

## FRANCHISE DISCLOSURE DOCUMENT



HAPPY JOE'S FRANCHISING, INC.  
(An Iowa Corporation)  
5239 Grand Avenue  
Davenport, Iowa 52807  
(563) 332-8811  
[tomsacco@drhnow.com](mailto:tomsacco@drhnow.com)  
[www.happyjoes.com](http://www.happyjoes.com)

You will operate a HAPPY JOE'S restaurant featuring a family-friendly, fun atmosphere and menu items consisting of pizza, ice cream, and related food items, including breakfast foods.

The total investment necessary to begin operation of a Happy Joe's Full-Size Restaurant is ~~\$536,943~~~~546,693~~ to ~~\$1,266,453~~~~358,853~~. This includes ~~\$2530,000~~ to ~~\$3540,000~~ that must be paid to the franchisor or an affiliate. The total investment necessary to begin operation of a Happy Joe's DELCO Facility is ~~\$313,112~~~~322,862~~ to ~~\$683,012~~~~780,137~~. This includes the ~~\$2530,000~~ to ~~\$3540,000~~ that must be paid to the franchisor or an affiliate.

If you ~~are acquiring~~~~choose to acquire~~ development rights ~~to establish and operate multiple restaurants~~ under ~~a development program, an Area Development Agreement, in addition to the investment required to establish each franchise restaurant~~ you will ~~sign our area development agreement and~~ pay us a development fee ~~equal to \$35 of \$40,000~~ for each franchise you commit to develop. ~~For example, if you sign an area development agreement for three franchises, you will pay us a development fee of \$105,000 [\$35,000 x 3]. When each franchise agreement is signed, a portion of your development fee payment will be credited against the full initial franchise fee due under the franchise agreement.~~

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 Tom Sacco at 5239 Grand Avenue, Davenport, Iowa 52807, (563) 332-8811.

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 "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](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance date: January ~~29, 2024 as amended April 1, 2024.~~

28, 2025.

## 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:

<b>QUESTION</b>	<b>WHERE TO FIND INFORMATION</b>
<b>How much can I earn?</b>	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 F and G.
<b>How much will I need to invest?</b>	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.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit A includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Happy Joe's Pizza business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a Happy Joe's Pizza franchisee?</b>	Item 20 or Exhibits F and G lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	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 Franchising *Generally*

**Continuing responsibility to pay fees.** You may have to pay royalties and other fees 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 designates. These items may be more expensive than similar items you could buy on your 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 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 D.

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 Contents for the location of the State Specific Addenda.

## 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 the franchisor by mediation, arbitration and/or litigation only in Iowa. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Iowa than in your own state.
2. **Supplier Control**. ~~You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.~~

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.

Michigan Notice

**THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:**

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Law. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity which in no event need be more than thirty (30) days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishing not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five (5) years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (6) months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) Failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
  - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

**THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENFORCEMENT BY THE ATTORNEY GENERAL.**

Any questions regarding the notice of this Offering should be directed to:

Michigan Attorney General's Office  
Consumer Protection Division  
Attn. Franchise Section  
525 W. Ottawa Street  
G. Mennen Williams Building, 1<sup>st</sup> Floor  
Lansing, Michigan 48933  
(517) 373-7117

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

To simplify the language in this Disclosure Document, the terms “we,” “us,” or “our” means Happy Joe’s Franchising, Inc., the franchisor. “You” or “your” means the person or entity buying the franchise and includes your owners if you are a corporation, limited liability company, partnership or other entity.

### The Franchisor, and its Parents, Predecessors, and Affiliates

We were incorporated in the State of Iowa on August 29, 2000. We maintain our principal business address at 5239 Grand Avenue, Davenport, Iowa, 52807. We do business under the name “HAPPY JOE’S” and “HAPPY JOE’S PIZZA & ICE CREAM PARLOR” and our corporate name. A list of our agents for service of process is contained in Exhibit D to this Disclosure Document.

We have no predecessor. Our parent company is Dynamic Restaurant Franchising, Inc. (“DRF”), a Delaware corporation, which is subsidiary of Dynamic Restaurant Holdings, LLC (“Dynamic Holdings”), also a Delaware corporation. Both DRF and Dynamic Holdings share our principal business address at 5239 Grand Avenue, Davenport, Iowa, 52807.

