

FRANCHISE DISCLOSURE DOCUMENT



BeaverTails USA Inc.
A Delaware company
1209 Orange Street
Wilmington, DE 19801
(514) 392-2222
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development@beavertails.com

You will operate a BeaverTails® treat shop business (the “Store”) specializing in the business of selling cooked dough, freshly prepared with various toppings, and served direct to the customer, along with specialty French fry products, such as Poutine, various beverages, including a specialty dairy bar/juice bar, and thematic merchandise.

The total initial investment necessary to begin operation of a Store from a permanent location is from \$489,200 to \$1,042,000. This includes \$37,500 to \$50,000 that must be paid to us or our affiliates. The total investment necessary to begin operation of a Store from a Vehicle is from \$155,150 to \$390,200. This includes \$115,300 to \$240,000 that must be paid to us or our affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Nathalie Markatos at 3700 St-Patrick, Suite 106, Montreal, Quebec, H4E 1A2, (514) 392-2222 ext. 20, nathalie@beavertails.com.

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: April 28, 2022

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits D.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit A includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only BeaverTails business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a BeaverTails franchisee?	Item 20 or Exhibit E list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchise *Generally*

Continuing responsibility to pay fees. You may have to pay fees as provided herein, even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor delegates. These items may be more expensive than similar items you could buy or own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from the franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in [Exhibit E](#).

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contacts for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise

Certain states require that the following risks be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration, and/or litigation only in Minnesota. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate, arbitrate, or litigate with the franchisor in Minnesota than in your own state.

Certain states may require other risks to be highlighted. Check the “State Specific Addenda” (if any) to see whether your state requires other risks to be highlighted.

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ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this disclosure document, “we” means BeaverTails USA Inc., the franchisor. “You” means the person who buys the franchise. If a corporation, partnership or limited liability company buys a franchise, “you” also may refer to the shareholders of the corporation, partners of the partnership or members of the limited liability company.

The Franchisor

We are a Delaware corporation formed on October 28, 2014. Our principal place of business is at 1209 Orange Street, Wilmington, Delaware 19801; telephone number is (514) 392-2222. Our agents for service of process are disclosed in Exhibit D.

Our Business Experience

We sell franchises for the operation of treat shops offering cooked dough, freshly prepared with various toppings, along with specialty French fry products such as Poutine, various beverages, specialty dairy bar/juice bar, and merchandise, under the name “BeaverTails” (“Stores”). We have offered franchises for Stores since 2015. As of December 31, 2021, we have three franchised Stores in the United States and 4 licensed locations in the United States that operate in theme parks.

Our founder, Grant Hooker, has been operating or franchising pastry shops since 1978. Our parent companies are Les Entreprises Twin25 Inc., having a principal place of business at 3700 St-Patrick, Suite 106, Montreal, Quebec, H4E 1A2; 1737973 Ontario Inc., having a principal place of business at 79 St. Andrew, Ottawa, Ontario K1N 5G1; and 9005-0790 Quebec Inc., having a principal place of business at 3700 St-Patrick, Suite 106, Montreal, Quebec, H4E 1A2

We have 3 affiliates that need to be disclosed in this Disclosure Document: BeaverTails Canada Inc. (“BeaverTails Canada”), BeaverTails Brands Inc. (“BeaverTails Brands”) and BeaverTails International Franchising Inc. (“BeaverTails International”). BeaverTails Canada offers franchises for Stores in Canada. BeaverTails Canada currently also has granted licenses to operated Stores in Japan. As of the date of this Disclosure Document, there are approximately 149 Stores operating in Canada, which Stores include permanent locations, treat trucks, food service partners and Stores located within other existing businesses. BeaverTails Canada offered franchises for Stores in the United States from May 1997 until August 2009, and offered franchises in Canada for stand-alone MOOZOO® stores over 10 years ago.

BeaverTails Canada’s principal place of business is at 3700 St-Patrick, Suite 106, Montreal, Quebec, H4E1A2; telephone number is (514) 392-2222.

BeaverTails Brands owns the “Marks” (including the “BeaverTails” mark) as defined in Item 13 and has licensed us the right to use the Marks and sublicense the Marks to operate Stores under the Marks. BeaverTails Brands’ place of business is at 3700 St-Patrick, Suite 106, Montreal, Quebec, H4E1A2; telephone number is (514) 392-2222.

BeaverTails International offers franchises for Stores in South Korea and has entered into a master franchise agreement with a master franchisee for the United Arab of Emirates, France and Mexico City, Mexico. BeaverTails International's principal place of business is at 3700 St-Patrick, Suite 106, Montreal, Quebec, H4E 1A2, telephone number is (514) 392-2222.

Other than as described, we have no affiliates, predecessors or parents required to be disclosed in this Item 1. Except as disclosed above, neither we nor any of our parents or affiliates has offered franchises in any other line of business.

Franchise Offered

You sign a "Franchise Agreement" to receive the right to own and operate a Store offering the products and services we approve and using our formats, designs, methods, specifications, standards, operating and marketing procedures and the Marks, including the Mark "BeaverTails" (collectively, the "System"). You will either operate a Store with a permanent location or a vehicle (including from a mini-trailer, trailer or other type of vehicle) (a "Vehicle"). Unless noted, all references to Store include those operated from a permanent location or Vehicle.

A Store will sell the products and services we designate periodically, including proprietary BeaverTails® pastries, regardless of whether in raw dough, par-baked form or a finished product (each pastry is a "Unit"), as well as other products and services sold periodically in association with other Marks, such as specialty MOOZOO branded products (smoothies) and specialty French fry products (such as poutine), hot dog products and other products and services.

If you desire to develop multiple Stores from permanent locations, you are provided an agreed upon geographic area (the "Designated Area") in which you will be required to open and operate an agreed number of BeaverTails® Stores from permanent locations according to a designated timetable ("Development Schedule") under our development agreement (the "Multiple Store Development Agreement" or "MSDA"). Before signing the MSDA, we will agree with you on the Designated Area, the number of Stores, and a timetable for opening each Store. You will sign our then-current Franchise Agreement for each Store developed under the MSDA. A copy of the MSDA is attached as Exhibit C.

Market, Competition, Laws and Regulations

A Store will offer our signature pastry, freshly prepared with various toppings and related products available for the customer, which may at our discretion include a specialty dairy bar/juice bar and specialty French fry products. The typical customer includes any individual who enjoys pastries. Your competition is well developed and will include other franchised and company-owned bakeries and pastry shops, as well as local bakeries, stores and restaurants offering prepared pastries or other related products.

In addition to laws and regulations that apply to businesses generally, federal, state and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of your Store, including those which (a) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for stores and disclosure of nutritional information; employee practices concerning the storage, handling, cooking and preparation of food; restrictions on smoking; availability of and requirements for

public accommodations, including restrooms; (b) establish standards pertaining to employee health and safety; (c) establish standards and requirements for fire safety and general emergency preparedness; and (d) regulate the proper use, storage and disposal of waste, insecticides, and other hazardous materials. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your franchise and should consider both their effect and cost of compliance.

ITEM 2

BUSINESS EXPERIENCE

President & Chief Executive Officer, Pino Di Ioia

Mr. Di Ioia has been our President and Chief Executive Officer since October 2014 and of BeaverTails Canada since March 2010. Mr. Di Ioia also has served as President of our parent, Les Entreprises Twin25 Inc., since 1998. Mr. Di Ioia operated the Montreal BeaverTails® Store from 1993 to 2010, and was employed at the Montreal BeaverTails® Store from 1988 to 1993.

Treasurer & Chief Financial Officer, Anthony Di Ioia

Mr. Di Ioia has been our Treasurer and Chief Financial Officer since October 2014 and of BeaverTails Canada since March 2010. Mr. Di Ioia also has served as President of our parent, 9005-0790 Quebec Inc., since 1998. In addition, Mr. Di Ioia operated the Montreal BeaverTails® Store with Pino Di Ioia from 1998 until 2010.

Founder, Secretary & Chairman, Grant Hooker

Mr. Hooker has been our Chairman since October 2014 and BeaverTails Canada's Chairman since March 2010. Mr. Hooker was BeaverTails Canada's President from 2002 to March 2010. He founded the BeaverTails® concept in 1978.

Creative Director, Tina Serrao

Ms. Serrao has been our Creative Director since October 2014 and has served as the Creative Director for BeaverTails Canada since March 2010. She has also been employed by our parent, Les Entreprises Twin25 Inc. since May 1997.

Legal Counsel, Nathalie Markatos

Ms. Markatos has been our legal counsel since November 2015 and for BeaverTails Canada since November 2015. From March 2015 to December 2015, Ms. Markatos was a contract/consulting attorney for TDL Group Corp. (Tim Horton's) and from April 2013 to January 2015, Ms. Markatos was a corporate counsel for the TDL Group Corp. (Tim Hortons) located in Montreal, Quebec.

Vice President-Business Development, Patrick Marcovecchio

Mr. Marcovecchio has been our Vice President of Business Development since November 2021 and has served as Vice President of Business Development for BeaverTails Canada Inc. since

November 2021. From April 2019 to October 2021, Mr. Marcovecchio also acted as our interim Director of Operation. Mr. Marcovecchio also has been a franchisee of BeaverTails Canada Inc. since 2010 of multiple Stores in Quebec.

Chief Revenue Officer, Michaël Duhamel

Mr. Duhamel has been our Chief Revenue Officer since November 2021 and for BeaverTails Canada Inc. since November 2021. Prior to that Mr. Duhamel operated his own consultant company Ravze Dev in Bromont, Quebec from November 2020 to November 2021. From January 2020 to November 2021, Mr. Duhamel was Canadian Vice President of Operations and Store Development for Groupe Evoluco Inc. in Montreal, Quebec. From October 2016 to December 2019, he was President of Boulangerie Louise Ameriques in Montreal, Quebec.

Director of Development, Scott Reid

Mr. Reid has been our Director of Development since July 2021 and for BeaverTails Canada since July 2021. From November 2019 to July 2021, Mr. Reid was Business Development Manager for Mad Science Canada located in Montreal, Quebec and from August 2016 to June 2019 was Vice President of Marketing and franchise development for COBs Bread., located in Vancouver BC.

ITEM 3

LITIGATION

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

The “Initial Franchise Fee” for a BeaverTails® Store is \$30,000. The Initial Franchise Fee is paid to us when you sign the Franchise Agreement. We will refund 50% of the Initial Franchise Fee if: (a) you fail to obtain financing by the day the Store lease or Vehicle purchase order is approved; or (b) you or your designated trainees fail our initial training program, as described in more detail in the Franchise Agreement. The Initial Franchise Fee is not refundable under any circumstances.

Vehicle

In addition to the Initial Franchise Fee, if you operate your Store from a Vehicle – whether from a trailer, truck or other type of vehicle we may offer from time to time, you may purchase the Vehicle from us or one of our affiliates or a supplier we designated or that you select and we approve. If you purchase the Vehicle from us, our affiliates, or a designated supplier, we estimate the cost of the Vehicle will range from \$80,000 to \$195,000, which includes the cost of the vehicle and all equipment (including signage and menus) but excludes any small wares. This estimate does not include the cost to transport the Vehicle to your location, or any installation costs. You are solely responsible for arranging and paying for the transportation of the Vehicle to your location and any required installation costs. In the event you purchase the Vehicle from us, you will be required to pay us 50% of the total cost when you submit a signed purchase order for the Vehicle, and the remaining 50% of the cost when we transfer title of the Vehicle to you (just prior to us releasing the Vehicle for delivery). The cost of the vehicle is not refundable. The payment terms may be different in the event you purchase the Vehicle from a designated supplier or from a supplier of your choice but subject to our approval.

Inventory

You must purchase all Units and certain other items from us. We estimate that you will pay us between \$7,500 to \$20,000 for opening inventory if you operate your Store from a permanent location. We estimate that you will pay us between \$5,300 to \$15,000 for opening inventory if you operate your Store from a Vehicle.

Development Fee

If you sign a MSDA, you will pay the Initial Franchise Fee for the first Store you develop under the MSDA (\$30,000) plus a “Development Fee” of \$10,000 for each additional Store you agree to establish under the Development Schedule. The Development Fee is paid to us when you sign the MSDA, and is not refundable under any circumstances. The Development Fee for each Store is credited against any applicable initial franchise fee. The total Development Fee is described on the Development Schedule.

ITEM 6

OTHER FEES

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Income and Sales Taxes	We may collect from you the cost of all taxes arising from our licensing of intellectual property to you in the state where your Store is located, as well as any assessment on fees and any other income we receive from you.	When incurred.	Only imposed if state collects these taxes or assessments.
Advertising Contribution	You will pay us a flat fee based upon each case of Units you purchase. Currently you will pay us CAD\$20.7075 (or USD\$16.2939) per case of approximately 144 Units.	When the cases of Units are ordered	Used for national marketing and promotional activities. See Note 2 and Item 11.
Transfer Fee	Up to 50% of the then-current initial franchise fee	Before completion of transfer.	You pay this fee when the Franchise Agreement or a substantial portion of the assets of the Store or any controlling interest in you is transferred.
Renewal Fee	Our then-current renewal fee, which will not exceed 25% of the then-current initial franchise fee.	Upon signing the renewal or new Franchise Agreement for the renewal term.	You pay this fee when exercising your right to renew the Franchise Agreement.
Remodeling Expenses	Will vary under circumstances	When incurred	See Note 3
Costs and Attorneys' Fees	Will vary under circumstances	When incurred	We may recover costs and reasonable attorneys' fees if you lose in a dispute with us. We also may recover any reasonable fees, costs or other charges we incur in connection with preparing, reviewing, processing or registering any required legal documents including, without limitation, any lease or sublease agreements, hypothec or security agreements, transfer agreements or renewal agreements.
Additional Support Fee	Our then-current rate (currently \$150 per occurrence)	When incurred	We may charge you our then-current additional support fee if we determine that we need to provide you with additional support. For example, we may charge you our then-current additional support fee if we monitor and/or respond to any complaints, inquiries, comments or any other communication, through the various media channels such as any social media accounts, websites or portals

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Additional Training Fee	Our then-current rate (currently approximately \$950 per day).	When incurred	We may charge you our then-current additional training fee if we provide the initial training program to any additional or replacement managers, or if we require you or any manager to attend any supplemental or replacement training. You also may have to pay for our travel costs and other expenses.
Convention Fee	Varies, currently \$500 to \$2,500 per person	Convention Registration billed before convention	You must pay the Convention Fee even if you don't attend. You are responsible for lodging, meals and travel expenses, but we currently anticipate that the Convention Fee may cover a portion of your lodging and meals. See Item 11
Territory Infringement Fee	Varies, but currently: \$500 per day (first offense) \$1,500 per day (second offense) \$3,000 per day (third or subsequent offense)	When incurred	You may not operate a Vehicle inside another franchisee's territory without first obtaining written consent from us and the franchisee located in the territory. If you fail to obtain the required consent, you must pay us the per day Territory Infringement Fee. We also reserve the right to terminate the Franchise Agreement if you breach this requirement 3 or more times during a 12-month period.
Financial Audit	Cost of audit	When incurred	See Note 4
Operation Inspection	Cost of inspection which may include time and all out of pocket expenses for the field coach/business development managers to complete same, including any travel expenses, etc.	When incurred	See Note 4
Interest Expenses	Lesser of prime interest rate plus 4% per year or the maximum rate permitted by law	When due	Payable if you do not timely pay amounts owed to us or our affiliates.
Insurance	Cost of insurance	Payable before opening as well as upon policy renewals	If you fail to obtain and maintain required insurance, we may immediately obtain insurance and you must promptly reimburse us for insurance, and pay an administrative fee as determined by us.
Alternative Item/Supplier Approval	Varies	When incurred	If you want to use any unapproved Product, material, fixture, equipment, sign or other item, or purchase any items from any supplier that we have not approved, you must first notify us in writing and must submit to us, at our request, sufficient specifications, photographs, drawings or other information or samples for us to determine whether the Product, services, material, fixture, equipment, sign or other item complies with our specifications, or the supplier meets our authorized supplier criteria. We may require you to pay the actual cost of the inspection and evaluation, including the cost of our time spent evaluating the alternative item or supplier.

Notes:

- (1) Except where otherwise noted, all fees are payable to us in U.S. dollars, are non-refundable, and are uniformly imposed. Certain amounts presented in the table above are reflected in Canadian Dollars (“CAD”) and converted to United States Dollars (“USD”). As of April 22, 2021, the exchange rate of Canadian Dollars to US Dollars was CAD\$1.00 = USD\$0.78686 according to the Wall Street Journal.
- (2) You will pay an advertising contribution equal to a fixed amount on the purchase of each case of Units you purchase. We periodically may amend the amounts you will pay to us for each case of Units and other inventory items purchased by you. The current amount payable to us for a case of approximately 144 Units is specified in Schedule A to the Franchise Agreement. In the event you purchase cases of a different quantity, the Advertising Contribution shall be prorated. Currently, the advertising contribution shall be payable to us or collected on our behalf by a supplier we periodically designate, provided that we may change this method of collection upon notice to you.
- (3) You must remodel your Store on notice from us. Any refurbishing must comply with our then-current standards for BeaverTails® businesses. The scope of refurbishing may range from simply painting the Store to completely refurbishing the entire Store, including replacement or addition of fixtures, signs, supplies and equipment. We cannot estimate the current cost for a refurbishing project because the refurbishing requirements will vary from Store to Store. You may make these payments in whole or in part to various third parties. As of the issuance date of this disclosure document, we generally require completion of remodel requirements upon renewal. However, there are no contractual limitations relating to the frequency or expenditures we may require in connection with remodeling of your Store.
- (4) You will be responsible for the payment of audit or inspection costs if such audit or inspection is made necessary due to your failure to comply with our operating standards and specifications, furnish reports, financial statements or any other required documentation, or if an audit or inspection determines that your records and procedures were insufficient to permit a proper determination of gross sales or purchases of Units and other inventory items, or that the gross sales or purchases of Units or other inventory items for the period in question were understated or if you have failed any operation inspection or audit. These costs may include all time and out of pocket expenses incurred by us and/or our field coach or designee in completing the audit or inspection, including any travel expenses.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT IF YOU OPERATE FROM A PERMANENT LOCATION (Tourist Landmark)

Type of Expenditure (Note 1)	Amount (Note 2)	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee	\$30,000 (Note 3)	Lump sum	When you sign Franchise Agreement with us.	Us
LEASEHOLD IMPROVEMENTS (Note 4) :				
Lease Deposit, Utility Deposit and Rent – 3 months	\$46,000 – \$62,500 See Note 4	See Note 4	See Note 4	Landlord, Various Third Parties
Design (Note 4a)	\$12,000 – \$20,000	As Agreed Upon	As Incurred	Various Third Party Suppliers
Engineering, Architect Plans and Development/Building Permits (Note 4b)	\$5,000 - \$15,000	As Agreed Upon	As Incurred	Various Third Party Suppliers
Construction /Build Out of Store/Premises	\$150,000 - \$325,000	As Agreed Upon	As Incurred	Various Third Party Suppliers
Project Manager Fee (Note 4c)	\$8,000 - \$15,000	As Agreed Upon	As Incurred	Various Third Party Suppliers
Ventilation – HVAC and Kitchen Exhaust Ventilation System	\$25,000 - \$105,000	As Agreed Upon	As Incurred	Various Third Party Suppliers
Millwork	\$35,000-\$75,000	As Agreed Upon	As Incurred	Various Third Party Suppliers
Storage room/area build out	\$2,000 - \$5,000	As Agreed Upon	As Incurred	Various Third Party Suppliers
Offsite storage, if necessary (Note 4c)	\$0-\$35,000	As Agreed Upon	As Incurred	Various Third Party Suppliers
SIGNAGE, EQUIPMENT AND SUPPLIES (Note 5) :				
Signage (Note 6)	\$12,000 - \$30,000	As Agreed Upon	As Incurred	Various Suppliers

Type of Expenditure (Note 1)	Amount (Note 2)	Method of Payment	When Due	To Whom Payment Is To Be Made
Equipment (Note 6a)	\$75,000 - \$150,000	As Agreed Upon	Before Opening	Various Suppliers, Us (or an affiliate)
Equipment for Gelato/Ice Cream Program	\$19,000 - \$25,000	As Agreed Upon	Before Opening	Various Suppliers, Us (or an affiliate)
Small wares	\$2,500 - \$3,500	As Agreed Upon	Before Opening	Various Suppliers, Us (or an affiliate)
Stainless Steel Countertops	\$4,000 - \$8,000	As Agreed Upon	Before Opening	Various Third Party Suppliers
Furniture (Interior only)	\$2,000 - \$5,500	As Agreed Upon	Before Opening	Various Third Party Suppliers
Digital Menus	\$11,000 - \$15,000	As Agreed Upon	Before Opening	Various Third Party Suppliers
Walk-in-Freezer, if applicable	\$0 - \$15,000	As Agreed Upon	Before Opening	Various Third Party Suppliers
POS System (Note 7)	\$6,000 - \$10,000	As Agreed Upon	Before Opening	Various Suppliers, Us (or an affiliate)
PRE-OPENING EXPENSES:				
Opening Inventory (Note 8)	\$7,500-\$20,000	As Agreed Upon	As Ordered	Various Suppliers, Us
Professional Fees (lawyers, accountant, etc. (Note 9)	\$10,000 - \$20,000	As Incurred	As Incurred	Various Third Parties
Business Licenses, Permits etc. (for 1 st year) (Note 10)	\$700 - \$2,000	As Incurred	As Incurred	Various Third Parties
Utilities (3 months) and Insurance premium first year (Note 9 and 11)	\$2,000 - \$ 17,000	As Incurred	As Incurred	Various Third Parties
Marketing Initiatives – Grand Opening (Note 9)	\$5,000 - \$ 7,500	As Agreed Upon	Before Opening	Various Suppliers, Us (or an affiliate)
Training Expenses (Note 10)	\$4,500 - \$6,000	As Incurred	As Incurred	Various Third Parties
Additional Funds – 3 months (Note 11)	\$15,000 - \$20,000	As Incurred	As Incurred	Various Third Parties
TOTAL (Note 12)	\$489,200 - \$1,042,000			

Notes:

- (1) This Table reflects your estimated initial investment for a single Store operated under a Franchise Agreement from a permanent location. We do not offer direct or indirect financing for any part of your estimated initial investment.
- (2) Except where otherwise noted, all fees that you pay to us are non-refundable. Third party lessors, contractors and suppliers will decide if payments to them are refundable.
- (3) You pay us the Initial Franchise Fee as more fully described in Item 5.
- (4) We assume that you will lease the premises for a Store operated from a permanent location. Typical locations for Stores operated at a permanent location are smaller free-standing locations on pedestrian streets in busy tourist areas.
 - (4a) You must retain and compensate such architects, designer, contractors and other construction suppliers we approve or designate (including any in-house designer) in connection with the construction and development of the Store premises. You may be required to pay a deposit amount to be retained by such architect, designer, contractor or other construction supplier for payment of such services.
 - 4(b) You may be required to hire and pay for engineering and/or architectural services in order to prepare and/or validate plans and specifications for the issuance of required building permits or other.
 - 4(c) You will be required to pay for all design fees, including any design prepared by us or any designer we designate. You may also be required to retain and compensate a project manager that we designate to oversee the development and construction of the Store. You may be required to pay a deposit amount to be retained by such project manager for payment of such services.
 - 4(d) Depending on the size of your store premises you may need to lease additional space for your head office and storage facility or operate your head office and storage facility at your home if your home meets our standards. You must keep all books and records relating to the Store at such location.
- (5) These estimates assume that you build out a location for your Store within a permanent location you lease. The typical size of a built out Store operating from a permanent location ranges from 900 to 1,500 square feet net of common areas. For several items discussed below, your cost may increase as the number of square feet increases. The size of your Store is principally determined by requirements or restrictions that your landlord and appropriate municipality or zoning boards may impose, and availability and cost of leasable space. Assuming that you will lease the premises for your Store, you will need to make certain leasehold improvements to the leased premises to comply with our approved plans and specifications. Leasehold improvements might include lighting, plumbing, electrical distribution, HVAC and kitchen exhaust, ceramics, glazing and entrance areas, flooring and partition walls. We anticipate that you will negotiate the cost of leasehold improvements as part of your rental expense. The exact cost or impact on your rental

expense will depend on several factors, including the condition of the premises, whether you elect to do more than the minimum required renovations, the landlord's agreement to reimburse you for certain improvements, the size and location of the Store and other economic factors. The state of the premises and the building where the premises are located can impact the costs of installing a kitchen ventilation system particularly if said system is not already installed (ducting work), if premises were not used for restaurant and/or food service with a commercial kitchen etc. Historical classified buildings and multi floor buildings can also be a challenge for installing a commercial kitchen ventilation system especially if ducting work is required. Although we do not recommend that you purchase the land and building for the Store, you will incur significantly greater costs in developing the Store if you choose to do so. We estimate that you may pay from \$40 to \$125 per square foot in rental expense (including common area maintenance (CAM) and taxes) for the Store. The exact amount of rental expense will vary greatly, depending on the location of the Store, the portion of rent representing the value of leasehold improvements at the Store premises, local market conditions and other factors. You will incur greater start-up costs if you cannot negotiate the cost of leasehold improvements as part of your rental expense. You may also incur additional fees should you use a realtor to find and secure a leased space; these fees are subject to fluctuate based on your realtor's fees. Three months' rent is typically due at the time the lease is executed with all parties involved. You will also be required to obtain proper insurance as per landlord and our requirements.

The typical size of the office and storage facility ranges from 200 to 500 square feet. You may need to make certain leasehold improvements to the leased premises to comply with our approved plans and specifications. Leasehold improvements include lighting, flooring and partition walls. We anticipate that you will negotiate the cost of leasehold improvements as part of your rental expense. The exact cost or impact on your rental expense will depend on several factors, including the condition of the premises, whether you elect to do more than the minimum required renovations, the landlord's agreement to reimburse you for certain improvements, the size and location of the office premises and other economic factors. The exact amount of rental expense will vary greatly, depending on the location of the office, the portion of rent representing the value of leasehold improvements at the office premises, local market conditions and other factors. You will incur greater start-up costs if you cannot negotiate the cost of leasehold improvements as part of your rental expense.

- (6) This amount includes estimated expenses for interior and exterior signs and menu boards, waste container, small wares, millwork, indoor furniture, initial package of marketing materials, office supplies and other miscellaneous items. We may require that you purchase digital menus, which shall be at your sole cost and expense. The cost of purchasing equipment, signs (including digital menus) and other items may vary as a result of the characteristics of the site, the type of Store you operate, and price differences between suppliers and shipping distances from suppliers. We may require you to purchase certain equipment and other items from us or one of our affiliates. You may purchase or lease approved brands and models of other equipment, fixtures, furniture and signs from any authorized supplier. You may also want to add a walk in freezer for Product storage, depending on your space.

- (6a) You may be required to pay a deposit amount to be retained by such supplier or an affiliate for payment of such equipment.
- (7) You must purchase a point-of-sale system that meets our standards and specifications. Currently, you must purchase one or more Apple® iPads, Android® or Windows® tablets along with the necessary software/applications. Franchisees wishing to buy a more complex system may be obliged to purchase a Givex, Global Payment, Lightspeed, Quickservice, Maitre D, TouchBistro, Clearview, Aloha, Cluster or Micros system (or any other similar POS system which we may choose). Some of these systems require ongoing monthly service fees for hardware maintenance, technical support and/or back office data archiving and analysis. The costs associated with the purchase of a point-of-sale system include the initial hardware and software. See Item 11 for more information. We may, at any time during the term or any renewal term of the franchise agreement, require all franchisees to use a single, designated point-of-sale system which may require you to purchase a new point-of-sale system and software.
- (8) You will need to purchase an opening inventory of general products, ingredients, packaging and supplies that complies with our specifications and is purchased from us, one of our affiliates or authorized suppliers. (See Item 8 for additional information.) This amount does not reflect amounts needed to replenish inventory during the initial stage of operation.
- (9) Miscellaneous expenses including, but not limited to, pre-opening expenses, insurance, inspections, marketing materials, grand opening advertising, formation of a legal entity, uniforms, local permit and license fees, legal and accounting fees, and insurance premiums.
- (10) Training expenses include general lodging, meals, supplies and travel expenses needed to attend the initial training program, which is held near or in our Montreal, Quebec head office.
- (11) This amount estimates the expenses you will incur during the first 3 months of Store operations, including initial wages and fringe benefits, taxes, Store supplies and interest payments on any business loans. It does not include inventory costs beyond the opening inventory costs identified in the Table and does not include your compensation during this 3 month period. These amounts are estimates and we cannot guarantee that you will not incur additional expenses in starting the business. Your costs will depend on factors such as how much you follow our systems and procedures, your management skills and experience, local economic conditions, the local market for BeaverTails® products, the prevailing wage rate, competition, the amount of the initial investment you decide to finance, interest rates/inflation rates, and the sales level reached during the initial period.
- (12) This total is an estimate of your pre-opening initial investment and the estimated expenses you may incur during the first 3 months of Store operations at a permanent location. This total is based on our estimate of average costs in Canada and prevailing market conditions, and our affiliates' experience operating quick-service franchised stores. We have limited experience in the United States upon which to base these estimates for the United States and these estimates may differ due to factors such as US-Canadian dollar exchange rate

fluctuations, shipping and insurance costs, customs duties and other factors. You should review this amount carefully with a business advisor before deciding to purchase the franchise. These figures are estimates only and we cannot guarantee that you will not have additional expenses in starting or operating your Store.

