

Franchise Owner Supplement

TO NAVIGATE WITHIN THIS DOCUMENT:

- Click or tap blue linked text.
- To search, press **Ctrl-F** (or **Command-F** on a Mac) for Find. On a tablet or phone, choose **Find** from the menu of the browser or app.

Some links lead to items on FRESHnet, typically requiring login by a Franchise Owner or Store Manager.

Some of the information contained in this manual may have potential legal implications for the reader. **This information is not meant to be a comprehensive treatment of the law, nor is this intended as legal or accounting advice, but rather as a practical tool to help you to better manage your business and train your team members.** If you have any concerns or questions about the potential legal implications of this information, you should seek legal advice from your own attorney. You should not rely on this information alone.

It is strongly recommended that you seek independent legal and accounting advice when issues arise that require a legal or accounting opinion.

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Market Development Policy

This section sets out our market development policy. The purpose of this market development policy and procedure is to ensure that:

- ◆ Every Papa Murphy's Franchise Owner understands the procedures that Papa Murphy's International LLC (PMI) uses to establish additional store locations.
- ◆ Papa Murphy's Franchise Owners are given an opportunity to provide input on proposed locations.
- ◆ Existing Papa Murphy's Franchise owners in a market have an opportunity to request additional locations before they are offered to other prospective owners.

Periodically PMI conducts development meetings in each market where additional growth is planned. Existing Franchise Owners within the DMA will be notified of the meeting in advance. At this meeting, the overall development plan and targeted intersections (TIs) for new Papa Murphy's stores within the DMA will be discussed. Franchise Owners will have the ability to comment on the proposed placement of new Papa Murphy's stores.

- [1] PMI develops and maintains plans for the development and placement of stores for each DMA in which we are currently developing ("Development Plan"). These plans include TIs PMI deems suitable for development. TIs represent trade areas where a store may be built but not actual sites.
- [2] At its discretion regarding the timing and frequency of such a meeting for any market, PMI will conduct a Development Meeting to review the Development Plan for the DMA. Franchise Owners have 21 days from the date of the Development Meeting (the "Comment Period") to provide input on proposed locations in the form of a request for or contest of the proposed TI, as described below.
 - **To request a Franchise Agreement for a TI:** Franchise Owners must submit a written request to their Regional Business Director during the Comment Period to formally request to enter into a franchise agreement for a TI. Previous requests will not be considered and a new request must be submitted.
 - **To contest a Targeted Intersection:** Franchise Owners must submit a written statement to contest a TI including all relevant information supporting their statement to their Division Vice President and Regional Business Director within the Comment Period. Relevant information must include the reasons and rationale the Franchise Owner believes PMI should postpone development of the Targeted Intersection.
- [3] Within approximately 30 days after the end of the Comment Period, members of PMI's Real Estate Committee will review comments submitted from Franchise Owners and determine the status of newly proposed TIs. PMI will publish a list to the DMA of proposed TIs within the DMA that were approved by PMI's Real Estate Committee, as well as which owners were awarded those TIs, if any.

- [4] PMI will review all requests for TIs and determine if the requesting Franchise Owner is prepared, qualified, and approved, in PMI's sole discretion, to pursue additional store development. If multiple Franchise Owners request the same TI, PMI will decide in its sole discretion which owner may enter into a franchise agreement to open a store at the subject TI. In determining TI awards, PMI may consider a variety of factors, which may include but are not limited to proximity to a Franchise Owner's other stores, operational ratings, adherence to PMI policies and programs, financial and operational capability, and other criteria deemed appropriate in PMI's sole discretion.
- [5] After the Comment Period, **if a Franchise Owner submits a proposed site within one-half mile of an approved TI**, no additional review or notification about the development in this area will occur.
- [6] **If a Franchise Owner submits a request for a site that is more than one-half mile from an approved TI or was not on the list of approved TIs**, notice of the proposed site will be given to all Franchise Owners in the DMA. Franchise Owners in the DMA shall have 14 days from their receipt of the notice to contest or request the TI (as described in Step 2 above) regarding the proposed site. PMI will complete Steps 3-5 above and render a final decision about the proposed site and, if applicable, which Franchise Owner shall be awarded the opportunity to develop the proposed site. The Franchise Owner submitting the proposed site will not necessarily be the Franchise Owner awarded the site; however, it will be a factor considered along with other evaluation factors discussed in Step 4.
- [7] There may be occasional instances where desirable retail space is available in a TI and the Franchise Owner previously awarded the TI has forfeited or voluntarily relinquished his rights in it. In such circumstances, PMI may shorten or eliminate any notice or Comment Period that would otherwise be required under this policy, and instead transfer the award of the TI to a Franchise Owner who, in PMI's sole discretion, is willing, prepared and qualified to develop the site promptly to secure available real estate.
- [8] Any territory included in an Area Development Agreement (ADA) is exempt from this process. There is no contestation period for any stores within the defined boundary.

When the approved Targeted Intersection list is published, no further comments will be accepted until after the next Development Meeting.

This statement is intended solely to set forth PMI's policies and procedures regarding the placement of new PMI stores and may be modified or amended by PMI at any time without notice. Nothing in this statement is intended to amend the Franchise Agreement or any other contract between any PMI Franchise Owner and PMI.

New Store Opening Development Billing Program

A single, easy-to-follow process for opening stores faster by removing the significant up-front investment burden of prepayments. The Development Billing Program streamlines reviewing and consolidating quotes, vendor payments, and tracking incurred costs. All new stores are required to use the Development Billing Program.

- ▶ Refer to the **Development** page of **FRESHnet** for more information on the Development Billing Program.

New Store Opening Support

Papa Murphy's provides support for new store opening. The support you receive will be dependent on whether you are a new Franchise Owner or an existing Franchise Owner opening another store. Your Regional Business Director or District Business Leader will discuss and develop the support plan for your new store opening.

Equipment

The equipment package Papa Murphy's requires has been selected based on standard operating procedures and requirements to efficiently and effectively serve our customers and to positively communicate the Papa Murphy's brand. Not all used equipment is compatible with the CREATE Store Design. All new Papa Murphy's Franchise Owners must purchase new items for their first store to ensure they have experience with Papa Murphy's specific needs before evaluating any used equipment (for future projects). Equipment is anything that does not fall under smallwares and includes but is not limited to:

- Point of Sale equipment (POS)
- Refrigeration units including Makelines, display cases, coolers, etc.
- Mixers
- Sheeters
- Sinks

- ▶ **Note:** For a list of smallwares, see *Ingredient Preparation* within the [Customer Focus section](#) of the Operational Excellence Standards Manual on FRESHnet.

- ▶ Refer to [Store and Equipment Specifications](#) on **FRESHnet** for more information on Used Equipment Requirements for new stores and relocations.



Office setup

To assist Franchise Owners in setting up their offices, Papa Murphy's recommends the following:

- ◆ 1 to 2 drawer locking file cabinet (minimum)
- ◆ 1 Desk or desk top
- ◆ 1 Office chair
- ◆ 1 Safe

The office should have the following:

- ◆ Crisis Management manual
- ◆ LSM Manual
- ◆ Blank forms
- ◆ Equipment manuals
- ◆ One Bite at a Time training program
- ◆ Computer with DVD player
- ◆ POS back office system and manuals



Team member files should be locked at all times.

A **locking file cabinet** should be used for:

- ◆ Blank forms
- ◆ Vendor files
- ◆ Team member files (locked drawer)
- ◆ Other files
- ◆ Uniforms
- ◆ Office supplies
- ◆ Tools

It is recommended that files include:

- ◆ Blank Forms
 - Master Availability
 - W-4s
 - I-9s
 - Personnel Change Notice
 - Employee Handbooks
- ◆ Personnel files
 - Performance appraisals
 - Counseling reports
 - Incident reports
 - Completed job applications
- ◆ Worker's Compensation
 - ▶ **Note:** Check with your local department of labor for requirements.
- ◆ Other
 - Peel-A-Deal Agreements
 - Unpaid Invoices
 - Vendor Files (several)

- ▶ Some of the forms can be found [on FRESHnet](#). Other forms you will need to develop yourself or with the help of an outside vendor, such as Paychex.

