

## Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with us by mediation and litigation in Michigan. Out of state mediation and litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate and litigate in Michigan than in your own state.
2. **Sales Performance Required**. You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
3. **Mandatory Minimum Payments**. You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
4. **Unregistered Trademark**. The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.
5. **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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.

**ITEM 5****INITIAL FEES**

Development Agreement: If you sign a Development Agreement for the development of multiple Restaurants, upon execution you must pay us a franchise fee of \$25,000 for the first Restaurant you commit to develop, plus \$12,500 for each additional Restaurant you commit to develop under the Development Agreement. By way of example, for a three-Restaurant Development Agreement, the development fee due upon signing the Development Agreement would be \$50,000 (\$25,000 plus 2 x \$12,500). The development fee is not refundable- and is paid as a lump sum. A developer must commit to developing at least two Restaurants.

After you secure each accepted site, you must sign a Franchise Agreement for the Restaurant to be operated at that site and pay the remaining balance of the franchise fee (\$12,500) for that location after we apply the applicable portion of the development fee (as explained above). The total franchise fee for each Restaurant will be \$25,000. In our fiscal year ended December 31, 2024, we did not collect any development fees.

Franchise Agreement: For each Restaurant, you must sign a Franchise Agreement and pay us a franchise fee of \$25,000. The initial franchise fee is uniformly applied-~~and~~ not refundable and paid as a lump sum. In our fiscal year ended December 31, 2024, we collected initial franchise fees in the range of \$0 to \$25,000.

Equipment: For each Restaurant, you will purchase equipment from us and our affiliates- payable as arranged. In our fiscal year ended December 31, 2024, we collected equipment fees in the range of \$115,000 to \$300,000.

Opening Assistance: For each Restaurant, you must pay us up to \$10,000 as a lump sum for opening assistance, if requested by you. In our fiscal year ended December 31, 2024, we collected opening assistance fees of \$0.

Grand Opening Advertising: For each Restaurant, you must spend \$15,000 on Grand Opening Advertising payable to us and our affiliates- payable as arranged. In our fiscal year ended December 31, 2024, we collected Grand Opening Advertising fees of \$15,000.

Except as described above, there are no other purchases from or payments to us or any affiliate of ours that you must make before your Restaurant opens and all fees are not refundable.

**ITEM 6****OTHER FEES**

Fees (Note 1)	Amount	Due Date	Remarks
Royalty Fee	\$1,500 per month	On the first business day of each month in advance	Paid by ACH that we will initiate. See Note 3.
Marketing Contribution	Up to \$750 per week	Weekly	See Note 2.

<b>DEVELOPMENT AGREEMENT</b>			
	<b>Obligation</b>	<b>Section in Development Agreement</b>	<b>Summary</b>
w.	Choice of law	11.14	Michigan law. Your state law may impact this provision.

**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.

The following information is provided for the purpose of helping you evaluate the potential earnings capability of a “Happy’s Pizza” Restaurant unit franchise. Please carefully read all information in this Item 19, including the notes following the table, which explain the information and the limitations on the information contained in this Item 19. The data in this Item 19 is historical information for the calendar years indicated.

As of December 31, 2024, there were 54 “Happy’s Pizza” Standard Restaurant franchises in operation, all of which were franchised outlets. The Gross Sales information in the table is based on Gross Sales for the calendar year 2024 for the ~~50~~40 franchised outlets open and operating at the end of 2024 and that were open for the entire twelve-month period ending December 31, 2024, excluding the 4 franchised outlets that were not open for the full calendar year- and 10 Restaurants that operate as co-branded with Savvy Sliders.

The data in this Item 19 does not include the results of (and do not apply to) “Happy’s Express” units.