YOUR ESTIMATED INITIAL INVESTMENT IF YOU OPERATE FROM A VEHICLE

Type of Expenditure (Note 1)	Amount – Vehicle (Trailer (16’) and Trailer (18’) (Note 2)	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee	\$30,000 (Note 3)	Lump sum	When you sign Franchise Agreement with us.	Us
VEHICLE BUILD OUT :				
Lease Deposit, Utility Deposit and Rent – 3 months	\$500 - \$6,500 See Note 4a)	See Note 4	See Note 4	Landlord, Various Third Parties
Design. (Note 4)	\$3,500-\$5,000	As Agreed Upon	As Incurred	Various Third Party Suppliers
Vehicle acquisition, Fabrication and Build out (Note 4)	\$75,000 to \$150,000	As Agreed Upon	As Incurred	Various Suppliers, Us (or an affiliate)
Permits, and/or Additional Buildout if required by building code or other applicable laws, rules, regulations (Note 5)	\$1,000 -\$3,000	As Required	As Incurred	Officials, Third Parties
Add On (Note 5)	\$0 – \$30,500	As Agreed Upon	As Incurred	Various Suppliers, Us (or affiliate)
Shipping, Transportation & Installation (Note 6)	\$2,500 - \$10,000	As Agreed Upon	As Incurred	Various Suppliers
Offsite storage (Note 4a)	0-\$35,000	As Agreed Upon	As Incurred	Various Suppliers, Us (or an affiliate)
Equipment (Note 7)	\$5,000 – \$45,000	As Agreed Upon	Before Opening	Various Suppliers, Us (or an affiliate)
Small Wares (Note 7)	\$650-\$1,200	As Agreed Upon	Before Opening	Various Suppliers, Us (or an affiliate)
PRE-OPENING EXPENSES:				
Opening Inventory (Note 8)	\$5,300 - \$15,000	As Agreed Upon	As Ordered	Various Suppliers, Us
POS System (Note 9)	\$6,000 to \$10,000	As Agreed Upon	As Incurred	Various Suppliers
Professional Fees (lawyers, accountant, etc. (Note 10)	\$5,000 - \$10,000	As Incurred	As Incurred	Various Third Parties

Type of Expenditure (Note 1)	Amount – Vehicle (Trailer (16’) and Trailer (18’) (Note 2)	Method of Payment	When Due	To Whom Payment Is To Be Made
Business Licenses, Permits etc. (for 1 st year) (Note 10)	\$700 - \$2,000	As Incurred	As Incurred	Various Third Parties
Event rent & Utilities (3 months) and Insurance premium first year (Note 8 and 10)	\$6,500 -\$ 15,000	As Incurred	As Incurred	Various Third Parties
Opening Event and Local Marketing Initiatives	\$5,000 – \$7,500	As Agreed Upon	As Incurred	Various suppliers, Us (or an affiliate)
Training Expenses (Note 11)	\$3,500 -\$4,500	As Incurred	As Incurred	Various Third Parties
Additional Funds – 3 months (Note 12)	\$5,000- \$10,000	As Incurred	As Incurred	Various Third Parties
TOTAL (Note 13)	\$155,150 - \$390,200			

Notes:

- (1) This Table reflects your estimated initial investment for a single Store operated under a Franchise Agreement from a Vehicle. The low estimate for a Vehicle assumes that you operate your Store from a trailer. The high estimate is for a full 18ft motorized truck. We do not offer direct or indirect financing for any part of your estimated initial investment.
- (2) Except where otherwise noted, all fees that you pay to us are non-refundable. Third party lessors, contractors and suppliers will decide if payments to them are refundable.
- (3) You pay us the Initial Franchise Fee as more fully described in Item 5.
- (4) If you operate your Store from a Vehicle, you may purchase the Vehicle from us or one of our affiliates, a designated supplier, or a supplier you select and we approve. We estimate the costs to purchase the Vehicle from us, an affiliate or our designated supplier, will range from \$75,000 to \$150,000 depending on whether you operate from a trailer or a truck or other similar type of Vehicle. If you purchase a trailer, the trailer will be approximately 16ft in length. The largest Vehicle would be an 18ft motorized truck. If you operate your Store from a Vehicle, the Vehicle you purchase from us, our affiliate or designated supplier will include the hard body Vehicle shell, ventilation, stainless tables and/or shelving, as well as plumbing and electrical distribution. You will need to have or purchase a pickup truck in order to haul the trailer from one location to another. You will be responsible for all costs related to design, plans and specifications.

You also may elect to have the Vehicle built by your own supplier that we approve; provided that you provide us with a certificate issued by the supplier confirming that the Vehicle was built in accordance with our standards and specifications; subject to any

changes required by applicable law. You will be required to provide us with the measurements of the Vehicle you wish to have built, it could be either a 16 foot trailer, or 18 foot motorized truck and we must prepare the plans and specifications for its layout. You must provide any specific requirements or changes required by any applicable law in your area. You will be required to pay for all design fees and costs associated with the preparations of said plans and specifications.

- (4a) If you operate your Store from a Vehicle, you must either lease a fixed location from which you will maintain your head office and storage facility or operate your head office and storage facility at your home if your home meets our standards. You must keep all books and records relating to the Store at such location.
- (5) Certain jurisdictions may require additional add-ons or configurations for the Vehicle to comply with applicable law. For example, you may be required to add a sink or modify the propane connection, generator, additional heating and/or air conditioning, water Inlet, etc. You are responsible for all costs and expenses incurred to modify the Vehicle to comply with applicable law, provided you must obtain our prior written consent before making any modifications or adjustments to our standard Vehicle. You will also be responsible to obtain and pay for any required vehicle registration permits to operate.
- (6) If you operate your Store from a Vehicle, you are solely responsible for arranging and paying for the transportation of the Vehicle from the supplier to the permanent location or your place of business. The low estimate assumes that you pick up the Vehicle from the supplier yourself, and transport the Vehicle to the permanent location or your business location. The high estimate assumes that you contract with a third party to transport the Vehicle on your behalf. Transportation costs vary depending on your location, the location of the supplier, and the method you choose to transport the Vehicle. In addition, you are responsible for any installation costs, and/or any cross border duties
- (7) If you purchase a Vehicle from us, our affiliates or a designated supplier, it will come with all required equipment, but will require local inspection and may require adjustments for local utilities and any add-ons you wish to have. If you have your Vehicle built by a supplier we approve, you must purchase all of the equipment. You will be required to purchase all small wares for suppliers we designate and/or approve. You may purchase or lease approved brands and models of other equipment, furniture and signs from any authorized supplier.
- (8) You will need to purchase an opening inventory of general products, ingredients, packaging and supplies that complies with our specifications and is purchased from us, one of our affiliates or authorized suppliers. (See Item 8 for additional information.) This amount does not reflect amounts needed to replenish inventory during the initial stage of operation.
- (9) You must purchase a point-of-sale system that meets our standards and specifications. Currently, you must purchase one or more Apple® iPads, Android® or Windows® tablets along with the necessary software/applications. Franchisees wishing to buy a more complex system may be obliged to purchase a Givex, Global Payments, Lightspeed,

Quickservice, Maitre D, TouchBistro, Clearview, Aloha, Cluster or Micros system (or any other similar POS system which we may choose). Some of these systems require ongoing monthly service fees for hardware maintenance, technical support and/or back office data archiving and analysis. The costs associated with the purchase of a point-of-sale system include the initial hardware and software. See Item 11 for more information. We may, at any time during the term or any renewal term of the franchise agreement, require all franchisees to use a single, designated point-of-sale system which may require you to purchase a new point-of-sale system and software.

- (10) Miscellaneous expenses including, but not limited to, pre-opening expenses, insurance premium (for 1 year), event fees/rent, inspections, marketing materials, formation of a legal entity, uniforms, local permit and license fees, legal and accounting fees.
- (11) Training expenses include general lodging, meals, supplies and travel expenses needed to attend the initial training program, which is held near or in our Montreal, Quebec head office.
- (12) This amount estimates the expenses you will incur during the first 3 months of Store operations, including initial wages and fringe benefits, utilities (first three months), taxes, Store supplies and interest payments on any business loans. It does not include inventory costs beyond the opening inventory costs identified in the Table and does not include your compensation during this 3-month period. These amounts are estimates, and we cannot guarantee that you will not incur additional expenses in starting the business. Your costs will depend on factors such as how much you follow our systems and procedures, your management skills and experience, local economic conditions, the local market for BeaverTails® products, the prevailing wage rate, competition, the amount of the initial investment you decide to finance, interest rates/inflation rates, and the sales level reached during the initial period.
- (13) This total is an estimate of your pre-opening initial investment and the estimated expenses you may incur during the first 3 months of Store operations at a permanent location. This total is based on our estimate of average costs in Canada and prevailing market conditions, and our affiliates' experience operating quick-service franchised stores. We have limited experience in the United States upon which to base these estimates for the United States and these estimates may differ due to factors such as US-Canadian dollar exchange rate fluctuations, shipping and insurance costs, customs duties and other factors. You should review this amount carefully with a business advisor before deciding to purchase the franchise. These figures are estimates only and we cannot guarantee that you will not have additional expenses in starting or operating your Store.

We cannot estimate your initial investment under a MSDA, other than the Development Fee, which is described in Item 5. The amount of this fee will depend on the number of Stores you agree to establish under the Development Schedule. We expect that most franchisees who sign a MSDA will develop 3 to 5 Stores from permanent locations and pay us a Development Fee of \$30,000 to \$50,000. We do not offer separate financing for multiple unit franchisees.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To ensure a uniform image and uniform quality of products and services throughout the System, you must maintain and comply with our required quality standards. We will provide you with our Operations Manual and various bulletins and notices that will contain these standards. As we determine trends in the marketplace or develop new marketing techniques, technologies, products and services, we anticipate that we will develop and modify our standards as we consider appropriate and useful, and notify you through amendments to the Operations Manual, newsletters or other bulletins.

Designated Products and Services

You must purchase for use or sale at your Store those food products used in or sold at your Store including the Units (“Products”) and other services or products we designate from us, our designees or from other suppliers we approve. We or our designees may be the designated or sole source of supply for certain services and products. Currently, we are the only designated or sole source of supply for all Units, and toppings (such as chocolate, maple, various icings, and cinnamon and sugar). You are also generally able to order all of your non-fresh food, paper and maintenance products from us. We reserve the right to designate another designated or sole source supplier for these items at any time. You must purchase all uniforms from our designated supplier, but we or our affiliates also may occasionally supply uniforms. If you purchase items from a Canadian supplier, you may be required to pay such suppliers in Canadian Dollars and may be responsible for exchange rate differentials, shipping and insurance costs, customs duties and other fees. All purchases from our designated or sole source suppliers will be according to the terms and conditions designated by the supplier, including payment terms, required method of payment (credit cards may or may not be accepted), currency and any other terms the supplier requires. We set the pricing for these items, including Units, which we will periodically change. In addition, pricing may vary by location based on factors such as sale volumes, operating formats (such as franchised or licensed operations) and the market.

Location of your Store; Real Estate Lease

If you are operating from a permanent location, you must locate a site for your Store that we consent to, in writing, and you may not sign a lease for the site until we have given our consent in writing. We approve locations on a case by case basis, considering items such as size, appearance and other physical characteristics of the site, demographic characteristics, traffic patterns, competition from other businesses in the area and other commercial characteristics, such as rental obligations and other lease terms (including those that we require be in the lease). You are not required to purchase, lease or sublease the Store premises from us or our affiliate, unless you operate the Store from a Vehicle. If you operate the Store from a Vehicle, you may purchase the Vehicle from us, one of our affiliates or a designated supplier, or you may have your Vehicle built by a supplier you select and we approve.

Fixtures, Equipment, Furniture & Signs

You must construct and equip the Store premises or the Vehicle according to the time table or schedule specified by, and consistent with the System standard layout plans, specifications and drawings we provide, which will vary depending on the type of franchise indicated in Schedule A and the location thereof. Currently, if you operate your Store from a permanent location, you must purchase the signage and menus from a supplier we designate or approve, and if you operate the Store from a Vehicle, you may purchase the Vehicle from us, an affiliate, or a designated supplier or you may purchase the Vehicle from a supplier you select and we approve. We may from time to time consider other suppliers introduced by you if they meet our authorized supplier criteria, as more fully outlined below under “Supplier and Product Approval.”

Following your receipt of the System standard plans, specification and drawings from us, you will bear exclusively the responsibility and cost of customizing specific plans, specifications and drawings to the Store premises or the Vehicle and all costs and expenses pertaining to the construction and equipping of the Store premises or the Vehicle. We will have the right to inspect the construction and development of the Store premises or the Vehicle at all reasonable times. You agree that you must, at your sole cost and expense, retain and compensate such architects, designers, contractors and other construction suppliers we approve or designate, and, in connection with the construction and development of the Store premises or the Vehicle, ensure that our requirements regarding insurance coverage are complied with at all times. You may also be required to retain and compensate a project manager that we designate to oversee the development and construction of the Store. Additionally, you must: (i) ensure that all applicable by-laws, building codes, permit requirements and lease requirements and restrictions are complied with in connection with such construction; (ii) obtain all required building, utility, sign, sanitation, and business permits and licenses and any other required permits and licenses; (iii) construct all required improvements to the Store premises or the Vehicle and decorate the Store or the Vehicle in compliance with plans and specifications we provide or approve; and (iv) subject to the provisions hereof, purchase or lease and install all required fixtures, Equipment and signs for the Store premises or the Vehicle, and any other item required for the Store, from suppliers we approve or designate. In addition to the signage, menus and Vehicle noted above, we or our affiliate may be an authorized supplier of one or more of the other items.

Computer Hardware And Software

Currently, you must purchase one or more Apple® iPads or Android® or Windows® tablets along with the necessary software / applications to serve as a point of sale (POS) system. Franchisees may be obliged to purchase a Givex, Global Payments, Lightspeed, Quickservice, Clearview, Aloha, Maitre D, TouchBistro, Cluster or Micros system (or any other similar POS system which we may choose). Some of these systems require ongoing monthly service fees for technical support, hardware maintenance and / or back office data archiving and analysis. See Item 11 for further information. We may, at any time during the term or any renewal term of the franchise agreement, require all franchisees to use a single, designated point-of-sale system which may require you to purchase a new point-of-sale system and software.

Insurance

You must purchase and maintain for each Store you operate, at your expense, the following types of insurance:

1. commercial general liability insurance, including bodily injury and property damage liability coverage, personal and advertising injury coverage, products liability coverage, tenant legal liability coverage, and non-owned automobile liability coverage with a combination of primary and excess limits of not less than \$2,000,000.
2. automobile insurance, including damage to the automobile and third party liability coverage, with a combination of primary and excess limits of not less than \$2,000,000;
3. “all risks” property insurance, (including business interruption coverage, written on a gross profit basis with an indemnity period of at least 6 months or written on an actual loss sustained basis);
4. broad form Boiler and Machinery insurance covering all boilers, pressure vessels and HVAC equipment within the Premises in an amount not less than the full replacement cost thereof;
5. worker’s compensation, coverage required by applicable law; and
6. Such other insurance and/or in such amounts or limits as may be required by applicable law or landlords, or as reasonably may be required by the Franchisor for its own and the Franchisee’s protection, as the case may be.

All insurance policies must insure us, you and any other person that we designate from all liability, damages or injury, and must meet all other requirements that we designate, including a requirement that the insurance company must notify us in writing within 30 days if the insurance policy is cancelled or not renewed. We require that all insurance policies be issued by insurance carriers that are licensed within your territory of operation in accordance with the standards and specifications set forth in the Manual or otherwise in writing by the us. We reserve the right, at any time, to require you, either individually or as part of a group of franchisees, and/or others to place any insurance policies required to be obtained under the Franchise Agreement, through an insurance broker or underwriter that we may from time to time designate. You must pay all costs and premiums directly to any insurance provider we designate.

Supplier and Product Approval

Aside from Products and certain other items described above which you must purchase from us, our affiliates (if any) or a source we designate, we may provide you with lists of approved manufacturers, suppliers and distributors (“Authorized Suppliers List”) and approved Products, other inventory items, fixtures, furniture, equipment, signs, supplies and other items or services necessary to operate your Store (“Authorized Supplies List”). The Authorized Suppliers List may specify the specific manufacturer of a specific product or piece of equipment and you must purchase those products only from a source identified on the Authorized Suppliers List. The lists

specify the suppliers and the products and services which we have approved for use in the System. We may revise these lists and provide you with a copy of approved lists as we deem advisable.

We, an affiliate or a third-party vendor or supplier periodically may be the only authorized supplier for certain products. As of the issuance date of this disclosure document, we and our affiliates are the only authorized suppliers for Units, proprietary ingredients, and certain food items and related packaging materials with our brand name.

If you want to use any unapproved Product, material, fixture, equipment, sign or other item, or purchase any items from any supplier that we have not approved, you must first notify us in writing and must submit to us, at our request, sufficient specifications, photographs, drawings or other information or samples for us to determine whether the Product, services, material, fixture, equipment, sign or other item complies with our specifications, or the supplier meets our authorized supplier criteria. We will generally make an effort to notify you of our decision within 60 days following our receipt of all information requested. However, depending on the approval requested, we may require review of such alternative item or supplier in connection with our annual tendering process that generally occurs on an annual basis each fall. In such cases, we will notify you upon completion of the tendering process evaluation. We may require you to pay the actual cost of the inspection and evaluation, including the cost of our time spent evaluating the alternative item or supplier. We may re-inspect the facilities and products of any supplier or approved item and revoke our approval of any item or supplier which fails to continue to meet any of our criteria. We will send written notice of any revocation of an authorized supplier or supply. As part of the approval process, we may require that a proposed supplier sign a supplier agreement covering such items as insurance, product quality, trademark/copyright use, and indemnification. We do not provide material benefits to you based on your use of designated or approved sources of supply.

We do not currently share our supplier approval criteria. However, we generally apply certain general criteria in approving a proposed supplier, including the supplier's quality and pricing of products, ability to provide products/services that meet our specifications, responsiveness, ability to provide products/services within the parameters required by the System, quickness to market with new items, financial stability, credit program for franchisees, freight costs, and the ability to provide support to the System (merchandising, field assistance, education and training respecting sales and use of products and services). We will notify you in writing if we elect to revoke our approval of a supplier. If we revoke our approval of a supplier, you will have 30 days to stop offering, selling or using those products or other items or services in your Store.

One or more of our officers have an interest in us. In addition, one or more of our officers has an interest in an entity that may sell certain Products to designated third party supplier for resale to us, or to franchisees directly. No other officer owns a material interest in any supplier. We and our affiliates may receive rebates from designated suppliers. During BeaverTails Canada's last fiscal year, BeaverTails Canada generally received rebates ranging from 0% to 48% of franchisees' or our purchase price, although rebates on some items, including the Units, were up to 77% of the franchisees' or our purchase price. It is important to note that these rebates constitute a main source of revenue for us and/or our affiliates since we do not charge royalties to franchisees. We and our affiliates may use and allocate such rebates in any manner that we determine.

During our last fiscal year ending December 31, 2021, we had total revenue of \$152,475, of which \$129,508 (85%) was as a result of United States franchisees' and licensees' purchases of products and services from us. During our last fiscal year ending December 31, 2021, BeaverTails Canada did not collect any revenue as a result of United States franchisees' and licensees' purchases of products and services from BeaverTails Canada.

Miscellaneous

We and/or our affiliate(s) negotiate prices for numerous products for the benefit of the System, but not for any individual franchisee. We are not aware of any purchasing or distribution cooperative in the System. We attempt to receive volume discounts for the System.

You must accept those bank cards and credit cards we specifically approve in the Operations Manual.

We may license third party suppliers to produce advertising and promotion items which bear the Marks. You may purchase these items for resale or for promotional purposes from approved third party suppliers.

We estimate that the purchase or lease of Products, equipment, software, signs, fixtures, furnishings, supplies, advertising and sales promotions materials and other items which meet our specifications will represent approximately 75% to 98% of the cost to develop the Store and 30% to 50% of the cost to operate your Store.

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 other items of this disclosure document.

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 3 of Franchise Agreement	Items 7 and 11
b. Pre-opening purchases/leases	Sections 4 and 8 of Franchise Agreement	Items 7, 8 and 11
c. Site development and other pre-opening requirements	Sections 4 and 8 of Franchise Agreement	Item 5, 7, and 11
d. Initial and ongoing training	Sections 11, 15 and 16 of Franchise Agreement	Items 7 and 11
e. Opening	Section 4(C) of Franchise Agreement	Items 5 and 11
f. Fees	Sections 7, 12, and 13(B) of Franchise Agreement Section 2 of Multiple Store Development Agreement	Items 5, 6 and 7
g. Compliance with standards and policies/ Operations Manual	Sections 10 and 17 of Franchise Agreement	Items 11 and 16
h. Trademarks and proprietary information	Section 5 of Franchise Agreement Section 9 of Multiple Store Development Agreement	Items 13 and 14

Obligation	Section in Agreement	Disclosure Document Item
i. Restriction on products/services offered	Sections 2 and 8 of Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	Section 18 of Franchise Agreement	Item 11
k. Territorial development and sales quotas	Section 2 of Franchise Agreement Section 1 of Multiple Store Development Agreement	Item 12
l. Ongoing product/service purchases	Section 8 of Franchise Agreement	Items 8 and 11
m. Maintenance, appearance and remodeling requirements	Sections 4(B), 10(D) of Franchise Agreement	Item 11
n. Insurance	Section 19 of Franchise Agreement	Items 6, 7 and 8
o. Advertising	Section 13 of Franchise Agreement	Items 6, 7 and 11
p. Indemnification	Section 26 of Franchise Agreement	None
q. Owner's participation/management/staffing	Sections 10(F) and 11 of Franchise Agreement	Items 11 and 15
r. Records and reports	Sections 10(G), 10(H), 14 (E) of Franchise Agreement	Item 6
s. Inspections and audits	Section 14 of Franchise Agreement	Item 6
t. Transfer	Section 24 of Franchise Agreement Section 8 of Multiple Store Development Agreement	Items 6 and 17
u. Renewal	Section 6 of Franchise Agreement Section 6 of Multiple Store Development Agreement	Items 6 and 17
v. Post-termination obligations	Sections 21 and 23(B) of Franchise Agreement	Item 17
w. Non-competition covenants	Section 21 of Franchise Agreement	Item 17
x. Dispute resolution	Section 28 of Franchise Agreement Section 10 of Multiple Store Development Agreement	Item 17

ITEM 10

FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation. If you secure a business loan backed by the Small Business Administration (SBA), we will execute with you the mandated SBA Addendum to the Franchise Agreement.

ITEM 11

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

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

Pre-Opening Assistance. Before you open your Store, we, or our affiliate will:

- (1) Provide you with basic plans and specifications for your Store, including those for dimensions, interior design and layout, building materials, fixtures, equipment, furniture, signs and décor or offer to sell you a Vehicle for your Store (Franchise Agreement – Sections 4(A), 4(B)).
- (2) Provide the initial training program described below to you (Franchise Agreement – Section 15).
- (3) Provide to you access to the confidential Operations Manual. You must keep the Operations Manual confidential and discontinue using it when the Franchise Agreement terminates (Franchise Agreement – Section 2(A)).

Ongoing Assistance. During the operation of your Store, we, or our affiliate will:

- (1) Provide advisory services relating to Store operations, including Products and services offered for sale and compliance with the System (Franchise Agreement – Section 16).
- (2) Maintain and administer advertising monies for marketing, advertising and promotional programs, and provide assistance with local advertising (Franchise Agreement – Sections 13(A) and 13(C)).
- (3) Provide any additional training we deem appropriate (Franchise Agreement – Section 15).

Advertising Programs. We establish and conduct various advertising programs as follows:

You will pay us an aggregate amount calculated on each case of Units and/or other inventory items you purchase (the “Advertising Contribution”) as specified in Schedule A of the Franchise Agreement. As of the date of this disclosure document, the Advertising Contribution is CAD\$20.7075 per case of approximately 144 Units (or USD\$16.2939) based upon the exchange rate of CAD\$1.00 = USD\$0.7868 according to the Wall Street Journal as of April 22, 2022). In the event you purchase cases of a different quantity, the Advertising Contribution will be prorated accordingly. If in the future we or our affiliates operate Stores, these Stores will pay into the Advertising Contribution. The Advertising Contribution will be paid to us, at the same time and together with the purchase of any cases of Units. The amount to be paid for advertising purposes may be amended by us from time to time. We will not ourselves increase the advertising money payable per case of Units by more than 25% in any one calendar year, unless we obtain the prior approval of a majority of then existing BeaverTails® franchisees, and you would then be required to abide by any such decision and pay the increased amount so approved.

We or our designee will manage the Advertising Contribution through a separate account. At this time, all Advertising Contributions from U.S. and Canadian BeaverTails® franchisees will be put in the same account managed by us or our affiliates. In the future, we may establish a separate Advertising Fund for U.S. and Canadian franchises. We may use the Advertising Fund to conduct national, regional or local advertising, marketing, promotional and public relations campaigns, including the cost of preparing and conducting print, point of purchase, radio, television, internet, electronic and billboard advertising and employing advertising agencies. We

or our designee also may use the Advertising Contribution to develop advertising and promotional materials for use in each franchisee's local market. We or our designee contract with various outside advertising agencies and third party vendors to produce certain advertising production and promotional materials and to create and implement public relations campaigns. We or our designee will determine the use of the Advertising Contribution. We or our designee are reimbursed for reasonable administrative costs and overhead incurred in administering the Advertising Contributions, including reasonable salaries and benefits. We occasionally use the Advertising Contributions for expenses to solicit new franchisees. We have no fiduciary obligations respecting the use of the Advertising Contributions.

We are not required to spend any particular amount on marketing, advertising or production in the area in which your Store is located. Advertising Contributions not spent in any fiscal year will be carried over for future use. We are not required to provide you with any accounting of the receipts and disbursements of the Advertising Contributions for the most recent calendar year. BeaverTails Canada keeps a management fee equal to 15% of all the Advertising Contributions collected. Of the remaining Advertising Contributions that were spent during the fiscal year ended December 31, 2021, BeaverTails Canada spent these Advertising Contribution as follows: 16.1% on salary and administrative expenses, 10.4% on Digital (web, software and subscriptions), 2.8% on general office expenses and travel, 1.6 % on brand development and protection, 16.4 % on public relations (agencies, sponsorships, giveaways, donations), 36% on general marketing campaigns, 3.8% on local store marketing (programs and store openings) 2.7% on annual franchisee conference costs, 0.6% on giveaways at tradeshow and 9.4% on business development.

No later than thirty (30) days after the opening of your Store, you must have spent a minimum of \$5,000 on approved grand opening advertising, as directed by us.

In addition, you may, but are not required to, feature the Products and Services in local advertising and promotions respecting your Store. In regard to all such local advertising and promotion, you will: (a) represent the Products and Services in a manner that will favorably reflect on us, and the Marks; (b) provide any advertising and promotion materials to us for prior approval, before its use; (c) report to us the details thereof and results produced thereby; and (d) furnish to us upon request bona fide evidence of your expenditures on local advertising in the amounts and in the manner required by this Agreement. All copyright in such advertising and promotional content created by or for you belongs to us.

Our affiliate BeaverTails Canada established a franchise advisory council in January 2017. The franchise advisory council consists of a minimum of 4 and a maximum of 7 Canadian franchisee representatives (all of which will be selected by BeaverTails Canada) and 2 representatives from BeaverTails Canada. The franchise advisory council serves in an advisory capacity only. We (and BeaverTails Canada) reserve the right to form, change or dissolve the advertising council and may permit the appointment of US franchisees or licensees operating or managing licensed stores located in theme parks, etc to the council or may invite some of our franchisees to attend and participate to a specific meeting and provide input to a specific topic from time to time. You are not required to participate in a local or regional advertising cooperative.

Point-of-Sale System. You must purchase a point-of-sale system that meets our standards and specifications. Currently, you must purchase one or more Apple® iPads, Android® or

Windows® tablets along with the necessary software/applications. Franchisees wishing to buy a more complex system may be obliged to purchase a Givex, Global Payments, Lightspeed, Quickservice, Maitre D, TouchBistro, Clearview, Aloha, Cluster or Micros system (or any other similar POS system which we may choose). We estimate that the cost to purchase the point-of-sale system will range from \$6,000 to \$10,000 whether you operate your Store from a permanent location or if you operate your Store from a Vehicle, with annual service fees ranging from \$1,560 to \$3,000. This estimate does not include any credit card terminals nor any aggregators for delivery services. The annual service fee for adding credit card terminals ranges from \$600 to \$1,200 and the annual service fees for aggregators for delivery services ranges from \$1,200 to \$1,800.

In the future, we reserve the right to change the point-of-sale system that we have selected for use in the Store. We periodically may update or select the point-of-sale system, including the hardware and software, we designate in response to business, operations, marketing conditions, or changes in technology. Additionally, we may, at any time during the term or any renewal term of the franchise agreement, require all franchisees to use a different designated point-of-sale system which may require you to purchase a new point-of-sale system and software. There are no contractual limitations on the frequency and cost of these requirements.

Currently, there is no required ongoing maintenance or support other than the annual service fee described above. Also, we do not have any contractual obligation to provide any maintenance, repairs, updates or upgrades to the POS System.

Through the POS System, we will have independent access to information and data produced on the POS System, and there are no contractual limitations on our right to access the information and data.

In addition to the POS System, you will be required to spend approximately \$60 each month on digital menus and a built in music service.

Site Selection. You are solely responsible for locating and obtaining a site which meets our standards and criteria and that is acceptable to us. If you operate your Store from a permanent location, you will enter into a lease for the Store premises, which will be in form and upon terms acceptable to us. In addition, you and the landlord of the premises must sign a Lease Addendum in the form attached to the Franchise Agreement. You agree not to terminate or in any way alter or amend the Lease during the term of the Franchise Agreement, including any renewal thereof, without our prior written approval. Our approval of a site for the Store does not represent any recommendation or guaranty as to the success of the proposed site.