The **safe** should hold cash and other items of value, such as:

- ◆ Peel-A-Deal cards

It is recommended that the safe be bolted to the floor in the FOH (refer to construction documents for placement).

Additional recommended supplies include the following.

Misc. Supplies Needed	Office Supplies
<ul style="list-style-type: none"> • Tool Kit • Clothes hamper (bar towels and uniforms) • 30 shirt hangers (if washing in-store) • Uniform rack (if storing in-store) • Label maker with cartridge • Trash can w/ lid for bathroom • Clock for FOH and BOH • Lockers for team members • First Aid Kit — ordered through vendor (required) • Thermometers for all refrigeration units (required) • Bulletin board for crew communication • Store keys for Franchise Owner, Store Manager, and anyone else • 3 picture frames for food permit and licenses • 10 packs of 3M self-adhesive hooks for hanging hats • Double-sided Velcro or magnets for Job Aids • Wireless doorbell — if none with alarm • Toilet brush and plunger 	<ul style="list-style-type: none"> • Adding machine/calculator • Adding machine/calculator paper • 6x9 envelopes for mail • 18x12 cork board • Push pins • Scissors • Stapler and staples • 3 clipboards • 1 box of black permanent markers • Black and red pens • Counterfeit pens • Tape holder with refills • 2 box knives • Rubber bands • 3-hole punch • Desk organizer for pens, pencils, etc. • Hanging file folders • Coin tray for safe • Bank bags with zipper • Dry erase board • Stopwatch

Permanent Store Closure

Permission is required to close a store during the term of Franchise Agreement. A request must be submitted 45 days before expected closure date.

Core Menu

Approved Product

Papa Murphy's International LLC provides a list of approved items that conforms to the specifications or standards established by PMI. Approved ingredients are to be used in the preparation or production of products sold at Papa Murphy's stores.

- ▶ For a complete list of product and ingredient specifications, refer to the Customer Focus section of the OESM [on FRESHnet](#).

The approved ingredient specifications are updated as necessary to reflect any additions or changes and distributed to the system via the Weekly Ops Blast. Any Franchise Owner seeking to have any other items approved for use at the store level must obtain written approval from PMI.

Papa Murphy's approved products are characterized by the following three categories.

- ◆ **Required Products** that build the brand as demonstrated by the strong performance across the system.

All stores in the system must carry required products.
- ◆ **Optional Products** that support the brand regionally the Designated Market Area (DMA) has elected to carry in all stores throughout the DMA.
- ◆ **Limited Time Offers (LTOs)** products are designed to generate awareness of a category, leverage a seasonal flavor, or test new platforms.

Optional and LTO products are voted on at a DMA level. Stores within a DMA that has voted not to carry an optional or LTO product may not carry that product. A store's menuboard and take home menus must match.

Every DMA will have the ability to vote on optional products. Menuboards and take home menus at stores in a DMA that have voted to carry optional products must be updated at the sole expense of the Franchise Owner or DMA (if the DMA has voted to pick up the expense).

All stores within a DMA that have voted to carry an optional or LTO product must carry the product. Stores may not carry an optional or LTO product that the DMA has voted not to support.

Proprietary Product

Any product or ingredient manufactured by a formula owned by Papa Murphy's International LLC is subject to the specifications established by Papa Murphy's International LLC and must be used. The Dough Mix and the Papa Murphy's sauce are examples of proprietary products manufactured for PMI and its licensed Franchise Owners.

Substitution of these products is strictly prohibited.

Private Labeled Product

Any product bearing the private PMI label meets the specifications as established by PMI. For contract buying and price considerations, PMI may approve private label product for use by its Franchise Owners.

The use of non-private labeled product when a private labeled product is available is prohibited.

Approved Suppliers and Distributors

Only suppliers and distributors approved by PMI can be used by Franchise Owners. This includes beverage, local produce, and distribution centers.

Any Franchise Owner wishing to have a supplier or distributor approved must notify PMI of their intent and receive written approval from PMI before commencing business with a supplier or distributor.

New Product Development

Any Franchise Owner seeking to have any other ingredients or products approved for use at the store level must obtain written approval following these product test procedures:

- ◆ A "Product Test Request" must be completed by the Franchise Owner and approved by PMI before testing any new product not listed on the core menu or approved products list.
- ◆ The test requests are first sent to the Regional Business Director. After he/she signs off, it then goes to the Product Development Department at the Support Center for further review and approval/disapproval.

Product Pricing

Papa Murphy's reserves the right to set maximum prices.

Required Products

Any pizza not on this list may be made on request if the approved ingredients are on hand, but may not be added to the menu board or take-out menus.

Pizza Sizes

- ◆ Large, Family (Medium required to be available, but not required to be listed on menus)
- ◆ Stuffed and Thin/Gourmet Delite Pizza: Large and Family
- ◆ Fresh Pan: Large
- ◆ Crustless Pizzas

Signature Required Products

- ◆ Cowboy
- ◆ Chicken Garlic
- ◆ Papa's All Meat
- ◆ Murphy's Combo

Gourmet Delite Required Products

- ◆ Chicken Bacon Artichoke
- ◆ Herb Chicken Mediterranean
- ◆ Gourmet Vegetarian

Stuffed Required Products

- ◆ 5-Meat
- ◆ Chicago Style
- ◆ Chicken Bacon

Non-Menuboard Required Products

- ◆ Signature Pepperoni
- ◆ Hawaiian

Seasonal Required Products

- ◆ Jack-O-Lantern (Halloween)
- ◆ Heartbaker (Valentine's Day & Mother's Day)

AOS-Dessert Required Products

- ◆ Chocolate Chip Cookie Dough
- ◆ Cinnamon Wheel
- ◆ S'mores Bars

AOS-Salad Required Products

- ◆ Garden Salad (required)
- ◆ Minimum of 2 and maximum of 3 optional salads (from optional list) must be carried.

► **Note:** Optional salads must be voted on by DMA and carried in all stores within a DMA or market.

AOS-Sides Required Products

- ◆ Mini Murph Make 'n' Bake Pizza Kit for Kids
 - Pepperoni
 - Cheese
- ◆ Scratch-Made 5-Cheese Bread

Optional Products

Stores may carry a minimum of four and a maximum of six optional pizzas on take home menus and menu board. DMAs must vote to carry the same optional items. To find out what your DMA requires, contact your Regional Business Director/District Business Leader.

Signature Optional Products

- ◆ Papa's Favorite Pizza
- ◆ Taco Grande Beef – Seasonal only
- ◆ Taco Grande Chicken – Seasonal only
- ◆ Garden Veggie
- ◆ BBQ Chicken
- ◆ Classic Italian
- ◆ Rancher
- ◆ Chicken Bacon Ranch

Gourmet Delite Optional Products

- ◆ Thai Chicken
- ◆ Greek Pepperoni
- ◆ Tuscan Chicken

Stuffed Optional Products

- ◆ Big Murphy

AOS-Salad Optional Products

- ◆ Club Salad
- ◆ Caesar Salad
- ◆ Chicken Caesar Salad
- ◆ Italian Salad
- ◆ Mediterranean Salad
- ◆ Chicken Bacon Artichoke
- ▶ **Note:** Optional Salads must be carried in all stores within a DMA or market, selected through a DMA vote.

