and D would be merged and that US Goodwill Unit B and C would be merged.

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

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

2. Significant accounting policies (continued)

Impairment goodwill (continued)

As at November 30, 2024, goodwill is allocated as follows:

Goodwill unit description	2024	2023
US Goodwill Unit A	A group of reporting units comprised of all the brands, excluding Papa Murphy's and the brands acquired with BBQ Holdings, Inc. ("BBQ Holdings")	A group of reporting units comprised of all the brands, excluding Papa Murphy's and the brands acquired with BBQ Holdings, Inc. ("BBQ Holdings")
US Goodwill Unit B	A group of reporting units comprised of the BBQ Holdings brands and the Papa Murphy's brand	One reporting unit comprised of Papa Murphy's brand
US Goodwill Unit C		A group of reporting units comprised of the BBQ Holdings brands
US Goodwill Unit D		One reporting unit comprised of Wetzel's Pretzels brand

Impairment of goodwill (continued)

Goodwill is tested for impairment on an annual basis (September 1 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 restricted cash

Cash and restricted cash include 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, 2024, cash and restricted cash included \$250 of restricted cash (2023 – \$271) that is required as part of guarantees on certain lease commitments.

Inventories

Inventories are measured at the lower of cost and net realizable value. Costs of inventories are determined on a first-in-first-out basis and include acquisition costs and other costs incurred to bring inventories to their present location and condition.

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

Provisions for the expected cost of litigation, disputes and the cost of settling leases for closed stores, with the exception of operating lease liabilities already recorded pursuant to ASC 842, 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 consolidated financial statements

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

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.

Financial instruments

The Company's financial instruments consist of cash, restricted cash, accounts receivable, loans receivable, receivable from company under common control, receivable from ultimate parent, accounts payable, accrued liabilities, promotional funds payable, advance from parent company, advances from companies under common control, long-term loan from company under common control and holdbacks payable. 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 values for cash, restricted cash, accounts receivable, loans receivable, receivable from company under common control, receivable from ultimate parent, accounts payable, accrued liabilities, promotional funds payable, advance from parent company and advances from companies under common control approximate their carrying values due to their immediate or short-term maturities, unless otherwise noted. The long-term loan from company under common control, advances from ultimate parent and holdbacks payable are measured at amortized cost using the effective interest method.

Promotional funds

Pursuant to the franchise agreements, franchisees must pay a fee to the promotional funds. 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 promotional funds collected, and the related expenditures are reported on a gross basis in the consolidated statements of operations and comprehensive income. To the extent that promotional funds received exceed the related promotional expenditures, the excess contributions will be recorded in accounts payable or accrued liabilities.

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. As at November 30, 2024, promotional funds were in a net liability position amounting to \$7,694 (2023 – net liability position of \$11,357).

Subsequent events

Subsequent events were evaluated through the date that the consolidated financial statements were issued, which was January 31, 2024.

Estimates and assumptions

Business combinations

For business combinations, the Company must make assumptions and estimates to determine the purchase price accounting of the business being acquired. To do so, the Company must determine the acquisition date fair value of the identifiable assets acquired, including such intangible assets as franchise rights and master franchise rights, trademarks, step-in rights and liabilities assumed. Among other things, the determination of these fair market values involves the use of discounted cash flow analyses and future system sales growth. Goodwill is measured as the excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree over the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. These assumptions and estimates have an impact on the asset and liability amounts recorded in the consolidated balance sheets on the acquisition date. In addition, the estimated useful lives of the acquired amortizable assets, the identification of intangible assets and the determination of the indefinite or finite useful lives of intangible assets acquired will have an impact on the Company's future statement of operations.

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

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

2. Significant accounting policies (continued)*Estimates and assumptions (continued)**Goodwill and indefinite-lived intangible assets*

The fair value calculation includes estimates of revenue growth, which are based on past performance and internal projections for the intangible asset group's forecasted growth, and royalty rates, which are adjusted for our particular facts and circumstances. The discount rate is selected based on the estimated cost of capital that reflects the risk profile of the related business. These estimates are highly subjective, the ability to achieve the forecasted cash flows used in our fair value calculations is affected by factors such as the success of strategic initiatives, changes in economic conditions, changes in our operating performance and changes in our business strategies.

Contingencies

The Company makes assumptions and estimations based on its current knowledge of future disbursements it will have to make in connection with various events that have occurred in the past and for which the amount to be disbursed and the timing of such disbursement are uncertain at the date of producing its consolidated financial statements. This includes contingencies for onerous contracts, litigations and disputes and other contingencies.

Gift card liabilities

Management is required to make certain assumptions in both the prorated recognition based on redemption pattern and remoteness recognition of gift card breakage. The significant estimates are breakage rate and the redemption patterns.

3. Business acquisitions**I) Sauce Pizza and Wine (2023)**

On December 15, 2022, the Company completed the acquisition of the assets of Sauce Pizza and Wine, an operator of fast casual restaurants operating in the state of Arizona in the US. As of the date of the acquisition, Sauce Pizza and Wine was operating 13 corporate-owned restaurants. The purpose of the transaction was to diversify the Company's range of offerings in the US.

The transaction included a purchase price totaling \$11,165 and a holdback on acquisition of \$798, as detailed below. The resulting aggregate cash outflow in connection with the Sauce Pizza and Wine acquisition was \$9,927.

	<u>2023</u>
	\$
Consideration paid:	
Purchase price	11,165
Working capital	(401)
Cash	23
Discount on non-interest-bearing holdback	(39)
Total consideration	<u>10,748</u>
Cash	(23)
Holdback	(798)
Net consideration paid/cash outflow	<u>9,927</u>

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

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

3. Business acquisitions (continued)

I) Sauce Pizza and Wine (2023) (continued)

The final purchase price allocation is as follows:

	<u>2023</u>
	\$
Net assets acquired:	
Current assets	
Cash	23
Inventories	183
Prepaid expenses and deposits	<u>193</u>
	399
Property, plant and equipment	3,821
Operating lease right-of-use assets	7,262
Intangible assets – Trademark	4,140
Goodwill ⁽¹⁾	<u>3,658</u>
	19,280
Current liabilities	
Accrued liabilities	78
Gift card liability	1,086
Current portion of operating lease liabilities	<u>1,218</u>
	2,382
Operating lease liabilities	<u>6,150</u>
	8,532
Net purchase price	<u><u>10,748</u></u>

⁽¹⁾ Goodwill is deductible for tax purposes.

Total expenses incurred related to acquisition costs amounted to \$160.

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

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

3. Business acquisitions (continued)

II) Wetzel's Pretzels (2023)

On December 8, 2022, the Company completed the acquisition of all of the issued and outstanding shares of COP WP Parent, Inc. ("Wetzel's Pretzels"), a franchisor and operator of quick service restaurants operating in the snack category across 25 states in the US, as well as in Canada and Panama. As of the date of the acquisition, Wetzel's Pretzels was operating 328 franchised and 38 corporate-owned restaurants. The purpose of the transaction was to diversify the Company's range of offerings in the US.

The transaction included a purchase price totaling \$210,189, as detailed below. The resulting aggregate cash outflow in connection with the Wetzel's Pretzels acquisition was \$203,328. The transaction consideration also includes \$3,000 held in escrow contingent on the execution of several lease contracts within 12 months of acquisitions. As of December 8, 2023, only a portion of the contracts were executed and therefore \$1,600 was released from escrow and recorded as a gain in the statement of profit and loss.

	<u>2023</u>
	\$
Consideration paid:	
Purchase price	<u>210,189</u>
Total consideration	<u>210,189</u>
Cash	<u>(6,861)</u>
Net consideration paid/cash outflow	<u>203,328</u>

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

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

3. Business acquisitions (continued)

II) Wetzel's Pretzels (2023) (continued)

The final purchase price allocation is as follows:

	<u>2023</u>
	\$
Net assets acquired:	
Current assets	
Cash	6,861
Accounts receivable	1,005
Inventories	265
Current portion of loans receivable	45
Prepaid expenses and deposits	757
Income taxes receivable	1,371
	<u>10,304</u>
Loans receivable	594
Property, plant and equipment	5,082
Operating lease right-of-use assets	21,931
Intangible assets – Franchise rights	35,600
Intangible assets – Trademarks	71,700
Goodwill ⁽¹⁾	118,447
	<u>263,658</u>
Current liabilities	
Accounts payable	911
Accrued liabilities	4,979
Promotional funds payable	431
Current portion of operating lease liabilities	936
Current portion of deferred revenue and deposits	67
Income taxes payable	547
	<u>7,871</u>
Operating lease liabilities	20,995
Deferred revenue and deposits	939
Deferred income taxes	23,664
	<u>53,469</u>
Net purchase price	<u>210,189</u>

⁽¹⁾ Goodwill is deductible for tax purposes.

Total expenses incurred related to acquisition costs amounted to \$320.

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

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

4. Accounts receivable

Details of accounts receivable are as follows:

	2024	2023
	\$	\$
Total accounts receivable	30,676	31,738
Less: Allowance for credit losses	(1,921)	(2,277)
Total accounts receivable, net	28,755	29,461
Of which:		
Not past due	23,612	25,787
Past due for more than one day but no more than 30 days	1,736	430
Past due for more than 31 days but no more than 60 days	695	208
Past due for more than 61 days	2,712	3,036
Total accounts receivable, net	28,755	29,461
	2024	2023
	\$	\$
Allowance for credit losses, beginning of year	(2,277)	(2,013)
Recovery (provision)	322	(733)
Additions through business acquisition	—	(374)
Reversal of amounts previously written off	(33)	(2)
Write-offs	67	845
Allowance for credit losses, end of year	(1,921)	(2,277)

5. Assets and liabilities held for sale

Assets and liabilities held for sale as at November 30, 2024 and 2023 are stated at fair value less costs to sell. During the reporting period, the Company designated certain assets and liabilities related to a casual dining brand as held for sale. This decision reflects management's formal commitment to a plan to divest these assets, which include both Company-owned stores and associated intangible assets.

The assets reclassified as held for sale primarily consist of inventories, prepaid expenses, deposits, right-of-use assets (Note 6), property plant, and equipment (Note 7) and intangible assets (Note 8). The liabilities included in the carrying value are the gift card payable and the lease liability (Note 6). This reclassification on November 30, 2024 led to an impairment charge of \$849 to right-of-use-asset, \$505 to property, plant and equipment and \$1,088 to trademarks in Reporting Unit A. The total carrying amount reclassified as held for sale is comprised of assets of \$3,116 and liabilities of \$2,116 resulting in a net amount of \$1,000.