If you operate your Store from a Vehicle, you must either lease a fixed location from which you will maintain your head office and storage facility or operate your head office and storage facility at your home if your home meets our standards. You may purchase the Vehicle from us, our affiliate or our designated supplier, or you may have your Vehicle built by a supplier you select, and we approve.

If at the time the Franchise Agreement is executed you do not have a proposed site, you will use your reasonable best efforts to find a suitable location for the Store that is acceptable to us and within the area we have designated or approved in writing. If we and you are unable to

agree on a proposed location for the Store, the development of your Store may be delayed. If within a period of 12 months from the date the Franchise Agreement is signed a site has not been found and you have not signed a lease for the Store premises, until such time as you have entered into a lease in accordance with the above terms, either party will have the continuing option to terminate the Franchise Agreement by giving 21 days' notice of termination to the other party. If such notice of termination is given, the Franchise Agreement will terminate unless you find a suitable location and enter into a lease before expiration of the notice period. If the Franchise Agreement is terminated for this reason, we will refund 50% of the Initial Franchise Fee.

Development Time. The typical length of time between our acceptance of the Franchise Agreement and the opening of your Store from a permanent location varies from 6 to 12 months and from a Vehicle from 4 to 8 months. This period may be longer or shorter, depending on the time of year, availability of financing, local construction delays, how soon you can attend training or other factors. You must complete development and open your Store within the time period specified in the Franchise Agreement.

Training. Before you open your Store we or our designee will provide the initial training program to you (or if you are an entity, each Principal Owner, as described in Item 15). We will not charge you a fee for your participating in the initial training program. We or our designee will provide training to additional managers at our then-current fee. You are responsible for travel and living expenses that you, your Principal Owners and your proposed managers (if applicable) incur while attending any one of these training programs. See Item 7 for additional information on travel and living expenses.

Our initial training program will be 4 to 5 days long and conducted at any location we designate, including our current head office, currently in Montreal, Quebec. The initial training program will be held as many times as is necessary depending on the number of new franchisees. The initial training program includes instruction relating to Store operations, management techniques, and other basic operational requirements. You may not open your Store unless you (or if you are an entity, each Principal Owner) successfully complete the initial training program to our satisfaction.

The initial training program consists of the following:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of on-the-job Training	Location
Orientation	1	0	Montreal, Quebec
<u>Marketing</u> : Promo Launch, social media, CSR & PR	3	0	Montreal, Quebec
<u>Administration</u> : Accounting Review	2	0	Montreal, Quebec
<u>Operations</u> : Company Culture & Systems, Product Preparation, Store Maintenance, Best Practice	4	25-35	Greater Montreal Area, Quebec
Totals	10	25-35	

The instructional materials for all training programs include the Operations Manuals, handouts and visual aids, and will include lecture, classroom discussion, hands-on demonstration and/or practice training at a BeaverTails® Store.

Training and on-going assistance will be provided by the Business Development Managers and District Coaches, which are headed by our Chief Revenue Officer, Michaël Duhamel, and employed by our affiliate, BeaverTails Canada. Together they have over 20 years of experience in the restaurant industry, and in store management.

During the opening of the Store, we will provide on-site assistance for 4 to 5 days. After you open your Store, we will provide training to any new managers or Principal Owners, at your expense. You are responsible to provide all employee training as necessary. In addition, we may require that you (or the Principal Owner of a franchisee that is an entity) and any manager attend supplemental and refresher training programs during the term of the Franchise Agreement. We may determine the time and place of this additional training and may charge you a reasonable fee for the training.

In addition, you (or the Principal Owner of a franchisee that is an entity) and, upon our request, a manager, must attend any conventions we host. Each year, you must pay one Convention Fee even if you do not attend. We currently charge a Convention fee of approximately \$500 to \$2,500 to attend the national convention, and we currently anticipate that the Convention Fee may cover a portion of your lodging and meals.

Operations Manual. We will allow, during the term of the Franchise Agreement, access to our Operations Manual (the “Operations Manual”). The table of contents of the Operations Manual is attached as Exhibit F.

ITEM 12

TERRITORY

If you sign a Franchise Agreement with us, you will operate the Store within a specified geographic territory (the “Territory”).

Permanent Location Stores

If you operate a Store from a permanent location, we must approve the location. So long as you have not breached any of the terms or conditions of the Franchise Agreement, we will not establish or operate, or grant to anyone else the right to establish or operate, a permanently located Store operating from a physical retail store premises, under the Marks, within your Territory. A typical Territory is a 600 foot radius from the Store location, but in certain tourist environments (such as a ski hill, water park, stadium, zoo, amusement parks, touristic cities/towns and select outlet malls) or in more populated cities or towns, there may be a smaller or no Territory granted. We (for ourselves and our affiliates) reserve the right, inside or outside the Territory, or in close geographic proximity to you or the Store premises, to (without compensation to you):

(a) operate or grant the right to operate businesses other than permanently located Stores operating from a physical retail store premises under the Marks, including other types of food service businesses which offer the Products, or similar or different products and services, under the Marks or similar or different name(s) or trademarks, including, without limitation, from a Store operating from within a Vehicle; or,

(b) distribute, sell, offer, use, or grant to someone else the right to distribute, sell, offer or use, the Products and Services, or similar or different products, using the System and the Marks or similar or different business systems or trademarks, of a temporary or permanent nature, by means of other, or alternate channels of distribution, such as without limitation, by or through (i) telephone orders, mail order, television, electronic media (i.e. including the internet) or catalogue sales or other forms of wholesale sales; (ii) Vehicles or food trucks, provided that such Vehicles or food trucks will not be permitted by us to locate or operate, or otherwise sell the Products, from any location which is within 600 feet from the Store premises; (iii) supermarkets, grocery, retail or similar stores, or as a concession, kiosk, department or as part of or in combination with any restaurant, supermarket, grocery, retail or similar establishments; (iv) catering and/or home delivery services; or (v) physical retail outlets located at public or quasi-public institutions, or special events, such as without limitation, concerts, fairs, amusement parks, water parks, zoos, hospitals, universities, colleges, airports, train and/or bus stations, arenas, stadiums, concert halls, theatres, exhibitions, enclosed or exposed shopping malls or lifestyle centers.

You may not relocate your Store without our prior written consent. If you relocate your Store, it must be constructed with our then-current specifications.

Vehicle Stores

You may only operate the Store from the Vehicle strictly within the confined boundaries of the Territory, and only at or from large, temporary, public, outdoor events, or such other events or locations as may be expressly permitted by us from time to time. Temporary events are those events that last 21 consecutive days or less or 60 non-consecutive days or less within any calendar year. You are not permitted to service longer events using your Vehicle without our prior written consent. Your Territory will be defined by zip codes and will have a minimum population of 200,000 at the time the Franchise Agreement is signed. You may not, at any time, directly or indirectly, locate or operate the Vehicle, or otherwise sell the Products, from any location that is inside another franchisee's territory without receiving our and the franchisee's prior written consent, or from any location which is within 600 feet from any other outlet operating under the System or the Marks that is franchised or operated by us or others, whether in operation, under construction, or otherwise. If you operate the Vehicle inside another franchisee's territory without obtaining the required consent, you must pay us a territory infringement fee and such action will be deemed a breach of your Franchise Agreement.

So long as you have not breached any of the terms or conditions of the Franchise Agreement, we will refrain from establishing or operating, or granting to anyone else the right to establish or operate, a Store operating from within a Vehicle, under the Marks, at any location within the Territory unless such Vehicle is permanently parked at a location within the Territory in which case it is considered a permanent location. We (for ourselves and our affiliates) have the

absolute right, inside or outside the Territory, or in close geographic proximity to the Store, to (without compensation to you):

(a) operate or grant the right to operate businesses other than Stores operating from within a vehicle under the Marks, including other types of food service businesses which offer the Products, or similar or different products and services, under the Marks or similar or different name(s) or trademarks, including, without limitation, from a temporary or permanently located Store operating from a physical retail store premises, or,

(b) distribute, sell, offer, use, or grant to someone else the right to distribute, sell, offer or use, the Products, or similar or different products, using the System and the Marks or similar or different business systems or trademarks, of a temporary or permanent nature, by means of other, or alternate channels of distribution, such as without limitation, by or through (i) telephone orders, mail order, television, electronic media (i.e. including the internet) or catalogue sales or other forms of wholesale sales; (ii) catering and/or home delivery services; (iii) supermarkets, grocery, retail or similar stores, or as a concession, kiosk, department or as part of or in combination with any restaurant, supermarket, grocery, retail or similar establishments; or (iv) physical retail outlets located at public or quasi-public institutions, or special events, such as without limitation, concerts, amusement parks, water parks, zoo, hospitals, universities, colleges, airports, train and/or bus stations, arenas, stadiums, concert halls, theatres, enclosed or exposed shopping malls or lifestyle centres;

(c) establish or operate, or grant to anyone else the right to establish or operate, a Store operating from within a vehicle, under the Marks, at any fair or exhibition, within the Territory (any such fair or exhibition, a “Special Event”) if and only if you fail to provide evidence to us of a binding commitment to operate the Store at the Special Event within no less than 90 days from the date of the Special Event.

Multiple Store Development Agreement

If you enter into a MSDA, you will receive certain protected rights to develop more than one Store from permanent locations within a designated geographic area (the “Designated Area”) to be described in Exhibit A attached to the MSDA. The size of the Designated Area will vary, depending on the number of permanent locations you intend to open, the population density, and the demographics in the area in which you desire to operate. The Designated Area may be one or more zip codes. So long as you are in compliance with the terms of the MSDA and each Franchise Agreement for each Store developed under the MSDA, we will not, for the term of the MSDA, establish for its own account or franchise others to operate permanently located treat shops operating from a physical retail store premises under the Marks within the Designated Area.

We (for ourselves and our affiliates) have the absolute right, inside or outside the Designated Area, to (without compensation to you):

(a) operate or grant the right to operate businesses other than permanently located treat shops operating from a physical retail store premises under the Marks, including other types of food service businesses which offer similar or different products and services, under the Marks or

similar or different name(s) or trademarks, including, without limitation, from a treat shop operating from within a vehicle; or

(b) distribute, sell, offer, use, or grant to someone else the right to distribute, sell, offer or use, products and services using the System and the Marks or similar or different business systems or trademarks, of a temporary or permanent nature, by means of other, or alternate channels of distribution, such as without limitation, by or through (i) telephone orders, mail order, television, electronic media (i.e. including the internet) or catalogue sales or other forms of wholesale sales; (ii) vehicles, catering, catering trucks, mobile containers, food trucks or carts, and/or home delivery services; (iii) supermarkets, grocery, retail or similar stores, or as a concession, kiosk, department or as part of or in combination with any restaurant, supermarket, grocery, retail or similar establishments; or (iv) physical retail outlets located at public or quasi-public institutions, or special events, such as without limitation, concerts, fairs, amusement parks, water parks, zoos, hospitals, universities, colleges, airports, train and/or bus stations, arenas, stadiums, concert halls, theatres, exhibitions, enclosed or exposed shopping malls or lifestyle centres.

If you do not comply with the Development Schedule, we may terminate the MSDA or terminate your protected right to develop Stores in the Designated Area and we may begin to grant individual or multiple unit franchises within the Designated Area to third parties.

Miscellaneous

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own or from other channels of distribution or competitive brands that we control. We may not unilaterally modify the Territory, subject to our rights at renewal. You may not use other channels of distribution, including the internet, catalog sales or telemarketing. You are permitted to market outside of your Territory, but must service customers only from your Store location.

We do not grant to you any options, rights of first refusal or similar rights to acquire additional franchises within a particular territory.

Except as disclosed, neither we nor any affiliate operates, franchises, or has any current plans to operate or franchise any business selling the products and services authorized for sale at a BeaverTails® Store under any other trademark or service mark.

ITEM 13

TRADEMARKS

We grant you the right to operate your Store under the name “BeaverTails,” a federally registered service mark and other trademarks or service marks (the “Marks”). Those rights are granted under the Franchise Agreement. You do not receive any right under the MSDA to use the Marks.

The following schedule list only the principal Marks that you are licensed to use. We have filed all required affidavits and renewal registrations for those Marks listed below.

Principal Trademarks	U.S. Registration Or Serial No.	Registration Or Application Date	Principal/Supplemental Register
BeaverTails and Design	Reg. No. 1,820,323	Reg. Date: February 8, 1994	Principal
	Reg. No. 2,197,967	Reg. Date: October 20, 1998	Principal

Our affiliate, BeaverTails Brands, owns the Marks and has licensed us the right to use the Marks and to sublicense the use of the Marks to operate Stores under a trademark license agreement dated November 1, 2014 (the “Trademark License Agreement”). The term of the Trademark License Agreement is 20 years with automatic successive 20-year renewal terms. Under the terms of the Trademark License Agreement, we will pay BeaverTails Brands an annual license fee ranging from \$250 to \$500 per Store (the “Annual License Fee”) in operation in the United States, depending on the number of Stores in operation when the license fee is due. BeaverTails Brands may terminate the Trademark License Agreement if: (a) we breach the Trademark License Agreement and fail to cure such breach; (b) we stop or threaten to stop operating as business or paying the license fee; (c) we make or attempt to make an assignment for the benefit of creditors; or (d) if a custodian, receiver, manager, or other person is appointed to take charge of our business. If the Trademark License Agreement is terminated, any then-existing sublicenses (franchises) will continue for the term of the sublicenses provided that the franchisees comply with all other terms of their Franchise Agreements. The Trademark License Agreement contains no other limitations.

We have the right to periodically change the list of Marks. Your use of the Marks and any goodwill is to our exclusive benefit and you retain no rights in the Marks. You also retain no rights in the Marks when the Franchise Agreement expires or terminates. You are not permitted to make any changes or substitutions respecting the Marks unless we direct in writing. You may not use any Mark or portion of any Mark as part of any corporate or any trade name, or any modified form or in the sale of any unauthorized product or service, or in any unauthorized manner. You may not use any Mark or portion of any Mark on any website without our prior written approval.

There are currently no effective material determinations by the U.S. Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, or any pending infringement, opposition or cancellation proceeding, or any pending material litigation, involving the principal Marks that are relevant to your use in any state. There are currently no agreements in effect that significantly limit our rights to use or license the use of any principal Marks in any manner material to the franchise.

You must immediately notify us of any apparent infringement of or challenge to your use of any Marks, and we have sole discretion to take any action we deem appropriate. Center Grove Optimist Club in Greenwood, Indiana previously owned a state trademark registration in the State of Indiana for “Beaver Tails” in connection with pastries and has been using the mark since 1981 in Indiana. The state trademark registration expired on October 17, 2016, but this prior use may

limit our or our franchisees' use of the Mark in all or part of Indiana. Except as disclosed, we are unaware of any infringing uses or superior rights that could materially affect your use of the principal Marks.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of the Marks, or to participate in your defense or indemnify you. We reserve the right to control any litigation relating to the Marks and we will have the sole right to decide to pursue or settle any infringement actions relating to the Marks. You must notify us promptly of any infringement or unauthorized use of the Marks of which you become aware. If we determine that a trademark infringement action requires changes or substitutions to the Marks, you will make these changes or substitutions at your own expense. You will give us your full cooperation and assistance in helping us defend the Marks in any trademark related matter.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents or copyrights currently registered that are material to the franchise. We do claim copyright ownership and protection for the Operations Manual and our recipes, as well as marketing campaigns, posters, images and advertisements, menu and for certain other written materials we provide to assist you in operating your Store.

We own certain proprietary or confidential information relating to the operation of Stores, including information in the Operations Manual and recipes ("Confidential Information"). You must keep confidential during and after the term of the Franchise Agreement the Confidential Information. When your Franchise Agreement expires or terminates, you must return to us all Confidential Information and all other copyright material. You must notify us immediately if you learn of an unauthorized use of the Confidential Information. We are not obligated to take any action and we will have the sole right to decide the appropriate response to any unauthorized use of the Confidential Information. You must comply with all changes to the Operations Manual at your cost. We own and will periodically establish policies under which we or you may use Store customer data.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must devote (or if you are an entity, a Principal Owner we have approved) your full time and attention to the Store. In the event that you own two or more BeaverTails® businesses, we will permit an individual we approve and who successfully completes our required training to be the manager responsible for day-to-day operations of the Store. Any manager must assume his/her responsibilities on a full-time basis and may not engage in any other business or other activity that requires any significant management responsibility, time commitments, or otherwise may conflict with his/her obligations. The manager is not required to own any equity interest in you. However, if you (or a Principal Owner) are not the manager, you must remain active in overseeing Store operations. In addition, at all times, the Store must be under the direct, on-site

supervision of the manager or a certified manager. We recommend that the manager have food service experience.

If you operate 5 or more Stores, we may require that you designate a supervisor for your Stores who is acceptable to us. We may require the supervisor to attend our initial training program.

Each individual who owns a 10% or greater interest in the franchisee entity is considered a “Principal Owner” and must sign the Guaranty and Assumption of Obligations attached to the Franchise Agreement. These people agree to discharge all obligations of the franchisee entity to us under the Franchise Agreement and are bound by all of its provisions, including maintaining the confidentiality of Confidential Information described in Item 14 and complying with the non-compete covenants described in Item 17. In addition, the Operating Manager and, if we require, any supervisor, must sign a written agreement to maintain the confidentiality of our Confidential Information described in Item 14 and comply with the non-compete covenants described in Item 17.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell in your Store all, and only, those Products and services that we have approved (See Item 8). You must at all times maintain an inventory of approved Products and other items in such quantities and variety that we direct. We may add new Products or services that you must offer at or use in your Store. Our right to modify the approved list of Products and services to be offered at a Store is not limited.

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 6A	5 years.
b	Renewal or Extension of the Term	Section 6B	If you are in good standing, you can renew the Franchise Agreement for 3 additional 5 year terms.
c	Requirements for you to Renew or Extend	Section 6B	Provide advance notice, comply with current franchise agreement, sign new agreement (which may contain materially different terms and conditions than your original Franchise Agreement), pay renewal fee, renovate premises or vehicle, and sign a general release of claims.
d	Termination by You	None	Upon expiration of the Term of your franchise or upon notification to us of your decision to terminate.

	Provision	Section in Franchise Agreement	Summary
e	Termination by Us Without Cause	Not Applicable	
f	Termination by Us With Cause	Section 22	We may terminate the Franchise Agreement only if you default and do not cure the default within any applicable cure period.
g	“Cause” defined – Defaults Which Can be Cured	Section 22	Curable defaults: Failure to purchase required vehicle, equipment or supplies; failure to timely pay amounts due; failure to operate the Store in accordance with the Manual or Franchise Agreement; default or termination under any other agreement relating to the Store; failure to obtain sufficient financing for the operation of the Store by the date the lease is executed; breach of any other term of the Franchise Agreement. In the event of such defaults, we may terminate the Franchise Agreement if you fail to cure the default within 10 business days of receiving written notice from us.
h	“Cause” defined - Defaults Which Cannot be Cured	Section 22	Non-curable defaults: You make a material misrepresentation in the application for the Store; you cease to carry on business or take any action to liquidate your assets or stop making payments in the usual course of business; you die or become permanently incapacitated; you purport or attempt to transfer your rights under the Franchise Agreement; unauthorized use or copies of the Manual; violation of any federal state or local government health code; operation of the Store in a manner that results in a threat or damage to public health or safety; you abandon the Store; you are involved in any act or conduct which materially impairs or otherwise is prejudicial to the goodwill of the business or Marks. In the event of such defaults, we have the right to terminate the Franchise Agreement without providing you an opportunity to cure.
i	Your Obligations on Termination / Non-Renewal	Section 23	Cease operation of Store and use of Marks, pay all amounts due to us and / or our affiliate(s) and designees, stop using and return manuals and other materials containing any marks, cease using Confidential information, comply with all non-competition and non-solicitation provisions (see below).
j	Assignment of Contract by Us	Section 24(C)	We may assign the Franchise Agreement without your consent
k	Transfer by You- defined	Section 24(A)	Includes sale, assignment, or encumbrance in whole or in part in connection with the Store.
l	Our Approval of Transfer by You	Section 24(A)	We have the right to approve all transfers of the Franchise Agreement, but will not unreasonably withhold approval.
m	Conditions for Our Approval of Your Transfer	Sections 24(A) and 24(B)	New franchisee qualifies and completes training, transfer fee paid, purchase agreement approved, release signed by you, current agreement signed by new franchisee.
n	Our Right of First Refusal to Acquire Your Business	Section 24(C)	We can match any offer for your business.
o	Our Option to Purchase Your Business	Not Applicable	
p	Your Death or Disability	Section 22(D)	Your death or permanent disability is considered a default entitling us to terminate the Franchise Agreement
q	Non-Competition Covenants During the Term of the Franchise	Section 21(A)	No involvement in competing business that distributes or sells donuts, pastries, ice cream or frozen desserts or other dessert items.
r	Non-Competition Covenants After the Franchise is Terminated or Expires	Section 21(A)	No involvement in competing business within 3 miles of the territory, or 3 miles of another Store for a period of 2 years after Franchise Agreement is terminated or expires.

	Provision	Section in Franchise Agreement	Summary
s	Modification of the Agreement	Section 29	No modification except in writing and signed by both parties
t	Integration / Merger Clause	Section 29(E)	Only the terms of the Franchise Agreement (including exhibits) are binding (subject to federal and state law). Any other promises may not be enforceable. Notwithstanding the foregoing, nothing in any franchise agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.
u	Dispute resolution by Arbitration or Mediation	Section 28(A)	All disputes, claims and controversies not resolved through mediation will be settled by arbitration.
v	Choice of Forum	Section 28(A)	Arbitration must occur in Minneapolis, Minnesota (subject to applicable state law).
w	Choice of Law	Section 28(D)	Laws of the state where the Store is located will apply (subject to applicable state law).

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

	Provision	Section in the Multiple Store Development Agreement	Summary
a	Length of the Term of the Franchise	Section 6	Term expires on the date the final Franchise Agreement is executed under the Development Schedule
b	Renewal or Extension of the Term	Not Applicable	Not Applicable
c	Requirements for you to Renew or Extend	Not Applicable	Not Applicable
d	Termination by You	Not Applicable	Not Applicable
e	Termination by Us Without Cause	Not Applicable	Not Applicable
f	Termination by Us With Cause	Sections 7	We may terminate the Franchise Agreement only if you default.
g	“Cause” defined – Defaults Which Can be Cured	Sections 7(A) & (B)	Failure to meet the Development Schedule stated herein; breach of any other material provision of this Agreement; breach any material provision of any Franchise Agreement.
h	“Cause” defined - Defaults Which Cannot be Cured	Sections 7(C)	Repeated failure to comply with one or more material requirements of the MSDA; breach is not curable; you are declared bankrupt or become insolvent; you attempt to subfranchise or sublicense all or part of your rights under the MSDA; or breach under the Franchise Agreement(s) that we are not required to provide you any right to cure.
i	Your Obligations on Termination / Non-Renewal	Not Applicable	Not Applicable
j	Assignment of Contract by Us	Section 8	Assignee must fulfill our obligations under the agreement.
k	Transfer by You- defined	Section 8	Cannot transfer the agreement
l	Our Approval of Transfer by You	Not Applicable	Not Applicable
m	Conditions for Our Approval of Your Transfer	Not Applicable	Not Applicable
n	Our Right of First Refusal to Acquire Your Business	Not Applicable	Not Applicable

	Provision	Section in the Multiple Store Development Agreement	Summary
o	Our Option to Purchase Your Business	Not Applicable	Not Applicable
p	Your Death or Disability	Not Applicable	Not Applicable
q	Non-Competition Covenants During the Term of the Franchise	Not Applicable	Not Applicable
r	Non-Competition Covenants After the Franchise is Terminated or Expires	Not Applicable	Not Applicable
s	Modification of the Agreement	Section 11	No modifications except in writing signed by both parties.
t	Integration / Merger Clause	Section 11	Only the terms of the development agreement and Exhibit A to the MSDA are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and development agreement may not be enforceable.
u	Dispute resolution by Arbitration or Mediation	Section 10	All disputes, claims and controversies not resolved through mediation will be settled by arbitration.
v	Choice of Forum	Section 10	Arbitration must occur in Minneapolis, Minnesota (subject to applicable state law).
w	Choice of Law	Section 10	Laws of the state where the Store is located will apply (subject to applicable state law).

ITEM 18

PUBLIC FIGURES

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

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised 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.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Scott Reid, our

Development Coordinator, at 3700 St-Patrick, Suite 106, Montreal, Quebec, H4E 1A2; (514) 392-2222, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

TABLE NUMBER 1
System wide Store Summary
For Years 2019-2021

Store Type	Year	Stores at the Start of the Year	Stores at the End of the Year	Net Change
Franchised	2019	4	4	0
	2020	4	3	-1
	2021	3	3	0
Company-Owned	2019	0	0	0
	2020	0	0	0
	2021	0	0	0
Total Stores	2019	4	4	0
	2020	4	3	-1
	2021	3	3	0

*As noted in Item 1, as of December 31, 2021, in addition to the franchised Stores, we have two licensed locations in the United States: one in Lagoon Park, Utah and one in Dollywood's Splash Country in Tennessee.

TABLE NUMBER 2
Transfers of Stores From Franchisee to New Owners (Other than the Franchisor)
For Years 2019-2021

State	Year	Number of Transfers
TOTAL	2019	0
	2020	0
	2021	0

TABLE NUMBER 3
Status of Franchised Stores
For Years 2019-2021

State	Year	Stores at the Start of the Year	Stores Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Stores at the End of the Year
Arkansas	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1

State	Year	Stores at the Start of the Year	Stores Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Stores at the End of the Year
Florida	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
Michigan	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Pennsylvania ⁽¹⁾	2019	2	0	0	0	0	1	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
TOTAL	2019	4	1	0	0	0	1	4
	2020	4	0	0	0	0	1	3
	2021	3	0	0	0	0	0	3

(1) As of the Issuance Date, the one in Pennsylvania is temporarily closed and looking for a new location.

TABLE NUMBER 4
Status of Company-Owned Stores
For Years 2019-2021

State	Year	Stores at the Start of the Year	Stores Opened	Stores Reacquired From Franchisees	Stores Closed	Stores Sold to Franchisees	Stores at the End of the Year
TOTAL	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0

TABLE NUMBER 5
Projected Openings
As of December 31, 2021

State	Franchise Agreements Signed But Store Not Opened	Projected New Franchised Stores through the End of the Current Fiscal Year	Projected New Company-Owned Stores through the End of the Current Fiscal Year
Florida	0	1	0
TOTAL	0	1	0

A list of our United States and Canadian BeaverTails® franchisees that operate Stores from permanent locations and treat trucks as of December 31, 2021, is included on Exhibit E. Also attached as Exhibit E is a list of BeaverTails® franchises in the United States that had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement in the last fiscal year.

If you buy a BeaverTails® franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our System.

There are no trademark-specific franchisee organizations associated with the franchise system being offered in this Franchise Disclosure Document.

ITEM 21

FINANCIAL STATEMENTS

Attached as Exhibit A includes our audited financial statements for the fiscal years ended December 31, 2021, December 31, 2020, and December 31, 2019.

ITEM 22

CONTRACTS

The Franchise Agreement is attached as Exhibit B. The Multiple Store Development Agreement is attached as Exhibit C. The State Addendum is attached as Exhibit G. The Disclosure Acknowledgement Addendum is attached as Exhibit H.

ITEM 23

RECEIPTS

Two copies of an acknowledgment of your receipt of this disclosure document are included at the end of this disclosure document (Exhibit I). You should keep one copy as your file copy and return the second copy to us.

EXHIBIT A
FINANCIAL STATEMENTS

BEAVERTAILS USA INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

BEAVERTAILS USA INC.

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Cummings, Keegan & Co., P.L.L.P.
Certified Public Accountants and Business Advisors

INDEPENDENT AUDITOR'S REPORT

Stockholder and Board of Directors
BeaverTails USA Inc.
Montreal, Quebec, Canada

Opinion

We have audited the accompanying financial statements of BeaverTails USA, Inc., (a corporation) which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BeaverTails USA, Inc. as of December 31, 2021 and 2020, 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BeaverTails USA, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 BeaverTails USA, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BeaverTails USA, Inc.'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.

April 28, 2022
St. Louis Park, Minnesota

BEAVERTAILS USA INC.

BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
<u>Current assets</u>		
Cash and cash equivalents	\$ 54,787	\$ 43,498
Trade accounts receivable	8,218	-
Related party receivable	-	16,247
Current portion of prepaid expenses	4,682	5,038
Prepaid income taxes	<u>8,483</u>	<u>12,800</u>
Total current assets	<u>76,170</u>	<u>77,583</u>
 <u>Property and equipment</u>		
Office equipment and furniture	5,100	5,100
Accumulated depreciation	<u>(5,100)</u>	<u>(4,642)</u>
Property and equipment, net	<u>-</u>	<u>458</u>
 <u>Other assets</u>		
Deferred tax asset	11,500	11,500
Prepaid expenses, net of current portion	<u>2,734</u>	<u>6,705</u>
Total other assets	<u>14,234</u>	<u>18,205</u>
 Total assets	<u>\$ 90,404</u>	<u>\$ 96,246</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

	<u>2021</u>	<u>2020</u>
<u>Current liabilities</u>		
Accounts payable and accrued liabilities	\$ 7,297	\$ 573
Deferred revenue - current portion	<u>15,000</u>	<u>15,833</u>
Total current liabilities	<u>22,297</u>	<u>16,406</u>
 <u>Long-term liabilities</u>		
Deferred revenue, net of current portion	<u>7,083</u>	<u>22,083</u>
 Total liabilities	<u>29,380</u>	<u>38,489</u>
 <u>Stockholder's equity</u>		
Common stock, \$0.0001 par value; 10,000 shares authorized; 10,000 shares issued and outstanding	1	1
Additional paid-in capital	59,999	59,999
Retained earnings (accumulated deficit)	<u>1,024</u>	<u>(2,243)</u>
Total stockholder's equity	<u>61,024</u>	<u>57,757</u>
 Total liabilities and stockholder's equity	<u>\$ 90,404</u>	<u>\$ 96,246</u>

See Independent Auditor's Report and Notes to Financial Statements.