AOS-Sides Optional Products

- ◆ Classic Cheesy Bread
- ▶ **Note:** Classic Cheesy Bread must be carried in all stores within a DMA or market.



Stores must carry a minimum of two optional salads. Optional salads must be chosen and carried by an entire DMA/market based on a DMA vote.

Store Design, Décor, and Signage

Papa Murphy's International LLC must approve any interior and exterior building plans, décor packages, or site plan/store flow for new store opening, remodel, relocation, or disaster recovery/major repair. Approval must be received before materials are ordered and construction is started.

Exterior design, signage, use of logos and trademarks, interior design, furnishings, colors, fixtures, equipment, marketing materials and menu boards must conform to the standards and specifications outlined in current Store, Equipment, Décor, and Finishes Specifications and other manuals and policies.

▶ Refer to the [Equipment information](#) in this section for detailed information on equipment requirements.

- ◆ Exterior signs are on (at a minimum) from dusk until close of business.
- ◆ Hours of operation signage
 - Hours can be printed on take home menus, but not on menuboards.
 - Hours will appear professionally on the door or on the window close to the door, as specified by your store plans.
 - ▶ **Note:** Store Hours signs can be ordered from the PMI Marketing Center. For holiday hours or unexpected closures, hours of operation signs are available [on FRESHnet](#).
- ◆ In-store décor and signage
 - Our brand presents a high quality image, and signs that are not consistent with our brand should not be posted. Artwork is available for local customization in case of last minute needs (such as a product recall, unexpected store closure, or holiday hours).
 - The only approved signage is: the elements that are included as part of the store build out, PMI developed and disseminated training materials, and elements from the periodic “marketing kits,” which include materials specific to promotions and other activities provided by PMI.
 - Due to the sensitive nature of the material, any religious or political signage is not allowed.
 - Whiteboards for in-store specials are not allowed. Any stores with manager’s specials should post these items within their stanchion (non-CREATE stores) or digital specials board (CREATE stores). These local materials must be developed by the PMI Studio or approved by the PMI Studio if developed locally.
 - Community bulletin boards are not allowed. Some local activities, such as DMA-wide sponsorships, may involve in-store elements of a promotional nature that are not part of a marketing kit supplied by PMI. These local materials must be developed by the PMI Studio or approved by the PMI Studio if developed locally. If your DMA is participating in such activity, contact your Regional Business Director/District Business Leader for clarity of what items have been approved for use.
- ◆ Vending machines, games, jukeboxes, candy dispensers, gumball machines, musical devices, radios, and televisions are not permitted in any Papa Murphy's location unless specified in the current Store, Equipment, Décor, and Finishes Specifications.
 - ▶ **Note:** non-offensive background music at a low volume is permitted during operating hours when piped in using a licensed and paid service.

All requests for changes or exceptions to the guidelines provided in this section must be approved in writing by Papa Murphy's International LLC before construction or implementation.

If Papa Murphy's requires any changes in or additions to premises, fixtures, furnishings or equipment (including computer and information systems), Franchise Owners must — subject to certain limits in your Franchise Agreement — do so at their sole expense, within the time that we reasonably require.

- ▶ For more information regarding this section, refer to the current **Store, Equipment, Décor, and Finishes Specifications** on [FRESHnet](#).

Trademarks and Logos

A trademark is a word or symbol used to identify us and distinguish us from our competitors. Our trademarks make Papa Murphy's recognizable to consumers and attract them to our stores and products. A trademark's value comes from our exclusive right to use the mark. For that reason, it is important to be vigilant to protect against third parties using our marks, and to let us know if you become aware of such use.






As a Franchise Owner, we have given you a license to use our marks, but keep in mind that any use of our marks requires our pre-approval.

All promotional materials and advertising by Franchise Owners must be submitted to PMI for approval before use. This includes newspaper, radio, television, POP, menu board, window banners, specialty and novelty items, signs, boxes, bags, wrappers, coupons, any print and promotions, etc.



Any use of trademarks, copyrights, logos, branded materials, etc. must be approved by PMI Graphics and/or Marketing Departments before use. These include, but are not limited to the following:

Trademarked Words
DINNER CIRCLE®
HAND MADE HOME BAKED®
LOVE AT 425®
PAPA'S FAVORITE®
PAPA-RONI®

Registered Words	
A FRESH WAY OF MAKING PIZZA®	
DELITE®	
FAVES®	
HANDMADE HOME BAKED®	
HEARTBAKER®	
JOIN THE TAKE 'N' BAKE REVOLUTION™	
MAKE IT A MEAL®	
MINI MURPH®	
MURPHY'S PIZZA™	
PAPA ALDO'S™	
PAPA MURPHY'S®	
PAPA MURPHY'S PIZZA®	
PAPA MURPHY'S TAKE 'N' BAKE PIZZA® (standard characters, stylized, and/or with design)	
PAPA-RONI®	
SPOOKY DOUGH®	
WE CAN DO THAT®	
Thick and Cheesy Homebaked Bread®	
XLNY®	

Registered Logos	
C.Y.O. CREATE YOUR OWN®	
deLITE®	
OPEN OVEN DESIGN	
PAPA MURPHY'S PIZZA (black & white with design)	
PAPA MURPHY'S PIZZA (color with design)	

PAPA MURPHY'S TAKE 'N' BAKE PIZZA (stylized and/or with design)	
PAPA MURPHY'S TAKE 'N' BAKE PIZZA (stylized and/or with design)	
PAPA MURPHY'S TAKE 'N' BAKE PIZZA (stylized and/or with design — <i>previous version</i>)	
PAPA MURPHY'S TAKE 'N' BAKE PIZZA (stylized and/or with design — <i>previous version</i>)	

Trademarked Logos	
Thick and Cheesy Homebaked Bread	
Dinner Circle®	

- ▶ For more information on trademark and logo specifications, usage, and permissions, please see the [Brand & Media Guidelines](#) on FRESHnet. For related resources, visit the [PMI Marketing Center](#).
- ▶ For information about trademarks outside the United States, contact Papa Murphy's Legal department.

Printed Materials

The PMI Marketing Center has all the printed materials you need to operate your store:

- ◆ Menu panels
- ◆ Take home menus
- ◆ Baking instructions
- ◆ Combo take home menus and baking instructions
- ◆ Bouncebacks
- ◆ AOS labels and sleeves

Stores are not approved to print these items locally or from a vendor other than an approved Papa Murphy's vendor.

Technical Requirements

Computer and Internet Requirements

Papa Murphy's relies on communication through e-mail and the internet. All new stores are **strongly encouraged to have a computer separate from the POS server** for general administrative use with high-speed internet access. We recommended an internet speed of at least 2 Mbps for upload and 20 Mbps for download. The POS server is only to be used for PMI approved applications, such as NBO/MenuLink, Configuration Center, Electronic Draft Capture, and any materials or documents pushed to the back-office server from PMI. Any uses outside of the approved uses compromise the security and integrity of the BOH server.

Some potential uses of a computer are not possible through the POS server due to security and would need to be done through a separate computer. Examples of these usages include:

- ◆ E-mail
- ◆ FRESHnet access
- ◆ Marketing material orders
- ◆ Data analysis with tools such as Excel
- ◆ Viewing online bank statements
- ◆ Confirming electronic deposits with First Data
- ◆ Olo dashboard refund reports
- ◆ Tableau
- ◆ MySLICE Rewards dashboard
- ◆ ProfitKeeper

If you elect a computer system separate from your POS server, the minimum recommendations for this computer are as follows:

- ◆ Modern Intel processor (with minimum 2.5 GHz)
- ◆ 4 GB of RAM
- ◆ 160 GB hard drive
- ◆ DVD drive
- ◆ Windows 7 or newer operating system preferred
- ◆ MS Office 2013 including Word, Excel and PowerPoint
- ◆ High-speed internet access, cable or fiber preferred (minimum 2 mbps upload and 20 mbps download)
- ◆ Antivirus software
- ◆ Anti-spyware/malware software
- ◆ Speakers
- ◆ Printer (network capable, Brother printer preferred)

Franchise Owners are ultimately responsible for the security and compliance of their computer systems.