In November 2023 assets held for sale comprised of one locations leasehold improvement, land and building that were transferred from property, plant and equipment (Note 7). They did not meet the definition of assets held for sale at the acquisition date of BBQ Holdings.

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

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

6. Leases**Operating lease right-of-use assets**

The following table provides the net carrying amounts of the operating lease right-of-use assets by class of underlying asset and the changes in the years ended November 30, 2024 and 2023:

	Offices and stores	Other	Total
	\$	\$	\$
Balance as at November 30, 2022	165,208	433	165,641
Additions	7,115	160	7,275
Additions through business acquisitions (Note 3)	29,274	—	29,274
Depreciation expense	(40,972)	(278)	(41,250)
De-recognition/lease modifications	26,139	(5)	26,134
Balance as at November 30, 2023	186,764	310	187,074
Additions	12,844	90	12,934
Assets held for sale (Note 5)	(953)	—	(953)
Depreciation expense	(39,781)	(139)	(39,920)
Impairment charge	(849)	—	(849)
De-recognition/lease modifications	32,047	(30)	32,017
Balance as at November 30, 2024	190,072	231	190,303

The Company recorded sublease income from its operating lease right-of-use assets amounting to \$23,431 (2023 – \$24,789).

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

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

6. Leases (continued)**Operating lease liabilities**

The following table provides the net carrying amounts of the operating lease liabilities and the changes in the years ended November 30, 2024 and 2023:

	2024	2023
	\$	\$
Operating lease liabilities, beginning of year	190,493	167,716
Additions	12,934	7,284
Additions through business acquisitions (Note 3)	—	29,380
Transfer to assets held for sale (Note 5)	(1,848)	—
Lease renewals and modifications	35,264	29,624
Lease terminations	(3,316)	(3,554)
Other adjustments	(329)	(201)
Interest expense	10,731	10,449
Payments	(49,516)	(50,205)
Operating lease liabilities, end of year	194,413	190,493

Recorded in the consolidated balance sheets as follows:

	2024	2023
	\$	\$
Current portion	38,340	37,080
Long-term portion	156,073	153,413
	194,413	190,493

Maturity analysis

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be paid after November 30, 2024:

	Leases	Expected sublease income
	\$	\$
2025	49,565	22,430
2026	43,786	18,679
2027	37,267	14,647
2028	30,325	10,977
2029	22,736	6,760
Thereafter	50,978	10,130
Total undiscounted lease payments	234,657	83,623
Less: Unearned finance income	(40,244)	—
Total present value of lease liabilities and expected sublease income	194,413	83,623

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

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

7. Property, plant and equipment

Cost	Equipment	Leasehold improve- ments	Rolling stock	Computer hardware	Land	Building	Total
	\$	\$	\$	\$	\$	\$	\$
Balance as at November 30, 2022	21,299	26,495	24	3,998	3,145	3,509	58,470
Additions	6,215	5,978	—	1,007	—	50	13,250
Additions through business acquisition (Note 3)	2,014	6,242	(8)	(89)	75	(314)	7,920
Disposals	(578)	(155)	—	(125)	—	—	(858)
Impairment (Note 10)	(139)	(16)	—	(14)	—	—	(169)
Balance as at November 30, 2023	28,811	38,544	16	4,777	3,220	3,245	78,613
Additions	5,100	4,427	—	1,369	—	67	10,963
Disposals	(1,088)	(221)	—	(90)	—	—	(1,399)
Impairment (Note 10)	(2,239)	(3,662)	—	(249)	—	—	(6,150)
Transfer to assets held for sale (Note 5)	(469)	(323)	—	(22)	—	—	(814)
Balance as at November 30, 2024	30,115	38,765	16	5,785	3,220	3,312	81,213
Accumulated depreciation	Equipment	Leasehold improve- ments	Rolling stock	Computer hardware	Land	Building	Total
	\$	\$	\$	\$	\$	\$	\$
Balance as at November 30, 2022	1,535	1,512	7	914	—	44	4,012
Depreciation	3,362	7,381	(7)	524	—	98	11,358
Disposals	(282)	(65)	—	(9)	—	—	(356)
Balance as at November 30, 2023	4,615	8,828	—	1,429	—	142	15,014
Depreciation	4,658	8,087	3	531	—	190	13,469
Disposals	(516)	(115)	—	(68)	—	—	(699)
Transfer to assets held for sale (Note 5)	(141)	(98)	—	(7)	—	—	(246)
Balance as at November 30, 2024	8,616	16,702	3	1,885	—	332	27,538
Carrying amounts	Equipment	Leasehold improve- ments	Rolling stock	Computer hardware	Land	Building	Total
	\$	\$	\$	\$	\$	\$	\$
November 30, 2023	24,196	29,716	16	3,348	3,220	3,103	63,599
November 30, 2024	21,499	22,063	13	3,900	3,220	2,980	53,675

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

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

8. Intangible assets

Cost	Franchise rights	Trademarks	Other	Total
	\$	\$	\$	\$
Balance as at November 30, 2022	181,224	417,870	5,007	604,101
Additions	—	—	565	565
Additions through business acquisitions (Note 3)	34,260	67,830	517	102,607
Disposals	—	—	(177)	(177)
Impairment (Note 10)	(559)	(3,504)	—	(4,063)
Balance as at November 30, 2023	214,925	482,196	5,912	703,033
Additions	275	—	43	318
Disposals	—	—	(230)	(230)
Impairment (Note 10)	(1,390)	(6,191)	(186)	(7,767)
Transfer to assets held for sale (Note 5)	—	(1,222)	(175)	(1,397)
Balance as at November 30, 2024	213,810	474,783	5,364	693,957

Accumulated amortization	Franchise rights	Trademarks	Other	Total
	\$	\$	\$	\$
Balance as at November 30, 2022	80,593	—	1,108	81,701
Disposals	—	—	(49)	(49)
Amortization	18,434	—	779	19,213
Balance as at November 30, 2023	99,027	—	1,838	100,865
Amortization	15,124	—	641	15,765
Balance as at November 30, 2024	114,151	—	2,479	116,630

Carrying amounts	Franchise rights	Trademarks	Other	Total
	\$	\$	\$	\$
November 30, 2023	115,898	482,196	4,074	602,168
November 30, 2024	99,659	474,783	2,885	577,327

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

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

9. Goodwill

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

	2024	2023
	\$	\$
Goodwill, beginning of year	424,828	286,713
Amount recognized from business acquisitions (Note 3)	—	138,115
Goodwill, end of year	424,828	424,828
Accumulated impairment, beginning of year	(48,653)	(48,653)
Impairment (Note 10)	(29,685)	—
Accumulated impairment, beginning and end of year	(78,338)	(48,653)
Carrying amount	346,490	376,175

10. Impairment – property, plant and equipment, intangible assets and goodwill

The Company performed its annual impairment test as at September 1, 2024, resulting in the recognition of \$6,679 (2023 – \$4,063) of impairment losses on its intangible assets for five of its brands (2023 – four brands). The Company also recorded an impairment of \$1,088 on one of its brands resulting from the reclass to assets held for sale (Note 5).

As of September 1, 2024, the Company reassessed the reporting unit based on a strategic realignment and merger of business units in the US. The goodwill impairment for the reporting unit comprised of Papa Murphy's brand was subject to an impairment test prior to the strategic realignment and this resulted in an impairment of goodwill of \$29,685 (2023 – \$nil).

Additionally, the Company recorded \$6,150 of impairment losses on its property, plant and equipment (2023 – \$169), for a total of \$43,602 (2023 – \$4,232) of impairment charges on its property, plant and equipment, intangible assets and goodwill for the year ended November 30, 2024, which have been recognized in the consolidated statement of operations.

Impairment charges were based on the amount by which the carrying values of the assets exceeded the fair value, determined using expected discounted projected operating cash flows for trademarks and franchise rights.

Impairment by reporting unit for the year ended November 30, 2024:

	Intangible assets					
	Property, plant and equipment	Franchise rights	Trademarks	Other	Goodwill	Total
	\$	\$	\$	\$	\$	\$
Reporting Unit A	1,886	205	2,069	—	—	4,160
Reporting Unit B	4,264	1,185	4,122	186	29,685	39,442
	6,150	1,390	6,191	186	29,685	43,602

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

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

10. Impairment (continued)

Impairment by reporting unit for the year ended November 30, 2023:

	Property, plant and equipment	Intangible assets		Total
		Franchise rights	Trademarks	
	\$	\$	\$	\$
Reporting Unit A	22	559	3,264	3,845
Reporting Unit B	—	—	—	—
Reporting Unit C	105	—	240	345
Reporting Unit D	42	—	—	42
	169	559	3,504	4,232

The key assumptions used are those related to projected operating cash flows, as well as the discount rates. The sales forecasts for cash flows were based on the subsequent fiscal year's budgeted operating results, which were prepared by management and approved by the Board, and internal forecasts for subsequent years, which were prepared by management and developed from the budgeted operating results.

The following table presents the key assumptions used in the Company's impairment tests, as well as the recoverable amounts measured at fair value as at September 1, 2024 and 2023:

	2024		2023			
	Reporting Unit A	Reporting Unit B	Reporting Unit A	Reporting Unit B	Reporting Unit C	Reporting Unit D
(\$, except percentage data)						
Discount rates after tax	10.0%	10.0%	10.5%	10.5%	10.5%	10.5%
Discount rates pre-tax	12.7%	13.0%	13.4%	13.8%	13.7%	13.6%
Recoverable amounts	875,925	604,533	539,407	266,604	313,644	270,246

Long-term growth rates ranging from 0% to 2% (2023 – 0% to 2%) were used in the impairment test for Reporting Unit A. A change of 100 basis points in discount rates in Reporting Unit A would result in additional impairment charges on intangible assets of four brands (2023 – three brands) representing 0.5% (2023 – 0.7%) of the total carrying value of the franchise rights and trademarks in that unit. A change of 100 basis points in discount rates in Reporting Unit A would not result in additional impairment charges on goodwill for the years ended November 30, 2024 and 2023. For Reporting Unit A, an increase of 430 basis points in the discount rate would have resulted in its recoverable amount being equal to its carrying value.

Long-term growth rates of 2.0% were used in the impairment test for Reporting Unit B. A change of 100 basis points in discount rates in Reporting Unit B would result in additional impairment charges on intangible assets of one brand (2023 – nil) representing 0.1% (2023 – nil) of the total carrying value of the franchise rights and trademarks in that unit. A change of 100 basis points in discount rates in Reporting Unit B would not result in additional impairment charges on goodwill for the years ended November 30, 2024 and 2023. For Reporting Unit B, an increase of 130 basis points in the discount rate would have resulted in its recoverable amount being equal to its carrying value.