BEAVERTAILS USA INC.

STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>Revenues</u>		
Product sales	\$ 129,508	\$ 69,149
Initial franchise fees	15,833	20,000
Royalty sales	7,134	2,594
Total revenues	<u>152,475</u>	<u>91,743</u>
<u>Cost of revenues earned</u>		
Products	87,784	44,084
Royalty costs	7,134	2,594
Total cost of revenues earned	<u>94,918</u>	<u>46,678</u>
Gross profit	<u>57,557</u>	<u>45,065</u>
<u>Operating expenses</u>		
Professional fees	45,521	35,498
Tradeshaw expense	-	610
Payroll expense, net of reimbursement	-	4,647
Commission expense	5,038	6,817
Depreciation	458	500
Insurance	1,242	881
Other	2,196	1,988
Total operating expenses	<u>54,455</u>	<u>50,941</u>
	<u>3,102</u>	<u>(5,876)</u>
<u>Other income</u>		
Foreign currency translation	<u>165</u>	<u>92</u>
Net income (loss) before taxes	3,267	(5,784)
<u>Income tax (expense) benefit</u>	<u>-</u>	<u>(12,438)</u>
Net income (loss)	<u>\$ 3,267</u>	<u>\$ (18,222)</u>

See Independent Auditor's Report and Notes to Financial Statements.

BEAVERTAILS USA INC.

STATEMENTS OF STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings (Accumulated Deficit)</u>
Balance - January 1, 2020	\$ 1	\$ 59,999	\$ 15,979
Net loss	<u>-</u>	<u>-</u>	<u>(18,222)</u>
Balance - December 31, 2020	1	59,999	(2,243)
Net income	<u>-</u>	<u>-</u>	<u>3,267</u>
Balance - December 31, 2021	<u>\$ 1</u>	<u>\$ 59,999</u>	<u>\$ 1,024</u>

See Independent Auditor's Report and Notes to Financial Statements.

BEAVERTAILS USA INC.**STATEMENTS OF CASH FLOWS**
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Net income (loss)	\$ 3,267	\$ (18,222)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	458	500
Deferred taxes	-	(1,600)
Net changes in assets and liabilities:		
Accounts receivable	(8,218)	2,452
Prepaid expenses and income taxes	8,644	(4,476)
Accounts payable and accrued liabilities	6,724	(7,087)
Deferred revenue	<u>(15,833)</u>	<u>(20,000)</u>
Net cash used in operating activities	<u>(4,958)</u>	<u>(48,433)</u>
Cash flows from investing activities:		
Net change in related party receivable	<u>16,247</u>	<u>21,383</u>
Net cash provided by investing activities	<u>16,247</u>	<u>21,383</u>
Net change in cash and cash equivalents	11,289	(27,050)
Cash and cash equivalents – beginning of year	<u>43,498</u>	<u>70,548</u>
Cash and cash equivalents – end of year	<u>\$ 54,787</u>	<u>\$ 43,498</u>

See Independent Auditor's Report and Notes to Financial Statements.

BEAVERTAILS USA, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

1. Summary of Significant Accounting Policies

Nature of Business - BeaverTails USA, Inc. (the Company), as a franchisor, has twenty-year franchise agreements with its franchisees. The twenty-year franchise agreement is comprised of an initial five-year term with three subsequent optional five-year renewal periods. The agreement licenses others to operate a BeaverTails pastry business. Each franchisee has the right to an exclusive territory as identified in their agreement. At the end of the franchise term, the franchisee shall have the right to renew the franchise for three separate renewal terms of five years each for its territory.

There were no franchisees licensed in 2021 and 2020. There were a total of four franchisees as of December 31, 2021 and 2020, respectively.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with a maturity of three months or less to be a cash equivalent. The Company had no cash equivalents as of December 31, 2021 and 2020.

Accounts Receivable - Accounts receivable are recorded at the amount management expects to collect. Management expects to collect all amounts recorded and, therefore, an allowance for doubtful accounts is not considered necessary for December 31, 2021 and 2020.

Property and Equipment - Property and equipment are stated at cost. The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is recorded on a straight-line basis for financial reporting purposes.

The useful lives of property and equipment for purposes of calculating depreciation are:

Office equipment	3 - 7 years
------------------	-------------

Depreciation expense was \$458 and \$500 for the years ended December 31, 2021 and 2020, respectively.

Income Taxes - The Company is taxed as a C corporation under the Internal Revenue Code and similar state law. Deferred taxes have been provided for temporary differences between the tax basis of assets and their reported amounts in the financial statements. Such differences are related to the timing of the recognition of depreciation and net operating loss carryforwards.

The Company has evaluated its tax positions for all open tax years. Based on this evaluation, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended December 31, 2021.

BEAVERTAILS USA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

(Continued)

1. Summary of Significant Accounting Policies (continued)

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that could affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition - The Company sells pastry franchises. There were no franchises sold for either year ended December 31, 2021 and 2020.

On January 1, 2020, the Company adopted ASU 2021-02 *Franchisors – Revenue from Contracts with Customers: Practical Expedient*, which permits franchisors to account for pre-opening services to a franchisee as distinct from the franchise license if the services are consistent with those included in the predefined list within Topic 606. Management determined there was not a significant impact to the financial statements.

The Company's revenues can best be disaggregated into the following areas: *Product Sales, Initial Training Fees, Initial Franchise Fees, and Royalty Sales*. Disaggregation does not significantly impact the nature, amount, timing, and uncertainty of revenue and cash flows.

Product Sales – The Company and/or its supplier sells franchisees the necessary ingredients, supplies, or inventories for sale to customers. Revenues from these services are based on franchisees' sales and are recognized at the date at which fees are irrevocably earned by the Company in accordance with the terms of its franchise agreement, fulfilling the performance obligations within the contract. Provisions for discounts to customers, estimated returns and allowances, and other adjustments are provided for in the same period as the related sales are recorded and are based upon the Company's judgement

Initial Training Fees – The Company provides an initial training course prior to the opening of the franchise. The Company recognizes revenue from training franchisees upon course completion, fulfilling the performance obligations within the contract.

Initial Franchise Fees – The Company provides all rights and trademarks to be associated with the Company's brand and to be a franchisee, and all related legal fees to execute the new franchise agreement, fulfilling the performance obligations within the contract. Revenues from initial franchise fees are recorded as income over the term of the franchise agreement. Initial franchise fees collected but not yet earned will be recorded as deferred revenue, and recognized over the term of the franchise agreement. Provisions for discounts to customers, estimated returns and allowances, and other adjustments are provided for in the same period as the related sales are recorded and are based upon the Company's judgement. Continuing franchise fees are recognized in the same manner.

BEAVERTAILS USA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

(Continued)

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition - (continued)

Royalty Sales – The Company provides franchisees with managing ongoing advertising and marketing to develop and enhance the Company’s brand. Revenues from these services are based on franchisees’ sales and are recognized at the date at which fees are irrevocably earned by the Company in accordance with the terms of its franchise agreement, fulfilling the performance obligations within the contract. Provisions for discounts to customers, estimated returns and allowances, and other adjustments are provided for in the same period as the related sales are recorded and are based upon the Company’s judgement.

Disaggregation of net revenue for the years ended December 31, are as follows:

	<u>2021</u>	<u>2020</u>
Product sales	\$ 129,508	\$ 69,149
Initial franchise fees	15,833	20,000
Royalty sales	<u>7,134</u>	<u>2,594</u>
	<u>\$ 152,475</u>	<u>\$ 91,743</u>

*There were no *Initial Training Fees* for both years ended December 31, 2021 and 2020.

Subsequent Events - The Company has evaluated subsequent events through April 28, 2022, which is the date the statements were available to be issued.

2. Related Party Transactions

The Company entered into expense transactions with the same related party. The following represents expenses from the related party during the years ended December 31:

	<u>2021</u>	<u>2020</u>
Expense reimbursement	\$ -	\$ 16,247
Representation fees	\$ -	\$ 14,131

BEAVERTAILS USA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

(Continued)

3. Income Taxes

Pursuant to the adoption of ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*, the Company now recognizes deferred tax liabilities and assets as noncurrent. The net deferred tax asset for 2021 and 2020, amounted to \$11,500 for both years, and represent the tax effects of taxable and deductible temporary differences in book and tax reporting. The temporary differences arose from the use of accelerated depreciation for tax purposes and net operating loss carryforwards.

The components of the deferred tax asset are as follows:

	<u>2021</u>	<u>2020</u>
Deferred revenue	\$ 8,000	\$ 9,500
Accelerated depreciation	-	(100)
Prepaid commissions	-	(2,700)
Net operating loss carryforward	<u>3,500</u>	<u>4,800</u>
Total deferred tax asset	<u>\$ 11,500</u>	<u>\$ 11,500</u>

The components of the income tax expense (benefit) are as follows:

	<u>2021</u>	<u>2020</u>
Deferred tax affect arising from:		
Deferred revenue	\$ 1,500	\$ 5,000
Prepaid commissions	(2,700)	(1,700)
Accelerated depreciation	(100)	(100)
Net operating loss carryforward	<u>1,300</u>	<u>(4,800)</u>
Total deferred tax	-	(1,600)
Provision for state income taxes	-	1,400
Provision for federal income taxes	-	<u>12,638</u>
Total income tax expense	<u>\$ -</u>	<u>\$ 12,438</u>

4. Major Supplier

The Company has one major supplier who supplies approximately 100% of product cost of sales for the years ended December 31, 2021 and 2020.

BEAVERTAILS USA, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(Continued)

5. Contingency

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary restrictions to services provided by the Company. The financial statement impact cannot be reasonably estimated by the Company.

6. Accounting Standards Not Yet Adopted

Accounting Standards Update (ASU) No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, as revised by ASU No. 2019-10, *Effective Dates*, will be effective for the Company for the year ending December 31, 2024. The standard requires an entity to report financial assets at fair market value using the CECL (Current Expected Credit Loss) model, along with additional disclosures in the footnotes to the financial statements. The standard affects loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The Company has not yet determined the effect this ASU will have on the Company's financial statements.

BEAVERTAILS USA INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

BEAVERTAILS USA INC.

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Cummings, Keegan & Co., P.L.L.P.
Certified Public Accountants and Business Advisors

INDEPENDENT AUDITOR'S REPORT

Stockholder and Board of Directors
BeaverTails USA Inc.
Montreal, Quebec, Canada

We have audited the accompanying financial statements of BeaverTails USA Inc. (a corporation) which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, stockholder's equity and cash flows for the years ended December 31, 2020 and 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BeaverTails USA Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Cummings, Keegan & Co., P.L.L.P.

April 28, 2021
St. Louis Park, Minnesota

BEAVERTAILS USA INC.

BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

	<u>ASSETS</u>	
	<u>2020</u>	<u>2019</u>
<u>Current assets</u>		
Cash and cash equivalents	\$ 43,498	\$ 70,548
Trade accounts receivable	-	2,452
Related party receivable	16,247	37,630
Current portion of prepaid expenses	5,038	7,319
Prepaid income taxes	<u>12,800</u>	<u>2,052</u>
Total current assets	<u>77,583</u>	<u>120,001</u>
 <u>Property and equipment</u>		
Office equipment and furniture	5,100	5,100
Accumulated depreciation	<u>(4,642)</u>	<u>(4,142)</u>
Property and equipment, net	<u>458</u>	<u>958</u>
 <u>Other assets</u>		
Deferred tax asset	11,500	9,900
Prepaid expenses, net of current portion	<u>6,705</u>	<u>10,696</u>
Total other assets	<u>18,205</u>	<u>20,596</u>
 Total assets	<u>\$ 96,246</u>	<u>\$ 141,555</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

	<u>2020</u>	<u>2019</u>
<u>Current liabilities</u>		
Accounts payable and accrued liabilities	\$ 573	\$ 7,660
Deferred revenue - current portion	<u>15,833</u>	<u>20,000</u>
Total current liabilities	<u>16,406</u>	<u>27,660</u>
 <u>Long-term liabilities</u>		
Deferred revenue, net of current portion	<u>22,083</u>	<u>37,916</u>
 Total liabilities	<u>38,489</u>	<u>65,576</u>
 <u>Stockholder's equity</u>		
Common stock, \$0.0001 par value; 10,000 shares authorized; 10,000 shares issued and outstanding	1	1
Additional paid-in capital	59,999	59,999
Retained earnings (accumulated deficit)	<u>(2,243)</u>	<u>15,979</u>
Total stockholder's equity	<u>57,757</u>	<u>75,979</u>
 Total liabilities and stockholder's equity	<u>\$ 96,246</u>	<u>\$ 141,555</u>

See Independent Auditor's Report and Notes to Financial Statements.

BEAVERTAILS USA INC.

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>Revenues</u>		
Product sales	\$ 69,149	\$ 185,302
Initial franchise fees	20,000	40,000
Initial training fees	-	5,000
Royalty sales	<u>2,594</u>	<u>5,409</u>
Total revenues	<u>91,743</u>	<u>235,711</u>
<u>Cost of revenues earned</u>		
Products	44,084	120,077
Royalty costs	<u>2,594</u>	<u>5,409</u>
Total cost of revenues earned	<u>46,678</u>	<u>125,486</u>
Gross profit	<u>45,065</u>	<u>110,225</u>
<u>Operating expenses</u>		
Professional fees	35,498	33,009
Tradeshaw expense	610	12,304
Payroll expense, net of reimbursement	4,647	10,681
Commission expense	6,817	13,325
Depreciation	500	500
Insurance	881	1,268
Other	<u>1,988</u>	<u>1,928</u>
Total operating expenses	<u>50,941</u>	<u>73,015</u>
	<u>(5,876)</u>	<u>37,210</u>
<u>Other income</u>		
Foreign currency translation	<u>92</u>	<u>647</u>
Net income (loss) before taxes	(5,784)	37,857
<u>Income tax (expense) benefit</u>	<u>(12,438)</u>	<u>(12,500)</u>
Net income (loss)	<u>\$ (18,222)</u>	<u>\$ 25,357</u>

See Independent Auditor's Report and Notes to Financial Statements.

BEAVERTAILS USA INC.

STATEMENTS OF STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings (Accumulated Deficit)</u>
Balance - December 31, 2018	\$ 1	\$ 59,999	\$ 12,200
Net income	-	-	25,357
Change in accounting principle - revenue recognition	<u>-</u>	<u>-</u>	<u>(21,578)</u>
Balance - December 31, 2019	1	59,999	15,979
Net loss	<u>-</u>	<u>-</u>	<u>(18,222)</u>
Balance - December 31, 2020	<u>\$ 1</u>	<u>\$ 59,999</u>	<u>\$ (2,243)</u>

See Independent Auditor's Report and Notes to Financial Statements.

BEAVERTAILS USA INC.**STATEMENTS OF CASH FLOWS**
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Net income (loss)	\$ (18,222)	\$ 25,357
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	500	500
Deferred taxes	(1,600)	(9,575)
Net changes in assets and liabilities:		
Accounts receivable	2,452	35,768
Prepaid expenses and income taxes	(4,476)	(14,197)
Accounts payable and accrued liabilities	(7,087)	4,830
Deferred revenue	<u>(20,000)</u>	<u>11,715</u>
Net cash provided by (used in) operating activities	<u>(48,433)</u>	<u>54,398</u>
Cash flows from investing activities:		
Net change in related party receivable	<u>21,383</u>	<u>(15,907)</u>
Net cash provided by (used in) investing activities	<u>21,383</u>	<u>(15,907)</u>
Net change in cash and cash equivalents	(27,050)	38,491
Cash and cash equivalents – beginning of year	<u>70,548</u>	<u>32,057</u>
Cash and cash equivalents – end of year	<u>\$ 43,498</u>	<u>\$ 70,548</u>

See Independent Auditor's Report and Notes to Financial Statements.

BEAVERTAILS USA INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

1. Summary of Significant Accounting Policies

Nature of Business - BeaverTails USA Inc. (the Company), as a franchisor, has twenty-year franchise agreements with its franchisees. The twenty-year franchise agreement is comprised of an initial five-year term with three subsequent optional five-year renewal periods. The agreement licenses others to operate a BeaverTails pastry business. Each franchisee has the right to an exclusive territory as identified in their agreement. At the end of the franchise term, the franchisee shall have the right to renew the franchise for three separate renewal terms of five years each for its territory.

There were no franchisees licensed in 2020 and one franchisee licensed in 2019. There were a total of three and four franchisees as of December 31, 2020 and 2019, respectively.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with a maturity of three months or less to be a cash equivalent. The Company had no cash equivalents as of December 31, 2020 and 2019.

Accounts Receivable - Accounts receivable are recorded at the amount management expects to collect. Management expects to collect all amounts recorded and, therefore, an allowance for doubtful accounts is not considered necessary for December 31, 2020 and 2019.

Property and Equipment - Property and equipment are stated at cost. The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is recorded on a straight-line basis for financial reporting purposes.

The useful lives of property and equipment for purposes of calculating depreciation are:

Office equipment	3 - 7 years
------------------	-------------

Depreciation expense was \$500 for both the years ended December 31, 2020 and 2019, respectively.

Income Taxes - The Company is taxed as a C corporation under the Internal Revenue Code and similar state law. Deferred taxes have been provided for temporary differences between the tax basis of assets and their reported amounts in the financial statements. Such differences are related to the timing of the recognition of depreciation and net operating loss carryforwards.

The Company has evaluated its tax positions for all open tax years. Based on this evaluation, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended December 31, 2020.

BEAVERTAILS USA INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(Continued)

1. Summary of Significant Accounting Policies (continued)

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that could affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition - The Company sells pastry franchises. There were no franchises sold for the year ended December 31, 2020, and one franchise sold for the year ended December 31, 2019. The Company's principal sources of revenue is franchise fees and product sales.

On January 1, 2019, the Company adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, as revised by ASU No. 2015-14 *Revenue from Contracts with Customers: Deferral of the Effective Date*. The Company has elected to utilize the modified retrospective approach, which applies the adoption only to contracts not completed as of January 1, 2019. The adoption did have a significant effect on the financial statements. Therefore, the Company has included below the related reconciliation schedule of beginning and ending balances of prepaid expenses, taxes payable, deferred revenue, and retained earnings for the year ended December 31, 2019. The standard requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods or services.

Initial franchise fees collected but not yet earned will be recorded as deferred revenue.

Continuing franchise fees are recognized as revenue upon renewal of the franchise agreement.

Sales of product and trailers are recognized when goods are shipped to customers and include amounts billed to customers for shipping.

BEAVERTAILS USA INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(Continued)

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition - (continued)

Impacts on financial statements

The following tables summarize the impacts to each financial statement line item affected by the adoption of ASC Topic 606 for the year ended December 31, 2019:

<u>Balance Sheets</u>	<u>Balance as reported</u>	<u>Balances without adoption of ASC Topic 606</u>	<u>Impact of Adoption Higher/(Lower)</u>
Prepaid expenses	20,067	2,554	17,513
Deferred taxes	9,900	200	9,700
Deferred revenue	57,916	-	57,916
Retained earnings	15,979	37,557	(21,578)
<u>Statements of Operations</u>			
Initial franchise fees	45,000	35,000	10,000
Commission expense	13,325	-	13,325
<u>Statements of Cash Flow</u>			
Net income	25,357	28,682	(3,325)
Prepaid expenses	(14,197)	8,693	(22,890)
Deferred revenue	11,715	(30,000)	41,715

BEAVERTAILS USA INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(Continued)

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition - (continued) – On January 1, 2020, the Company adopted ASU 2021-02 *Franchisors – Revenue from Contracts with Customers: Practical Expedient*, which permits franchisors to account for pre-opening services to a franchisee as distinct from the franchise license if the services are consistent with those included in the predefined list within Topic 606. Management determined there was not a significant impact to the financial statements.

The Company's revenues can best be disaggregated into the following areas: *Product Sales*, *Initial Training Fees*, *Initial Franchise Fees*, and *Royalty Sales*. Disaggregation does not significantly impact the nature, amount, timing, and uncertainty of revenue and cash flows.

Product Sales – The Company and/or its supplier sells franchisees the necessary ingredients, supplies, or inventories for sale to customers.

Initial Training Fees – The Company provides an initial training course prior to the opening of the franchise.

Initial Franchise Fees – The Company provides all rights and trademarks to be associated with the Company's brand.

Royalty Sales – The Company provides franchisees with managing ongoing advertising and marketing to develop and enhance the Company's brand.

Product Sales and Royalty Sales

Revenues from these services are based on franchisees' sales and are recognized at the date at which fees are irrevocably earned by the Company in accordance with the terms of its franchise agreement, fulfilling the performance obligations within the contract. Provisions for discounts to customers, estimated returns and allowances, and other adjustments are provided for in the same period as the related sales are recorded and are based upon the Company's judgement.

Initial Training Fees

The Company recognizes revenue from training franchisees upon course completion, fulfilling the performance obligations within the contract.

Initial Franchise Fees

The Company provides franchisees all rights and trademarks to be a franchisee, and all related legal fees to execute the new franchise agreement, fulfilling the performance obligations within the contract. Revenues from initial franchise fees are recorded as income over the term of the franchise agreement. Initial franchise fees collected but not yet earned will be recorded as deferred revenue, and recognized over the term of the franchise agreement. Provisions for discounts to customers, estimated returns and allowances, and other adjustments are provided for in the same period as the related sales are recorded and are based upon the Company's judgement.

BEAVERTAILS USA INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(Continued)

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition - (continued)

Disaggregation of net revenue for the years ended December 31, are as follows:

	<u>2020</u>	<u>2019</u>
Product sales	\$ 69,149	\$ 185,302
Initial franchise fees	20,000	40,000
Training fees	-	5,000
Royalty sales	<u>2,594</u>	<u>5,409</u>
	<u><u>\$ 91,743</u></u>	<u><u>\$ 235,711</u></u>

Subsequent Events - The Company has evaluated subsequent events through April 28, 2021, which is the date the statements were available to be issued. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary restrictions to services provided. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the restrictions. Therefore, the Company expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

2. Related Party Transactions

The Company entered into expense transactions with the same related party. The following represents expenses from the related party during the years ended December 31:

	<u>2020</u>	<u>2019</u>
Expense reimbursement	\$ 16,247	\$ 37,630
Representation fees	\$ 14,131	\$ 32,729

BEAVERTAILS USA INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

3. Income Taxes

Pursuant to the adoption of ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*, the Company now recognizes deferred tax liabilities and assets as noncurrent. The net deferred tax asset for 2020 and 2019, amounted to \$11,500 and \$9,900, respectively, and represent the tax effects of taxable and deductible temporary differences in book and tax reporting. The temporary differences arose from the use of accelerated depreciation for tax purposes and net operating loss carryforwards.

The components of the deferred tax asset are as follows:

	<u>2020</u>	<u>2019</u>
Deferred revenue	\$ 9,500	\$ 14,500
Accelerated depreciation	(100)	(200)
Prepaid commissions	(2,700)	(4,400)
Net operating loss carryforward	<u>4,800</u>	<u>-</u>
Total deferred tax asset	<u>\$ 11,500</u>	<u>\$ 9,900</u>

The components of the income tax expense (benefit) are as follows:

	<u>2020</u>	<u>2019</u>
Deferred tax affect arising from:		
Change in accounting principle – revenue recognition	\$ -	\$ (15,500)
Deferred revenue	5,000	9,150
Prepaid commissions	(1,700)	(3,350)
Accelerated depreciation	(100)	(200)
Net operating loss carryforward	<u>(4,800)</u>	<u>-</u>
Total deferred tax	(1,600)	(9,900)
Provision for state income taxes	1,400	5,400
Provision for federal income taxes	<u>12,638</u>	<u>17,000</u>
Total income tax expense	<u>\$ 12,438</u>	<u>\$ 12,500</u>

4. Major Supplier

The Company has one major supplier who supplies approximately 100% of product cost of sales for the years ended December 31, 2020 and 2019.

BEAVERTAILS USA INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019 (Continued)

5. Reclassifications

Certain amounts in the December 31, 2019 financial statements have been reclassified to conform to the presentation used for December 31, 2020.

6. Accounting Standards Not Yet Adopted

Accounting Standards Update (ASU) No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, as revised by ASU No. 2019-10, *Effective Dates*, will be effective for the Company for the year ending December 31, 2024. The standard requires an entity to report financial assets at fair market value using the CECL (Current Expected Credit Loss) model, along with additional disclosures in the footnotes to the financial statements. The standard affects loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The Company has not yet determined the effect this ASU will have on the Company's financial statements.

7. Subsequent Event

Subsequent to the year ended December 31, 2020, but prior to the date of this report, the Company applied for the funding under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides loans for qualifying business for amounts related to payroll, benefits, rent and utilities. While the Company is still in the process of approval, the Company believes they will be approved. Management is unable to determine as of the date of this report whether full forgiveness will be awarded should the Company be approved.

EXHIBIT B
FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

BEAVERTAILS® [NAME OF STORE]



DATED - MONTH DAY YEAR

•

[Insert legal name of franchisee entity]

Or

[Insert legal name of franchisee individual]

And

BeaverTails USA Inc.

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FA - SCHEDULE “A” – FRANCHISE INFORMATION

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FA - SCHEDULE “C” – GUARANTY AND ASSUMPTION OF OBLIGATIONS

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BEAVERTAILS®

FRANCHISE AGREEMENT

THIS AGREEMENT is made this ____ day of _____, 20____ (the “Effective Date”), among BeaverTails USA Inc., a corporation incorporated under the laws of Delaware (“we” or “us”), and _____ (“you”).

INTRODUCTION

A. We have acquired from BeaverTails Brands Inc. (the “Owner”) the exclusive right to grant and license to you the right to establish and operate a treat shop business featuring unique BeaverTails® pastries; and other food products and beverages that we may specify periodically, using a business format and system which includes, unique methods and procedures, specially designed products, services, trade dress, methods of operation, recipes, management programs, standards, specifications, proprietary marks, including the Marks and other information (the “System”).

B. You acknowledge that the Owner, a corporation related to us, is the owner of the System and the Marks, all of which we have exclusive rights in the United States to license to you to operate a franchised treat shop business (the “Franchised Business”) which offers those products and services associated with the Marks and the System under the standards and specifications we periodically require (the “Products and Services”).

AGREEMENTS

In consideration of the mutual covenants and agreements herein contained, the parties agree as follows:

1. **Definitions.** In addition to any words defined elsewhere in this Agreement, the following terms shall have the following meanings:

A. “**Guarantor**” means each Principal Owner and their respective spouse or partner who have signed the Guaranty and Assumption Agreement in the form attached to this Agreement as Schedule C.

B. “**Manual**” means, collectively, all books, pamphlets, bulletins, memoranda, letters, notices, video or audio tapes, computer media (i.e. computer software, CD-ROM) or other publications, documents or electronic communications (i.e. internet, website, intranet, extranet), prepared by or for us for use by franchisees generally or for you in particular, describing information, advice, standards, requirements, operating procedures, instructions or policies relating to the System and the operation of the Franchised Business, as we periodically may amend.

C. “**Marks**” means the registered and unregistered trademarks, trade names, symbols, designs, logos, domain names, and other intellectual property which Owner now or in the future may own or use, and license to us for use in operating Franchised Businesses, as periodically designated, including those listed in Schedule A.

D. “**Premises**” means, subject to Section 3, and as designated in Schedule A to this Agreement, either the retail shop premises of the Franchised Business, or, if the Franchised Business is to be operated from a Vehicle, your head office/storage facility address.

E. **“Principal Owner”** means any person or entity who directly or indirectly owns a ten percent (10%) or greater interest in you. If any corporation or other entity other than a partnership is a Principal Owner, a “Principal Owner” also will mean a shareholder or owner of a ten percent (10%) or greater interest in such corporation or other entity. If a partnership is a Principal Owner, a “Principal Owner” also will mean each general partner of such partnership and, if such general partner is an entity, each owner of a ten percent (10%) or greater interest in such general partner. If you are one or more individuals, each individual will be deemed a Principal Owner of you.

F. **“Territory”** means the geographic territory described in Schedule A.

G. **“Unit”** means an individual BeaverTails® pastry, regardless of whether it is in raw dough or par-baked form or a finished product.

H. **“Vehicle”** means a mini-trailer, trailer, or other type of vehicle, if any is designated in Schedule A hereto, which you will use in operating the Franchised Business under the terms of this agreement.

2. **Grant and Reservation of Rights.**

A. Subject to the terms of this Agreement, we grant you the non-exclusive right during the Term, using the System, the Marks and the Manual (as periodically amended), to establish and operate the Franchised Business either: (1) solely at the Premises; or (2) solely using the Vehicle. The rights you are granted, for use at the Premises or use in a Vehicle, are designated in Schedule A to this Agreement. You may not operate the Franchised Business, nor offer the Products and Services from any location other than the Premises or Vehicle, as applicable, that is designated in Schedule A hereto. You may engage only in retail sales of the Products and Services, and not wholesale sales nor sales to any person for resale purposes.