To obtain technical support for your computer, contact the manufacturer, a third-party support provider or sales agent.

Telephone Lines

Stores are required to have a minimum of three customer phone lines and one data line. Depending on volume, you may need additional phone lines.

Payment Card Industry (PCI) Compliance

All businesses that accept credit, debit, or check cards (online or offline) are required by the Payment Card Industry (Visa, MasterCard, etc.) to take certain precautions to prevent the unlawful use or theft of credit, debit, or check card information.

- ▶ For the most complete and current information on the requirements imposed by the Payment Card Industry, contact your credit card processing company or the [PCI Security Standards Council](#).

Papa Murphy's can provide our Company Store standard protocol to address credit, debit, and check card security. This information is provided for educational and reference purposes only. This protocol will address the following areas:

- ◆ Employee training
- ◆ Antivirus software and firewall security
- ◆ Store technology equipment setup and configuration

POS System

Effective June 1, 2016, all stores must operate with an NCR POS system and meet the following requirements:

- ◆ Support through a support agreement either with Papa Murphy's Support Center or the NCR Help Desk.
- ◆ An NCR-provided security solution (included with the POS system), which provides anti-virus, security patch management, and protection against the use of unauthorized computer programs.
- ◆ Hardware support is available through NCR and strongly recommended. A more in-depth explanation can be found [on FRESHnet](#).
- ◆ Managed firewall and PCI services through Trustwave or another preferred vendor. This service is required to have a secure POS system and to meet several PCI requirements.

PMI or its agents may enter your business, physically or electronically, and have access to the POS System and data within it, along with any reports and records, to examine or audit your business at any reasonable time without notice.

Papa Murphy's requires a minimum of two front counter POS terminals, one call-in terminal, and the back office work station. However, to build the business and have enough equipment to handle customer service, three front counter POS terminals, two call-in terminals, and the back-office workstation are recommended.

Social Media

The following are guidelines on how Franchise Owners or DMAs can get the most effect out of our two primary social media channels, Facebook and Instagram.



Franchise Owners cannot have their own local Facebook business page, Instagram, or Twitter account for their store.

Facebook

- ◆ To increase engagement
 - **Increase your audience:** Grow your local fan base by asking your customers to “Like” PMI on Facebook or Instagram. The more local customers you have that follow our pages, the more benefit you receive from the brand building work and customer engagement that is being managed by our creative advertising agency, Mekanism.

Run Facebook advertisements: Facebook ads are an easy way to grow sales at your store, and are something you can manage on your own terms! For more information, please contact your local media agency.

Preferred HR Vendors

Compliance Poster Company

Compliance Poster Company offers all-on-one employment posters to help streamline compliance, including cost-saving Peel N’ Post updates that simply go over outdated postings. They guarantee compliance for all the latest state, federal and OSHA posting requirements. To insure postings stay in compliance, they provide free labor-law notification services if you sign up on their website.

- ▶ To order posters, contact Nancy Pinelo at 800-817-7678 ext. 308 or email npinelo@complianceposter.com.

talentReef

The Papa Murphy’s careers site (papamurphyscareers.com) is hosted by talentReef. Across all service industry segments, talentReef provides quality applicant flow, manages state and federal compliance, engages employees on the floor, and provides standardized tools that ensure ease of use for home office and field teams. By leveraging talentReef’s full suite of recruiting, hiring, onboarding, training, and engagement, the lifecycle of both hourly and salaried employees can be fully managed within a single social-mobile platform.

Franchise Owners who do not sign up with talentReef will have the standard store jobs listed on the Papa Murphy’s career site, and when a potential candidate clicks the “Apply” button, they will receive the following message: “We’re excited you want to be a pizza the team! Please come by the store to apply.”

Franchise Owners who choose to sign-up with talentReef will still show up on the Papa Murphy’s career site and have their own career site. This means their jobs will be posted to two career pages, Google Jobs, Indeed, and Glassdoor. There are different tier packages available to Franchise Owner’s. Please see [FRESHnet](#) for more details!



These vendors can help you manage the HR side of your business. You are not required to use them. More information about preferred vendors is [on FRESHnet](#).

Paychex

Questions about recruiting, hiring, and other employee management issues? Paychex is a resource for HR and benefits service and support.

When you enroll in this service, you'll have the option to speak directly with an HR professional or to simply access helpful materials for easy downloading.

Some of the program components available include:

- ◆ Recruiting and hiring best practices
- ◆ Sexual harassment and hostile work environment issues
- ◆ Employee handbooks
- ◆ Online HR library

▶ To schedule a complimentary business consultation with Paychex consultants specializing in working with Papa Murphy's Franchise Owners and get started with the HR solution designed to meet your needs, call 855-973-2402.

HIREtech

HIREtech is a professional tax services firm delivering government sponsored incentives to companies. HIREtech specializes in Work Opportunity Tax Credit (WOTC), a federal tax credit that reduces the federal tax liability of private-for-profit employers.

▶ Learn more about [WOTC and HIREtech](#) on **FRESHnet**.

Basic Accounting Requirements

Following are the detailed accounting forms and procedures that Papa Murphy's recommends to Franchise Owners to provide sound financial controls and accurate reporting of store operations.

Certain forms and procedures are required for all Papa Murphy's Franchise Owners. The **required** accounting forms and procedures are listed below and explained in more detail throughout this section.

These requirements must be adhered to so that audits, as provided for in franchise agreements, may be effectively performed by Papa Murphy's, taxing authorities, banks, or other stakeholders.

Accounting Requirements

- ◆ Financial statement preparation and submission (period, quarterly, annual) — part of automated P&L system
- ◆ 12-period Fiscal Calendar
- ◆ Accrual method of accounting
- ◆ Certain sales and expense line items separately reported in the Income Statement
 - Net sales is the base for calculating percentages of sales ratios.
 - Physical inventories, at a minimum, must be taken at the end of each period.
 - ▶ **Note:** For better food cost management and to maximize POS functionality, daily inventories of key items are recommended. Daily and weekly inventories must be done for the POS to accurately calculate the Prep List (including dough production) and the Suggested Order. Items cannot be removed from the Daily Inventory; however, focus items can be added.
- ◆ Document retention requirements
 - ▶ Refer to the [Record Keeping and Retention Requirements](#) later in this chapter.
- ◆ Proper procedures for:
 - Gift cards
 - Outside sales
 - Refunds
- ◆ Daily bank deposits and reconciliation

Fiscal Calendar

Papa Murphy's requires Franchise Owners to use a 12-period fiscal calendar.

- ◆ Each week begins on Tuesday and ends on Monday.
- ◆ The fiscal year-end is the Monday closest to December 31 of each year.
- ◆ The first period of each quarter is 5 weeks long, and the second and third period of each quarter have 4 weeks. So each quarter is 13 weeks long.

This 12-period fiscal calendar method offers continuity of reporting periods for Franchise Owners and the Franchise system.

- ▶ **Note:** Approximately every 6 years, period 12 has 5 weeks, making the Q4 14 weeks long and the year, 53 weeks.

- ▶ For a current copy of the period calendar, [see FRESHnet](#).

Accrual Method of Accounting

Franchise Owners must set up their accounting processes using the accrual method of accounting. Under the accrual method, purchases are recorded in the period in which the goods/services are received, not necessarily in the period they are paid for. Using the accrual method of accounting combined with performing a physical inventory of product at the end of each period assures that inventory and food costs are accurately recorded. This allows stores to match expenses against sales.