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

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

11. Gift card liability

The changes in the carrying amount of the gift card liability are as follows:

	2024	2023
	\$	\$
Gift card liability, beginning of year	104,858	91,453
Activations	77,690	52,873
Redemptions	(66,987)	(39,603)
Gift card liability acquired and purchase price allocation adjustments (Note 3)	—	5,884
Deferred program fees and other	(320)	(1,065)
Gift card breakage recorded	(5,989)	(4,684)
Gift card liability, end of year	109,252	104,858

12. Deferred revenue and deposits

	2024	2023
	\$	\$
Franchise fee deposits	33,594	28,948
Unearned rent	1,737	1,794
Supplier contributions and other allowances	932	1,786
	36,263	32,528
Current portion	(8,093)	(7,775)
	28,170	24,753

Deferred revenues consist mostly of initial, transfer and renewal franchise fees paid by franchisees, as well as upfront fees paid by master franchisees, which are generally recognized on a straight-line basis over the term of the related agreement. Deferred revenues also include amounts paid in upfront fees received from agreements with suppliers, which are amortized over the term of the related agreement.

\$7,329 (2023 – \$8,055) of revenue recognized in the current year was included in the deferred revenue balance at the beginning of the year.

The following table provides estimated revenues expected to be recognized in future years related to performance obligations that are unsatisfied as at November 30, 2024:

Estimate for fiscal year:	\$
2025	8,093
2026	4,452
2027	3,660
2028	2,814
2029	2,411
Thereafter	14,833
	36,263

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

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

13. Receivables and advances from ultimate parent, parent company and companies under common control

The receivable from ultimate parent is primarily comprised of a renewable one-year term loan facility of \$194,988 (2023 – \$148,670). The term loan is unsecured and bears interest at the rate set at the Applicable Federal Rates as issued by the US Internal Revenue Service for short-term instruments. The term loan may be repaid, in whole or in part, at any time, without premium or penalty. MTY USA may also request repayment, in whole or in part, at any time, without penalty.

The advance from ultimate parent is comprised of three loans totaling \$708,363 seen in note 14 (2023 – \$705,683). Those loans are unsecured and each tranche has a different interest rate spanning from non interest bearing to 9.26%. These loans may be repaid, in whole or in part, at any time, without premium or penalty.

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

14. Long-term loan from company under common control

	2024	2023
	\$	\$
Non interest-bearing loan, due on demand	2,700	—
Interest-bearing loan at 5.4%, repayable by November 27, 2026 ⁽¹⁾	299,850	299,850
Interest-bearing loan at 9.26%, repayable by December 8, 2029	405,813	405,833
	708,363	705,683

⁽¹⁾ This loan is subject to a maximum debt-to-EBITDA ratio of 6.00:1.00 starting on November 27, 2019, and a minimum EBITDA interest coverage ratio of 2.00:1.00 to be calculated in conjunction with interest payments based on the past 12 months.

15. Holdback payable

	2024	2023
	\$	\$
Non-interest-bearing holdback on acquisition of Sauce Pizza and Wine, repayable in December 2023 (Note 3)	—	837
Non-interest-bearing holdback on acquisition of the assets of two restaurants located in California, repayable within the next 12 months	—	75
Current portion of holdback payable	—	912

MTY Franchising USA, Inc.

Notes to the consolidated financial statements

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

16. Contingencies

The contingencies for litigation and disputes represent management's best estimate of the outcome of litigations and disputes that are ongoing at the date of the consolidated balance sheet. These contingencies consist of multiple items, a large part of which are insurance claims, including worker's compensation claims, at the Company's corporately owned locations. The timing of the settlement of these contingencies is unknown given their nature, as the Company does not control the litigation timelines.

	2024	2023
	\$	\$
Provision for litigations, disputes and other contingencies, beginning of year	2,849	724
Reversals	(790)	(304)
Amounts used	(9,424)	(8,797)
Additions	10,058	11,226
Provision for litigations, disputes and other contingencies, end of year	2,693	2,849

17. Common stock

	2024		2023	
	Shares Issued	\$	Shares issued	\$
Balance, beginning and end of year	15	179,154	15	179,154

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

The Company has determined that the fair value of its financial assets and financial liabilities with short-term maturities approximates their carrying value. These financial instruments include cash, accounts receivable, receivable from ultimate parent, deposits loans receivable, accounts payable, accrued liabilities, promotional funds payable, advances from parent company and from companies under common control and holdbacks.

Risk management policies

The Company, through its financial assets and financial liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at November 30, 2024.

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 consolidated balance sheets 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 US, which limits the concentration of credit risk.
- The Company accounts for 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.

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

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

18. Financial instruments (continued)

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

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 ultimate parent as well as its long-term debt have fixed interest rates

19. Revenue

	For the year ended					
	November 30, 2024			11/30/2023 Adjusted ⁽¹⁾		
	Franchising	Corporate	Total	Franchising	Corporate	Total
	\$	\$	\$	\$	\$	\$
Corporate store revenues	—	330,599	330,599	—	337,937	337,937
Royalties	128,335	—	128,335	128,461	—	128,461
Franchise fees, transfer fees and master license fees	5,770	—	5,770	4,996	—	4,996
Promotional funds	56,563	—	56,563	56,734	—	56,734
Program allowances	30,373	—	30,373	32,499	—	32,499
Breakage income	5,989	—	5,989	4,684	—	4,684
Resale material and retail sales	4,781	—	4,781	5,754	—	5,754
Rent	25,199	—	25,199	26,337	—	26,337
Other	9,929	—	9,929	9,215	—	9,215
	266,939	330,599	597,538	268,680	337,937	606,617

- (1) Certain comparative figures have been reclassified to conform with current year presentation. Lease income in comparative period of \$26.3 million was reclassified from operating expense to revenue.

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

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

20. Operating expenses

	For the year ended					
	November 30, 2024			November 30, 2023 Adjusted ⁽²⁾		
	Franchising	Corporate	Total	Franchising	Corporate	Total
	\$	\$	\$	\$	\$	\$
Cost of goods sold	2,342	89,624	91,966	2,284	94,465	96,749
Wages and benefits	52,855	118,514	171,369	54,590	115,976	170,566
Advertising, marketing and promotion	443	6,000	6,443	462	5,311	5,773
Rent	27,748	37,925	65,673	31,895	34,105	66,000
Professional and consulting fees and commission	11,544	2,037	13,581	12,054	4,394	16,448
Office, travel, meals and entertainment and utilities	13,482	37,998	51,480	13,302	37,713	51,015
Promotional funds	56,563	—	56,563	56,734	—	56,734
Gift card program costs	6,499	—	6,499	6,695	—	6,695
Other ⁽¹⁾	954	25,918	26,872	2,342	25,474	27,816
Bad debt (recovery) expense	(293)	147	(146)	438	250	688
	172,137	318,163	490,300	180,796	317,688	498,484

(1) Other operating expenses are comprised mainly of other office administration expenses.

(2) Certain comparative figures have been reclassified to conform with current year presentation. Lease income in comparative period of \$26.3 million was reclassified from operating expense to revenue.

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. Restructuring

During the year, the Company initiated a restructuring plan as part of a strategic realignment to streamline operations and improve efficiency. The Company recognized restructuring costs of \$1,342 primarily related to employee severance costs of \$832 with the remainder being in relation to the discontinuation of one of its brands. No additional expenses are expected to be incurred.

22. Interest expense

	2024	2023
	\$	\$
Interest charged by companies under common control (Note 25)	53,768	53,977
Interest expense	53,768	53,977

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

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

23. Income taxes

The Company accounts for income taxes in accordance with 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 consolidated financial statements than for tax purposes.

	2024	2023
Income tax expense (recovery)	\$	\$
Current tax expense	9,918	7,807
Deferred tax recovery	(9,195)	(6,405)
Total tax expense	723	1,402

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 21% (2023 – 21%) to the income for the period as follows:

	2024	2023
	\$	\$
(Loss) income before income taxes	(11,833)	18,380
Income tax (recovery) expense at federal statutory rate	(2,478)	3,860
State and local income taxes net of federal tax benefit	881	2,360
Non-deductible/non-taxable items	5,484	(216)
True-up of prior year tax provision	(3,950)	(2,239)
Rate variation on deferred income tax	724	(102)
Credits generated and used in current year	—	(2,371)
Other	62	110
Income tax expense	723	1,402

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

Years ended November 30, 2024 and 2023

(In thousands of US dollars)

23. Income taxes (continued)

Components of the net deferred tax asset (liability):

	2024	2023
	\$	\$
Inventories	(275)	(264)
Allowance for credit losses	192	595
Deferred revenue and deposits	4,676	4,725
Gift card liability	2,959	2,947
Accrued liabilities	41,158	33,567
Non-capital losses and other tax credits	1,917	4,570
Other	(1,941)	(1,285)
Operating lease liabilities	48,125	48,406
Total deferred tax assets	96,811	93,261
Deferred costs	(600)	(948)
Property, plant and equipment	(9,632)	(11,490)
Operating lease right-of-use assets	(47,277)	(47,497)
Intangible assets	(140,054)	(143,345)
Holdback payable	(305)	(233)
Total deferred tax liabilities	(197,868)	(203,513)
Net deferred tax liability	(101,057)	(110,252)

24. Supplemental cash flow information

During the year ended November 30, 2024, the Company paid \$10,348 (2023 – \$8,268) in income taxes. Furthermore, there are non-cash items included in the proceeds on disposition of property, plant and equipment amounting to a net liability of \$113 (2023 – net liability of \$1,574). The non-cash items were primarily related to commitments made as part of the disposal of a portfolio of corporately-owned locations.

25. Related party transactions

The Company has transactions in the normal course of business with its ultimate parent, 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.

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EXHIBITS:

A State Addenda to Franchise Documents

C. We are engaged in the business of licensing the right to use the Proprietary Marks in connection with the operation and promotion of the System.

D. You understand and recognize that: (1) our Trade Secrets, Proprietary Marks, developments and other properties as recited above are of considerable value; and (2) it is of importance to us and all of our franchisees to maintain the development of the System in a uniform and distinctive manner, allowing you and our other franchisees to enjoy a public image and reputation greater than most single franchisees could establish.

E. You desire to make use of the "*Barrio Queen*"® trademark and to enjoy the benefits of that mark, the other Proprietary Marks, and the System; and to establish a "*Barrio Queen*" franchise to be operated in accordance with System Standards set forth from time to time by us. System Standards are set forth in, without limitation, the confidential "ops package," which consists of the "operations manual" ("Operations Manual"), "ops toolkit" and related printed and electronic documents, both now existing and hereinafter developed (individually and collectively, "Confidential Manual"). We are willing to grant you the right to do so under the terms, conditions and provisions set forth in this Agreement, which includes all appendices, addenda, amendments, attachments and exhibits.