B. If you are granted the rights provided for in Section 3(A) for use at the Premises, then:

(i) so long as you have not breached any of the terms or conditions of this agreement, but subject to the rights reserved in this agreement, we shall refrain from establishing or operating, or granting to anyone else the right to establish or operate, a permanently located treat shop operating from a physical retail store premises, under the Marks, within the Territory;

(ii) Section 2(B)(i) constitutes your sole rights to the Territory, and except as restricted by this agreement, Owner, we, and those directly or indirectly who license or are licensed by us, shall have the absolute right, inside or outside the Territory, or in close geographic proximity to you or the Premises, to:

(a) operate or grant the right to operate businesses other than permanently located treat shops operating from a physical retail store premises under the Marks, including other types of food service businesses which offer the Products and Services, or similar or different products and services, under the Marks or similar or different name(s) or trademarks, including, without limitation, from a treat shop operating from within a vehicle; or,

(b) distribute, sell, offer, use, or grant to someone else the right to distribute, sell, offer or use, the Products and Services, or similar or different products, using the System and the Marks or similar or different business systems or trademarks, of a temporary or permanent nature, by means of other, or alternate channels of distribution, such as without limitation, by or through (i) telephone orders, mail order, television, electronic media (i.e. including the internet) or catalogue sales or other forms of wholesale sales; (ii) vehicles or food

trucks, provided that such vehicles or food trucks shall not be permitted by us to locate or operate, or otherwise sell the Products and Services, from any location which is within six hundred (600) feet from the Premises; (iii) supermarkets, grocery, retail or similar stores, or as a concession, kiosk, department or as part of or in combination with any restaurant, supermarket, grocery, retail or similar establishments; (iv) catering and/or home delivery services; or (v) physical retail outlets located at public or quasi-public institutions, or special events, such as without limitation, concerts, fairs, amusement parks, water parks, zoos, hospitals, universities, colleges, airports, train and/or bus stations, arenas, stadiums, concert halls, theatres, exhibitions, enclosed or exposed shopping malls or lifestyle centres.

C. If you are granted the rights provided for in Section 3(A) for use in the Vehicle, then:

(i) you may only operate the Franchised Business from the Vehicle strictly within the confined boundaries of the Territory, and only at or from large, temporary, public, outdoor events, or such other events or locations as may be expressly permitted by us from time to time. For purposes of this Agreement, you agree that a “temporary event” means any event that lasts 21 or less consecutive days or 60 or less non-consecutive days within one calendar year. Any event lasting longer than the periods identified above will not constitute a temporary event, and shall require a permanent premises. You may not use a Vehicle to service an event that requires a permanent premises without obtaining the prior written consent from us and the landlord. Notwithstanding the boundaries of the Territory, you shall not, at any time, directly or indirectly, locate or operate the Vehicle, or otherwise sell the Products and Services, from any location that is inside the territory or another franchisee without obtaining our and the franchisee’s prior written consent, or from any location which is within six hundred (600) feet from any other outlet operating under the System or the Marks that is franchised or operated by us or others, whether in operation, under construction, or otherwise. If you operate the Vehicle from a location that is inside the territory of another franchisee without obtaining the necessary consents, you must pay us our then-current territory infringement fee and you will be deemed to be in breach of this Agreement. If you are in breach of this Agreement as a result of the foregoing three (3) times or more within a period of 12 consecutive months, we will be entitled to immediately terminate this Agreement without providing any advance notice or an opportunity to cure.

(ii) so long as you have not breached any of the terms or conditions of this agreement, but subject to the rights reserved in this agreement, we shall refrain from establishing or operating, or granting to anyone else the right to establish or operate, a treat shop operating from within a mobile vehicle, under the Marks, at any location within the Territory unless such vehicle is permanently parked at a location within the Territory in which case it is considered a permanent location;

(iii) Section 2(C)(ii) constitutes your sole rights to the Territory, and except as restricted by this agreement, Owner, we, and those directly or indirectly who license or are licensed by us, shall have the absolute right, inside or outside the Territory, or in close geographic proximity to you, the Premises or the Vehicle, to:

(a) operate or grant the right to operate businesses other than treat shops operating from within a mobile vehicle under the Marks, including other types of food service businesses which offer the Products and Services, or similar or different products and services, under the Marks or similar or different name(s) or trademarks, including, without limitation, from a temporary or permanently located treat shop operating from a physical retail store premises, or,

(b) distribute, sell, offer, use, or grant to someone else the right to distribute, sell, offer or use, the Products and Services, or similar or different products, using the System and the Marks or similar or different business systems or trademarks, of a temporary or permanent nature, by means of other, or alternate channels of distribution, such as without limitation, by or through (i) telephone orders, mail order, television, electronic media (i.e. including the internet) or catalogue sales or other forms of wholesale sales; (ii) catering and/or home delivery services; (iii) supermarkets, grocery, retail or similar stores, or as a concession, kiosk, department or as part of or in combination with any restaurant, supermarket, grocery, retail or similar establishments; or (iv) physical retail outlets located at public or quasi-public institutions, or special events, such as without limitation, concerts, amusement parks, water parks, zoos, hospitals, universities, colleges, airports, train and/or bus stations, arenas, stadiums, concert halls, theatres, enclosed or exposed shopping malls or lifestyle centres;

(c) establish or operate, or grant to anyone else the right to establish or operate, a treat shop operating from within a mobile vehicle, under the Marks, at any fair or exhibition, within the Territory (any such fair or exhibition, a “Special Event”) if and only if you fail to provide evidence to us of a binding commitment to operate the Franchised Business at the Special Event within no less than ninety (90) days from the date of the Special Event.

D. We shall have the absolute right to operate or grant to someone else a franchise or license to operate, inside or outside the Territory, a business using one or more of the other brands and franchise systems or trademarks now or hereafter, owned or licensed by us, or which own us, the Marks and the System, regardless of whether they are competitive with the System or the Products and Services and located in close proximity to the Franchised Business.

E. We shall have the absolute right to promote and advertise the Marks and the Products and Services in and outside of the Territory, through all or any channels, including without limitation, such as the internet, mail order, telemarketing.

F. Termination or expiration of this agreement shall constitute a termination or expiration of the rights and licence granted herein to you. We, Owner and their licensors expressly reserve all rights not granted to you by this agreement.

G. As long as you are in good standing and not in breach of any of the terms or conditions of this Agreement or any other agreement with us, we grant you the right to operate the Franchised Business under the business/trade name: “BeaverTails _____” (the “BeaverTails DBA”), and to use the BeaverTails trademarks for such purpose, provided that the BeaverTails DBA may not be used as a corporate or legal name or filed as such under any governmental legislation or authority. The BeaverTails DBA may only be used as a business name for a “Doing Business As” or “DBA” designation.

3. **Premises.**

A. The Premises identified in Schedule A are designated as the physical location of the Franchised Business, which will be (depending on the type of Franchise indicated in Schedule A): (1) the address of the retail shop, or fixed location address of any Vehicle, from which you will conduct the Franchised Business and where you will maintain all books and records relating thereto; or (2) your head office and storage facility address if the Franchised Business is operated by way of a mobile Vehicle in the Territory, with no fixed location from which the Franchised Business is to be conducted. The location or

address of the Premises may not be changed from the address that appears in Schedule A. You cannot open any additional shop or Premises, nor use any additional Vehicles, under this Agreement.

B. You will enter into a lease for the Premises (the “Lease”), which will be in a form and upon terms acceptable to us. In addition, you and the landlord of the Premises must sign a Lease Addendum in the form attached as Schedule D. You agree not to terminate or in any way alter or amend such Lease during the Term, including any renewal thereof, without our prior written approval. Any attempt to terminate, alter or amend such Lease will be void and have no effect as to our, or our nominee’s, interests thereunder, and a clause to such effect will be included in the Lease.

C. You agree to pay any applicable fees, costs or charges payable respecting brokering services engaged to locate the premises or enter into a lease or sublease for any such premises.

D. If at the time of execution of this Agreement, a location for the Franchised Business has not been obtained, you will use your reasonable best efforts to find a suitable location for the Franchised Business that is acceptable to us and within the area we have designated or approved in writing. Once determined, we will be permitted to complete the address of the Premises in Schedule A hereto. If at the time of execution of this Agreement, we have not assigned a Territory, then we will be permitted to assign the Territory, either prior or subsequent to the determination of the location of the Franchised Business, in accordance with the foregoing, and will be permitted to complete the designation of the Territory in Schedule A, provided that the Territory will be no less than a six hundred (600) foot radius from the location of the Franchised Business.

E. If within a period of twelve (12) months following the execution of this Agreement, a suitable location has not been found and you have not signed a Lease for the premises in accordance with the terms hereof then, until such time as you have entered into the Lease in accordance with the terms hereof, either party will have the continuing option to terminate this agreement by giving twenty one (21) days’ notice of termination to the other party. If such notice of termination is given in accordance with the terms hereof, then unless a suitable location has been found and you have entered into the Lease before the expiry of the notice period, this Agreement shall terminate.

F. If you operate the Franchised Business by way of a mobile Vehicle in the Territory, you and Guarantor shall comply with the covenants and obligations prescribed in Schedule E hereto, in addition to any other covenants and obligations provided for in this agreement.

4. Development of Premises.

A. If the Franchised Business is operated by way of a mobile Vehicle in the Territory, you may purchase the trailer used with the mobile Vehicle from us or our designee (which may be an affiliate) or with our prior written consent, opt to have the trailer built by your own supplier/manufacturer subject to our requirements as stated below.

B. You must construct and equip the Premises or the Vehicle according to the time table or schedule specified by, and consistent with the System standard layout plans, specifications and drawings we provide, which will vary depending on the type of franchise indicated in Schedule A and the location thereof. Following your receipt of the System standard plans, specification and drawings from us, you will bear exclusively the responsibility and cost of customizing specific plans, specifications and drawings to the Premises or the Vehicle and all costs and expenses pertaining to the construction and equipping of the Premises or the Vehicle. We will have the right to inspect the construction and development of the Premises or the Vehicle at all reasonable times. You agree to do or cause to be done the following at your sole cost and expense: (i) retain and compensate such architects, designers, contractors and other construction

suppliers we approve or designate, and, in connection with the construction and development of the Premises or the Vehicle, ensure that our requirements regarding insurance coverage are complied with at all times. In respect of any approved architect's and designer's drawings, we will be permitted to require that you (i) ensure that all applicable by-laws, building codes, permit requirements and lease requirements and restrictions are complied with in connection with such construction; (ii) obtain all required building, utility, sign, sanitation, and business permits and licenses and any other required permits and licenses; (iii) construct all required improvements to the Premises or the Vehicle and decorate the Premises or the Vehicle in compliance with plans and specifications we approve; (iv) retain a project manager we approve to oversee the construction and development of the Premises, and (v) subject to the provisions hereof, purchase or lease and install all required fixtures, Equipment and signs for the Premises or the Vehicle, and any other item required for the Franchised Business, from suppliers we approve or designate. In the event you opt to purchase the Vehicle from us or our designee, all costs and expenses related to a Vehicle must be paid in accordance with the payment terms established by us or our designee, including without limitation, the purchase price and all transportation and installation costs, and shall in any event, be fully paid prior to the delivery of the Vehicle. In the event you opt to have the Vehicle built by your own supplier/manufacturer, as approved by us, you agree to provide us, upon request, with a certificate issued by the supplier/manufacturer confirming that the Vehicle was built in accordance with our System standard plans, specifications and drawings, which we provided but subject to any changes or customization that is required pursuant to any local, municipal, state or federal, law, bylaw, regulations, building code, etc. applicable thereto.

C. You will not open the Store for business without our prior written approval. You agree to complete the development of and open the Franchise Business within the time period specified in Schedule A.

5. License to Use Marks.

A. We grant you a non-exclusive license to use the Marks, in accordance with the terms of this Agreement and the Manual, solely in connection with your operation of the Franchised Business. Subject to this limited license, you will have no right, title or interest in the Marks. You may not use the Marks in any manner calculated to represent that you are the owner of the Marks. You will not, during the Term or at any time thereafter, dispute or contest the validity or enforceability of the Marks, attempt any registration thereof, or attempt to dilute the value of any goodwill attaching to the Marks. Any goodwill associated with the Marks shall belong exclusively to Owner or any other owners of the Marks. You will arrange at your cost for such graphic designer as we designate periodically to affix on the Premises or Vehicle and elsewhere such images, logos, colors, notices regarding ownership and licensing of the Marks as we require periodically. Without limiting the foregoing, you covenant and agree as follows:

- (i) upon our request, you will execute such applications or agreements or such other instruments in such form and with such parties as we will specify, protecting our interests and rights in such Marks, or complying with any applicable trade name, trademark or other similar legislation;
- (ii) that you will not use the Marks or any variations thereof as any part of your corporate, firm or business name or for any other purposes, save and except in accordance with the terms and conditions of this Agreement or as may otherwise be specifically authorized by us in writing;
- (iii) upon the expiration or termination for any reason of this Agreement, you will cease all use of the Marks (including any colorable imitations thereof) for any purposes and you will not disclose, either directly or indirectly, following such expiration or termination, that you previously conducted business under the Marks; and

(iv) that you will immediately notify us of any infringement of, or challenge to, your use of any of the Marks and that as between you and us we shall have the sole discretion to take such action as we deem appropriate in response thereto. In the prosecution or defense of any such proceeding you shall cooperate fully with us, and execute any documents deemed necessary in the opinion of our counsel. If it becomes advisable at any time for you to modify or discontinue the use of any of the Marks or use one or more additional or substitute certification marks, trade names or trademarks, you agree to do so at your sole cost and expense.

(v) that, except as we may authorize in writing, you will not: (1) link or frame our website; (2) conduct any business or offer to sell or advertise any products or services on the Internet (or any other existing or future form of electronic communication); (3) create or register any Internet domain name in any connection with your franchise; and (4) use any e-mail address which we have not authorized for use in operating the Franchised Business. You will not register, as Internet domain names, any of the Marks now or hereafter owned by us or any abbreviation, acronym or variation of the Marks, or any other name that could be deemed confusingly similar.

B. You acknowledge and agree that we make no representations or warranty to you that any of the Marks are registered or registrable, that Owner or any licensor of the Marks has the right or exclusive right to use or license any of the Marks, or that the Marks do not infringe any intellectual property, proprietary or other right of any person.

C. We reserve the right to make any changes or substitutions to the Marks, or to use one or more additional or substitute trademarks or service marks. In such event, you will, at your expense, comply with such modification or substitution within a reasonable time after we notify you.

6. **Term and Renewal.**

A. The term of this Agreement will commence on the Effective Date and continue for a period of five (5) years (the “**Term**”), unless terminated sooner in accordance with the terms and conditions of this Agreement.

B. If throughout the Term you fully complied with all of the terms and conditions of this Agreement, and fully complied with the operating standards and criteria we established for the Franchised Business, you will have the option to renew the franchise subject to this Agreement for three (3) separate renewal terms of five (5) years each. You have no renewal rights beyond the third renewal term. For each five (5) year renewal term, you must pay us our then-current renewal fee, which renewal fee shall not exceed twenty-five percent (25%) of our then-current initial franchise fee. In addition, you must comply with the following terms and conditions:

(i) You must give us written notice of your desire to exercise your right to renew not less than six (6) months or more than twelve (12) months before the expiration of the Term, or then current renewal term;

(ii) You must comply with all of our requirements to ensure that the Franchised Business (including the Vehicle (if any) and Equipment) satisfies the then current image, standards and specifications we establish for new franchises in the System whether or not such image, standards or specifications reflect a material change in the System in effect during the Term, or then current renewal term;

(iii) You must pay all amounts you owe us or suppliers of the Franchised Business;

(iv) You are not in default of any provision of any licenses or other agreements for the Franchised Business and are able to renew such licenses and agreements as necessary;

(v) To the extent permitted by applicable law, you and each Guarantor must execute a general release, in our prescribed form, of any and all claims against us, our directors, officers, agents and employees, their affiliates and the directors and officers thereof;

(vi) At the commencement of each renewal term, or at any time during any renewal term contemplated in Section 6(B), you must execute a new franchise agreement in our then-current form, which may provide for different fees, structures, advertising contributions, or other amounts, and an altered or reduced Territory, and must execute such other documents and agreements as we then customarily use in the granting of franchises and licenses.

7. **Franchise Fee.** In consideration of the rights we grant you under this Agreement, you will pay to us, upon the execution of this Agreement, an initial, non-recurring franchise fee in the amount specified in Schedule A (the “Franchise Fee”). The Franchise Fee shall be deemed to be fully earned by us upon the execution of this Agreement, and you are not entitled to a refund of any part thereof, regardless of the date of expiration or termination of this Agreement, except as specifically provided in Section 23(C).

8. **Materials and Equipment.**

A. Throughout the Term, and any renewal thereof, you agree to purchase, lease or pay periodically as required, from us or our authorized supplier(s), who may be our affiliates, in the kind and make we designate, the number and types of fixtures, leasehold improvements, materials and equipment (including computer hardware and software (including intranet systems) and related backup systems, telephone and point-of-sale systems) periodically specified in the Manual or otherwise in writing (the “**Equipment**”).

B. You also agree to purchase from us or our authorized supplier(s), who may be our affiliates, all items used in the Franchised Business, including all prepared or proprietary food products (including Units and such other product and services as we may designate, whether associated with the Marks or otherwise), ingredients, inventory and all restaurant accessories, supplies, promotional materials, clothing, hats and kitchen equipment (including small wares, dishes, glassware, cutlery, furniture, napkins, serving containers, cups), staff uniforms, stationary, marketing materials, support services of the Franchised Business, and other forms and supplies permitted by us for use in the System (the “**Supplies**”), the list of which we periodically will be specify in the Manual.

C. You agree that you may offer only Products and Services permitted by us from time to time, and using only the Equipment and Supplies, and that you may be required to have on hand such minimum levels of inventory of Units and other goods as are specified by us from time to time. You may not purchase Equipment, Supplies or other goods or services, including the Units for resale to any other franchisee of the System. In the event that you shall not have on hand such minimum levels of inventory, we may purchase or order, on your behalf, and at your sole cost and expense, such amount of inventory of Units or other goods deemed necessary in order to meet such minimum requirements, and you shall immediately reimburse us or the supplier of such inventory or Units, as applicable, for the amount of such purchases or orders.

D. You shall use the Equipment and Supplies in the operation of the Franchised Business only and for no other purpose.

9. Pricing and Other Monetary Issues.

A. You must pay us or any other supplier of Equipment and Supplies or other goods or services according to our or such supplier's terms and purchase order procedures. When we supply the good or services, the terms and prices shall be those in effect at the time of shipment as provided on the price list we publish periodically. We or any supplier may change all terms, prices, discounts and policies, and interest on overdue amounts at any time without notice. You acknowledge that we or our suppliers may charge different prices to different franchisees and other third parties than what we charge you based on volume, market environments, and other considerations.

B. You are under no obligation to accept our suggested resale prices as the lowest price at which you may offer Products and Services, and you may offer the Products and Services at any lower price you choose, having regard to your concern to develop and continually increase sales and to make a profit. Subject to applicable law, you may not, however, offer or sell Products and Services for any amount greater than our maximum price, which we may change from time to time, and location to location.

C. Owner, we and our affiliates will be entitled to retain any and all volume discounts, rebate fees or discount bonuses or other benefits (whether by way of cash, kind or credit) that Owner, we or our affiliates or designees may receive from any manufacturer or supplier designated by Owner, we or our affiliates, whether or not which amounts are on account of purchases made (i) by Owner, us or our affiliates or designees for their own account or for your account or (ii) by you directly for your own account. You agree and acknowledge that Owner, we and our affiliates are entitled to mark up and profit on the sale of goods (including the Units, Equipment and Supplies) and services to you. You further acknowledge that Owner, we and our affiliates will use and allocate such discounts, rebate fees, discount bonuses, mark up and profits in any manner that we determine.

D. Unless otherwise indicated, all amounts listed in this Agreement are in, and are to be paid in U.S. Dollars. Any and all amounts expressed as being payable pursuant to this Agreement, including the Franchise Fee, are exclusive of any applicable taxes. Accordingly, if applicable, all payments you make shall, in addition, include an amount equal to any and all goods and services taxes, harmonized taxes, sales taxes, value added taxes, withholding taxes or other taxes, assessments or amounts of a like nature imposed on any payments to be made pursuant to this Agreement, whether by governmental authorities, or otherwise.

E. You agree to cooperate fully and comply with any system we implement for the transfer of funds directly from a designated bank account to us or other designated bank account, including the execution of any pre-authorized payment forms periodically required by your bankers.

F. All amounts due to us or our affiliates by you shall bear interest after the due date at the "Interest Rate," calculated and payable weekly, not in advance, both before and after default, expiration or termination of this Agreement for any reason whatsoever, with interest on overdue interest at the aforesaid rate. Interest Rate means the lesser of the commercial lending rate of interest which our bankers quote from time to time as the reference rate of interest (commonly known as "prime") for the purposes of determining the rate of interest that it charges to its commercial customers for loans, plus four (4%) percent, or the maximum rate permitted by law.

10. Obligations. You will conduct the Franchised Business strictly in accordance with all of the required provisions set out in the Manual, as periodically amended, or as we otherwise may specify in writing. Furthermore, you will:

- A. offer and perform the Products and Services in accordance with, and to a quality consistent with the then current required System standards (including without limitation, the service, quality and management processes we specify);
- B. ensure your employees wear the uniforms we require when offering and performing the Products and Services, which uniforms may be modified by us from time to time;
- C. comply with all applicable laws and regulations governing the Franchised Business and the provision of the Products and Services, and adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct in the performance of the Products and Services and operation of the Franchised Business and more specifically, without limitation, to abide by all the rules of our Ethical Code, as modified from time to time and as available to you on our web portal;
- D. only offer such Products and Services as we periodically authorize, and immediately discontinue selling any Products and Services which we do not expressly authorize;
- E. participate fully in all national, regional and local promotions we initiate, and pay any such reasonable fees required in connection therewith;
- F. if you are an entity, you shall have no other active or passive business interests, other than the Franchised Business, and you and the Principal Owner covenant and agree to deliver to us at any time we request, the written acknowledgement of such directors, officers, shareholders as outlined in Schedule B hereof, and/or your employees as we shall, at our discretion determine.
- G. devote (or if you are an entity, a Principal Owner we have approved) full time and attention to the Franchised Business, unless this Franchised Business is the second or more BeaverTails® business you own, in which event we may, at our option, require a fully trained manager to devote full time and attention to the Franchised Business. If you operate five (5) or more Franchised Businesses, we also may require you to designate a supervisor for your Franchisee Businesses that we approve and who may be required to attend our initial training program;
- H. maintain all designated record keeping, bookkeeping, reporting and other systems for the Franchised Business that adheres to all of our requirements from time to time;
- I. provide us with such written or other reports (including financial, product mix, gross sales or other performance or operations reports) as we periodically specify in the Manual or otherwise in writing;
- J. abide by our repair, maintenance and replacement guidelines for the Equipment, and other control guidelines for the Franchised Business;
- K. abide by and implement, at your own cost, all of our changes to the System and Manual;
- L. operate the Franchised Business with due diligence and efficiency in an up-to-date, quality and reputable manner during such days, nights and hours as we designate from time to time;
- M. operate and maintain the condition and appearance of the Premises and Vehicle (if any) in accordance with the Manual;
- N. stay current with our digital communications, including providing prompt responses to email communications and regular visits to our online portal;

- O. attend such meetings as we require from time to time;
- P. offer all catering and delivery services we require; and
- Q. abide by such other requirements as stated in the Manual from time to time.

11. **Employees and Contractors.** You shall ensure that the number of staff working at any given time for the Franchised Business, and their respective duties, is sufficient to operate the Franchised Business, and that at all times you provide prompt, courteous and efficient service to customers. You shall be responsible for all employee training, hiring and firing, scheduling and wages and commissions payable to any employee(s) or contractor(s) engaged to assist in carrying out your obligations, and for all other legal obligations relating to their services.

12. **Other Costs.**

A. **Other Costs.** At our request, you hereby agree to pay to us any reasonable fees, costs or other charges relating to any legal or professional services we incur in connection with preparing, reviewing, processing or registering any required legal documents pursuant to this Agreement including, without limitation, any lease or sublease agreements, hypothec or security agreements, transfer agreements or renewal agreements.

B. **Additional Support and Training Fees.** If we provide you with additional support and/or training, including any additional or replacement manager training, then we may charge you our then-current additional support fee and/or additional training fee in exchange for providing such training, support or assistance. By way of example only, we may charge you our then-current additional support fee for the involvement and/or assistance of any of our employees or designees in relation to the Franchised Business, including without limiting the generality of the foregoing, monitoring, and/or responding to any complaints, inquiries, comments or any other communication, through the various media channels such as any social media accounts, websites, portals, etc.

13. **Advertising.**

A. You will pay us an aggregate amount calculated on each case of Units you purchase (the "Advertising Contribution"). The amount of the Advertising Contribution to be paid to us, for advertising purposes, for each case of Units you purchase may be amended by us from time to time. The price of a case of Units you purchase shall include your Advertising Contribution and such contribution shall be allocated and accounted for as specified in section 13C below, the current amount of which is specified in Schedule A to this Agreement. Any amounts payable hereunder shall be paid to us or collected on our behalf by a supplier we periodically designate, provided that we may change this method of collection upon notice to you. We may not ourselves increase the Advertising Contribution payable per case of Units by more than twenty-five (25%) in any one calendar year, provided that the Advertising Contribution payable by you per case of Units may be increased at any time by an amount approved by a majority of then existing BeaverTails® franchisees, and you agree to abide by any such decision and pay the increased amount so approved.

B. You agree that we or our designee will manage the Advertising Contribution through a separate account. At this time, all Advertising contributions from U.S. and Canadian BeaverTails® franchises will be put in the same account managed by us or our designee. In the future, we may establish a separate advertising fund for our U.S. franchisees.

C. Any advertising monies collected shall be used and expended for media costs, commissions, market research costs, personnel, creative and production costs, including the costs of creating promotions and artwork, printing costs, and other costs relating to marketing, advertising and promotional programs we undertake. Without in any way limiting the foregoing, we may, but are not obliged to, utilize such advertising monies or a portion thereof for local marketing materials, advertising and promotions on the Internet or Internet-like services including creation and maintenance fees for websites and hardware or software costs. We are under no obligation to provide to you a statement on the use of the advertising monies. Any advertising monies we collect will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for such reasonable salaries and benefits, administrative fees or other costs or overhead (calculated on a fully allocated basis), if any, as we may incur in activities reasonably related to the administration or direction of the advertising monies collected and our advertising programs (including conducting market research). We have no fiduciary obligations regarding the use of the advertising monies. We reserve the right to place and develop such advertisements and promotions and to market same as agent for and on behalf of you, or other franchisees, either directly or through an advertising agency retained or formed for such purpose or through co-operative advertising groups composed of System franchisees we designate, and you agree to pay all reasonable costs in connection with such advertising and promotions.

D. You acknowledge and agree that any advertising monies are primarily used today for creation of local store marketing materials, and in any event, is intended for the benefit of the System as a whole, and that we undertake no obligation in administering the advertising monies to ensure that any particular franchisee, including you, benefits directly or *pro rata* from the creation or use of such advertising and promotional materials. We shall be permitted to administer or spend any portion of the advertising monies to support a particular franchisee or group of franchisees. We may administer advertising campaigns, promotions and contests promoting the Products and Services generally, the timing and contents of which we determine.

E. Within at least the first thirty (30) days from the opening of your Franchised Business, you must spend at least five thousand dollars (\$5,000.00) or any other amount designated by us, from time to time, on local advertising and promotion that we approve to promote the grand opening of the Franchised Business. In addition, you may, but are not required to, feature the Products and Services in local advertising and promotions respecting your Franchised Business. In regard to all such local advertising and promotion, you will: (a) represent the Products and Services in a manner that will favorably reflect on us, and the Marks; (b) provide any advertising and promotion materials to us for prior approval, before its use; (c) report to us the details thereof and results produced thereby; and (d) furnish to us upon request bona fide evidence of your expenditures on local advertising in the amounts and in the manner required by this Agreement. All copyright in such advertising and promotional content created by or for you shall belong to us.

F. If you choose to participate in any telephone directory, you agree that you shall arrange, and pay, for the placement in all yellow, white page telephone or online directories applicable to the area in which the Franchised Business is situated, a listing for the Franchised Business, including, if required, a listing which includes only the address or other information we specify, or such other contents as we periodically require. If other franchisees are served by the same directories, we may require a group listing of all such businesses, and the costs shall be allocated among such franchisees by us, and you shall pay your share thereof on demand.

G. You acknowledge and agree that any internet website, email addresses, or other means of electronic advertising (including all forms of internet-based social media, for example, "Facebook" and "twitter") or electronic or other internet-based commerce created and/or operated by or on our behalf shall be deemed "advertising" under this Agreement and, in addition to any other terms and conditions herein

imposed on such forms of advertising, may be paid for by the advertising monies we collect including any hardware or software costs associated therewith. You further acknowledge and agree that you shall not, without our prior written permission, create and/or operate your own website, internet domain name, or participate in internet-based social media, which contains any reference to the System, the Marks, the Products and Services, us or the Franchised Business.

14. Inspections and Audits.

A. If we deem prudent, you agree to use, at your own expense, the bookkeeper, accountant or computerized system backup service providers, we specify, to maintain the financial and other records of the Franchised Business, and you agree that we or our designated suppliers or nominees may manage your bookkeeping and accounting functions.

B. We and/or our designee shall have the right at all times to inspect the operation of the Franchised Business, Vehicle (if any), Equipment, Premises and Products and Services, and otherwise to examine the manner in which you are conducting your business, and in the event of any such inspection, you and your staff shall cooperate fully ("Operation Audit"). In the event an Operation Audit reveals serious violation to our operating standards including without limiting the generality of the foregoing, the use of any unauthorised Supplies or substitution of any Supplies with unauthorised items, without obtaining our prior consent, or failure to sell all Products and/or Services, you may be charge all fees and costs associated with a subsequent Operation Audit at your premises, including without limitation any and all out of pocket expenses, travel and/or time for any of our field coaches or any designee.