For example:

- ◆ If your normal distribution delivery is received on the last day of the period but you pay the invoice in the next period, the amount of the invoice should be accrued in the period the delivery was received.
- ◆ If the pay period ended in period 7 but the actual payroll or payday didn't happen until period 8, you would enter an accrual of the payroll amount in period 7 to ensure payroll hours worked in period 7 are expensed in period 7 and calculated against sales in period 7.

Record Keeping and Retention Requirements

Business Records

Various laws require that businesses record information relevant to the calculation and collection of taxes.

In the U.S., the IRS does not require any particular form or accounting technique for recording information, but the information must be reasonably ascertainable from the records. Various methods of storing information can be used, including paper, accountants' worksheets and computer systems.

Regulations require that all employers keep records sufficient to establish gross income, deductions, and credits. Such records would include tax returns, proof of tax payments and other business records, and records of financial transactions, such as invoices, receipts, and cancelled checks.

In addition, employers must keep any other records and data necessary to support the entries in their books and on their tax filings. Paid bills, cancelled checks, etc., that support entries in books should be filed in an orderly fashion and kept in a safe place.

Electronic images, such as scans or photos, and computerized accounting systems and supporting records of detail are considered books and records by the IRS and under most government regulations.

Business Records Retention

26 CFR, 1.6001-1(e) requires that business records be kept as long as they are material. While that is somewhat vague, **it is recommended that business records be kept at least until the statute of limitations for an income tax return expires.** After assessment, the IRS has up to 6 years to begin an audit or collection proceeding. The taxpayer has 3 years to claim a refund after filing the return, except that he/she may claim a refund of payments within 2 years after payment.

Access to Records

Local, state, and federal taxing authorities have the right to examine business books and records to verify the accuracy of your returns and taxes paid. In addition, they have the right to inspect withholding tax records. Any accounting system should be set up so that records are organized and available when requested.

Withholding Records

IRS regulations require that employers keep the following information for each team member:

- ◆ Team member's name, address, occupation, and social security number.
- ◆ Total amount and date of each wage payment, annuity and pension payments, tips reported, and the fair market value of in-kind wages paid, as well as the period of services covered by payment.
- ◆ Amount that constitutes wages subject to withholding.
- ◆ Amount of tax collected, and, if collected other than at the time payment was made, the date collected.
- ◆ If total payment and taxable amount are not equal, the reason.
- ◆ Fair market value and date of each payment of non-cash remuneration for services performed as a retail commission salesperson with respect to which no income tax is withheld.
- ◆ Beginning and ending dates of each period of absence from work for which payment was made under a wage continuation plan and sufficient information to establish the amount and weekly rate of each payment.
- ◆ Withholding allowance certificates (Form W-4) for each team member filed with employer.
- ◆ Agreement, if any, between employer and team member for withholding of additional amounts of tax.

Employers must also keep:

- ◆ Identification numbers
- ◆ Copies of returns filed
- ◆ Dates and amounts of withholding tax deposits made on deposit form.

Record Keeping

Employment records should be kept for a period of at least 6 years after the date the taxes to which they relate become due, or the date the taxes are paid, whichever is later. W-4s should be kept for as long as they are in effect and for 6 years thereafter.

The following is a list of minimum periods that store Franchise Owners should keep various records. It is intended as a general guideline; you should check relevant laws to see if longer periods may be required:

- ◆ Validated deposit slips: 4 years
- ◆ Other forms and receipts: 4 years
- ◆ Bank statements/deposit slips: 4 years
- ◆ Payroll records:
 - W-2s and W-4s: 4 years
 - Payroll tax returns: 4 years
 - Earning records: 4 years
- ◆ Expense vouchers (supporting documents for vendor payments): 4 years
- ◆ General Ledger, Annual Financial Statements, Check Registers and Journals: Indefinitely
- ◆ Personnel records (terminated team members):
 - Management/salaried: Indefinitely
 - Hourly: 3 years
 - Job Applications (non-hires): 1 year
 - I-9 File: 3 years from date of employment or 1 year after termination, whichever is later
- ◆ Insurance Records:
 - Accident reports: 6 years
 - Fire inspection reports: 6 years
 - Insurance policies (terminated): 6 years
 - Safety records: 6 years
 - Settled insurance claims: 4 years
- ◆ Corporate Bylaws, Articles, Minutes: Indefinitely
- ◆ Contracts and Agreements: Indefinitely
- ◆ Tax Returns: Indefinitely
- ◆ Cancelled checks or wire confirmations for purchase of property, payment of taxes, important contracts, capital stock or bond records: Indefinitely

Standardized Information Reporting

All Franchise Owners are required to submit the following information in the approved, standardized format on a timely basis:

- ◆ Sales and product mix data: stores will be automatically be polled nightly. Alternatively, data, such as, weekly sales (both gross and net), pizza units, AOS units, and transactions will be polled weekly.
- ▶ **Note:** Sometimes the P&L is also referred to as an Income Statement.

Financial Statements

Each Franchise Owner is required to keep a complete and accurate set of accounting books and records of the store's operations and to produce end-of-period and annual financial statements. Financial statements commonly consist of the Balance Sheet, Profit and Loss Statement (P&L or Income Statement), and the Statement of Cash Flow. At a minimum, the required financial statements must consist of a Balance Sheet and P&L.

Papa Murphy's uses an outside company, ProfitKeeper, to collect Franchise Owner P&Ls (at no charge to the Franchise Owners). ProfitKeeper streamlines the P&L collection process and provides Franchise Owners with actionable benchmarking and comparative analytics. ProfitKeeper allows Franchise Owners to:

- ◆ Upload P&Ls in minutes, after a one-time mapping process (or anytime an account changes). Because of the capability to map to ProfitKeeper, Franchise Owners have flexibility with the systems they use for maintaining their records and flexibility with their P&L formats.
- ◆ Submit multiple P&Ls based on Legal Entity.
- ◆ Access actionable benchmarking, comparative analytics and "What-If" scenarios. This is only accessible if you submit your P&L.
- ◆ Have as many log-ins as they wish to view comparative data. Keep in mind that these users will be able to see anything within the Franchise Owners Legal Entities.

The following are required when preparing financial statements:

- ◆ Financial statements are to be prepared for each fiscal period following Papa Murphy's 12-period fiscal calendar.
- ◆ Financial statements must be prepared utilizing the accrual method of accounting.
- ◆ The financial statements must be submitted electronically to Papa Murphy's within 30 days after each period end and within 90 days after the fiscal year end.

Papa Murphy's requires Franchise Owners to retain an approved bookkeeping and payroll service for the first year of operation of the store. After the first year of operation of the store, if you choose to switch service providers, you may do so but you must meet the requirements listed above.

Balance Sheet

The Balance Sheet measures the financial condition of a business on a particular date. It is made up of three sections:

- ◆ **Assets**
 - Current Assets — Items that can be turned into cash or consumed within one year, such as, cash, accounts receivable, inventory, and pre-paid expenses.
 - Non-current Assets — Items that will convert to cash or be consumed in more than one year, such as, property and equipment.
- ◆ **Liabilities**
 - Current liabilities are claims that must be satisfied in one year or less and includes items such as accounts payable, accrued payroll, and sales taxes.
 - Obligations with maturities beyond one year are designated as non-current, such as, note payable/bank debt.
- ◆ **Equity** (also called capital) — the Franchise Owner’s residual interest in assets that remains after deducting liabilities.
 - Retained earnings, a component of equity, is the sum of every dollar a company has earned since its inception, less any payments made to shareholders in the form of cash or stock dividends.

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

Assets are resources the business has available to use

Liabilities are amounts owed to outside parties

Equity is the Franchise Owner’s residual interest in the company’s assets or net assets.