F. You recognize the necessity and desirability of protecting our reputation, goodwill, Trade Secrets, and other confidential business information; and that disclosure of Trade Secrets and confidential business information, including specifics of the System to any third-party, will cause irreparable damage and harm to us.

AGREEMENT:

The parties agree that the foregoing Recitals are hereby incorporated and made part of this Agreement and further agree as follows:

ARTICLE 1. GRANT OF FRANCHISE; TERM; SYSTEM STANDARDS

1.1 Franchise Grant.

We hereby grant to you a *Barrio Queen* franchise that includes the right to use the System (~~"Franchised Business"~~) as provided in this Agreement, at the following location ("Location"):

Street Address: _____

City/State/Zip Code: _____

Additional Location Information
(if applicable) _____

The *Barrio Queen* franchise at the Location will be collectively herein referred to as the "Franchised Business".

machines and similar automated dispensing systems, mobile units, off-site sales accounts, electronic mail, Internet sales, and movie theaters (individually and collectively, "Other Channels"); and

f. Implement multi-area marketing programs that 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.

1.3 Term of Agreement.

This Agreement will commence on the Effective Date and continue as set forth in either *Section 1.3a.* or *1.3b.* below ("Term").

a. If you are purchasing a new or existing non-operating Franchised Business, the Term will expire on either: (1) the ten (10) year anniversary of the Required Opening Date if you own the property where this Franchised Business is located or if you enter into a lease directly with the landlord or other third-party for the property where this Franchised 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 Location excluding any extensions or renewal options, unless terminated earlier in accordance with Article 14 or any other provisions of this Agreement, renewed in accordance with Article 13, or transferred in accordance with Article 12; or

b. ~~Reserved.~~ If you are purchasing an existing and operating Franchised Business, the Term will expire on either: (1) the ten (10) year anniversary of the Required Opening Date if you own the property where this Franchised Business is located or if you enter into a lease directly with the landlord or other third-party for the property where this Franchised 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 Location excluding any extensions or renewal options, unless terminated earlier in accordance with Article 14 or any other provisions of this Agreement, renewed in accordance with Article 13, or transferred in accordance with Article 12.

1.4 System Standards.

You shall operate the Franchised Business in accordance with our standards, including the following:

- a. restaurant design, maintenance, health and safety and remodeling;
- b. types, models, brands and suppliers of required fixtures, furnishings, equipment, signs, materials and supplies;
- c. recipes and ingredients, menu items and menu design;
- d. cooperation with and participation in sales, marketing, advertising and promotional programs (including discount coupons, discount gift cards, special menu promotions, and entering into product and service agreements directly with third-party vendors and service providers as required by us) and materials and media used in those programs, including discontinued use and removal of promotional materials as directed by us;
- e. use and display of the Proprietary Marks;

review the site proposed by Franchisee and prepare a Site ~~Model~~Review Report that will provide Franchisee with certain site information relevant to assessing whether the proposed site is suitable for development of a Restaurant. The Site ~~Model~~Review Report represents Franchisor opinion based on its past experience and is offered for consideration and independent evaluation by Franchisee and its advisors. It is not a representation of fact, or guaranty of any type and is provided only on the express understanding, as stated herein, that Franchisor has no liability of any kind whatsoever with respect to the information provided. Franchisee agrees and acknowledges that the Site ~~Model~~Review Report may provide an estimate of revenues for the site selected by Franchisee but that there is no representation, warranty, or guaranty that Franchisee's Restaurant will attain these estimated revenues if Franchisee selects this site as the Franchised Location or that the estimate is based on any validated or substantiated methodology. Franchisee will pay Franchisor the then-current fee for the Site ~~Model~~Review Report after Franchisor issues a "no-brand-standards-objection" letter for the site. The fee for a Site ~~Model~~Review Report is currently ~~\$750~~\$1,000 to \$5,000, but this fee may be increased by Franchisor at any time. Franchisee will not purchase or lease a proposed site until Franchisor has provided Franchisee with a no-brand-standards-objection letter for that proposed site

If you cannot secure an acceptable Location for your Franchised Business by the Required Opening Date, then we may terminate this Agreement by giving you notice to that effect. You are ultimately responsible for the selection of the Location. We will not have any liability to you with respect to your selection of the Location, any assistance we provide you in making your selection, our recommendation of any location or a third party to assist you in selecting a location, or our allowing you to move forward on any location. You agree that your selection of the Location will be based on your own independent investigation of the suitability of the Location.

2.2 Lease and Purchase Approval.

If you intend to lease the Location for your Franchised Business, the lease will be subject to our prior limited review and acknowledgment so that we can confirm that certain lease terms are incorporated into the lease. You must provide us, at least thirty (30) days prior to executing the lease, a copy of the lease and details relating to square footage, rent per square foot, the term of the lease, and either confirmation that such other terms as we reasonably require are incorporated into the lease or that you and the landlord agree to incorporate the lease addendum to lease agreement as an exhibit to the lease. You or your attorney shall be responsible for negotiating the terms of the lease, which shall be subject to our final limited review and acknowledgment. If you do not submit all of the required documents to us, we will not allow you to move forward with your lease. We have no liability to you regarding the terms or negotiations of the lease.

If, prior to executing the lease, you or your attorney request a full review of your lease, including any and all exhibits attached thereto, and we or our designated affiliate review your entire lease and exhibits and provide to you or your attorney its review of the entire lease and suggested changes to the lease ("Lease Review"), you must pay a Lease Review Fee (as defined in *Section 5.7*) to compensate for time and effort in reviewing the lease. The Lease Review is optional and only completed by us or our designated affiliate at your or your attorney's request. The Lease Review Fee is due only in the event that you or your attorney request us or our affiliate to complete a Lease Review. Each lease must contain the required lease terms set forth in the Lease Addendum to Lease Agreement, and must specifically state that we are a third-party beneficiary of the lease. If we cure any default by you under the lease, any amounts that we pay to cure the default will be payable by you to us on demand, together with interest

Location, and the opening of the Franchised Business at the approved relocation address, you will not owe the Royalty Fee (as defined in *Section 5.2*).

2.6 Restricted Use of Restaurant Location.

You may not wholly or partially sublet the Location without our prior written consent. The Location may be used only for the operation of a *Barrio Queen* restaurant in compliance with this Agreement and the System Standards. You shall not conduct other businesses or activities at the Location without our prior written consent.

2.7 Not Applicable.

ARTICLE 3. OPERATIONS

3.1 Commencing Operations.

You agree to start operating your Franchised Business at the confirmed Location on or before the Required Opening Date. You acknowledge that before starting operations you must, at your own expense, do the following (in addition to any other requirements set forth in this Agreement):

- a. Complete a food safety training program at your sole cost and expense. We will accept the certificate for the required program through your local county or state health department or any other nationally recognized food safety program. You must provide us with a copy of your certificate prior to commencing training;
- b. Successfully complete the Training Program described in *Section 4.1*;
- c. Purchase, lease or otherwise acquire from the list of approved sources provided by us all the signage, supplies, equipment, fixtures, inventory and other items necessary to operate the Franchised Business; and
- d. Obtain liability insurance in accordance with the requirements described in *Section 9.5* and provide to us evidence that such insurance has been obtained.

Prior to opening the Franchised Business, you must notify us that you have satisfied all requirements to begin operations, and provide us with such documents as we may reasonably request that show your compliance with all such requirements. Upon receipt of our acknowledgment that such requirements have been satisfied, you will have five (5) days to begin operations of your restaurant. If you do not begin operations of your Franchised Business at the confirmed Location before the Required Opening Date, then we may terminate this Agreement by giving you notice to that effect.

3.2 Supplies and Promotional Materials; Rollouts.

You agree to sell only those menu items, products and services authorized under the terms of this Agreement and as specified in the Confidential Manual, and you shall use only supplies and ingredients in making those menu items that are in compliance with the standards as set forth in the Confidential Manual or other documents provided by, or approved by, us as they presently exist or may exist in the future. In addition to approved vendors and approved distributor(s), we may, in our sole discretion, require you to purchase certain products or services through

designated purchasing channels, programs, platforms, or contractual arrangements specified by us. You shall purchase all such services, supplies and ingredients only from approved vendors and utilize approved distributor(s) as specified in the documents provided by, or approved by, us as they presently exist or may exist in the future. You must purchase promotional materials containing the Proprietary Marks, including stationery, business cards, promotional and advertising materials and similar items, from suppliers approved by us, except that we must first approve all such promotional and advertising materials before you use them, and all such printed materials containing any of the Proprietary Marks shall be accompanied by the words "INDEPENDENTLY OWNED AND OPERATED." Additionally, during the Term, you agree to participate in any Rollout of new products and suppliers, as defined in *Section 9.3*.

3.3 Fixtures, Furnishings, and Equipment.

Unless otherwise approved by us in writing, you will: (1) acquire, repair and replace, as necessary, and maintain in a first class condition throughout the Term, fixtures, furnishings, and equipment to be used in the operation of your Franchised Business that is in accordance with the System Standards, specifications set forth by us in the Confidential Manual or other documents provided by, or approved by, us as they presently exist or may exist in the future, and with applicable laws including, without limitation, including the ADA; and (2) procure the fixtures, furnishings, and equipment from suppliers or vendors previously approved in writing by us.

3.4 Online Presence.

You may not maintain a website, software application, an App (application), social media account (including, but not limited to, an account, group or page on Facebook®, Flickr®, Foursquare®, Google+®, Instagram®, LinkedIn®, Pinterest®, Snapchat®, Tumblr®, X/Twitter®, YouTube®, Vine®, VKontakte or Weibo®), or otherwise maintain a presence or advertise on the Internet or any other public computer network (individually and collectively, "Site") in connection with the Franchised Business without our prior written approval, which we may withhold in our sole discretion. If Franchisor provides you with access to the local restaurant template page (the "Subpage") on Franchisor's main Barrio Queen public website or another website maintained by Franchisor, you may in Franchisor's sole discretion be required to maintain your own content and information on the Subpage consistent with the standards and specifications that Franchisor may set forth in the Confidential Manuals or otherwise. If we grant you written approval, you agree to submit to us for approval before use, true and correct printouts, of all Site pages you propose to use in connection with the Franchised Business. You understand and agree that our right of approval of all such Site pages is necessitated by the fact that such Site pages will include and be inextricably linked with our Proprietary Marks. If we approve your use of a Site, you may only use Site pages that we have approved. Your Site must conform to all online presence requirements, policies and procedures per our System Standards. You agree to provide all information regarding your online presence that we require. If we grant approval for a Site, you may not use any of the Proprietary Marks on the Site except as we expressly permit. You may not post any of our proprietary, confidential or copyrighted material or information on the Site without our prior written permission. If you wish to modify your approved Site, all proposed modifications must also receive our prior written approval. You explicitly understand that you may not post on any Site (whether yours or someone else's) any material in which a third-party has any direct or indirect ownership interest (including video clips, photographs, sound bites, copyrighted text, trademarks or service marks, or any other text or image which any third-party may claim intellectual property or other rights in). If we grant approval, you agree to list on the Site any website and social media account maintained by us,

temporary closure shall still be fully due and payable. The temporary closure of your Franchised Business shall not exceed ninety (90) days, but may be extended on a case-by-case basis at our sole discretion and with our prior written approval.