C. We and/or our nominee shall have the right, upon prior notice to you, to inspect or audit, or cause to be inspected or audited gross sales of the Franchised Business, the purchase of Units, the financial books, records, bookkeeping and accounting records, documents or other materials respecting the Franchised Business, including the right to have a person check, verify and tabulate gross sales of the Franchised Business, inventory and Unit levels, and the purchase of Units, and/or to examine and make copies of all accounting and business records and procedures.

D. If any such audit or inspection described above discloses an understatement of the purchase of Units or other inventory items, or gross sales of the Franchised Business, you shall pay to us, within two (2) days after your receipt of the inspection or audit report, the sums due on account of such understatement. Further, if such audit or inspection is made necessary by your failure to furnish reports, financial statements or any other documentation as herein required, or if it is determined by any such audit or inspection that your records and procedures were insufficient to permit a proper determination of gross sales of the Franchised Business, the purchase of Units or other inventory items for any year or part thereof to be made, or that gross sales of the Franchised Business or the purchase of Units or other inventory items for the period in question were understated, you shall immediately take such steps as may be necessary to remedy such default in accordance with the recommendations of such auditor and you shall promptly pay to us all costs incurred in connection with such audit or inspection, including charges of an accountant and the travel expenses, room, board and compensation of our employees. If your records and procedures were insufficient to permit a proper determination of gross sales of the Franchised Business or the purchase of Units or other inventory items, we shall have the right to deliver to you an estimate of gross sales of the Franchised Business or the purchase of Units or other inventory items for the period under consideration and you shall immediately pay to us any amount shown thereby to be owing on account of the sums due on account of any understatement. Any such estimate shall be final and binding upon you.

E. In addition to any other report which we may require you to furnish, you must provide us with annual financial statements within one hundred eighty (180) days following the end of your fiscal year, showing a balance sheet, a statement of income and a statement of source and application of funds for such

fiscal year, and describing, in comparative form, the corresponding figures for the same period in the previous fiscal year and compiled in accordance with United States Generally Accepted Accounting Principles (GAAP) and a review engagement/accountant review, or at our discretion, an audited statement, in each case, by a firm of independent chartered accountants chosen by you and acceptable to us. Furthermore, you may be required to set your fiscal year end on a date we designate in the Manual or in writing to all franchisees.

F. All receipts from sales or other transactions (whether for cash or credit) must be recorded only on such point of sale systems as may be purchased from or approved in advance by us as consistent with the System and which conform to our design and specifications. You agree to make all product breakdowns and detailed PLU sales reports from the register fully available to us upon written request.

15. **Training.**

A. Before you open your Franchised Business, we will provide to you (or if you are a legal entity, to your Principal Owners) an initial training course of such duration as we deem necessary. Such training may be held at any location we designate, including at our then current head office, currently in Montreal, Quebec. We will not charge you a fee for your participation in the initial training course. We will provide training to additional or replacement managers at our then-current training fee. You are responsible for all travel and lodging and related costs incurred by you, your Principal Owners and your proposed managers, in connection with the provision of the initial training course. You may not open your Franchised Business until you (or if you are an entity, each Principal Owner) successfully complete the initial training program to our satisfaction. In addition to attending the initial training program and conventions (as described below), we may require you, your Principal Owner or such other individuals that we designate to attend such additional training, retraining, refresher courses, seminars or management / franchisee meetings. We reserve the right to charge you our then-current additional training fee for any additional training, retraining, refresher courses, seminars or management / franchisee meetings that we require, plus other reasonable expenses, including all travel, meal and accommodation expenses. If required by us, all persons designated by us shall be obligated to attend said additional training, retraining, refresher courses, seminars or meetings at your sole cost and expense.

B. You (or if you are a legal entity, a Principal Owner) and, upon our request, one of your managers, must attend, at your expense, any conventions for the System as we periodically require. We may charge you the convention fee even if you fail to attend the convention. You are responsible for all travel and lodging and related costs incurred by you, your Principal Owners and your managers, in connection with attending the convention.

16. **Operating Assistance.** During the opening of the Franchised Business, we will provide on-site assistance for 3 to 7 days. After you open your Franchised Business, we will provide training to any new managers or Principal Owners, at your expense. You are responsible to provide all employee training as necessary. You also will control and be solely responsible for the day-to-day operation of your Store and the terms and conditions and employment of your personnel, including soliciting, hiring, firing, disciplining, paying, scheduling and managing your employees. We may require that you (or the Principal Owner of a franchisee that is an entity) and any manager attend supplemental and refresher training programs during the Term of this Agreement. We may determine the time and place of this additional training and may charge you a reasonable fee for the training.

17. **Compliance with System.** You acknowledge that for the benefit of the System, us and all franchisees, you must operate the Franchised Business in a manner and to a quality consistent with the System as we periodically may modify. Therefore, you agree to operate the Franchised Business and represent, offer and perform the Products and Services in accordance with this Agreement, and in so doing,

abide strictly by all required standards we periodically specify in the Manual or otherwise. You shall promptly advise us regarding any suggestions for operational developments or improvements to the System, including new products, services and operational improvements. You agree to assign and transfer all copyrights, trademarks or other rights in connection with such developments or improvements to us without any compensation so that they are available to us and other franchisees for the benefit of the System.

18. **Warranties.** The Vehicle, Equipment and Supplies may carry warranty coverage provided by the respective supplier or manufacturer of each such item. We provide no representation or warranty to you (express or implied, oral or written, statutory or otherwise) regarding the Vehicle, Equipment or Supplies. **THERE SHALL BE NO OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS OR ANY OTHER OBLIGATION ON OUR PART WITH RESPECT TO ANY OF THE VEHICLE, EQUIPMENT AND SUPPLIES.** You shall not offer any warranty or warranties for the Products and Services to customers, unless such warranty has been approved in writing by us.

19. **Insurance.** You shall, at your sole cost and expense, take out and keep in full force and effect throughout the Term and any renewal thereof, such types and minimum amounts of insurance coverage, with such insurance companies or other providers that we periodically approve or designate in the Manual or otherwise in writing, including product liability insurance, fire and extended coverage insurance on the equipment, leasehold improvements and stock of the Franchised Business, business interruption insurance, rental insurance, worker's compensation insurance and public liability and indemnity insurance, and/or in such amounts as we periodically may require. Such policies will specifically name us and our officers, directors, partners, members, affiliates, subsidiaries and employees as additional insureds and insure you, us and our designees against loss or damage occurring in connection with the operation of the Franchised Business. You will promptly deliver to us periodically proof of insurance, copies of all policies, endorsements or certificates of insurance and any renewals thereof. If you fail to take out or keep in force any insurance as required under this Agreement, or should any such insurance not be as required under this Agreement, and should you not rectify such failure within forty-eight (48) hours after we give written notice to you, we have the right, without assuming any obligation, to obtain such insurance at your sole cost. In such event and without prejudice to any other rights and remedies we may have under this Agreement, you will immediately reimburse us all amounts paid by us on the first day of the next month following such payment by us. We do not represent or warrant that any insurance you are required to purchase, or that we procure on your behalf, will provide you with adequate coverage. You should consult with your own insurance agents, brokers, attorneys and advisors to determine the level of insurance protection you should obtain, in addition to the minimum coverage we require.

Without limitation to anything provided for in this Section 19 and subject to what we may specifically require in our Manuals, we may elect at any time, to require you, either individually or as part of a group of franchisees, and/or others, to place any insurance policies required to be procured by this agreement, through an insurance broker or underwriter that we may from time to time designate, in which case you will pay all related fees and costs (or your proportionate share thereof, as the case may be) upon receiving invoice(s) in respect of such costs directly from said insurance broker and/or underwriter.

20. **Confidentiality.** You and Guarantor agree during and after the Term to maintain the confidentiality of all information and disclosures made to you relating to the System and our business affairs including the entire contents of the Manual (collectively "Confidential Information"), and will not disclose any Confidential Information other than as may be required to employees to enable you to conduct the Franchised Business, nor use any Confidential Information for your own or a third party's benefit or in any manner not specifically approved in writing by us. Notwithstanding any other provision of this Agreement, there may be certain, limited circumstances where applicable law allows for the disclosure of certain Confidential Information in limited circumstances, as specified in the Manual. You shall have your

shareholders, directors, officers, partners, employees and agents, and spouses of the foregoing (each a “Covenantor”) execute such agreements as we specify to ensure that each Covenantor is under similar duties as you are under this Section 20.

21. Non-Competition and Non-Solicitation.

A. Neither you, a Covenantor nor Guarantor will, either individually or in partnership or jointly or in conjunction with any person, firm, association or corporation, as principal, agent, employee, shareholder or in any manner, carry on or be engaged in or be concerned with or interested in or advise, lend money to, guarantee the debts or obligations of or permit their names or any part thereof to be used or employed in any business operating or franchising a business that sells one or more of donuts, pastries (including flattened dough pastries similar to a Unit), ice cream or frozen desserts, or other dessert items, regardless of whether it is quick service (fast food), sit down, full service, take out, home delivery or some combination thereof: (a) during the Term, and (b) at the Premises, within the Territory, within three (3) miles of the Territory or within three (3) miles of any other BeaverTails® business, during the two (2) year period following the Transfer, expiration or termination of this Agreement. You agree that the length of time in this Section 21(A) will be tolled for any period during which you are in breach of the covenants or any other period during which we seek to enforce this Agreement.

B. Neither you, a Covenantor, nor Guarantor, will, without our prior written consent, during the Term and any renewal period, and during the two (2) year period following a Transfer, expiration or termination of this Agreement for any reason, directly or indirectly entice away from us, from any of our affiliates or from any of our franchisees, any customer of the Franchised Business.

C. You, a Covenantor and Guarantor further agrees and undertakes that at no time during the Term and any renewal period and at no time subsequent to a Transfer or the termination of this Agreement, for any reasons and regardless of who initiated the termination, will make, publish or provide, or encourage or induce others to make, publish or provide, any statements, comments, or remarks, whether oral, in writing or electronically transmitted, that are, or would reasonably be considered to be disparaging, derogatory or defamatory, or that criticize, malign, harm, prejudice, ridicule, disagree or which are otherwise derogatory to us (including without limitation, any processes or policies thereof), any of our affiliates, and/or any of our agents, executives, employees, officers, directors, shareholders or franchisees including any agents, executives, employees, officers, directors, shareholders or franchisees of our affiliates.

D. You shall have each Covenantor execute such agreements as we specify to ensure that each Covenantor is under similar duties as you are under this Section 21.

22. Events of Default. We have the right to terminate this Agreement, without prejudice to any other legal right or remedy, if you are in default of your obligations hereunder and you fail to cure the default within 10 business days of receiving written notice from us detailing your default (except in the event of a default under Sections 22(B), (C), (D), (E), (F), (H), (I), (J), (O), (P) and (R) below wherein no notice and time to cure shall be necessary). A “default” includes:

A. if in our reasonable opinion, you or any of your designated or required trainee’s participation in our initial training program discloses such person’s inability to effectively operate the Franchised Business;

B. if you or any of your Guarantors or Covenantors make a material misrepresentation or omission in the application for the Franchised Business;

C. if you cease to carry on business, or take any action to liquidate your assets, or stop making payments in the usual course of business; you make a general assignment for the benefit of creditors or a bulk sale of your assets (except as permitted by this Agreement), or you are the subject of any proceeding under any law relating to insolvency or bankruptcy;

D. if you (or if you are an entity, the managing Principal Owner) die or become permanently incapacitated;

E. if you (or if you are an entity, a Principal Owner) purport or attempt to Transfer your rights hereunder without our prior written consent;

F. if you make or permit others to make unauthorized use or copies of the Manual or any part thereof;

G. if you breach any applicable law or regulation, or are in default of any operating permit;

H. if you violate any federal, state or local government health code in connection with the operation of the Franchised Business;

I. if you operate, maintain or construct the Franchised Business in a manner that results in a threat or damage to the public health or safety;

J. if you fail to purchase as herein specified the required Vehicle, Equipment or Supplies or such other items or materials which are required to be purchased hereunder;

K. if you fail to timely pay amounts due to us or any supplier(s);

L. if you fail to operate the Franchised Business in accordance with the required standards and specifications outlined in the Manual, or this Agreement, including any requirement imposed by Section 10 of this Agreement;

M. if you, or any Guarantor or Covenantor suffers a default or termination under any other agreement relating to the Franchised Business, whether or not such agreement is entered into between you and us or a third party, including a default, termination, expiration or non-renewal of the Lease, any agreement relating to the supply of Units or other inventory, or otherwise;

N. if upon the date by which the Lease is executed, you have not obtained sufficient financing for the operation of the Franchised Business, on terms we deem reasonable;

O. if you voluntarily or otherwise abandon your Franchised Business by failing to operate the Franchised Business during regular business hours for a period of five (5) consecutive days;

P. if you are involved in any act or conduct which materially impairs or otherwise is prejudicial to the goodwill associated with the name "BeaverTails" or any other Marks;

Q. if you or otherwise breach any term or condition of this Agreement; or

R. if you operate a Vehicle from a location that is inside the territory of another franchisee without obtaining the necessary consents three (3) times or more within a period of 12 consecutive months.

The provisions of any valid, applicable law or regulation prescribing permissible grounds, cure rights or minimum periods of notice for termination of this franchise supersede any provision of this Agreement that is less favorable to you.

23. Effect of Default and Termination.

A. In the event of a default under this Agreement that remains uncured, we shall, in addition to any other right or remedy that we may have, be permitted to stop supplying or advise any third party supplier to stop the supply of Products or Supplies, including Units, to you.

B. On the expiration or termination of this Agreement for any reason, you will immediately discontinue operation of the Franchised Business, and the use of the Marks; and within seven (7) days following the effective date of termination or expiration you will:

- (i) pay to us and any suppliers all amounts then due and unpaid;
- (ii) make such modifications to the Vehicle, Equipment and the Premises as we shall require to remove all identification as a “BeaverTails®” business, provided that you shall, at our election, vacate the Premises and Vehicle and provide possession to us;
- (iii) immediately cease using all telephone numbers, email addresses, web sites, social media accounts and others listings used in connection with the Franchised Business and direct the applicable service providers to transfer all registrations and other rights to use such numbers, addresses, web sites, accounts and other listings, as applicable, to us or our designee; and
- (iv) deliver to us all signs bearing any of the Marks, telephone numbers and email addresses used in the Franchised Business, and all copies of the Manual, all other confidential material provided to you by us and all other materials required to be returned in accordance with this Agreement or the Manual. All such items including signs shall be deemed to be our property, without the need for payment or other consideration.

C. In the event of a termination of this Agreement pursuant to any of Section 3(E), Section 22(A), or Section 22(N), you and Guarantor shall deliver to us, our directors, officers and shareholders, such full and final releases, to the extent permitted by applicable law, and other documents as we may require. Upon compliance with the foregoing, we will refund to you the amount provided for in Schedule A to this Agreement, which shall be the only amount that we shall be required to refund to you.

24. Transfer.

A. This Agreement, your rights and interests hereunder, and the property and assets owned and used by you in connection with the Franchised Business shall not be sold, assigned, transferred shared or encumbered in whole or in part in any manner including pursuant to an order of a Court under applicable family law legislation (any or all of which are defined in this agreement as a "Transfer"), without our prior written consent, which shall not be unreasonably withheld. Any actual or purported Transfer occurring by operation of law or otherwise without our prior written consent shall be an incurable default of this Agreement and shall be null and void. Our consent to a Transfer shall not operate to release you or Guarantor from any liability under this Agreement. In considering the request for a Transfer, we may consider, among other things, the information set out in your application, the qualifications, good character, requisite general business experience, apparent ability to operate the Franchised Business, financial and credit standing of the proposed transferee, and its partners, managers, principal shareholders, directors and

officers, as appropriate. In addition, we may be entitled to require as a condition precedent to the granting of our consent that the following reasonable conditions be satisfied:

- (i) the proposed transferee will provide to us an accurate and complete franchise application, including, if we require, a business plan including such information we require relating to the proposed transferee's financing and operational plans for the Franchised Business;
- (ii) the proposed transferee or an affiliate of the proposed transferee is not our competitor;
- (iii) to the extent permitted by applicable law, you and Guarantor shall have executed a general release, in our prescribed form, of any and all claims against us, our directors, officers, agents and employees, their affiliates and the directors and officers thereof;
- (iv) the proposed transferee shall have entered into a written assignment, in a form we prescribe or, at our option, shall have executed a new franchise agreement in the form then being used by us, which may provide for the different fees and for greater expenditures for advertising and promotion than are provided hereunder, and shall have executed such other documents and agreements as are then customarily used by us in the granting of franchises;
- (v) the purchase agreement between you and the proposed transferee and other related documents are acceptable to us, and the purchase price to be paid to you by the proposed transferee, or if applicable, the proposed encumbrance and debt associated therewith is reasonable in the circumstances having regard to the debt and interest charges being acquired or already in existence;
- (vi) the proposed transferee completes, to our satisfaction, such training in the operations of the Franchised Business, at the proposed transferee's or your sole expense, as we may require; and
- (vii) you pay to us a transfer fee in an amount not to exceed one-half of the then current initial franchise fee charged by us to new franchisees, plus any amounts we incur as expenses in dealing with the request for Transfer.

B. If you are a corporation or partnership:

- (i) then the respective transfer, sale, assignment, pledge, mortgage or hypothecation of any shares or interest, or any change in the composition of partners, whether by operation of law, pursuant to an order of a Court under applicable family law legislation, or otherwise, shall be deemed to be a Transfer of this Agreement and shall be subject to all of the provisions, terms and conditions precedent specified in this Section 25; and
- (ii) you and Guarantor represent and warrant that Schedule B to this Agreement contains a complete and accurate list of your current legal and beneficial, direct and indirect, shareholders, directors, officers, members, or partners, as the case may be, and their ownership interests.

C. A sale, transfer or assignment by us of our interest in the System or the Marks or any parts thereof, and/or in the sale, transfer or assignment by us of this Agreement or any interest therein, may be completed without your consent. To the extent that the purchaser or transferee shall assume our covenants and obligations under this Agreement, we shall thereupon and without further agreement, be freed and relieved of all liability respecting such covenants and obligations.

25. **Right of First Refusal.** In addition to our right to reject a proposed Transfer pursuant to Section 25, if at any time or times during the term of this Agreement, you or anyone holding an ownership interest in

you obtains a bona fide offer (the "Offer") to engage in a Transfer, which you or anyone holding an ownership interest in you wishes to accept, you shall promptly give written notice thereof to us together with a true copy of the Offer. Upon receipt of such notice and Offer, we shall have the option of purchasing the property forming the subject matter thereof upon the same terms and conditions as those set out in the Offer except that:

A. there shall be deducted from the purchase price the amount of any commissions, fees or transfer fee that would otherwise have been payable to us, any broker, agent or other intermediary in connection with the Transfer; and

B. we shall have the right to substitute cash for any other form of consideration specified in the Offer and to pay in full the entire purchase price at the time of closing.

C. We may exercise our option at any time within thirty (30) days after receipt of such notice by giving written notice to you. If we decline to exercise such option, and if such Transfer is approved by us in accordance with Section 25, you may complete the Transfer to such third party transferee in accordance with the Offer, provided that such transaction must be completed within thirty (30) days of the date on which we notify you of our approval of such transaction. If the transaction is not completed within thirty (30) days, the foregoing provisions of this Section 25 shall apply again in respect of the proposed Transfer.

D. In addition to the Offer you must give to us together with the notice described in this Section 25, you shall provide us with:

(i) information relating to the business reputation and qualifications of the proposed transferee to carry on the Franchised Business; and

(ii) any credit information you may have as to the financial ability and stability of the proposed transferee, including, if the proposed transferee is an individual, his/her personal net worth statement and if the proposed transferee is a corporation, partnership, or other entity, its latest financial statements.

26. **Indemnification.** You agree, during and after the term of this Agreement, to indemnify and save us and our affiliates, and their respective directors, shareholders, officers, employees and agents harmless from and reimburse us for any and all liabilities, losses, claims, demands, costs (including legal fees), penalties, fines and actions of any kind or nature which they may suffer by reason of your operation of the Franchised Business, or any breach, violation or non-performance by you of any term or condition of this Agreement.

27. **Legal Relationship.** The parties hereto acknowledge and agree, that each is an independent contractor, that no party shall be considered to be the agent, representative, subsidiary, joint venture, partner, employee, master or servant of any other party hereto for any purpose whatsoever, and that no party has any authority to enter into any contract, assume any obligations or to give any warranties or representations on behalf of any other party hereto. Nothing in this Agreement shall be construed to create a relationship of partners, joint venturers, fiduciaries, or any other similar relationship among the parties. It is further understood and agreed that you and your employees are not our employees, or any of their licensors or affiliates.

28. **Dispute Resolution.**

A. **Arbitration.** Except to the extent either party elects to enforce the provisions of this Agreement by equitable relief as provided in Section 28(B) below, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims of fraud in the arbitrability of any matter) which are not resolved through mediation will be settled by arbitration. The arbitration proceedings will be conducted in the English language in Minneapolis, Minnesota under the rules of arbitration of the International Centre for Dispute Resolution (“ICDR”), to the extent such rules are not inconsistent with the provisions of this arbitration provision. You acknowledge that you have sufficient resources to resolve disputes at the selected location for arbitration. Within thirty (30) days following receipt of notification of a party’s desire to commence arbitration, the parties will jointly select a single arbitrator to resolve the dispute. If the parties are unable to agree upon an arbitrator within the thirty (30) day period, each party will select an arbitrator, and the two (2) appointed arbitrators will select a third arbitrator. The arbitration will then be heard by a panel of three (3) arbitrators. Regardless of the number of arbitrators, each arbitrator must have a minimum of five (5) years’ experience in franchising or distribution law and will have the right to award specific performance of this Agreement. The decision of the arbitrator(s) will be issued within sixty (60) days following the close of the proceedings and will be final and binding on all parties; provided, however, the arbitrator(s) may not under any circumstances: (i) assess punitive or exemplary damages; or (ii) make any award which extends or modifies any lawful term of this Agreement. This Section 28(A) will survive termination or nonrenewal of this Agreement under any circumstances. Judgment upon the award of the arbitrator(s) may be entered in any court having jurisdiction thereof. During any arbitration proceeding, the parties will fully perform their respective obligations under this Agreement. The parties agree to abide by the rules stated in the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards. ANY SUCH ACTION WILL BE CONDUCTED ON AN INDIVIDUAL BASIS, AND NOT AS PART OF A CONSOLIDATED, COMMON, OR CLASS ACTION, AND YOU AND YOUR OWNERS WAIVE ANY AND ALL RIGHTS TO PROCEED ON A CONSOLIDATED, COMMON, OR CLASS BASIS.

B. **Injunctive Relief.** Notwithstanding Section 28(A) above, each party recognizes that a party’s failure to comply with the terms of this Agreement could cause irreparable damage to the non-breaching party. Therefore, if a party hereto breaches or threatens to breach any of the terms of this Agreement, the non-breaching party will be entitled to injunctive relief restraining such breach and/or a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys’ fees and disbursements incurred in obtaining such injunctive relief, until such time as a final and binding determination is made by the arbitrator(s). The party seeking injunctive relief may, but will not be obligated to, do so through the ICDR if such rules permit such relief or in a court having jurisdiction over the parties as provided in this Agreement.

C. **Attorneys’ Fees.** The nonprevailing party will pay all costs and disbursements, including reasonable legal fees, the prevailing party incurs in any action brought to enforce any provision of this Agreement or to enjoin any violation of this Agreement.

D. **Applicable Law.** Subject to our rights under federal trademark laws and the federal arbitration act, the parties’ rights under this Agreement and the relationship between the parties is governed by, and will be interpreted in accordance with, the laws (statutory and otherwise) of the state where the Franchised Business is located. You waive, to the fullest extent permitted by law, the rights and protections that might be provided through the laws of any state relating to franchises or business opportunities, other than those of the state where the Franchised Business is located.

E. **Waivers.** YOU, GUARANTOR AND WE WAIVE: (A) THE RIGHT TO BRING, OR BE A CLASS MEMBER IN, ANY CLASS ACTION OR CLASS PROCEEDING BY ANY OF THEM AGAINST THE OTHER; (B) TRIAL BY JURY WITH RESPECT TO ANY ACTION OR PROCEEDING BY ANY OF THEM AGAINST THE OTHER; AND (C) ANY RIGHT TO OR CLAIM FOR ANY CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES AGAINST ONE ANOTHER.

F. **Cross Default.** If You, Guarantor, or any of your shareholders, principals or indemnifiers, whether individually or together with any other persons, operates one or more other businesses using the Marks or other trademarks, and/or the System or other business systems or formats, whether licensed by us or Owner, any default under any provisions of any one agreement governing the operation of such a business, including this Agreement, shall be deemed to be an event of default under all agreements governing the operation of all such businesses.

G. **Additional Remedies.** You expressly consent and agree that, in addition to any other remedies we may have, at law or under this Agreement, including the right to sue for damages, we may obtain an injunction and/or appointment of a receiver which term includes a receiver and manager of the Franchised Business to terminate or prevent the continuation of any existing default, or to prevent the occurrence of any threatened default by you of this Agreement. Further, upon the happening of any of the events listed in Section 22, and prior to and regardless of any actual or purported termination of this Agreement, we, or our representatives may, at our option and your cost, cure any default by you, operate the Franchised Business for your account or secure your complete and timely compliance with the other obligations stated in this Agreement.

29. **Miscellaneous.**

A. **Severability.** If any provision of this Agreement is held to be invalid or unenforceable in whole or in part, all other provisions herein shall be unaffected thereby and separately valid and enforceable to the fullest extent permitted by law.

B. **Notice.** All written notices and reports permitted or required to be delivered by the provisions of this Agreement will be delivered by hand, sent by a recognized overnight delivery service, or by other means which provides the sender with evidence of delivery, or of rejected delivery, and addressed to the party to be notified at the address stated herein or at such other address as may have been designated in writing to the other party. Any notice by a means which provides the sender with evidence of delivery, or rejected delivery, will be deemed to have been given at the date and time of receipt or rejected delivery.

C. **Survival.** All obligations of us and you which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect following its expiration or termination and until they are satisfied or expire.

D. **Waiver of Obligations.** No acceptance by us of any payment by you and no failure, refusal or neglect of us to exercise any right under this Agreement or to insist upon full compliance by you with your obligations hereunder shall constitute a waiver of any provision of this agreement.

E. **Entire Agreement.** This Agreement and any schedules are the entire agreement between the parties, and supersedes all previous agreements and understandings between the parties, relating to the subject matter hereof. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim the express representations we made in the franchise disclosure document that we furnished to you.

F. **Binding Agreement.** This Agreement will benefit, and be binding upon, the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.

G. **Joint and Several.** If two or more individuals, corporations, partnerships or other entities (or any combination of two or more thereof) shall sign or be subject to the terms and conditions of this Agreement as the franchisee (you) or as Guarantor, the liability of each of them under this Agreement shall be deemed to be joint and several.

H. **Guarantee and Indemnity.** All Guarantors will sign the Guaranty and Assumption Agreement in the form attached to this Agreement as Schedule C. Any person or entity that at any time after the Effective Date of this Agreement becomes a Principal Owner and their spouses or partners will, as a condition of becoming a Principal Owner, sign the Guaranty and Assumption Agreement.

I. **Force Majeure.** If any party hereto is delayed or hindered in the performance of any act required herein by reason of strike, lock-outs, labour troubles, inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war or other reasons of a like nature not the fault of such party, then performance of such act shall be excused for the period of the delay and the period for performance of any such act shall be extended for a period equivalent to the period of such delay, up to a maximum of three (3) months. The foregoing shall not operate to excuse you from the prompt payment of any fee or other payment due us pursuant to the provisions of this Agreement.

J. **Time of the Essence.** Time shall be of the essence of this Agreement and of each and every part hereof.

K. **Right to Information.** You and Guarantor consent to us obtaining, using and disclosing to third parties (including its licensors, prospective franchisees, financial institutions, legal and financial advisors), for any purpose or as may be required by law, any financial or other information contained in or resulting from information, data, materials, statements and reports we receive or disclosed to us in accordance with this Agreement, including gross sales of the Franchised Business and other information pertaining to the operation and performance of the Franchised Business.

L. **Rights of Set-Off.** Notwithstanding anything contained in this Agreement, upon your failure to pay to us as and when due, any amounts of money provided for herein, we shall have the right at our election, to deduct any and all such amounts remaining unpaid from any monies or credits held by us for your account, if any. You agree that you will not, on grounds of the alleged non-performance by us of our obligations hereunder, withhold payment of any amounts due to us or our affiliates, whether on account of goods purchased by you or otherwise.

M. **Security to Franchisor.** To secure payment and performance of any and all obligations from time to time owing by you to us and our affiliates, including payment of any amount owing by you to us in respect of goods and services from time to time purchased by you, you and Guarantor covenant and agree to provide from time to time, on our request, a security interest or interests by a security agreement, in a form we require, in such of the inventory, equipment, leasehold improvements and other assets of the Franchised Business and in such amount or amounts and upon such terms as we determine advisable. Failure to provide such security within ten (10) days following the receipt by you or Guarantor of a written request therefor, specifying the nature and extent of the security required, shall be deemed to be a default under this Agreement.

30. **Acknowledgements.**

A. **Receipt of Disclosure.** You acknowledge that each you have each received as one document at one time, in a manner permitted by applicable franchise law, a copy of this agreement, the schedules hereto, and the applicable complete disclosure document, not less than fourteen (14) days prior

to the earlier of: (i) the date on which this Agreement or any other agreement relating thereto was executed, and (ii) the payment of any consideration by or on behalf of you relating to this Agreement, and the franchise associated therewith.