Profit and Loss Statement (P&L)

The Profit and Loss Statement (P&L or Income Statement) measures the performance of a business for an accounting or fiscal period and will typically also show performance for the same period the previous year, and year-to-date performance. For comparative purposes, the operating performance of a business is traditionally measured by its success in generating earnings or the “bottom line” as shown on a P&L. Therefore, it is essential to understand and analyze the P&L on a period basis.

- ◆ For a sample period P&L statement, refer to [the example](#) later in this section.

Understanding, analyzing, and putting actions in place based on the store’s P&L Statement will help to ensure the store is operating profitably.

- ◆ **Variable Expenses** are costs that vary in direct proportion to the quantity of output. The two biggest variable costs are Labor and Food costs but also includes royalties, Advertising – Coop and ADF, fees (card processing, delivery, eComm transaction fees), supplies and smallwares. Labor is semi-variable, which means that it has a fixed and variable component. Costs can be fixed for a set level of production and become variable after this production is exceeded (in a stair-step fashion).
- ◆ **Fixed Expenses** are those costs that remain constant, regardless of production levels. Some of the biggest costs in this category include occupancy and manager labor.
- ◆ **Store Contribution** is the level at which overall store profitability is gauged, and often is identical to store EBITDA (Earnings Before Interest, Taxes, Depreciation & Amortization).



Use the P&L as a tool to control your costs, identify potential issues, and make corrective action plans.

There are several key indicators of potential profit opportunities when analyzing a P&L Statement:

- ◆ If sales are lower than benchmark and food and labor costs are high, it could mean pizzas are going out the door without being rung through POS. This could indicate potential theft or unreported sales.
- ◆ If discounts are high, it could be that incorrect discounts are being applied, team members are using discounts as a means of theft, or wasted product is being rung in and discounted instead of entered as waste in POS.
- ◆ If there are overtime expenses, it could mean the store does not have enough staff to adequately schedule. Overtime greatly affects profitability. A store should hire enough team members for their volume to avoid overtime expense.
- ◆ High repair and maintenance expenses could partly be due to not following a planned maintenance schedule or not taking care of the equipment correctly.
- ◆ High cash over/short could mean cash handling processes are not in place or not being followed.

There are several resources, tools, and tried-and-true practices that can be used by you as the Franchise Owner to analyze, audit, and train the store including, but not limited to:

- ◆ Audit reports in Configuration Center (CFC)
- ◆ NBO/MenuLink Utilization eLearning program
- ◆ Cash handling practices and processes
- ◆ Cross-training team members
- ◆ Planned Maintenance Calendar/Schedule
- ◆ NBO/MenuLink food cost and labor cost reports
 - Top 20 Item Usage Variance FIFO
 - Food Cost Inventory Summary FIFO Weekly
 - Waste
 - Stock Transfers
 - Purchase Detail by Category
 - Scheduled vs. Actual Labor
 - Time Punch Edit
 - Approaching Overtime
 - Comp and Promo Detail Report

To aid in keeping tabs on food costs, Papa Murphy's requires a physical inventory be taken a minimum of once per period. This allows for P&L reporting to be accurate and benchmark information to be calculated.

Although only a period inventory is required, there are many reasons to take a physical inventory daily and weekly.

◆ Daily Inventory

- In order for the Prep List including dough production numbers to be accurate, a daily inventory is required to be taken and entered in NBO/MenuLink. For every day an inventory is missed, it affects Dough Production for three days. In addition, Suggested Ordering will not be accurate without a daily inventory. The daily inventory has all items needed to accurately calculate the Prep List and additional items that highly impact Cost of Goods Sold (COGS) or Food Cost, such as Cheese.

◆ Weekly Inventory

- Taking a physical inventory weekly is important to manage food cost and food cost variance. When a store is focused daily and weekly on items with high variance, an action plan can be developed and implemented to impact high variance which in turn impacts profitability. Taking a weekly inventory allows your management staff to focus on key items, add those items to a daily inventory to track, and coach and counsel team members in areas where you believe there is a need for improvement, such as portioning, waste, etc.

While Papa Murphy's only requires a physical inventory once per period, we strongly recommend daily and weekly inventory to manage costs and improve profit.

- ▶ For troubleshooting and best practices related to managing inventory and food cost, refer to the [Back Office: NBO/MenuLink Utilization eLearning program](#).

Papa Murphy's Profit & Loss Statement

Acct #	Account Name	
3500	Sales-Food, Beverage, Retail/Other	A
3521	Sales-Institutional	
3600	Discounts-Sales	
3650	Discounts-Employee	B
3601	Discounts-Institutional	

Net Sales

4500	COGS	C
5000	Crew Labor	D
5100	Overtime Wages - Crew	
5700	Payroll Taxes - Crew	E
7910	Royalties	
7500	Advertising-ADF	F
7520	Advertising-CoOp	
6320	Card Processing Fees	
6330	eComm Transaction Fees	G
6335	Delivery Fees	
6000	Supplies	
6050	Smallwares	H

Total Variable Expenses

Flow Through

Acct #	Account Name	
7300	Occupancy Costs	I
6100	Utilities	
7600	Insurance	
7610	Taxes & Licenses	
6200	Repair & Maintenance	J
5001	Manager Labor	
5701	Payroll Taxes - Manager	
5210	Manager Bonus	K
5500	Employee Benefits - Store	
5800	Workers Comp	
6500	Advertising-Other	L
7510	Advertising-Print	
6110	Telephone/Broadband/Internet	
7210	POS Costs	M
7900	Other Fixed	
7350	Equipment Rent	
6220	Laundry & Janitorial	
6060	Uniforms	
6070	Shipping & Postage	
6300	Bank Fees	
7201	Accounting & Payroll Services	
6350	Cash Over/Short	N

Total Fixed Expenses

Store Contribution

Net Sales

Is used as the basis for calculating the % of sales columns for each sales and expense line item.

The P&L shows total gross sales, discounts, and net sales. Gross sales are shown so that the discount from menu price can be measured. Sales discounts should be shown as reducing gross sales so the net sales appear on the income statement.

Variable Expenses

Costs that change based on level of production. Labor is considered semi-variable, which means that it's fixed up to a certain level of production, once it exceeds that level, will become variable and move in a stair-step fashion.

Flow Through

Called "Contribution Margin" in finance speak (not to be confused with Store Contribution). Represents the amount of dollars not consumed by variable costs that can be used to cover fixed costs.

Fixed Costs

Costs that are constant, regardless of the level of production.

Store Contribution

Store profitability, which is Net Sales less Variable and Fixed costs. Represents sales and costs directly linked to a store's activity. Items like multi-unit supervision would be excluded from this section (see Admin section).

Summarized P&L:

The detailed P&L can be grouped into subcategories for a summarized view of the line items (color coded with letter designation)

<u>Grouping Header</u>	
A	Gross Sales
B	Discounts
<hr/>	
Net Sales	
C	COGS
D	Crew Labor
E	Payroll Taxes/Benefits - Crew
F	Royalties & Advertising
G	Fees
H	Other Variable
<hr/>	
Total Variable Expenses	
<hr/>	
Flow Through	
I	Occupancy
J	Repairs & Maintenance
K	Manager Labor
L	Advertising
M	Communication
N	Other Fixed
Total Fixed Expenses	
<hr/>	
Store Contribution	

Admin Section Only:

Allocations
 Direct Supervision Allocation
 General & Administrative

Total Allocations

Financing and Taxes

Interest Expense
 Depreciation & Amortization
 Income Taxes

Total Financing and Taxes

Net Income

Admin P&L:

Costs that typically are difficult to assign to one specific store, usually in the case of multi-unit operators.

Net Income:

Income after deducting Variable and Fixed Costs, Allocations, and Financing and Taxes.