In our sole discretion, we may charge, in addition to the Royalty Fee, a surcharge of up to Ten Dollars (\$10) per week if your Franchised Business is located in a state that imposes additional reporting requirements on a franchisor ("Surcharge"). The Royalty Fee and applicable Surcharge shall be due and payable no later than Tuesday of each week, which day may be modified by us without prior notice to or approval from you, for the week ending on the preceding ~~Monday-Sunday~~ in which applicable Gross Sales (as defined below) were earned from the Franchised Business. The weekly Royalty Fee and applicable Surcharge shall be paid by electronic funds transfer, as detailed below.

For the period of time commencing on the later of the Effective Date or the date the Franchised Business opens to the public, and for the duration of the Term, you are required to electronically report Gross Sales to our designated accounting department in a method as further detailed in the Confidential Manual, and as set forth in *Section 5.6*. Nothing herein shall prevent Franchisor from electronically polling Franchisee's POS system, restaurant management software, and financial records (or similar tools thereto) daily, or more frequently, by electronic or other remote means and Franchisee hereby grants Franchisor authority to do so. You shall be required to establish a Depository Account (as defined in *Section 5.6*) at the time you execute this Agreement as set forth in *Section 5.6*. Payment of the Royalty Fee, Advertising Fee (as defined in *Section 5.3*), and all other fees due under this Agreement to us shall be made via electronic transfer of funds from the Depository Account. To accomplish this electronic transfer of funds from the Depository Account, you must complete, sign and deliver to us, and maintain for the duration of the Term, a current Electronic Funds Transfer Authorization in a form that we provide.

As used in this Agreement, "Gross Sales" means all sales, money or things of value, received or receivable, directly or indirectly, by Franchisee on account of the Franchised Business, less applicable sales taxes and any properly documented refunds, credits and allowances given by you to customers in accordance with the System Standards, but without deducting any of your income taxes, costs and other expenses. All sales made from catering services must be included in the Gross Sales.

5.3 Advertising Fee.

a. You must pay to us, or directly into a national advertising fund or also any regional advertising funds, as designated by us at our sole discretion, (individually and collectively, "Advertising Fund") a weekly advertising fee of one percent (1%) of the Gross Sales for the preceding week ("Advertising Fee"). From time to time during the Term and upon sixty (60) days' notice by us to you, we may unilaterally increase the Advertising Fee from its current level provided however, that we may not increase the Advertising Fee by more than one half percent (0.5%) in any 12-month period. The Advertising Fee shall be due and payable with the Royalty Fee under *Section 5.2*. The Advertising Fee is our property and may be deposited by us into our general operating account.

b. The Advertising Fund will be used for marketing, advertising, production and media expenses to promote the *Barrio Queen* name, System, products and services. We are entitled to deduct, free of charge the following from the Advertising Fund: (i) reimbursement of expenses, overhead, and employee salaries for services provided; and (ii) rent for office space provided to the

retained by Franchisor as it deems appropriate, in its sole discretion. All Payments received from a supplier for a designated purpose (such as participation at an annual convention, etc.) will be spent in accordance with the supplier's designated purpose.

b. If you desire to purchase or otherwise acquire any equipment, supplies or inventory items required by the System Standards but not previously approved by us, or from sources not previously approved by us, you must submit to us sufficient specifications, photographs, drawings and other information sufficient to allow us to determine whether such equipment, supplies or inventory items meet our System Standards. ~~We may require that our representatives be allowed to inspect the facilities of the proposed supplier and revoke its approval upon the supplier's failure to meet any of our then-current minimum System Standards.~~ We may also require that samples from the proposed supplier be delivered, at no charge to us, either to us or to our designee for testing. A charge not to exceed the reasonable cost and expense of the inspection and the actual cost and expense of the test must be paid to us either by you or by the proposed supplier. We will notify you within sixty (60) days after your request of our approval or disapproval of the proposed product or supplier, with such determination to be made at our sole discretion. If you do not receive a written notification from us of our approval or disapproval, then the request will be deemed automatically denied after the expiration of such sixty (60) day period. You acknowledge and agree that our approval of any item or supplier of equipment, supplies or inventory not previously approved by us will not, in and of itself, make the supplier of that item an approved supplier for other franchise owners in the System. We may, in our sole discretion, at any time and from time to time, re-inspect the ~~facilities and~~ products of any approved supplier and revoke its approval upon the supplier's failure to meet any of our then-current System Standards. If you receive a notice of revocation from us, you must immediately stop selling disapproved products and purchasing from the disapproved supplier.

c. We will provide to you a list of all recommended and required items of equipment, fixtures, supplies, smallwares and interior decor. This list will be included in the System Standards.

d. At any time and from time to time, we may in our sole option engage in new product rollouts to add to or change the menu items offered for sale in the Franchised Business and the ingredients or supplier of ingredients utilized in the preparation of the menu items sold in the Franchised Business ("Rollout"). If we engage in a Rollout, you shall participate in the changes that are the subject of such Rollout, including offering the new menu items, changing the menu items, changing to the new supplier of the ingredients utilized in the preparation of the menu items, and changing to the new ingredients utilized in the preparation of the menu items. If we engage in a Rollout, we will notify you of the details of the Rollout and provide you sixty (60) days from said notification to take the applicable actions required by the Rollout.

e. We may require that you join and make required purchases/leases through a purchasing cooperative or other entity designated by us. Such entity may adopt its own by-laws, rules, regulations and procedures, subject to our prior review and approval, which may include required provisions intended to meet applicable legal and regulatory principles. Your failure to timely pay amounts due to, or comply with the by-laws, rules, regulations and procedures of such cooperative is a breach of this Agreement. We will have the right, but not the obligation, to offset against amounts we owe to you the amount of your unpaid cooperative obligations.

9.4 Compliance with Legal Requirements and Good Business Practices.

You must, at your sole expense, operate the Franchised Business in full compliance with all applicable Federal, state and local statutes, laws, ordinances and regulations, including, without limitation, health and safety regulations, food and drug laws, disability laws, labor and employment laws and data privacy laws, as may be amended, supplemented or enacted from time to time. You must pay all costs and expenses incurred by, and in the conduct of, the Franchised Business, including all rent, salaries, taxes (excluding our income taxes), disbursements, license or permit fees, insurance premiums, traveling expenses and any other business expenses when they become due. We may collect from you, or require you to reimburse us for, any taxes, mandatory industry-funded compliance fees, regulatory fees, assessments, surcharges, or similar charges imposed or assessed by any governmental authority, quasi-governmental authority, or industry body, whether assessed against you or against us, as a result of your operation of the Franchised Business or the license of our intangible property in the jurisdiction where the Franchised Business is located, to the extent permitted by law. If you receive any demand, action, suit or proceeding, or the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality relating to your Franchised Business, you must immediately notify us, and in no event, later than three (3) days after your receipt. Any such notice must be accompanied by a copy of the demand, complaint, order, writ, injunction, award, decree or other similar document. You must, in all dealings with your employees, customers, suppliers, the public and us adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business practice that may be injurious to the System or the goodwill associated with the Proprietary Marks.

9.5 Maintenance of Insurance.

At all times during the Term, you must maintain in full force and effect at least the minimum types and amounts of insurance coverage that we require, under one (1) or more policies of insurance (each of which shall be primary coverage and shall not be contributory or secondary to any other coverage maintained by us), insured under the particular name of the Franchisee and for the particular address of the Franchised Business. You understand and acknowledge that you remain fully liable for any and all claims in connection with the operation of the Franchised Business arising during the Term of this Agreement, including without limitation, for any time period during which you may be in the process of obtaining a valid and complete certificate of insurance or is otherwise out of compliance. We do not waive and hereby reserve your obligations under this Agreement, including without limitation your insurance obligations.

Such insurance policies must be issued by insurers acceptable to us having an A.M. Best's financial strength rating of at minimum "A-VIII," and grant us authority to obtain copies of your certificate of insurance directly from the carrier or your agent/broker. The particular requirements of our minimum insurance coverage will be made available to you throughout your term. Currently, the general liability insurance required by this Agreement must: (i) name BQ Concepts, LLC as the certificate holder; (ii) name BQ Concepts, LLC, BBQ Holdings, Inc. and MTY Franchising USA, Inc. and their parents, subsidiaries, affiliates, officers, directors, and employees as additional insureds; (iii) contain a waiver by the insurance carrier of all subrogation rights against us and our affiliates and our affiliates' respective officers, directors and employees for casualty losses; (iv) indicate the address of the Franchised Business being insured; and (v) provide that we will receive a copy, via an endorsement, thirty (30) days' prior

price to be agreed upon by the parties or, if no agreement as to price is reached by the parties, at such price as may be determined by a qualified appraiser, approved by both parties, such approval not to be unreasonably withheld. We shall give notice of our intent to exercise the option no later than twenty-one (21) days prior to termination.

12.5 Assignment by Franchisor.

You agree and affirm that we may, without your prior consent, sell our business, our assets, or our System, in whole or in part, to a third-party; may issue a public offering of our securities; may engage in private placement of some or all of our securities; may merge with or acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. You further agree and affirm that we have the right, now and in the future, without your prior consent, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of such franchise network, chain or business, which you acknowledge may be proximate to your Franchised Business, and to operate, franchise or license such franchise networks, chains or businesses operating under the Proprietary Marks or any other marks following our purchase, merger, acquisition or affiliation. With regard to any of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages against us arising from or related to the loss of your rights to use the System as authorized under this Agreement.

This Agreement will inure to the benefit of our successors and assigns. In conjunction with one (1) or more of the transactions contemplated above, or as otherwise determined by us, we have the right to assign our rights and obligations under this Agreement to any person or entity, without your prior consent. Upon such assignment, we will be relieved of all obligations or liabilities then existing or thereafter able to be asserted under this Agreement.