B. Business Risk/Acknowledgement. You confirm that you have conducted a full and independent investigation of the business opportunity contemplated by this Agreement, recognize that it involves business risks and that its success will be largely dependent on your ability as an independent businessperson, and the market and location in which the Franchised Business operates. You furthermore confirm that we have advised you of the importance of seeking independent legal and accounting advice respecting the matters provided for herein, and that you have had adequate time and opportunity to obtain such advice. We expressly disclaim and you acknowledge that you have not received, except as set out in any franchise disclosure document delivered to you, if any, any representations, warranties or guarantee, expressed or implied, as to the potential volume, profits, sales or success of the Franchised Business opportunity contemplated by this Agreement. You acknowledge that you have had ample time to read, and have read, this Agreement and fully understand its provisions. You acknowledge that you have not received or relied on any representations about the Franchised Business by us, or our affiliates, officers, directors, employees or agents, that are contrary to the terms herein, and further represent and warrant to us that you have made no misrepresentations in obtaining the franchise herein granted, including with respect to the information contained in your franchise application. Nothing in this Section 30(B) is intended to disclaim any representations that we made to in the franchise disclosure document that we furnished to you.

IN WITNESS WHEREOF the parties hereto have executed this Agreement

By the Franchisor as of the _____ day of the month of _____, 20____

SIGNED, SEALED AND DELIVERED

BEAVERTAILS USA INC.

in the presence of

Per: _____
Pino Di Ioia, CEO

By the Franchisee as of the _____ day of the month of _____, 20____

[NAME OF FRANCHISEE]

Per: _____

FA - SCHEDULE "A"

FRANCHISE INFORMATION

1. Marks:

Mark	Registration No.
	2197967
BeaverTails and Design	1820323

2. Territory: As indicated on the map attached hereto and forming part of this Schedule "A."

3. Opening Date: Your Franchised Business must be open by:

4. Advertising Contribution: Current advertising fee payable per case of Units: \$20.7075 (in Canadian Dollars) / \$14.6985 (in US Dollars)

5. Type of Franchise: Premises or Vehicle (**Choose one**)

Address of Retail Store Premises, or location of Stationary Vehicle, or business/home address of Franchisee if Vehicle:

Premises:

Business Phone:

Home Phone:

Fax:

Email Address:

Cell Phone:

Vehicle:

6 Franchise Fee: \$ 30,000.00 (in US Dollars).

7. Refund Amount: Fifty percent (50%) of the Franchise Fee.

8. Additional Provisions:

SCHEDULE “A” – CONTINUED

MAP OF TERRITORY

[IF APPLICABLE - ATTACH MAP SHOWING STORE WITH TERRITORY PERIMETER]

OR

[ATTACH MAP OF MOBILE TERRITORY]

FA - SCHEDULE "B"

OWNERSHIP INFORMATION

1. Form of Entity of Franchisee.

(A) Corporation. [Corporation Name] You are a corporation incorporated on _____, _____, under the laws of the State of _____. You have not conducted business under any name other than its corporate name. The following is a list of all of Franchisee's directors and officers as of the date of this agreement:

<u>Name of Each Director/Officer</u>	<u>Position(s) Held</u>
--------------------------------------	-------------------------

(B) Partnership. You are a [general] [limited] partnership formed on _____, _____ under the laws of the State of _____. You have not conducted business under any name other than your partnership name. The following is a list of all of your general partners as of the date of this Agreement:

Name of General Partner

2. Owners.

You and each of the Principal Owner represent and warrant that the following is a complete and accurate list of all legal and beneficial direct and indirect individual and corporate shareholders, partners and other holders of any equity interest of you, including the full name and mailing address of each person, and fully describes the nature and extent of each owner's interest in you. You, and each Principal as to his ownership interest, represent and warrant that each is the sole and exclusive legal and beneficial owner of his ownership interest in you, free and clear of all mortgages, charges, liens, restrictions, security interests, agreements and encumbrances of any kind or nature, other than those required or permitted by this Agreement.

Owner's Name, Address and

Description of Interest

Name, Address

% of all outstanding shares and type (e.g. common)

Name, Address

% of all outstanding shares and type (e.g. common)

Name, Address

% of all outstanding shares and type (e.g. common)

Name, Address

% of all outstanding shares and type (e.g. common)

FA - SCHEDULE "C"

GUARANTY AND ASSUMPTION OF OBLIGATIONS

Rest of the page left intentionally blank.

GUARANTY AND ASSUMPTION OF OBLIGATIONS

In consideration of the execution of that certain Franchise Agreement of even date (the “Agreement”) by BeaverTails USA Inc. (the “Company,” “we” or “us”), each of the undersigned (a “Guarantor”) personally and unconditionally guarantees to us, and our successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement that _____ (the “Franchisee” or “you”) will timely pay and perform each and every undertaking, agreement and covenant stated in the Agreement; and agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement.

Each of the undersigned waives: (1) acceptance and notice of acceptance by us of the foregoing undertaking; (2) notice of demand for payment of any indebtedness; (3) protest and notice of default to any party respecting the indebtedness; (4) any right he/she may have to require that an action be brought against you or any other person as a condition of liability.

Each Guarantor consents and agrees that:

(1) Guarantor’s liability under this undertaking will be direct and independent of the liability of, and will be joint and several with, you and your other Guarantors;

(2) Guarantor will make any payment or perform any obligation required under the Franchise Agreement upon demand if you fail to do so;

(3) Guarantor’s liability hereunder will not be diminished or relieved by bankruptcy, insolvency or reorganization of you or any assignee or successor;

(4) Guarantor’s liability will not be diminished, relieved or otherwise affected by any extension of time or credit which we may grant to you, including the acceptance of any partial payment or performance, or the compromise or release of any claims;

(5) We may proceed against Guarantor and you jointly and severally, or we may, at our option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against you or any other Guarantor;

(6) Guarantor will pay all reasonable attorneys’ fees and all costs and other expenses we incur in enforcing this Guaranty against Guarantor or any negotiations relative to the obligations hereby guaranteed; and

(7) Guarantor is bound by all provisions of the Franchise Agreement, including, but not limited to, Sections 21 and 28.A.

Each of the undersigned has signed this Guaranty as of the same day and year as the Agreement was executed.

GUARANTOR(S) (PERCENTAGE OF OWNERSHIP)

_____ ()

_____ ()

_____ ()

_____ ()

_____ ()

FA - SCHEDULE "D"

LEASE ADDENDUM

Rest of the page left intentionally blank.

LEASE ADDENDUM

This Lease Addendum is entered into as of the date of the Lease Agreement by and between _____, Landlord and _____, Tenant.

Landlord and Tenant are parties to that certain Lease of even date (the Lease) covering the premises located at _____, which Tenant will use to operate a BeaverTails® business under a Franchise Agreement between Tenant and BeaverTails USA Inc. (“Franchisor” or “we” or “us”). Landlord and Tenant desire to amend the Lease to protect our various interests.

In consideration of the foregoing and the promises contained in the Lease, the parties agree as follows:

1. Permitted Use. Landlord and Tenant agree that so long as the Franchise Agreement remains in effect, Tenant may use the Lease premises only for a BeaverTails® business and Tenant may offer for sale and sell at the premises only those _____ which we approve.

2. Notice of Default. Landlord will provide us, by certified US mail or a recognized overnight delivery service at the address provided in Section 8 below, a minimum 30 day notice of any default under the Lease before Landlord initiates any action to terminate the Lease or exercise any remedy for such default.

3. Cure. Either Tenant or we may cure defaults under the Lease and Landlord will accept performance of obligations due under the Lease, as specified in the Lease, by either us or Tenant. We will not, however, be under any obligation to cure any default and nothing herein will require us at any time to comply with or take any action under the provisions of the Lease.

4. Rights of Franchisor After Cure. If Franchisor commences cure of any default under the Lease within the 30 day notice period described in Section 2 above, and if we thereafter diligently complete cure, we may, but will not be obligated to, give notice to Landlord and become Tenant under the Lease, in which event Landlord will not be entitled to terminate the Lease.

5. Assignment and Renewal. Landlord consents to an assignment or transfer of Tenant’s rights under the Lease to Franchisor at any time during the term of the Lease. Landlord will give us notice of expiration of the term of the Lease at least three months in advance thereof and grant us the right, but not the obligation, to exercise any then-existing renewal rights under the Lease.

6. Right of Entry and Subordination. Landlord will give us access to the business at reasonable times on not less than 24 hours’ notice (or such shorter notice as may be reasonable when circumstances dictate) either to inspect the business for compliance with our requirements, to remove from the business any items bearing our marks or logos or to take other action permissible under the Agreements between Tenant and us. Landlord specifically subordinates any lien it may have in such items to our rights as licensor of the marks or logos displayed on items.

7. Vacating Premises. Upon vacating the Lease premises, or termination of the Franchise Agreement or Lease (whichever occurs first), Tenant must remove all signs and materials bearing any of the marks or logos.

8. Notices. Any notices to us hereunder will be sent to:

BeaverTails USA Inc.
Corporate Offices
3700 St-Patrick, Suite 106
Montréal, Québec
H4E 1A2

9. Benefit. Landlord and Tenant acknowledge that they enter into this Agreement for the express benefit of Franchisor and that we are an intended beneficiary hereof.

10. Supremacy. This Addendum shall control and supersede any inconsistent provision of the Lease.

The parties have signed this Agreement the day and year first above written.

LANDLORD:

TENANT:

By: _____

By:

Title: _____

Title:

FA - SCHEDULE "E"

FRANCHISEES OPERATING BY WAY OF MOBILE VEHICLE

1. **Application:** Further to Section 3(f) of the Agreement, this Schedule "E" applies to and binds you and Guarantor if you operate the Franchised Business by way of a mobile Vehicle in the Territory.

2. **Definitions:** In addition to the words defined in Section 1 of the Agreement, and any words defined elsewhere in the agreement, the following terms shall have the following meanings in this Schedule "E":

(a) **"Permit"** means any permit, license, agreement, or representation through which you or Guarantor has the right or option to operate the Franchised Business at any Event, whether or not such right or option has been reduced to writing.

(b) **"Event"** means any event or location at which you have previously operated, currently operate, or intend to operate, the mobile Vehicle as authorized by Section 3 of the agreement.

(c) **"Transfer Application"** means any document(s) or step(s) required under a Permit to assign or transfer the Permit to us from you or Guarantor, as the case may be, to the extent that the Permit authorizes assignments or transfers. To the extent permitted by a Permit, we shall have the right to prescribe the form of any Transfer Application.

3. **Prior Execution of Transfer Application(s) in Favor of Us:**

(a) Upon the execution of the agreement, you shall provide us with copies of any Permits or, if a Permit has not been reduced to writing, the name of any Event in respect of which you hold a Permit.

(b) Within thirty (30) days of the execution of this agreement, you or Guarantor, as the case may be, shall execute and deliver to us a Transfer Application in favor of us for any Permit.

(c) If, during the Term or renewal period, you or Guarantor intend to acquire any additional Permit, then you or Guarantor, as the case may be:

(i) shall use best efforts to ensure that any Permit includes a provision authorizing its assignment or transfer to us upon termination or expiry of the agreement; and

(ii) shall, within thirty (30) days of acquiring any Permit, execute and deliver to us a Transfer Application in favor of us in respect of the Permit.

(d) We shall hold all Transfer Applications in escrow, until this agreement terminates or expires.

4. **Assignment of Permits to Us:** Upon termination or expiry of this agreement:

(a) We shall have the right to deliver any Transfer Applications held in escrow pursuant to Section 3(d) of this Schedule "E" to the respective grantors of the applicable Permits.

(b) We shall have the immediate right to have any Permit held by you assigned or transferred to us, to the extent permitted by the Permit.

(c) You and Guarantor covenant and agree to use your best efforts, and to take all necessary steps, to effect and facilitate the transfer or assignment to us of any Permit held by you or Guarantor, as the case may be.

EXHIBIT C
MULTIPLE STORE DEVELOPMENT AGREEMENT

BEAVERTAILS®
MULTIPLE STORE DEVELOPMENT AGREEMENT

THIS MULTIPLE STORE DEVELOPMENT AGREEMENT (“**Agreement**”) made and entered into as of the ____ day of _____, 20____ (“**Effective Date**”) among BeaverTails USA Inc., a corporation incorporated under the laws of Delaware (“**BeaverTails**”), and _____ (“**Developer**”).

INTRODUCTION:

A. BeaverTails has acquired from BeaverTails Brands Inc. (the “**Owner**”) the exclusive right to grant and license to Developer the right to develop multiple treat shop businesses, each pursuant to the then-current BeaverTails® franchise agreement, featuring unique BeaverTails® pastries and other food products and beverages that BeaverTails may specify periodically, using a business format and system which includes, unique methods and procedures, specially designed products, services, trade dress, methods of operation, recipes, management programs, standards, specifications, proprietary marks, including the Marks, and other information (the “**System**”).

B. Developer acknowledges that the Owner, a corporation related to us, is the owner of the System and the Marks, all of which BeaverTails has exclusive rights to sublicense in the United States.

C. BeaverTails and Developer are, on this day, entering into a BeaverTails® franchise agreement (the “**Initial Franchise Agreement**”), whereby Developer will be granted the right to operate a BeaverTails® franchised business as described in the Initial Franchise Agreement. Developer desires to obtain the right to develop more than one BeaverTails® businesses from permanent locations pursuant to the then-current BeaverTails® franchise agreement. BeaverTails is willing to grant such rights pursuant to the provisions stated below.

AGREEMENTS:

In consideration of the mutual covenants and agreements herein contained, the parties agree as follows:

1. Grant of Development Rights, Reservation of Rights.

A. Developer Rights. Subject to the provisions stated below, BeaverTails hereby grants to Developer the right to establish and operate for its own account, but not to subfranchise, sublicense or resell, BeaverTails® franchised businesses at permanent locations (the “**Franchised Businesses**”) each pursuant to the then-current individual BeaverTails® franchise agreement (“**Franchise Agreement**”). Developer’s rights to develop and establish Franchised Businesses under this Agreement will be limited to the geographic area described on Exhibit A attached hereto (the “**Designated Area**”). So long as Developer complies with the terms of this Agreement and complies with the terms of the individual Franchise Agreement for each Franchised Business developed under this Agreement, BeaverTails will not, for the term of this Agreement, establish for its own account or franchise others to operate permanently located treat shops operating from a physical retail store premises under the Marks within the Designated Area other than to Developer pursuant to this Agreement.

B. Rights Reserved. Section 1(A) constitutes Developer’s sole rights to the Designated Area, and except as restricted by this agreement, Owner, BeaverTails, and those

directly or indirectly who license or are licensed by Franchisor, shall have the absolute right, inside or outside the Designated Area to:

- (a) operate or grant the right to operate businesses other than permanently located treat shops operating from a physical retail store premises under the Marks, including other types of food service businesses which offer similar or different products and services, under the Marks or similar or different name(s) or trademarks, including, without limitation, from a treat shop operating from within a vehicle; or
- (b) distribute, sell, offer, use, or grant to someone else the right to distribute, sell, offer or use, products and services using the System and the Marks or similar or different business systems or trademarks, of a temporary or permanent nature, by means of other, or alternate channels of distribution, such as without limitation, by or through (i) telephone orders, mail order, television, electronic media (i.e. including the internet) or catalogue sales or other forms of wholesale sales; (ii) vehicles, catering, catering trucks, mobile containers, food trucks or carts, and/or home delivery services; (iii) supermarkets, grocery, retail or similar stores, or as a concession, kiosk, department or as part of or in combination with any restaurant, supermarket, grocery, retail or similar establishments; or (iv) physical retail outlets located at public or quasi-public institutions, or special events, such as without limitation, concerts, fairs, amusement parks, water parks, zoos, hospitals, universities, colleges, airports, train and/or bus stations, arenas, stadiums, concert halls, theatres, exhibitions, enclosed or exposed shopping malls or lifestyle centres.

BeaverTails, Owner and their licensors expressly reserve all rights not granted to Developer by this Agreement.

2. Developer Fees. For the rights described in Section 1 above, Developer will pay BeaverTails: (i) an Initial Franchise Fee of Thirty Thousand Dollars (\$30,000) for the Franchised Business being developed pursuant to the Initial Franchise Agreement; and (ii) a non-refundable development fee of Ten Thousand Dollars (\$10,000) for each of the remaining Franchised Businesses to be developed pursuant to this Agreement (the "Development Fee"). All fees paid to BeaverTails under this Agreement and all Franchise Agreements will be paid to BeaverTails in US Dollars. The fees paid to BeaverTails under this Agreement are fully earned by BeaverTails upon receipt and non-refundable. The Development Fee for each Franchised Business is credited against any applicable initial franchise fee. The total Development Fee is described on the Development Schedule.

3. Conditions to Development of Additional Franchised Businesses. BeaverTails will be obligated to enter into a Franchise Agreement for the development of a Franchised Business under this Agreement only if, at the time Developer intends to enter into a Franchise Agreement for such Shop: (1) all amounts due and owing by Developer to BeaverTails or its affiliates under or relating to the Initial Franchise Agreement or any Franchise Agreement are paid in full and Developer otherwise is in good standing under the Initial Franchise Agreement and any other Franchise Agreement; and (2) Developer is not in default for any reason stated in Section 7 below for which Developer has received written notice.

4. Development Procedure. Each BeaverTails® Franchised Business to be developed pursuant to this Agreement will be governed by the terms of the Franchise Agreement that BeaverTails and Developer will sign for such Franchised Business, including all provisions applicable to site approval, lease approval, and development of the premises. Developer will not develop any BeaverTails® Franchised Business at any site which BeaverTails has not approved in writing and for which there is no Franchise

Agreement between the parties. Each Franchised Business will be developed pursuant to and in conformance with the terms of the applicable Franchise Agreement.

5. Development Schedule. Developer's rights under this Agreement are conditioned upon its active development of the Designated Area. Developer agrees to sign Franchise Agreements, and open for business and thereafter maintain in operation within the Designated Area not less than the number of Franchised Businesses from permanent locations within the time frames described in Exhibit A attached hereto (the "**Development Schedule**").

6. Term. Subject to Section 7 below, the term of this Agreement will commence on the Effective Date and expire earlier of: (a) the date the last Franchised Business required to be developed under this Agreement is open; or (b) the date the last Franchised Business required to be developed under this Agreement must be open under the Development Schedule. This Agreement is not renewable.

7. Default and Termination.

A. Developer will be in default, and BeaverTails may, at its option, terminate this Agreement if: (1) Developer fails to meet the Development Schedule stated herein, (2) Developer violates any other material provision of this Agreement, (3) Developer violates any material provision of the Initial Franchise Agreement or any Franchise Agreement, (4) Developer is declared bankrupt or becomes insolvent, (5) Developer attempts to subfranchise or sublicense in any manner all or part of its rights under this Agreement.

B. Except as described below, Developer will have thirty (30) days, or such longer period as applicable law may require, after its receipt from BeaverTails of a written Notice of Termination within which to remedy any default hereunder, and to provide evidence thereof to BeaverTails. If Developer fails to correct the default within that time (or such longer period of time as applicable law may require), this Agreement will terminate without further notice to Developer effective immediately upon the expiration of the thirty (30) day period (or such longer period as applicable law may require).

C. BeaverTails may, at its option, terminate this Agreement immediately upon delivery of written notice to Developer if: (1) Developer repeatedly fails to comply with one or more material requirements of this Agreement; (2) the nature of Developer's breach is not curable; (3) any default under Sections (4) or (5) in Section 7(A) above; or (4) any default under the Initial Franchise Agreement or any Franchised Business Franchise Agreement for which BeaverTails is not required to provide Developer any right to cure.

D. During the period from the date BeaverTails sends a notice of default until all violations and defaults specified therein are cured by Developer or this Agreement is terminated, BeaverTails will not be obligated to enter into any Franchised Business Franchise Agreement with Developer or otherwise perform any obligations pursuant to this Agreement. Upon termination or expiration of this Agreement, all rights licensed herein will automatically revert to BeaverTails and Developer's exclusive right to develop BeaverTails® Franchised Businesses within the Designated Area will cease. Termination or expiration of this Agreement will not affect Developer's rights under any individual Franchised Business franchise agreements in effect at that time.

E. Termination or expiration of this agreement shall constitute a termination or expiration of the rights and license granted herein to Developer.

8. Transfers. Franchise Agreements may be transferred only pursuant to the terms of that agreement. Developer cannot pledge, sell, or otherwise transfer this Agreement or any options granted hereunder. Developer represents and warrants to BeaverTails that it intends to develop, manage, and operate all of the Franchised Businesses to be developed hereunder for its own benefit and not for the purpose of or with a view towards resale or redistribution of the franchises to be issued hereunder. This Agreement may be assigned and transferred by BeaverTails and will benefit BeaverTails' successors and assigns. Any such assignment or transfer will require the assignee to fulfill BeaverTails' obligations under this Agreement.

9. Marks. Developer acknowledges that it has no interest in or right to use the Marks. Any rights to use the Marks is derived solely from the Franchise Agreements entered into between BeaverTails and Developer. Developer agrees that all use of the Marks and any goodwill established exclusively benefits BeaverTails. Developer agrees that after termination or expiration of this Agreement, Developer will not, except with respect to Franchised Businesses operated by Developer under individual Franchise Agreements, directly or indirectly, identify itself or any business as a franchisee or former franchisee of, or otherwise associated with, BeaverTails or use in any manner any Mark or trade dress. As used in this Agreement, "Marks" means the registered and unregistered trademarks, trade names, symbols, designs, logos, domain names, and other intellectual property which Owner now or in the future may own or use, and license to BeaverTails for use in operating the Franchised Businesses, as periodically designated, including "BeaverTails" word and design marks.

10. Enforcement. This Agreement, and any dispute arising hereunder, will be governed by those provisions found in Sections 28 and 29 the Initial Franchise Agreement including arbitration, governing law, and injunctive relief.

11. Miscellaneous. This Agreement and Exhibit A represent the entire Agreement of the parties relative to its subject and cannot be waived, altered, or rescinded in whole or in part except by an express writing by the parties. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim the express representations we made in the franchise disclosure document that we furnished to you. The provisions of this Agreement are severable and the invalidity or unenforceability of any of them will not affect the remainder of this Agreement.

BeaverTails and Developer have signed this Agreement as of the Effective Date.

"BEAVERTAILS"

"DEVELOPER"

BEAVERTAILS USA INC.

(Print Corporate Name)

By _____
Its _____

By _____
Its _____

EXHIBIT A
TO DEVELOPMENT AGREEMENT

This Exhibit A is attached to and is an integral part of the BeaverTails® MULTIPLE STORE DEVELOPMENT AGREEMENT dated _____, 20____, between BeaverTails and Developer.

1. Designated Area. The development rights and obligations granted to Developer under the Agreement to timely develop and open Restaurants will be within the following described area (or in the map attached):

_____.

2. Development Fee. The Development Fee is \$_____. The Development Fee is in addition to the initial franchise fee due under the First Franchise Agreement.

3. Development Obligations. Developer agrees to timely sign Franchise Agreements, pay initial franchise fees, and open Franchised Businesses from permanent locations in compliance with the following development schedule.

FRANCHISED BUSINESS NUMBER:	DATE FRANCHISE AGREEMENT MUST BE SIGNED AND INITIAL FRANCHISE FEE PAID	DATE OF FRANCHISED BUSINESS OPENING	CUMULATIVE NUMBER OF FRANCHISED BUSINESSES TO BE OPEN
			1
			2
			3
			4
			5

APPROVED:
"BEAVERTAILS"

BEAVERTAILS USA INC.

"DEVELOPER"

(Print Corporate Name)

By _____
Its _____

By _____
Its _____

EXHIBIT D

LIST OF STATE ADMINISTRATORS; AGENTS FOR SERVICE OF PROCESS

**STATE ADMINISTRATORS AND
AGENTS FOR SERVICE OF PROCESS**

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
California	Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation	320 West 4 th Street, Suite 750 Los Angeles, CA 90013-2344 1-866-275-2677
Hawaii (State Administrator)	Commissioner of Securities Dept. of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch	335 Merchant Street Room 203 Honolulu, HI 96813
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E018 Indianapolis, IN 46204
Maryland (State Administrator)	Office of the Attorney General Division of Securities	200 St. Paul Place Baltimore, MD 21202-2020
Maryland (Agent)	Maryland Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Department of Attorney General Consumer Protection Division	G. Mennen Williams Building, 1 st Floor 525 West Ottawa Street Lansing, MI 48933
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7 th Place East, Suite 280 St. Paul, MN 55101-2198
New York (State Administrator)	NYS Department of Law Investor Protection Bureau	28 Liberty Street, 21 st Floor New York, NY 10005 212-416-8236 Phone 212-416-6042 Fax
New York (Agent)	New York Department of State	One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 518-473-2492
North Dakota	Securities Commissioner North Dakota Securities Department	600 East Boulevard Avenue State Capitol, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
Rhode Island	Director, Department of Business Regulation, Securities Division	1511 Pontiac Avenue John O. Pastore Complex – Building 68-2 Cranston, RI 02920
South Dakota	Department of Labor and Regulation Division of Securities	124 S. Euclid, Suite 104 Pierre, SD 57501
Virginia (State Administrator)	State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9 th Floor Richmond, VA 23219 804-371-9051
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630
Washington	Department of Financial Institutions Securities Division	150 Israel Road SW Tumwater, WA 98501 360-902-8760
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 201 W. Washington Ave., Suite 300 Madison, WI 53703

EXHIBIT E
BEAVERTAILS® FRANCHISEE LIST

BEAVERTAILS® FRANCHISEE LIST
As of December 31, 2021

BeaverTails U.S.A. Inc. Franchised Stores

BeaverTails U.S.A.Inc. Corporate Name	Year Opened	Type of Business	Franchisee	Address	City	State	Zip Code	Telephone Number	E-Mail Address
Fayetteville Arkansas Mobile	2016	Franchise – Vehicle Treat Truck	NWA Beavertails LLC. (Elizabeth Lingar & Greg W. Lingar)	18732 Shoreline Way	Fayetteville	AR	72703	816-977-3893	Beth120568@gmail.com fayettevillemobile@beavertails.com
Detroit Mobile (signed in January 2019)	2019	Franchise – Vehicle Treat Truck	SWEET INDULGENCE LLC (Ali Bazzi)	6879 Robindale Ave	Dearborn Heights	MI	48127	313-27-5976	Aabazzi08@gmail.com
Pittsburgh, PA (signed in 2018) (temporarily closed while looking for a new location)	2018	Franchise – Tourist Landmark	Vincenzo Borrelli	Intersection of I-79 and Route 208	Grove City	PA	16127	716-392-0101	vinnieborrelli@gmail.com

BeaverTails U.S.A. Inc. Former Franchisees

As of December 31, 2021

None.