Category:	Account:	Definition:
A	Gross Sales Revenue	
	Sales-Food, Beverage, Retail/Other	All other gross sales
	Sales-Institutional	Gross sales from organizations such as schools or hospitals
B	Sales Discounts	
	Discounts-Sales	Coupons, discounts and other price reductions from promotional items or offers
	Discounts-Employee	Discount given to employees
	Discounts-Institutional	Discounts to organizations such as schools, hospitals
	Net Sales	Gross Sales less Discounts
C	Cost of Goods Sold	
	COGS	Includes all food inventory and packaging delivered to the store and used in creating the product for sale, but excludes cleaning supplies and similar items.
D	Crew Labor	
	Crew Labor	Hourly wages for crew members
	Overtime Wages	Overtime wages for crew members
E	Payroll Taxes - Crew	
	Payroll Taxes/Benefits - Store	Payroll taxes include unemployment taxes (both federal and state) and FICA, benefits, vacation and sick time associated with Crew Labor as well as employee incentives, health insurance, vacation pay, 401(k), etc. for Crew Labor
F	Royalties & Advertising	
	Royalties	Percentage of Net Sales paid to PMI
	Advertising-ADF	Contribution to the Brand Marketing Fund (formerly known as the Advertising and Development Fund)
	Advertising-CoOp	Franchised Store's designated percentage contribution to your local advertising cooperative (can be different for each designated marketing area)
G	Fees	
	Card Processing Fees	Per transaction cost paid to the card processing service provider for credit/debit card
	eComm Fees	Per transaction cost paid to PMI for online transactions
	Delivery Fees	Per transaction cost paid for delivery
H	Other Variable	
	Supplies	Baking instructions, gloves, store office supplies, etc.
	Smallwares	Spatulas, bowls, utensils, knives, etc.
	Total Variable Expenses	
	Flow Through	Net Sales less Variable Expenses

Category:	Account:	Definition:
I	Occupancy	
	Occupancy Costs	Rent / lease, CAM (common area maintenance), % rent and real property taxes
	Utilities	Common utilities: electric, gas, heating, A/C, water, garbage, sewer
	Insurance	Insurance liability, property, business interruption (related to the store only) D&O and E&O
	Taxes & Licenses	Taxes, non-income: Personal property taxes levied on equipment and fixtures, business licenses, health assessments, business tax, etc.
J	R&M	
	Repair & Maintenance	Alarm/security system, pest control, non-capital repairs, etc.
K	Manager Labor	
	Manager Labor	Salaries/wages for Store Manager (May include owner salary if owner is acting as Manager, otherwise owner wages go to General and Administrative)
	Payroll Taxes - Manager	Payroll taxes include unemployment taxes (both federal and state) and FICA, benefits, vacation and sick time, associated with Manager only (May need to allocate as a % of Labor between Manager and Crew)
	Manager Bonus	Incentive paid bonuses paid to Store Managers
	Employee Benefits – Manager	Employee incentives, health insurance, vacation pay, 401(k) etc. for Managers
	Workers Comp	Insurance to cover damages associated with employee injuries occurring during the course of employment (both Crew and Store Manager)
L	Advertising	
	Advertising-Other	Local store marketing, menu printing and any advertising that is NOT ADF, Print Plan or Co-op
	Advertising-Print	Print advertising campaigns
M	Communication	
	Telephone/Broadband/Internet	Land line, mobile phones provided to workers, high-speed internet and other internet related costs
	POS Costs	NCR Related POS charges, Help Desk costs, PMI support (Not including eComm Fees)
N	Other Fixed	
	Other Fixed	Any costs not affiliated with another category, such as store décor, recruitment, dues and subscriptions, donations, etc., not included in another category (includes Other Controllables and Non-Controllables no longer used)
	Equipment rental and costs	Small office equipment, equipment rent, CRM costs
	Laundry & Janitorial	Laundry service/supplies, window washing, mat cleaning, etc.
	Uniforms	Clothing/shoes/hats for Crew Members
	Shipping & Postage	Costs for kits and other related shipping costs
	Bank Fees	Monthly bank fees and charges, including NSF checks
	Accounting & Payroll Services	Costs for either software or outside accounting/payroll services (Allocated to stores for multi-unit operators)
	Cash Over/Short	Errors in cash receipts or payments resulting in overages or shortages
		Total Fixed Expenses
	Store Contribution	Flow Through less Fixed Expenses

Admin Section Only:

Account:	Definition:
Allocations (Multi-Unit Only): Put in Admin P&L	
Direct Supervision Allocation	Multi-unit locations only: Salary for multi-store supervisor; travel, auto and mileage associated with supervising multiple stores
General & Administrative	Officer/Owner's salaries (if not acting as Store Manager), Multi-unit locations only: Meals & entertainment, owner auto expense, travel, insurance not related to the store, office supplies and costs associated with a home office for multiple store locations, asset disposal, etc.
Store Contribution Less Allocations	
Financing and Taxes: Put in Admin P&L	
Interest Expense	Interest costs associated with financing
Depreciation & Amortization	Depreciating capital purchases over the lifetime of the asset (e.g., Hobart mixer, makeline)
Income Taxes	Taxes levied directly on income
Net Income	Store Contributions less Allocations and Financing and Taxes

Papa Murphy's utilizes ProfitKeeper for collecting P&Ls. See the "Financial Statements" section for more information. To get started with ProfitKeeper, please contact them directly for instructions at the following:

- ▶ For training on how to use the ProfitKeeper system view the webinar training on FRESHnet.

Contact Us



[Get help with commonly asked questions.](#)

Customer Support: (866) 301-8050

Support Hours: M - F 8:00am - 5:00pm Arizona Time

Sales: (866) 301-8050

Fax: (480) 898-4933

Email: support@profitkeeper.com

When emailing our Support team, please include:

- Contact name
- Legal entity name
- Franchise number
- Phone number
- Question or feedback with as much detail as possible

Mailing Address:

ProfitKeeper, Inc.
6859 E. Rembrandt Avenue #120
Mesa, AZ 85212

Financial Statements and POS

There is data and information your accountant will need to ensure your financial statements are accurate. NBO/MenuLink has a variety of reports that can provide the information for financial statements. Papa Murphy's requires the P&L Statement in a specific format using the correct Chart of Accounts. Once your accountant has those, they should be able to discuss what reports/information they need to produce accurate financial statements through ProfitKeeper.

The **NBO/MenuLink** reports that will provide the data needed include:

- ◆ **Payroll Report** — team member payroll hours
- ◆ **Weekly Sales Report (WSR)** — sales information
- ◆ **Food Cost Inventory Summary FIFO Weekly** — food cost and inventory information for the Cost of Goods Sold line item of the P&L
- ◆ **Stock Transfers** if there is more than one store in the same ownership group
- ◆ **Cost Journal Summary by Vendor** gives a summary description of all invoices by vendor and/or **Purchase Detail by Category** gives detailed purchase information by category

If a store has Institutional Accounts or House Accounts, Configuration Center (CFC) can provide a House Account report for use in reconciling these accounts. The report will only be accurate if payments received in Aloha POS are posted to the account in CFC.

Other data/information CFC can provide includes:

- ◆ Tax Rates by Store
- ◆ Menu Item Prices
- ◆ Reprinting Customer Checks
- ◆ Audit Reports

Reports in CFC must be done at the store location.

It is the responsibility of the Franchise Owner to ensure the financial statements and data provided to Papa Murphy's International are accurate and true.



Additional Reports

The following reports are emailed.

- ◆ **Store Owner Report:** This monthly report shows key metrics including Sales, Units, Transactions, Cost of Goods, Labor, QSC, Mix, and more. All are shown by period, per store, and also shown against the DMA average for each DMA the Franchise Owner does business in.