12.6 Restrictions on Security Interests and Subfranchising.

Except as otherwise set forth in this *Section 12.6*, you shall not have any rights to pledge, encumber, hypothecate or otherwise give any third-party a security interest in this Agreement in any manner whatsoever, nor subfranchise or otherwise transfer, or attempt to subfranchise or transfer the Franchised Business, in whole or in part, so long as it is operated as the Franchised Business, without our express prior written permission, which permission may be withheld for any reason whatsoever in our sole discretion. Notwithstanding anything contained herein to the contrary, you shall have the right to pledge your accounts receivable, net of the Royalty Fee, Advertising Fee, and rent, without our prior written consent for the sole purpose of obtaining financing for the operation of the Franchised Business, provided you are in full compliance with this Agreement and any other agreement, arrangement or understanding with us.

ARTICLE 13. RENEWAL

Subject to the terms and conditions described below, you will have the right to renew your license to operate the Franchised Business for an additional term of ten (10) years. In the event you desire to renew your license, you must give us notice to that effect at least ~~one-two~~ hundred ~~twenty-ten~~ (20210) days prior to the expiration date of the Term. 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 Franchised Business for an additional term, you must also meet each of the following requirements:

Agreement; (3) if you repeatedly fail to comply with the provisions of this Agreement, whether or not subsequently cured; (4) if you, having twice previously cured a default of this Agreement, commit the default again; (5) if you made any false representations and warranties under *Sections 17.1f., 17.1g., 17.1m. or 17.1n.*; (6) if you engage in trademark misuse or otherwise materially misuse or make an unauthorized use of any of the components of the System or commit any other act which does, or can reasonably be expected to, materially impair the goodwill or reputation associated with any aspect of the System; or you have not purchased or leased a site for the Location within ninety (90) days after the Effective Date of this Agreement;

g. Statutory Cure Period - If a statute in the state or municipality in which the Franchised Business is located requires application of that state or municipal law, and that statute requires a cure period for the applicable default which is longer than any cure period specified in this *Article 14*, the statutory cure period will apply.

14.3 Our Right to Take Over Management.

We have the right (but not the obligation), under the circumstances described below, to enter the Franchised Business and assume the Franchised Business' management for any period of time we feel is appropriate. If we assume the Franchised Business' management, you must pay us, in addition to the Royalty Fee and Advertising Fee, six percent (6%) of the Gross Sales, plus our direct out-of-pocket cost and expenses, for the period of time we assume the Franchised Business' management. If we assume the Franchised Business' management, you acknowledge that our duty is limited to using our reasonable efforts, and we will not be liable to you or your owners for any debts, losses or obligations the Franchised Business incurs, or to any of your creditors for any supplies or services the Franchised Business purchases. We may assume the Franchised Business' management if you abandon the Franchised Business or if you fail to comply with any provision of this Agreement and did not cure the failure within the time period we specify in our notice to you. You agree to complete and sign a letter of agency, letter of authorization, or equivalent and provide it to us upon our request if we assume the Franchised Business' management so that we may keep the existing telephone, facsimile, alarm, and credit card machine numbers (as applicable) in operation under our phone service provider. You also agree to keep the phone, water, gas, electric service (as applicable) turned on and active for one (1) week after we assume the Franchised Business's management to allow us to switch the services over to us or our affiliate. Our exercise of our management rights under this *Section 14.3* will not affect our right to terminate this Agreement.

14.4 Remedies.

a. Interest, Costs and Damages - If you fail to remit when due any payments required under this Agreement, you agree to pay, in addition to the unpaid amounts, all of our collection costs and expenses, expert fees, reasonable attorneys' fees, and costs and expenses, including all fees, costs and expenses of court, including all appeals, with interest on the unpaid amounts at the Default Rate or the highest permissible rate. If you fail to cure a default, following notice, within the applicable time period set forth in *Section 14.2*, or if this Agreement is terminated as a result of your default, you shall pay to us all damages of any kind and nature whatsoever and all collection costs and expenses, expert fees, reasonable attorneys' fees, and costs and expenses, including all fees, costs and expenses of court, including all appeals, together with interest at the Default Rate or the highest permissible rate. If you fail to report Gross Sales in accordance with *Sections 5.2 and 5.6*, we may estimate your Royalty Fee and Advertising Fee based on prior reports, and may sue for and obtain judgment

ADDENDUM TO FRANCHISE DOCUMENTS
(FOR THE STATE OF CALIFORNIA)

This ADDENDUM TO FRANCHISE DOCUMENTS (FOR THE STATE OF CALIFORNIA) ("Addendum") dated _____ ("Addendum Effective Date") to the Franchise Agreement, [as amended], dated _____, and including any and all exhibits attached thereto (individually and collectively, "Franchise Documents") between _____ ("Franchisee") and BQ CONCEPTS, LLC, an Arizona limited liability company ("Franchisor") hereby amends the Franchise Documents by the addition of the following language, which shall be considered an integral part of the Agreement. To the extent this Addendum contains terms and conditions that differ from those contained in the Franchise Documents, this Addendum shall control. The parties agree that a concept or principle covered in this Addendum shall apply and be incorporated into all other provisions of the Franchise Documents in which the concept or principle is also applicable, notwithstanding the absence of any specific cross-reference thereto. All capitalized terms not otherwise defined in this Addendum will have the same meanings ascribed to such terms in the Franchise Documents.

1. **CALIFORNIA LAW MODIFICATIONS**

- A. The California Franchise Investment Law requires that a copy of all proposed agreements relating to the sale of the franchise be delivered together with the Disclosure Document.
- B. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law. (11 U.S.C.A. Sec. 101 et seq.).
- C. 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.
- ~~D. The Franchise Documents require application of the laws of the State of Arizona. This provision may not be enforceable under California Law.~~
- DE. Section 31125 of the California Corporations Code requires us to give you a Disclosure Document, in a form containing the information that the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
- EF. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).
- EG. The Franchise Agreement requires binding arbitration. ~~The arbitration will occur at the American Arbitration Association office 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 headquarters are located at the time the arbitration is commenced, with all of the costs of the arbitration, including the fees of the arbitrator and the reasonable attorney's fees of the prevailing party to be paid by the party that did not prevail.~~ 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 20040.5, 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.

GH. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning transfer, termination or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

HI. If the franchisee resides in the State of California or the franchised business is located within the State of California, the venue for any dispute may be within the State of California. Business and Professions Code Section 20040.5 voids restricting a venue to a forum outside California with respect to any claim arising under or relating to a franchise involving a franchise business operating in California.

IJ. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

JK. **OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at www.dbo.ca.gov.**

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the California law applicable to the provision are met independent of this Addendum. This Addendum shall have no force or effect if such jurisdictional requirements are not met. Except as set forth in this Addendum, the terms and provisions of the Franchise Documents shall remain in full force and effect.

IN WITNESS WHEREOF, each party hereto, 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, have duly executed and delivered this Addendum as of the Addendum Effective Date.

FRANCHISOR:

FRANCHISEE:

BQ CONCEPTS, LLC, an Arizona limited liability company

_____,

By: _____
[Name, Title]

By: _____
[Name, Title]

By: _____
[Name, Title]

- f. If the Franchise Documents requires that it be governed by a state's law, other than the State of Indiana, to the extent that such law conflicts with the Indiana Deceptive Franchise Practices Act and the Indiana Franchises Act, the Acts will control.
- g. The Indiana Deceptive Franchise Practices Act provides rights to Franchisee concerning the waiver of claims or rights. To the extent the Franchise Documents contains a provision that is inconsistent with the Act, the Act will control.
- h. The Indiana Deceptive Franchise Practices Act provides rights to Franchisee concerning the time period to bring an action against the Franchisor. To the extent the Agreement contains a provision that is inconsistent with the Act, the Act will control.
- i. The Indiana Deceptive Franchise Practices Act prohibits the Franchisor from operating a substantially identical business to that of the Franchisee's within the Franchisee's territory, regardless of trade name. To the extent the Agreement contains a provision that is inconsistent with the Act, the Act will control.
- j. The Indiana Deceptive Franchise Practice Act excludes any indemnification for liability caused by the Franchisee's proper reliance on or use of procedures or materials provided by the Franchisor. To the extent the Agreement contains a provision that is inconsistent with the Act, the Act will control.
- k. If the Franchise Agreement requires goods, supplies, inventories, or services to be purchased exclusively from the franchisor or sources designated by the franchisor where such goods, supplies, inventories or services of comparable quality are available from sources other than those designated by the franchisor, to the extent that such law conflicts with the Indiana Deceptive Franchise Practices Act and the Indiana Franchises Act, the Acts will control. Providing a list of approved suppliers to comply with specifications and standards prescribed by Franchisor does not constitute designation of a source under the Indiana Deceptive Franchise Practices Act.
- l. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
- m. If the Franchise Documents require Franchisee to participate in any advertising campaign or contest, promotional campaign, promotional materials, or display decorations or materials, then the maximum amount the Franchisee may be required to pay is \$35,000 per calendar year, and if the Franchisee's participation in any advertising campaign or contest, promotional campaign, promotional materials, or display decorations or materials would require the Franchisee to pay in excess of that amount, such participation by the Franchisee will be optional for the remainder of that calendar year.

ADDENDUM TO FRANCHISE DOCUMENTS
(FOR THE STATE OF MARYLAND)

This ADDENDUM TO FRANCHISE DOCUMENTS (FOR THE STATE OF MARYLAND) ("Addendum") dated _____ ("Addendum Effective Date") to the Franchise Agreement, [as amended], dated _____, and including any and all exhibits attached thereto (individually and collectively, "Franchise Documents") between _____ ("Franchisee") and BQ CONCEPTS, LLC, an Arizona limited liability company ("Franchisor") hereby amends the Franchise Documents by the addition of the following language, which shall be considered an integral part of the Agreement. To the extent this Addendum contains terms and conditions that differ from those contained in the Franchise Documents, this Addendum shall control. The parties agree that a concept or principle covered in this Addendum shall apply and be incorporated into all other provisions of the Franchise Documents in which the concept or principle is also applicable, notwithstanding the absence of any specific cross-reference thereto. All capitalized terms not otherwise defined in this Addendum will have the same meanings ascribed to such terms in the Franchise Documents.