**Gross Sales Information--2024**

Description	Amount
Top 25 Standard Restaurants - Average Gross Sales ( <del>89</del> of the 25 ( <del>3236</del> %) met or exceeded the average)	\$1, <del>283,856</del> <u>190,213</u>
Top 25 Standard Restaurants - Median Gross Sales	\$1, <del>212,789</del> <u>130,065</u>
Bottom 25 Standard Restaurants - Average Gross Sales ( <del>1514</del> of the 25 ( <del>6056</del> %) met or exceeded the average)	\$ <del>853,914</del> <u>864,643</u>
Bottom 25 Standard Restaurants - Median Gross Sales	\$ <del>895,219</del> <u>887,997</u>
All Standard Restaurants - Average Gross Sales ( <del>5040</del> Standard Restaurants) ( <del>2420</del> of the <del>40</del> ( <del>50</del> ( <del>48</del> %) met or exceeded the average)	\$1, <del>068,578</del> <u>051,642</u>
All Standard Restaurants - Median Gross Sales ( <del>5040</del> Standard Restaurants)	\$1,069,119
All Standard Restaurants - Highest Gross Sales ( <del>5040</del> Standard Restaurants)	\$1,910,186
All Standard Restaurants - Lowest Gross Sales ( <del>5040</del> Standard Restaurants)	\$471,439

**Some outlets have sold this amount. Your individual results may differ. There is no assurance that you will sell as much.**

**Notes:**

1. "Gross Sales," as used in the table, means all revenues from the Restaurant, excepting only sales taxes collected and paid to the taxing authority, cash refunded, and credits given to customers.
2. The figures in the table reflect, in part, information reported to us by independent owners of "Happy's Pizza" Restaurants. We do not know if the figures reported to us were audited or whether they were prepared in accordance with generally accepted accounting principles (GAAP). We have not independently audited the figures.
3. The Gross Sales data in the table is a compilation of information from existing Restaurants and should not be considered as the actual results that will be realized by you. Gross Sales do not reflect the actual potential net income of a "Happy's Pizza" Restaurant and should not be relied on in calculating profitability. There are a number of fixed and variable costs associated with the development and operation of a "Happy's Pizza" Restaurant that are not reflected above and that vary among individual "Happy's Pizza" Restaurant

franchises. These expenses, which are likely to be significant, include, but are not limited to, the following: costs described in Items 6 and 7 of this Franchise Disclosure Document; rent and other occupancy costs; food and supplies; labor and other employee costs; utilities; taxes; insurance; repairs and maintenance; credit card and bank fees; royalty and advertising payments; interest or finance charges if you finance some or all of the cost of the franchise; depreciation on property and equipment; accounting and legal fees and general administrative expenses; any pre-opening or amortization of organization costs; costs associated with regulatory compliance; and management costs. We strongly encourage you to consult with your financial advisors in reviewing the information in this Item 19, in particular, in estimating the categories and amount of expenses you will incur in establishing and operating a “Happy’s Pizza” Restaurant franchise.

- ~~4. You should be aware that the financial performance of any particular “Happy’s Pizza” Restaurant franchise might be affected by a number of factors that may vary due to the individual characteristics of the “Happy’s Pizza” Restaurant franchise. These factors include, but are not limited to: competition from other franchises; appreciation and acceptance of the products and services offered by your franchise in the community in which your franchise is located; your experience; the quality and effectiveness of your managerial skills; and your decisions with respect to location, additional advertising programs, personnel and cost controls; geographic and socioeconomic conditions in your locality; business cycles; and the performance of the local, national and world economy.~~
- ~~5. Nine of the fifty restaurants included in the above results were co-branded restaurants with Savvy Sliders. The co-branded restaurant with the highest gross sales had \$1,838,120; the co-branded restaurant with the lowest gross sales had \$952,368; the median gross sales for co-branded restaurants was \$1,293,973; and the average gross sales for co-branded restaurants was \$1,147,629.~~

Written substantiation for the financial performance representation will be made available to the prospective franchisee on reasonable request.

#### Financial Information for Specific Operating Units

We may give a prospective franchisee who is seeking to buy a specific operating unit, whether owned by us, an affiliate or another franchisee, actual operating results of that unit.

We recommend that you make your own independent investigation to determine whether or not the franchise may be profitable to you. You should use the above information only as a reference in conducting your analysis and preparing your own projected income statements and cash flow statements. We suggest strongly that you consult your financial advisor or personal accountant concerning financial projections and federal, state and local income taxes and any other applicable taxes that you may incur in operating a franchised Restaurant.

Other than the preceding financial performance representation, we do not make any representations about a franchisee’s future financial performance or 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 or your future income, you should report it to the franchisor’s management by contacting the Chief Administrative Officer at