International stores are not on the PMI standard POS system. Franchise Owners of those stores must use a separate application to submit their sales information to PMI. Sales Reporting Application (SRA) is where these non-POS sales are submitted to PMI. The Franchise Owner will receive a unique username and password to log into SRA. Once logged in, they will see a list of the stores they own or are co-owners of, and have the ability to enter sales for them. If the Franchise Owner needs a login for SRA or is having trouble logging in, they should contact support@papamurphys.com. A how-to guide for entering sales information is available on FRESHnet.



Payments

Royalties and Advertising Development Fund Payment

Papa Murphy's requires Franchise Owners to pay royalties, Advertising and Development Fund (ADF) fees, and certain other fees owed to us or vendors, and print and other optional amounts using ACH (Automated Clearing House) transactions. Royalties and ADF are based on Net Sales. Royalties are 5% and ADF is 2%. For print, the amount varies based on the materials each store orders.

To implement automated withdrawal, the Franchise Owner must provide Papa Murphy's with an ACH authorization form (including banking information) 30 days before store opening.



- ▶ **Note:** If there are ever changes to a bank account for royalties, gift cards, or other ACH payments, a new ACH Authorization Form is needed.

Royalties are pulled on Monday of each week for the previous full week (always a week behind.) For example, royalties were pulled on 8/24 for week ending 8/17. Each Friday, before the funds being pulled on Monday, the Franchise Owner will receive an email or other notice with the amount and breakdown.

- ▶ **Note:** Any Co-op amount due listed on the ACH notice is for informational purposes only, based on the information we have. Papa Murphy's does not pull Co-op amounts as they are pulled by each respective Co-op, and actual amount due may differ.

If funds are not available when the ACH debit occurs (NSF), the Franchise Owner will be contacted to attempt collection. Failure to pay and/or NSFs are a default under your Franchise Agreement.

PMI Billing Services

Papa Murphy's issues invoices to Franchise Owners for select services and products such as PMI Support Center, NCR Software Maintenance & Hosting, and Online Ordering. These amounts are also collected via ACH, and we may ask you to sign an additional ACH authorization in connection with those.

- ▶ To access this form or to make billing inquiries, contact billingsupport@papamurphys.com.

Each invoice provides line item detail regarding the product and/or services provided.

Banking Procedures



- ◆ **Bank reconciliations** should be performed at least monthly and as often as daily. Check with your bank to see if it can set up your bank statements on a fiscal period accounting basis to coincide with the last day of the accounting period calendar. Most banks also provide access online so you can check on deposits and/or reconcile more often than monthly.
- ◆ Set up your **credit card receipts** so that the fee is taken out in a lump sum at the end of the month instead of daily. This will make credit card deposits much easier to track.

Note that First Data is the only approved credit card provider.

- ◆ For **deposit verifications**, consider using on-line banking or calling your bank to verify that deposits credited to your account each day match your records. Late deposits can be a sign of fraud by a Store Manager, who is using the cash from a deposit for a few days before replacing it.
- ◆ To help prevent **check fraud** from occurring:
 - Secure blank checks, bank statements, and account numbers in a locked drawer, safe, or offsite.
 - Use a separate bank account for payroll checks and deposit only the exact amount of your payroll in this account each pay period.
 - Reconcile your bank statement immediately after receiving it.
 - Check bank balances and check clearing activity with your bank on-line or over the telephone on a daily basis.
 - Report any suspicions to your bank so your banker can take measures to protect your account.
 - Mail paid bills only from secured mailboxes or a post office.
 - Use positive pay services with your bank if feasible. (This is where you provide the bank with check number, vendor, and amount for each check when written. The bank will not clear a check if it does not match the information you provided previously.)



PMI may change these insurance requirements, upon reasonable notice to Franchise Owners, to conform to prudent business practices. To the extent reasonably available, PMI may require Franchise Owners to obtain business interruption, contractual liability, and errors and omissions coverage, with liability in such amount as we may specify.

Insurance Requirements

All Franchise Owners must procure and maintain at all times in full force and effect the following insurance coverage:

- ◆ Comprehensive general liability insurance with a policy limit of \$2,000,000 per occurrence or such amount as we may specify
- ◆ Business automobile liability insurance with a policy limit of \$1,000,000 per occurrence or such amount as we may specify
- ◆ Workers' compensation, employer's liability insurance, and other legally required insurance.

All Franchise Owners must carry workers' compensation coverage in the amount required by their state. Franchise Owners may not use workers' compensation noncompliance coverage.

- ◆ Comprehensive casualty, fire, and theft coverage in an amount sufficient to replace the franchised business.

All insurance policies will name Papa Murphy's and its officers, directors and employees as additional insureds. Your comprehensive general liability and workers' compensation policies must include a waiver of subrogation against Papa Murphy's and its officers, directors and employees. And all policies must provide that a contractual waiver of subrogation will not adversely affect or impair the policy or prejudice the right of the releaser to recover.

Before beginning operations, all Franchise Owners are required to obtain any additional liability insurance required by law, provide us with Certificates of Insurance, and maintain all required insurance during the term of the Franchise Agreement and any applicable interim period. A Certificate of Insurance for these policies must also be provided to PMI when Franchise Owners renew their insurance, and the Certificate of Insurance needs to continue to identify Papa Murphy's as an additional insured.

To simplify the process for assuring we have current and effective Certificates of Insurance from all Franchise Owners, effective January 31, 2015, myCOI began serving as Papa Murphy's primary Certificate of Insurance tracking partner for all of our Franchise Owners. The benefits of myCOI include:

- ◆ Less time spent working on the details of insurance compliance
 - myCOI sends a request directly to your insurance agent when Papa Murphy's needs an updated Certificate of Insurance.
- ◆ Confidence that your franchise agreement insurance requirements are handled.
 - myCOI verifies compliance with the Franchise Agreement and Operational Excellence Standards requirements and will notify your agent directly of any issues; your agent will communicate with you if changes to your policy are required.
- ▶ **Note:** We have not recently changed our insurance requirements. If your agent receives a communication from myCOI about needed modifications to your policies, it is likely that one or more of your policies does not comply with the long-established requirements in the Franchise Agreement.

Franchise Owners must register with myCOI so that myCOI can ensure they meet insurance requirements per the Franchise Agreement. For specific details or to register, contact myCOI's Customer Support Team at (888) 692-6448 Ext 105.



This list may not be all-inclusive.

Posters

Department of Labor regulations (29 CFR, 516.4) require that every employer subject to the FLSA (Fair Labor Standards Act) shall post in a conspicuous place in the establishment a notice explaining the FLSA, in addition to several other posters informing team members of their rights under various federal laws.

► Posters may be obtained by contacting a regional office of the DOL.

Each state's Department of Labor as well as the USDOL, EEOC and OSHA has its own website where required posters may be obtained at no cost.

As a Franchise Owner, you need to determine what posters are legally required in your store. Some of the posters governmental agencies require to be posted in a team member area include:

- ◆ EEO Poster
- ◆ Federal Minimum Wage Poster
- ◆ Job Safety and Health Protection
- ◆ State Minimum Wage
- ◆ State Safety Poster
- ◆ Workers Compensation Insurance Carrier Poster
- ◆ Unemployment Insurance Poster
- ◆ Family and Medical Leave Act
- ◆ Americans with Disabilities Act
- ◆ Team member Rights under the Family and Medical Leave Act

► **Tip:** The Federal 6-in-1 Poster will satisfy several of these requirements.

As a Papa Murphy's Franchise Owner, Compliance Poster Company has agreed to a 40% group discount to purchase labor law posters.

► To order posters, contact Nancy Pinelo at 800-817-7678 ext. 308 or email npinelo@complianceposter.com.

You are required to post new posters by the EFFECTIVE DATE(s) of the law.