MARYLAND LAW MODIFICATIONS

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. The general release required as a condition of assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
- b. The general release required as a condition of renewal shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
- c. ~~The Franchise Documents requires litigation to be conducted in the State of Arizona.~~ The Franchise Documents are amended to state that the requirement for litigation to be conducted in a forum other than the State of Maryland shall not be interpreted to limit any rights Franchisee may have to bring suit in the state of Maryland. A Franchisee may file a civil lawsuit in Maryland for claims arising under the Maryland Franchise Registration and 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.
- d. The Franchise Documents provide that certain disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

**WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, THE
FRANCHISE AGREEMENT, AND ALL RELATED AGREEMENTS**

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.
14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.
15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.
16. **Questionnaires and Acknowledgements.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the

commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

17. Prohibitions on Communicating with Regulators. Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. Advisory Regarding Franchise Brokers. Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

The undersigned parties do hereby acknowledge receipt of this Addendum.

Dated this _____ day of _____, 20____.

ADDENDUM TO FRANCHISE DOCUMENTS
(FOR THE STATE OF WASHINGTON)

~~The state of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Documents in your relationship with the Franchisor, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Documents in your relationship with the Franchisor, including the areas of termination and renewal of your Franchise.~~

~~1. If any provisions governing termination or non-renewal disclosed herein are inconsistent with Washington law, then Washington law shall apply. The applicable law reads as follows:~~

~~Section 19.100.180. Without limiting the other provisions of this chapter, the following specific rights and prohibitions shall govern the relation between the franchisor or subfranchisor and the franchisees:~~

~~(2) For the purpose of this chapter and without limiting its general application, it shall be an unfair or deceptive act or practice or an unfair method of competition and therefore unlawful and violation of this chapter for any person to:~~

~~(a) Restrict or inhibit the right of the franchisees to join an association of franchisees.~~

~~(b) Require a franchisee to purchase or lease goods or services of the franchisor or from approved sources of supply unless and to the extent that the franchisor satisfies the burden of proving that such restrictive purchasing agreements are reasonably necessary for a lawful purpose~~

~~justified on business grounds, and do not substantially affect competition: PROVIDED, That this provision shall not apply to the initial inventory of the franchise. In determining whether a requirement to purchase or lease goods or services constitutes an unfair or deceptive act or practice or an unfair method of competition the courts shall be guided by the decisions of the courts of the United States interpreting and applying the anti-trust laws of the United States.~~

~~_____ (c) Discriminate between franchisees in the charges offered or made for royalties, goods, services, equipment, rentals, advertising services, or in any other business dealing, unless and to the extent that the franchisor satisfies the burden of proving that any classification of or discrimination between franchisees is: (i) Reasonable, (ii) based on franchises granted at materially different times and such discrimination is reasonably related to such difference in time, or is based on other proper and justifiable distinctions considering the purposes of this chapter, and (iii) is not arbitrary. However, nothing in (c) of this subsection precludes negotiation of the terms and conditions of a franchise at the initiative of the franchisees.~~

~~_____ (d) Sell, rent, or offer to sell to a franchisee any product or service for more than a fair and reasonable price.~~

~~_____ (e) Obtain money, goods, services, anything of value, or any other benefit from any other person with whom the franchisee does business on account of such business unless such benefit is disclosed to the franchisee.~~

~~_____ (f) If the franchise provides that the franchisee has an exclusive territory, which exclusive territory shall be specified in the franchise agreement, for the franchisor or subfranchisor to compete with the franchisee in an exclusive territory or to grant competitive franchises in the exclusive territory area previously granted to another franchisee.~~

~~_____ (g) Require franchisee to assent to a release, assignment, novation, or waiver which would relieve any person from liability imposed by this chapter, except as otherwise permitted by RCW 19.100.220.~~

~~_____ (h) Impose on a franchisee by contract, rule, or regulation, whether written or oral, any standard of conduct unless the person so doing can sustain the burden of proving such to be reasonable and necessary.~~

~~_____ (i) Refuse to renew a Franchise Agreement without fairly compensating the franchisee for the fair market value, at the time of expiration of the Franchise Agreement, or the franchisee's inventory, supplies, equipment, and furnishings purchased from the franchisor and good will, exclusive of personalized materials which have no value to the franchisor, and inventory, supplies, equipment and furnishings not reasonably required in the conduct of the franchised business: PROVIDED, that compensation need not be made to a franchisee for good will if: (i) the franchisee has been given one year's notice of nonrenewal; and (ii) the franchisor agrees in writing not to enforce any covenant which restrains the franchisee from competing with the franchisor: PROVIDED FURTHER, that a franchisor may offset against amounts owed to a franchisee under this subsection any amounts owed by such franchisee to franchisor.~~

~~_____ (j) Terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include, without limitation, the failure of the franchisee to comply with lawful material provisions of the franchise or other agreement between the franchisor and the franchisee and to cure such default after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty days, to cure such default, or if such default cannot reasonably be cured~~

~~within thirty days, the failure of the franchisee to initiate within thirty days substantial and continuing action to cure such default: PROVIDED, that after three willful and material breaches of the same term of the Franchise Agreement occurring within a twelve month period, for which the franchisee has been given notice and an opportunity to cure as provided in this subsection, the franchisor may terminate the Franchise Agreement upon any subsequent month period without providing notice or opportunity cure: PROVIDED FURTHER, that a franchisor may terminate a Franchise Agreement without prior notice or opportunity to cure a default if the franchisee: (i) is adjudicated bankrupt or insolvent; (ii) makes an assignment for the benefit of creditors or similar disposition of the assets of the franchised business; (iii) voluntarily abandons the franchised business; or (iv) is convicted of or pleads guilty or no contest to a charge of violating any law relating to the franchised business. Upon termination for good cause the franchisor shall purchase from the franchisee at a fair market value at the time of termination, the franchisee's inventory and supplies, exclusive of: (i) personalized materials which have no value to the franchisor; (ii) inventory and supplies not reasonably required in the conduct of the franchised business; and (iii) if the franchisee is to retain control of the premises of the franchised business, any inventory and supplies not purchased from the franchisor or on his express requirement: PROVIDED, that a franchisor may offset against amounts owed to a franchisee under this subsection any amounts owed by such franchisee to the franchisor."~~

~~2. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.~~

~~3. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.~~

~~4. 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 or rights or remedies under the Act, such as a right to a jury trial, may not be enforceable.~~

~~5. Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.~~

~~6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.~~

~~Each provision of this Addendum to Franchise Documents shall be effective only to the extent that the jurisdictional requirements of the Washington law applicable to the provision are met independent of this Addendum. This Addendum to Franchise Documents shall have no force or effect if such jurisdictional requirements are not met. Except as set forth in this Addendum to Franchise Documents, the terms and provisions of the Franchise Documents shall remain in full force and effect.~~

~~IN WITNESS WHEREOF, each party hereto, 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, have duly executed and delivered this Addendum to the Franchise Documents on _____.

FRANCHISOR:

BQ CONCEPTS, LLC, an Arizona limited liability company

By: _____
[Name, Title]

FRANCHISEE:

_____,

By: _____
[Name, Title]

By: _____
[Name, Title]

GUARANTY OF FRANCHISE AGREEMENT

This GUARANTY OF FRANCHISE AGREEMENT ("Guaranty") is entered into as of _____ by each of the undersigned ([individually and collectively,]"Guarantor") in favor of BQ CONCEPTS, LLC, an Arizona limited liability company ("Franchisor"). To the extent this Guaranty contains terms and conditions that differ from those contained in the Franchise Agreement (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 Franchise Agreement.

Recitals

A. Franchisor and _____, a(n) _____ ("Franchisee") entered into a Franchise Agreement dated _____, 20____[, as amended,] (collectively "Franchise Agreement") for a *Barrio Queen* restaurant located at _____ ("Location" "Franchised Business").

B. Guarantor is a shareholder, partner, member, or other person or entity interested in effecting the grant or transfer of the Franchise Agreement.

C. Without this Guaranty, Franchisor cannot be assured that there are sufficient assets to operate the franchise or to protect Franchisor in the event of a default by Franchisee.

D. Franchisor is willing to enter into the Franchise Agreement only if Guarantor personally guarantees faithful performance of all the terms of the Franchise Agreement.

E. Guarantor acknowledges Guarantor received and read the Franchise Agreement and agrees to be bound to the obligations in this Guaranty with regard to the Franchise Agreement.

Agreement

1. In consideration of the above recitals, Guarantor personally guarantees, for the benefit of Franchisor, its parent, subsidiaries, affiliates and successors and assigns, the prompt and complete performance of all the covenants and conditions contained in the foregoing Franchise Agreement.

2. This Guaranty is effective until all terms of the Franchise Agreement have been fully and completely performed by Franchisee and shall continue through the entire Term of the Franchise Agreement as may be renewed or extended. No release of Franchisee or discharge of Franchisee under bankruptcy law, or any other law, shall impair or effect the obligations of Guarantor to Franchisor hereunder.

3. Franchisor is not required to proceed first against the Franchisee, but may proceed first against the Guarantor alone or concurrent with proceeding against Franchisee. The obligations of Guarantor hereunder are absolute and unconditional.

4. Franchisee and Franchisor may from time to time alter or modify the Franchise Agreement between themselves, possibly changing or increasing the extent of Guarantor's obligation under this Guaranty. Guarantor consents to any and all modifications or amendments of the Franchise Agreement and the documents and Confidential Manual referred to in the Franchise Agreement, without requiring notice to Guarantor or Guarantor's consent.

5. Guarantor agrees specifically to be bound by the confidentiality requirements and the covenant against competition in the Franchise Agreement.

6. Guarantor waives notice of acceptance of this Guaranty and notice of non-performance or non-payment by Franchisee of any of its obligations or liabilities under the Franchise Agreement.

7. A default by Guarantor under this Guaranty will be deemed a default under all Franchise Agreements guaranteed by the Guarantor.

8. Guarantor agrees to pay all attorneys' fees, costs and expenses (including any and all Royalty Fees and Advertising Fees and associated interest on such amounts, that are determined to be owing to Franchisor due to underreporting by Franchisee) incurred by Franchisor in enforcing this Guaranty, whether or not suit or action is filed, and if suit or action is filed, then through trial and all appeals, and also in any proceedings or matter in Bankruptcy Court; Guarantor assumes all liability for all losses, costs, attorneys' fees, and expenses that Franchisor incurs as a result of a default by Franchisee, including those fees and expenses incurred in a bankruptcy proceeding involving Franchisee.