Canadian Stores

Permanent Locations

#	BeaverTails Canada Inc. designated location ID	Year Opened	Type of Business	Franchisee	Address	City	Prov	Postal code	Telephone Number	E-Mail Address
1	Banff	2011	Franchise	Sarna Capital Investments Inc. (Dale Sarna)	120 Banff Avenue	Banff	AB	T1L 1E7	403-431-9107	dalesarna@mac.com banff@beavertails.com
2	Banff	2014	Franchise	Sarna Capital Investments Inc. (Dale Sarna)	201 Banff Avenue	Banff	AB	T1L 1A4	403-431-9107	dalesarna@mac.com banff@beavertails.com
3	Blue Mountain	1998	Franchise	1329194 Ontario Inc (David & Sandra Hodds)	170 Jozo Weider Blvd.	Blue Mountain	ON	L9Y 3Z2	289-260-5912	david.hodds@sympatico.ca bluemountain@beavertails.com
4	Blue Mountain Village	2003	Franchise	1329194 Ontario Inc (David & Sandra Hodds)	170 Jozo Weider Blvd.	Blue Mountain	ON	L9Y 3Z2	289-260-5912	david.hodds@sympatico.ca bluemountain@beavertails.com
5	Blue Mountain Trolley	2013	Franchise	1329194 Ontario Inc (David & Sandra Hodds)	170 Jozo Weider Blvd.	Blue Mountain	ON	L9Y 3Z2	289-260-5912	david.hodds@sympatico.ca bluemountain@beavertails.com
6	Byward Market	1978	Franchise (Legacy)	Grant Hooker & Andy Cullen (Executive Manager)	1015 Bank Street	Ottawa	ON	K1S 3W7	613-241-1230	cullenandy@hotmail.com ottawabywardmarket@beavertails.com
7	Halifax Waterfront	1997	Franchise	3142113 Nova Scotia LTD (James and Sonja William)	1770 Water Front	Halifax	NS	B3J 1S5	902-789-0989	jamieandsonjwilliams@gmail.com halifaxwaterfront@beavertails.com
8	Mont-Tremblant	1995	Franchise	9219-9538 Quebec Inc (Patrick Marcovecchio)	116 Kandahar	Mont-Tremblant	QC	J0T 1Z0	819-717-1933	patrick.marcovecchio@gmail.com tremblent@beavertails.com
9	Mont-Tremblant Village	2012	Franchise	9219-9538 Quebec Inc (Patrick Marcovecchio)	160 chemin du Curé-Deslauriers	Mont-Tremblant	QC	J8E 1C9	819-717-1932	patrick.marcovecchio@gmail.com tremblent@beavertails.com
10	New Brunswick Saint John Mobile	2013	Franchise	Parent & Sons Investment Inc (Brian & Brandon Parent)	3 Water Street	Saint-John	NB	E2L 0A1	506-721-4612	Parentandsons@gmail.com saintjohnmobile@beavertails.com
11	Sauble Beach	2013	Franchise	Gardhouse Enterprise, Inc; (Robert Ryan & Christine Louise)	5A South Lakeshore Blvd. N.	South Bruce Peninsula	ON	N0H 2G0	416-951-4709	ryangardhouse@hotmail.com kwhuronmobile@beavertails.com
12	Tanger Outlets	2014	Franchise (Legacy)	Grant Hooker & Andy Cullen (Executive Manager)	8555 Campeau Drive	Ottawa	ON	K2T 0K5	613-241-3551	cullenandy@hotmail.com ottawatanger@beavertails.com

13	Tobermory	2005	Franchise	The Blue Heron Company Limited (Richard Karl and Jack Roger Salen)	24 Carlton St.	North Peninsula	ON	N0H 2R0	519-596-2999 ex. 420	generalmanager@blueheronco.com tobermory@beavertails.com
14	Toronto Harbourfront	2015	Franchise	Toronto Harbour Treats Ltd (Brian de Rocher & Daniel Farris)	145 Queens Quay West Pier 6	Toronto	ON	M5J 2H4	416-203-7786	brian@harbourtourstoronto.ca dan@harbourtourstoronto.ca torontowaterfront@beavertails.com
15	Victoria, BC	2014	Franchise	West Coast Tales Inc (Mark & Rebecca Mebs)	1001 Government Street, unit L602	Victoria	BC	V8W 1X6	250-208-6331	westcoasttales@shaw.ca broughton@beavertails.com
16	Wasaga Beach	Summer 2016	Franchise	1606820 Ontario Inc (David & Sandra Hodds)	1 Beach Dr.	Wasaga Beach	ON	L9X 2X1	289-260-5912	david.hodds@sympatico.ca wasagabeach@beavertails.com
17	Grand Bend	2016	Franchise	9768394 Canada Inc. (Tony Iannelli)	14 Main St. Unit D	Grand Bend	ON	N0M 1T0	905-736-2801	Tiannelli66@gmail.com
18	Canmore	2017	Franchise	1441878 Alberta Inc. (Jason and Christine De Soto)	801 8 th Street, Unit 2	Canmore	AB	T1W 2B3	403-678-4465	cdesoto@telus.net
19	Charlottetown	2017	Franchise	Parent & Sons Investment Inc (Brian & Brandon Parent)	11 Great George St.	Charlottetown	PEI	C1A 1A6	506-721-4612	Parentandsons@gmail.com
20	Outlet Collection at Niagara	2017	Franchise	2570909 Ontario Inc. (Zahir Ismail)	300 Taylor Rd.	Niagara-on-the-Lake	ON	L0S1J0	289-407-1009	Zahir1582@gmail.com
21	Montreal Premium Outlets	2017	Franchise	9358-3615 Quebec Inc. (Gino Licursi and Donna Gualano)	19001 Chemin Notre-Dame, suite 231	Mirabel	QC	J7J 0T1	514-894-3828	ginolicursi@videotron.ca gualanodonna@gmail.com
22	Waterton	2018	Franchise	2051751 Alberta Ltd. (Robert Cruickshank, Krystal Cruickshank and Laura Bullock)	116 Waterton Avenue	Waterton	AB	T0K 2M0	403-894-4594	kcruickshank@atb.com
23	Cavendish Beach	2018	Franchise	Sandspit Entertainment Ltd. (Matthew Jelley and Adam Hickey)	9095 Cavendish Road	Cavendish	PEI	C0A 1N0	902-394-0414	matt@maritimefun.com
24	Mega Parc	2018	Franchise	9388-6968 Quebec Inc. (Robert Thériault, Carolane Thériault and Mira Chainé)	1-705 rue des Groseilles	Quebec	QC	G2J 1N5	819-535-5722	sonia032@sympatico.ca carolane15@hotmail.com mira.chaine@outlook.com
25	Kingston	2019	Franchise	11096354 Canada Inc. (Ahmad Cheaito)	20 Market Street	Kingston	ON	K7L 1W8	613-561-3642	a_chaito@hotmail.com
26	Clear Lake Shop	2019	Franchise	7066156 Manitoba Ltd. (Sheldon Willey and Eugenia Willey)	115 Wasagaming Drive	Wasagaming	MB	R0J 2H0	204-867-7299	beavertailsmb.mobile@icloud.com

27	Clear Lake Marina	2019	Franchise	7066156 Manitoba Ltd. (Sheldon Willey and Eugenia Willey)	Main Pier	Wasagaming	MB	R0J 1N0	204-867-7299	beavertailsmb.mobile@icloud.com
28	Sault Ste. Marie	2019	Franchise	1972703 Ontario Inc. (Sheila Purvis and Jeffrey DiCorpo)	65 Foster Drive	Sault Ste. Marie	ON	P6A 5N1	705-253-8325	sheila.purvis@purvismarine.com
29	Jasper	2019	Franchise	PTS Corporation (Pritpal Singh & Tirath R Sharma)	618 Patricia St.	Jasper	AB	T0E 1E0	306-740-0051	Moneyghotra22@gmail.com Sharma.tirathram94@gmail.com
30	Huntsville	2020	Franchise	MTL Pastries Ltd.(Michelle Hill)	69 Main St.	Huntsville	ON	P1H2B8	905-517-6724	mhill@cogeco.ca
31	Niagara Falls –Clifton Hill	2020	Franchise	2291068 Ontario Inc (Zahir Ismail)	4967 Clifton Hill	Niagara Falls	ON	L2G 3N5	289-296-2056	zahir1582@gmail.com cliftonhill@beavertails.com
32	DIX30, Brossard	2020	Franchise	9414-8020 Quebec Inc. (Deborah Kudzman & Jean Marois)	Esplanade DIX30, 9370 Leduc Blvd.	Brossard	QC	J4Y 0B3	514-834-0190/ 514-212-8863	Dix30@beavertails.com
33	Kingston Division St.	2020	Franchise	11096354 Canada Inc. (Ahmad Cheaito)	20 Market Street	Kingston	ON	K7L 1W8	613-561-3642	a_chaito@hotmail.com
34	Vaudreuil, QC	2021	Franchise	9437-4063 Quebec Inc. (Brent Mavridis, Chad Sadler, Josef Azam and Patrick Marcovechio)	150-3200 De la Gare Blvd.	Vaudreuil-Dorion	QC	J7V 8W5	514-886-1076	brentmavridis@gmail.com
35	The Forks MB	2021	Franchise	10057539 Manitoba Ltd (Marcel Hubert Petit and Greg Simeonidis)	The Fork National Park (Parks Canada)	Winnipeg	MB		204-782-8981	miniosminidonuts@gmail.com gregsimbo@icloud.com

All locations have entered into franchise agreements with our affiliate, BeaverTails Canada Inc.

For seasonal locations, some numbers may not be in service for the months they are not operating. Candidates are invited to either contact head office for additional numbers or use the email addresses provided.

Canadian Stores owned and operated by Franchisor's affiliate or franchisor's affiliated BeaverTails Canada Inc's affiliates.										
PERMANENT TOURIST SHOPS										
#	BeaverTails Canada Inc. designated location ID	Year Opened	Type of Business	Franchisee	Address	City	Prov State	Postal code	Telephone Number	E-Mail Address
1	St-Paul, Montreal	2020	Franchise	9062-0899 Quebec Inc. (Pino Di Ioia, Anthony Di Ioia, Patrick Marcovecchio)	136 St- Paul St. E.	Montreal	QC	H2Y 1G6	514-392-2222	patrick@beavertail.com Pino@beavertails.com anthony@beavertails.com
2	Old Québec – Petit Champlain	2009	Franchise	9429-6001 Quebec Inc (Pino Di Ioia, Anthony Di Ioia, Patrick Marcovecchio, Sylvain Ayotte, Yannick Chaptal)	28 Blvd Champlain	Québec	QC	G1K 4H7	514-392-2222	patrick@beavertail.com Pino@beavertails.com anthony@beavertails.com
3	Old Montreal	1997	Franchise	9062-0899 Quebec Inc. (Pino Di Ioia, Anthony Di Ioia, Patrick Marcovecchio)	123 de la Commune East	Montreal	QC	H2Y 1U1	514-392-2222	patrick@beavertail.com Pino@beavertails.com anthony@beavertails.com
4	Old Québec – St-Jean	2021	Franchise	9429-6001 Quebec Inc (Pino Di Ioia, Anthony Di Ioia, Patrick Marcovecchio, Sylvain Ayotte, Yannick Chaptal)	1049 St-Jean Street	Quebec	QC	G1R 4G4	514-392-2222	patrick@beavertail.com Pino@beavertails.com anthony@beavertails.com

CANADIAN TREAT TRUCKS

Treat Trucks – Mobiles

#	BeaverTails Canada Inc. designated location ID	Year Opened	Type of Business	Franchisee	Address	City	Prov.	Postal code	Telephone Number	E-Mail Address
1	Ottawa Mobile	1980	Franchise (Legacy)	Grant Hooker & Andy Cullen	79 St. Andrew St.	Ottawa	ON	K1G 5G1	613-241-3551	cullenandy@hotmail.com ottawawinterlude@beavertails.com Ottawafestivals@beavertails.com
2	GTA Toronto Mobile	2012	Franchise	8311056 Canada Ltd; (Gabriel & Karyne Wee)	2112-35 Kingsbridge Garden Circle	Mississauga	ON	L5R 3Z5	647-272-4663	BTMobileGTA@gmail.com torontomobile@beavertails.com
3	GTA Food Truck #2 - TPO	2014	Franchise	Franchisee: 8311056 Canada Ltd; (Gabriel Wee and Karyne Wee)	13850 Steeles Avenue West	Mississauga	ON	L7G 0J1	647-272-4663	BTMobileGTA@gmail.com TorontoTPO@beavertails.com
4	Oakville Mobile	2013	Franchise	1887759 Ontario Inc (Ali Al-Yassin & Nada Abbas)	5463 Freshwater Drive	Mississauga	ON	L5M 0J8	647-886-6953	bt.gtawest@gmail.com oakvillemobile@beavertails.com
5	Vaughan Mobile	2013	Franchise	1887759 Ontario Inc (Ali Al-Yassin & Nada Abbas)	5463 Freshwater Drive	Mississauga	ON	L5M 0J8	647-886-6953	bt.gtawest@gmail.com vaughanmobile@beavertails.com
6	Kitchener Waterloo – Huron Mobile I	2012	Franchise	Kleinschmidt Foods Inc. (Kelly Kleinschmidt & Stephan Kleinschmidt)	730 Dover Street South	Cambridge	ON	N3H 1M5	519-239-5524	kleinschmidt@live.com kwmobile@beavertails.com
7	Kitchener Waterloo – Huron Mobile II	2020	Franchise	Kleinschmidt Foods Inc. (Kelly Kleinschmidt & Stephan Kleinschmidt)	730 Dover Street South	Cambridge	ON	N3H 1M5	519-239-5524	kleinschmidt@live.com kwmobile@beavertails.com
8	Lac Saint-Jean Mobile	2010	Franchise	Jocelyn Perreault	124 Rue Theberge	Albane	QC	G8M 3K8	418-279-3365	jocelyn.p@hotmail.com lacsaintjeanmobile@beavertails.com

9	Manitoba Mobile	2012	Franchise	Sweet & Salty Concessions Inc. (Marcel & Jacqueline Petit)	522 Temblay Street	Winnipeg	MB	R2J 0N6	204-782-8981	miniosminidonuts@gmail.com manitobamobile@beavertails.com
10	Montreal Mobile I	2014	Franchise	9219-9538 Québec Inc (Patrick Marcovecchio)	4915 Jean Rivard	Montreal	QC	H1R 1V1	1-844-722-7867	patrick.marcovecchio@gmail.com montreal.mobile@beavertails.com
11	Montreal Mobile II	2019	Franchise	9219-9538 Québec Inc. (Patrick Marcovecchio)	4915 Jean Rivard	Montreal	QC	H1R 1V1	1-844-722-7867	patrick.marcovecchio@gmail.com montreal.mobile@beavertails.com
12	Muskoka Mobile	2011	Franchise	Ken Allen	12 Idlewood Drive	Midhurst	ON	L0L 1X1	705-790-0063	events@bttn.ca muskokamobile@beavertails.com
13	Muskoka Mini Mobile	2017	Franchise	Ken Allen	12 Idlewood Drive	Midhurst	ON	L0L 1X1	705-790-0063	events@bttn.ca muskokamobile@beavertails.com
14	Nova Scotia Mobile I	1997	Franchise	3307325 Nova Scotia Ltd. (James P. and Sonja Williams)	101 Old Coach Rd	Hatchet Lake	NS	B3T 1P6	902-789-3066	novascotiamobile@gmail.com nsmobile@beavertails.com
15	Nova Scotia Mobile II	2020	Franchise	3307325 Nova Scotia Ltd. (James P. and Sonja Williams)	101 Old Coach Rd	Hatchet Lake	NS	B3T 1P6	902-789-3066	novascotiamobile@gmail.com nsmobile@beavertails.com
16	Peterborough/Pembroke Mobile	2007	Franchise	Nick Jackson & Collen Lance	457 Boundary Rd. E	Pembroke	ON	K8A 6L2	613-635-7436	njacksn@hotmail.com peterboroughmobile@beavertails.com
17	Peterborough/Pembroke Mobile	2007	Franchise	Nick Jackson & Collen Lance	457 Boundary Rd. E	Pembroke	ON	K8A 6L2	613-635-7436	njacksn@hotmail.com pembrokemobile@beavertails.com
18	Québec Mobile I	1997	Franchise	9054-8761 Québec Inc (Robert Thériault)	550 rue Christ-Roi	Québec	QC	G0X 2L0	819-692-5722	sonia032@sympatico.ca regiondequebecmobile@beavertails.com
19	Québec Mobile II	1997	Franchise	9054-8761 Québec Inc (Robert Thériault)	550 rue Christ-Roi	Québec	QC	G0X 2L0	819-692-5722	sonia032@sympatico.ca regiondequebecmobile@beavertails.com
20	London- Mobile	2017	Franchise	Beatty Family Holdings Inc. (Bradley and Sherri Lynn Beatty)	36 Sutter St.	Stratford	ON	N4Z 1G8	519-271-3096	bradcbatty@hotmail.com londonmobile@beavertails.com.

21	Northeastern Ontario Mobile	2016	Franchise	1642261 Ontario (Raymond A. Séguin)	555 McKeown Ave,	North Bay	ON	PIB 9N7	705476-8813	Lucky131@bellnet.ca sudburymobile@beavertails.com
22	Southeastern Ontario Mobile	2017	Franchise	Study Break Ltd. (Steve Lachance)	13740 County Road 2	Morrisburg	ON	K0C 1X0	613-745-6389	steve@bytowncatering.com
23	Ajax Mobile	2016	Franchise	8311056 Canada Ltd (Gabriel and Karyne Wee)	8779 Trafalgar Road	Georgetown	ON	L7G 4S5	647-272-4663	btdmobilegta@gmail.com ajaxmobile@beavertails.com
24	Calgary Mobile	2017	Franchise	1990265 Alberta Ltd. (Neon Azaq Inc.- Nollan and Rejima Lucido)	2534 Eversyde Av. SW	Calgary	AB	T2Y 5G8	403-714-4127	neon.azaq@yahoo.com calgarymobile@beavertails.com
25	South Shore Mobile I	2017	Franchise	9363-5977 Quebec Inc. (Sylvain Ayotte et al.)	1040 Principale	St-Dominique	QC	J0H 1L0	450-501-8797	Sylvainayotte1978@hotmail.com
26	South Shore Mobile II	2019	Franchise	9363-5977 Quebec Inc. (Sylvain Ayotte et al.)	1040 Principale	St-Dominique	QC	J0H 1L0	450-501-8797	Sylvainayotte1978@hotmail.com
27	South Shore Mobile III	2020	Franchise	9363-5977 Quebec Inc. (Sylvain Ayotte et al.)	1040 Principale	St-Dominique	QC	J0H 1L0	450-501-8797	Sylvainayotte1978@hotmail.com
28	Kelowna Mobile	2018	Franchise	Coyle Mobile Pastries Inc. (Kristin Coyle and Jason Coyle)	1593 Ellis Street	Kelowna	BC	V1Y 2A7	250-801-2540	Jasoncoyle19@hotmail.com
29	Cape Breton Island Mobile	2018	Franchise	3284958 Nova Scotia Ltd. (Robert Walker and Karen Walker)	12 Edgewater Close	Dartmouth	NS	B2W 6S3	902-989-6427	bkwalker@eastlink.ca
30	Regina Mobile	2019	Franchise	S&S Catering Inc. (Nina Ding)	2916 Grant Rd	Regina	SK	S4S 5G4	306-580-3068	Ninading0330@gmail.com
31	Sault Ste. Marie Mobile	2019	Franchise	1972703 Ontario Inc. (Sheila Purvis, Jeffrey Dicorpo)	1286 Old Garden River Road	Sault Ste. Marie	ON	P6A 6J8	705-253-8325	sheila.purvis@purvismarine.com
32	New Brunswick Mobile	2019	Franchise	711446 N.B. Ltd. (Tammy and Chris Sauveur)	190 Willshire Way,	Moncton	NB	E1G5J1	506-878-2521	Newbrunswickmobile@gmail.com

33	Vancouver Mobile	2019	Franchise	1224637 B.C. Ltd. (Gurman Singh)	6721 121A Street	Surrey	BC	V3W0H8	778-387-1307	Contact.gurman@yahoo.com
34	Victoria Mobile	2020	Franchise	Island Tails Treat Fleet Inc. (Mark and Rebecca Mebs)	1658 Hybury Place	Victoria	BC	V3W1A2	250-208-6331	mark@islandtreatfleet.com
35	Northwestern Ontario Mobile	2021	Franchise	Graham & Graham Trading Co (Andrew and Eva Graham)	100 Little Lake Rd.	Kenora	ONT	P7J1L2	807-464-3635	agraham.ggconsult@outlook.com

All locations have entered into franchise agreements with our affiliate, BeaverTails Canada Inc.

For seasonal locations, some numbers may not be in service for the months they are not operating. Candidates are invited to either contact head office for additional numbers or use the email addresses provided.

EXHIBIT F

OPERATIONS MANUAL TABLE OF CONTENTS

Each section of the Operations Manual will be provided as a separate electronic page, or series of pages, that may vary in size and number depending on the settings you select on your computer. As such, this Table of Contents is not divided into page numbers.

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EXHIBIT G
STATE ADDENDUM

MINNESOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

State Cover Page and Item 17, Additional Disclosures:

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside of Minnesota, requiring waiver of a jury trial or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document shall abrogate or reduce any of your rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required.

Item 13, Additional Disclosures:

The Minnesota Department of Commerce requires that a franchisor indemnify Minnesota Franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's trademark infringes upon the trademark rights of the third party. The franchisor does not indemnify against the consequences of a franchisee's use of a franchisor's trademark except in accordance with the requirements of the franchise agreement, and as the condition to an indemnification, the franchisee must provide notice to the franchisor of any such claim immediately and tender the defense of the claim to the franchisor. If the franchisor accepts tender of defense, the franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

Item 17, Additional Disclosures:

Any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of the State of Minnesota or in the case of a partnership or corporation, organized or incorporated under the laws of the State of Minnesota, or purporting to bind a person acquiring any franchise to be operated in the State of Minnesota to waive compliance or which has the effect of waiving compliance with any provision of the Minnesota Franchise Law is void.

We will comply with Minn. Stat. Sec. 80C.14, subds. 3, 4 and 5, which requires, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure), 180 days notice for nonrenewal of the Franchise Agreement, and that consent to the transfer of the franchise will not be unreasonably withheld.

Minnesota Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§80C.01 – 80C.22.

The limitations of claims section must comply with Minn. Stat. Sec. 80C.17, subd. 5.

Exhibit G – Disclosure Acknowledgment Addendum.

Exhibit G of this disclosure document is amended to delete Acknowledgment No. 5.

MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 4 which requires that except for certain specified cases, that franchisee be given 180 days' notice for non-renewal of this Franchise Agreement.

The Minnesota Department of Commerce requires that franchisor indemnify franchisees whose franchise is located in Minnesota against liability to third parties resulting from claims by third parties that the franchisee's use of franchisor's trademarks ("Marks") infringe upon the trademark rights of the third party. Franchisor does not indemnify against the consequences of a franchisee's use of franchisor's trademark but franchisor shall indemnify franchisee for claims against franchisee solely as it relates to franchisee's use of the Marks in accordance with the requirements of the Franchise Agreement and franchisor's standards. As a further condition to indemnification, the franchisee must provide notice to franchisor of any such claim immediately and tender the defense of the claim to franchisor. If franchisor accepts tender of defense, franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22.

With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 3 which requires that except for certain specified cases, a franchisee be given 90 days' notice of termination (with 60 days to cure). Termination of the franchise by the franchisor shall be effective immediately upon receipt by franchisee of the notice of termination where its grounds for termination or cancellation are: (1) voluntary abandonment of the franchise relationship by the franchisee; (2) the conviction of the franchisee of an offense directly related to the business conducted according to the Franchise Agreement; or (3) failure of the franchisee to cure a default under the Franchise Agreement which materially impairs the goodwill associated with the franchisor's trade name, trademark, service mark, logo type or other commercial symbol after the franchisee has received written notice to cure of at least twenty-four (24) hours in advance thereof.

According to Minn. Stat. Sec. 80C.21 in Minnesota Rules or 2860.4400J, the terms of the Franchise Agreement shall not in any way abrogate or reduce your rights as provided for in Minn. Stat. 1984, Chapter 80C, including the right to submit certain matters to the jurisdiction of the courts of Minnesota. In addition, nothing in this Franchise Agreement shall abrogate or reduce any of franchisee's rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedy provided for by the laws of the State of Minnesota.

Any claims franchisee may have against the franchisor that have arisen under the Minnesota Franchise Laws shall be governed by the Minnesota Franchise Law.

The Franchise Agreement contains a waiver of jury trial provision. This provision may not be enforceable under Minnesota law.

Franchisee consents to the franchisor seeking injunctive relief without the necessity of showing actual or threatened harm. A court shall determine if a bond or other security is required.

The Franchise Agreement contains a liquidated damages provision. This provision may not be enforceable under Minnesota law.

Any action pursuant to Minnesota Statutes, Section 80C.17, Subd. 5 must be commenced no more than 3 years after the cause of action accrues.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:
BEAVERTAILS USA INC.

FRANCHISEE:

By: _____
Its: _____
Date: _____

By: _____
Its: _____
Date: _____

NEW YORK ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

Cover Page, Additional Disclosure.

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT C OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NYS DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

Item 3, Additional Disclosure. The last sentence in Item 3 is deleted and replaced with the following:

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has any administrative, criminal, or a material civil or arbitration action pending against him alleging a violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegations.

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has been convicted of a felony or pleaded nolo contendere to any other felony charge or, during the ten-year period immediately preceding the application for registration, been convicted of a misdemeanor or pleaded nolo contendere to any misdemeanor charge or been found liable in an arbitration proceeding or a civil action by final judgment, or been the subject of any other material complaint or legal or arbitration proceeding if such misdemeanor conviction or charge, civil action, complaint, or other such proceeding involved a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegation.

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, is subject to any currently effective injunctive or restrictive order or decree relating to franchises, or under any federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities

exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

Item 4, Additional Disclosure. Item 4 is deleted and replaced with the following:

Neither we nor any of our predecessors, affiliates, or officers, during the 10-year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of the franchisor held this position in the company or partnership.

Item 5, Additional Disclosures.

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

Item 17, Additional Disclosures.

The following is added to the Summary sections of Item 17(c) and 17(m): To the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Section 687.4 and 687.5 be satisfied.

The Summary section of Item 17(d) is deleted and replaced with the following language: You may terminate the agreement on any grounds available by law.

The following is added to the Summary section of Item 17(j): No assignment will be made except to an assignee who in good faith and judgment of the franchisor is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

The following is added to the Summary sections of Items 17(v) and 17(w): The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

NEW YORK ADDENDUM TO FRANCHISE AGREEMENT

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Section 680 - 695 may not be enforceable.

Any provision in the Franchise Agreement requiring franchisee to sign a general release of claims against franchisor does not release any claim franchisee may have under New York General Business Law, Article 33, Sections 680-695.

The New York Franchise Law shall govern any claim arising under that law.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:
BEAVERTAILS USA INC.

FRANCHISEE:

By: _____

Its: _____

Date: _____

By: _____

Its: _____

Date: _____

EXHIBIT H
DISCLOSURE ACKNOWLEDGMENT ADDENDUM

FRANCHISEE DISCLOSURE ACKNOWLEDGMENT ADDENDUM

Applicant _____
(If corporation) State of Incorporation _____
Address of Applicant _____
Location (Territory) Applied For _____

1. I have received all appropriate disclosure documents for the State(s) of _____ at least fourteen (14) calendar days, exclusive of the day I received them and the day I signed them, before signing the Franchise Agreement and/or payment of any monies.

2. I have signed and returned to Franchisor the acknowledgment of receipt for each disclosure document given me.

3. I have had an opportunity to read the Franchise Agreement thoroughly and understand all of Franchisor's covenants and obligations and my obligations as a franchisee of the BeaverTails® system. I understand that the Franchise Agreement contains all obligations of the parties and that Franchisor does not grant to me under the Franchise Agreement any right of first refusal.

4. I understand that this franchise business, as in all business ventures, involves risk and despite assistance and support programs, the success of my business will depend primarily upon me and my ability.

5. I acknowledge and agree that the franchise business may be impacted by many risks, including those outside the Franchisor's or my control such as economic, political or social disruption, including epidemics or pandemics or similar events, such as COVID-19 ("Events"). In addition, I acknowledge and agree that these Events and any preventative or protective actions that federal, state, and local governments may take in response to an Event may result in a period of business disruption, reduced customer demand, and reduced operations for the franchised business, and that the extent to which an Event impacts the franchised business will depend on future developments which are highly uncertain and which the Franchisor cannot predict.

6. Except for fill in the blank provisions or for negotiated changes that I initiated, I received a copy of the revised Franchise Agreement or related agreement at least seven (7) calendar days before the date on which the Franchise Agreement or related agreement was signed.

7. I understand that Franchisor has a national marketing and promotional program which is not directed towards any specific franchise territory but is intended to benefit the entire BeaverTails® system. I further understand that amounts from the national marketing and promotional fund will be used, among other purposes, to offset in-house expenses incurred in providing marketing services, media planning and network marketing support, and providing market intelligence through analytics to the BeaverTails® system.

8. If I was referred to Franchisor by a franchise broker or referral source, the name of that franchise broker(s) or referral source(s) is _____.

9. I have had no promises, guarantees or assurances made to me and no information provided to me relative to earnings, revenues, profits, expenses or projected revenues for this franchise, except as disclosed in the disclosure document. If I believe that I have received any such promises, guarantees, assurances or information, I agree to describe it below (otherwise write "None").

Applicants' Acknowledgment:

Name: _____
Date: _____

Name: _____
Date: _____

EXHIBIT I
STATE EFFECTIVE DATES AND RECEIPTS

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration as of the Effective Date stated below:

State	Effective Date
California	See Separate FDD
Hawaii	See Separate FDD
Illinois	See Separate FDD
Indiana	See Separate FDD
Michigan	See Separate FDD
Minnesota	Pending
New York	Pending
South Dakota	See Separate FDD
Virginia	See Separate FDD
Wisconsin	See Separate FDD

Other states may require registration, filing or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT

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 BeaverTails USA Inc. ("BT") offers you a franchise, BT must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, BT or its affiliate in connection with the proposed franchise sale. Iowa and New York require that BT gives you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that BT gives 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 BT 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, D.C. 20580 and those state administrators listed on Exhibit D.

Issuance Date: April 28, 2022.

The franchisor is BeaverTails USA Inc., located at 3700 St-Patrick, Suite 106, Montreal, Quebec, H4E 1A2. Its telephone number is (514) 392-2222.

BT's franchise sellers involved in offering and selling the franchise is Scott Reid, Director of Franchise Development, and/or Anthony Di Ioia, Joseph Pino Di Ioia, Tina Serrao, Patrick Marcovecchio, BeaverTails USA Inc., 3700 St-Patrick, Suite 106, Montreal, Quebec (514) 392-2222 or is listed below (with address and telephone number), or will be provided to you separately before you sign a franchise agreement: _____.

BT authorizes the respective state agencies identified on Exhibit D to receive service of process for BT in the particular state.

I have received a disclosure document with an issuance date of April 28, 2022, that included the following Exhibits:

- | | |
|---|--|
| A. Financial Statements | E. Franchisee List |
| B. Franchise Agreement (and exhibits) | F. Operations Manual Table of Contents |
| C. Multiple Store Development Agreement (and exhibits) | G. State Addendum |
| D. List of State Administrators/Agents for Service of Process | H. Disclosure Acknowledgment Addendum |
| | I. State Effective Dates and Receipts |

Date: _____
(Do not leave blank)

(Print Name of Prospective Franchisee (For Entity))

By: _____

Its: _____

Signature _____

(Print Name of Prospective Franchisee (For Individuals))

Signature _____

Copy for Franchisee

RECEIPT

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 BeaverTails USA Inc. ("BT") offers you a franchise, BT must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, BT or its affiliate in connection with the proposed franchise sale. Iowa and New York require that BT gives you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that BT gives 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 BT 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, D.C. 20580 and those state administrators listed on Exhibit D.

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|---|--|
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| D. List of State Administrators/Agents for Service of Process | H. Disclosure Acknowledgment Addendum |
| | I. State Effective Dates and Receipts |

Date: _____
(Do not leave blank)

(Print Name of Prospective Franchisee (For Entity))

By: _____

Its: _____

Signature _____

(Print Name of Prospective Franchisee (For Individuals))

Signature _____

Please sign and date both copies of this receipt, keep one copy (the previous page) for your records, and mail one copy (this page) to the address listed on the front page of this disclosure document or send to Pino Di Ioia by email to pino@beavertails.com or by fax to (514) 392-2223.

Copy for BeaverTails USA Inc.