9. Guarantor hereby agrees that upon notice of default or upon an uncured default of the Franchise Agreement or any other agreement between Guarantor (or a legal entity thereof) and Franchisor or its affiliates, and with no prior notice, Guarantor consents to Franchisor's (or any of its affiliate's or third-party contractor's) acquisition and use of non-business consumer credit reports on Guarantor in order to evaluate as necessary the financial condition of Guarantor as principal, member, manager, franchisee, and/or guarantor in connection with the collection of monetary obligations as contemplated by the Franchise Agreement, this Guaranty, a promissory note, or any other agreements between Guarantor (or a legal entity thereof), and Franchisor or its affiliates. Guarantor as an individual or individuals hereby knowingly consent to the use of such credit reports consistent with the Federal Fair Credit Reporting Act as contained in 15 U.S.C. § 1681 et seq.

10. This Guaranty is personal to Guarantor and the obligations and duties imposed herein may not be delegated or assigned; provided, however, that this Guaranty shall be binding upon the successors, assigns, heirs, estate, trustee(s) and personal representative(s) of Guarantor. This Guaranty shall inure to the benefit of Franchisor, its affiliates, successors and assigns.

11. In the event that any one or more provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof and this Guaranty shall be construed to bind Guarantor to the maximum extent permitted by law that is subsumed within the terms of such provision as though it were separately articulated herein.

12. This Guaranty shall be interpreted and construed under the laws of the State of ~~Arizona~~ where the Franchised Business is located, which laws shall prevail in the event of any conflict of law. Any appropriate state or federal court located in ~~Maricopa~~ the County of the State where the Franchised Business is located, ~~Arizona~~ has exclusive jurisdiction over any case or controversy arising under or in connection with this Agreement and is the proper forum in which to adjudicate the case or controversy, and the parties hereto irrevocably submit to the jurisdiction of any such court. THE PARTIES AGREE THAT ALL DISPUTES ADMITTED TO THE COURT PURSUANT TO THIS SECTION 12 SHALL BE TRIED TO THE COURT SITTING WITHOUT A JURY, NOTWITHSTANDING ANY STATE OR FEDERAL CONSTITUTIONAL OR STATUTORY RIGHTS OR PROVISIONS.

terms and conditions set forth in this Agreement shall be binding on the undersigned unless it is set forth in writing and duly executed by the undersigned and Franchisor.

c. This Agreement shall be binding on the undersigned's heirs, executors, successors and assigns as though originally executed by such persons.

d. *Notices.* All notices permitted or required under this Agreement shall be in writing and shall be delivered by personal delivery, courier, such as FedEx® or UPS®, or by U.S. Mail, sent certified or registered mail, return receipt requested, to the address set forth in the first paragraph of this Agreement, with a courtesy copy sent via email ~~or facsimile~~ (to the address set forth on the signature page below) for the respective Party to be noticed, which address may be amended from time to time pursuant to the terms of this *Section 7.d*. Notices provided under this *Section 7.d* shall be deemed received upon personal delivery or delivery by courier and within five (5) days after deposit in the U.S. Mail.

e. *Governing Law and Venue.* This Agreement shall be governed by and construed in accordance with the laws of the ~~State of Arizona without reference to conflict of laws principles~~ state where the Franchised Business is located without reference to conflict of laws principles. Except for actions seeking injunctive relief (which may be brought in any appropriate jurisdiction) suit under this Agreement shall only be brought in the state or federal courts ~~located in Maricopa County, Arizona where the Franchised Business is located~~. This choice of jurisdiction and venue is intended by the Parties to be mandatory and not permissive in nature, and to preclude the possibility of litigation between the Parties with respect to, or arising out of, this Agreement in any jurisdiction other than as specified in this *Section 7.e*. Each Party waives any right it may have to assert the doctrine of forum non conveniens or similar doctrine or to object to the jurisdiction and venue with respect to any proceeding brought in accordance with this *Section 7.e*.

f. *No Assignment.* The undersigned shall not assign or transfer any rights or obligations under this Agreement without Franchisor's prior written consent, which may be withheld in Franchisor's sole discretion. Any assignment made in violation of this *Section 7.f* shall be void.

g. *Counterparts; Facsimile Signatures.* This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original document as against the Party whose signature appears thereon, and all of which shall together constitute one and the same Agreement. The signatures required for execution may be transmitted to the other Party via facsimile or 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.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement by their duly authorized representatives with full rights, power and authority to enter into and bind the respective Party and to perform all obligations under this Agreement.

[NAME]

Barrio Queen Franchise List as of November 30, 2025⁴

A list of the names of all franchisees who have signed Franchise Agreements but whose outlets were not open as of November 30, 2025:

<u>Franchisee Name</u>	<u>Address</u>	<u>City</u>	<u>State</u>	<u>Zip</u>	<u>Phone or Email</u>
Mukesh Kumar, Rishabh Singh	4751 Lakeshore Drive	Santa Clara	CA	95054	countermountainview@gmail.com,rishabh_singh90@yahoo.com
Navjyot Singh, Ridham Bhatt	6299 Birdhill Lane, 5504 Ken Court	Frisco, Parker	TX	75035,75002	navi@3rnvgroup.com

We had no franchise owners who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreements during the year ending November 30, 2025.

We had no franchise owner who had an outlet transfer during the year ending November 30, 2025.

We have not had any franchisees who have not communicated with us for the 10-week period before the date of this Disclosure Document. We had no franchisees who transferred their Franchise Agreements during the year ending November 30, 2025 for a restaurant that was not yet open. We had no franchisee who had its Franchise Agreement terminated during the year ending November 30, 2025 for a restaurant that never opened.~~The name of the current franchisee, store address and telephone numbers of the stores are listed below:~~

NONE

~~The name of the franchisees who left the system the prior fiscal year, store address and telephone numbers of the stores are listed below:~~

NONE

RECEIPT #1

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 BQ Concepts, LLC 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, the franchisor or an affiliate in connection with the proposed franchise sale.

[New York requires that we give you this 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.]

[Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.]

If BQ Concepts, LLC 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 state agency listed on Exhibit B.

The franchisor is BQ Concepts, LLC, with a primary office located at 12701 Whitewater Drive, Suite 100, Minnetonka, Minnesota 55343-4164, (952) 294-1300. The franchise seller for this offering is _____, (____) _____.

Issuance date: March 27~~8~~, 202~~6~~5, as amended October 10, 2025.

BQ Concepts, LLC authorizes the respective state agencies identified on Exhibit C to receive service of process for it in the particular state.

I received a Barrio Queen Disclosure Document dated March 27~~8~~, 202~~6~~5, as amended October 10, 2025, that included the following Exhibits:

A	State Addenda and Agency Documents	~~K~~ M	~~List of Franchise Owners~~ State Effective Dates
B	Financial Statements	~~L~~ N	~~List of Company-Owned Restaurants~~ Receipts
C	Performance Guaranty	M	State Effective Dates
D	Franchise Agreement (and state specific addenda, if applicable)	N	Receipts
E	Guaranty of Franchise Agreement		
F	Non-Disclosure and Non-Competition Agreement		
G	Collateral Assignment and Irrevocable Special Power of Attorney		
H	Required Lease Terms (Lease Addendum to Lease Agreement)		
I	Pre-Authorized Electronic Funds Transfer Form		
J	General Release for Renewal of Franchise Agreement		
~~K~~ J-1	~~List of Franchisees~~ Asset Purchase Agreement (For Sale of a Corporate Store to a Franchisee) with Promissory Note and Security Agreement and Guaranty (if applicable)		
~~L~~ J-2	~~List of Company-Owned Restaurants~~ Sublease and Guaranty of Sublease		

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

Receipt #1 must be signed and dated and remains in the Franchise Disclosure Document as the prospective franchisee's copy. Receipt #2 must be signed and dated by the prospective franchisee and returned to franchisor by mailing it to BQ Concepts, LLC, at 12701 Whitewater Drive, Suite 100, Minnetonka, Minnesota 55343-4164, (952) 294-1300.

RECEIPT #2

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 BQ Concepts, LLC 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, the franchisor or an affiliate in connection with the proposed franchise sale.

[New York requires that we give you this 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.]

[Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.]

If BQ Concepts, LLC 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 state agency listed on Exhibit B.

The franchisor is BQ Concepts, LLC, with a primary office located at 12701 Whitewater Drive, Suite 100, Minnetonka, Minnesota 55343-4164, (952) 294-1300. The franchise seller for this offering is _____, (____) _____.

Issuance date: March 27~~8~~, 202~~6~~5, as amended October 10, 2025.

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A	State Addenda and Agency Documents	~~K~~ M	List of Franchise OwnersState Effective Dates
B	Financial Statements	~~L~~ N	List of Company-Owned RestaurantsReceipts
C	Performance Guaranty	M	State Effective Dates
D	Franchise Agreement (and state specific addenda, if applicable)	N	Receipts
E	Guaranty of Franchise Agreement		
F	Non-Disclosure and Non-Competition Agreement		
G	Collateral Assignment and Irrevocable Special Power of Attorney		
H	Required Lease Terms (Lease Addendum to Lease Agreement)		
I	Pre-Authorized Electronic Funds Transfer Form		
J	General Release for Renewal of Franchise Agreement		
~~J-1~~ K	Asset Purchase Agreement (For Sale of a Corporate Store to a Franchisee) with Promissory Note and Security Agreement and Guaranty (if applicable)List of Franchisees		
~~J-2~~ L	Sublease and Guaranty of SubleaseList of Company-Owned Restaurants		

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

Receipt #1 must be signed and dated and remains in the Franchise Disclosure Document as the prospective franchisee's copy. Receipt #2 must be signed and dated by the prospective franchisee and returned to franchisor by mailing it to BQ Concepts, LLC, at 12701 Whitewater Drive, Suite 100, Minnetonka, Minnesota 55343-4164, (952) 294-1300.

List of Company-Owned Barrio Queen Restaurants

As of November 30, ~~2024~~2025

No.	Address	City	State	Zip Code	Work Phone
1*	388 N. Gilbert Road	Gilbert	AZ	85234	(480) 634-5025
2*	7114 E. Stetson Drive, Suite 105	Scottsdale	AZ	85251	(480) 656-4197
3*	21001 N. Tatum Blvd., Ste. 98	Scottsdale	AZ	85050	(480) 466-7445
4*	21156 S. Ellsworth Loop	Queen Creek	AZ	85142	(480) 825-7931
5*	31 S. McClintock Drive	Tempe	AZ	85251	(480) 912-4052
6*	7640 W. Bell Road	Glendale	AZ	85308	(602) 287-8226
7*	10455 W. McDowell Road	Avondale	AZ	85392	(623) 257-3900
8	13434 N. Prasada Parkway	Surprise	AZ	85388	

*Each of the above listed restaurants were built, initially opened and operated by Franchisor's unaffiliated predecessor prior to March of 2023, as further detailed in Item 1 of this Disclosure Document.