We have been offering franchises of the type described in this disclosure document since September 2000. In addition to offering restaurant franchises, we also offer qualified candidates the opportunity to work with us in an area director capacity. The area director opportunity is offered under a separate disclosure document. As of September 30, ~~2023~~2024, we have entered into Area Director Agreements in Montana, Minnesota and in the Middle East. Other than franchising the HAPPY JOE’S brand and supporting our franchisees, we engage in no other business activities.

We have never operated a business of the type described in this disclosure document. However, our affiliates have been operating similar restaurants since 1972.

Our affiliate, Tony Sacco’s Franchising, Inc. (formerly TS Dynamic Restaurant Acquisition, Inc.) (“Tony Sacco’s”), a Delaware corporation, franchises the operation of TONY SACCO’S restaurants and, as of December 31, ~~2023~~2024, had two operating franchises. Tony Sacco’s has been offering franchises since 2021. Tony Sacco’s shares our principal business address at 5239 Grand Avenue, Davenport, Iowa, 52807.

Our affiliate, Dynamic Restaurant Acquisition, Inc. (“DRA”) is currently a supplier of computer maintenance products and services and accounting and management services. DRA shares our principal business address.

We have no other affiliates that offer franchises or that provide goods or services to our franchisees.

### The HAPPY JOE’S Franchise

HAPPY JOE’S restaurants feature a family-friendly, fun atmosphere and menu items consisting of pizza, ice cream, and related food items, including breakfast foods. They operate under the trade name and service marks “HAPPY JOE’S” and “HAPPY JOE’S PIZZA & ICE CREAM PARLOR,” and associated logos, commercial symbols, and other trade names, trademarks and service marks as we designate now or in the future (the “Marks”).

We currently offer two types of franchises in this disclosure document: the Full-Size Restaurant Dine-In and the delivery and carryout only facility (which we call the “DELCO Facility”) (either one may be referred to as “~~Franchised~~ Restaurant”).

- The Full-Size Restaurant offers breakfast, lunch, and dinner. It features premium quality pizza, ice cream, pasta, spaghetti, fresh-baked sandwiches, salads, breakfast items, and other food and beverage products for on-premises consumption, carry-out and delivery. The Full-Size Restaurant typically seats 150 to 250 customers and offers birthday, celebrations, and fun center services.
- The DELCO Facility offers the same menu items, but without or with limited seating (typically up to 50 seats). It features a drive-thru window and primarily focuses on carry-out and delivery services. Some DELCO Facilities are co-branded or co-located with other businesses (“DELCO Co-Brand Facility”). You may develop a DELCO Facility only if you also own and operate a Full-Size Restaurant Dine-In.

You will operate a HAPPY JOE’S ~~Franchised~~ Restaurant under our proprietary business format and operating system (“System”), the distinguishing characteristics of which include distinctive interior and exterior layout, design

and color scheme; exclusively designed signage, decorations, furnishings and materials, special recipes, formulae, menus, and food and beverage designations; confidential manuals relating to the operation of the Franchised Restaurant ("Manuals"); the Proprietary Products; food and beverage storage, preparation, and service procedures; operating procedures for sanitation and maintenance; methods and techniques for inventory and cost controls, record keeping and reporting, personnel management, purchasing, sales promotion and advertising, all of which we may change or further develop.

Our menu offerings include pizzas made from our specially formulated pizza dough, and items featuring our proprietary spices, sauces, chips, ice cream, ice cream toppings, and other food products and equipment ("Proprietary Products").

#### Area Development Agreement

Under our Area Development Agreement, we offer an opportunity to develop multiple Franchised Restaurants within a defined area (which we call the "Development Territory") according to an agreed-on timeline (the "Development Schedule"). When you are ready to establish each Franchised Restaurant, you will sign the form of franchise agreement that we are offering to new franchisees at that time, the terms of which may be different from the form included in this disclosure document.

#### Market and Competition

The HAPPY JOE'S Franchised Restaurant will offer its products and services to the general public and will compete with national, regional or local restaurants and stores and other businesses offering products and merchandise similar to those offered from the HAPPY JOE'S Franchised Restaurant. We believe the market for the products and services to be offered by a HAPPY JOE'S Franchised Restaurant is a developed market.

#### Industry-Specific Laws and Regulations

In addition to laws and regulations that apply to businesses generally, your Franchised Restaurant is subject to federal, state and local laws, regulations and guidelines governing the food service industry, which may include laws and regulations concerning food preparation, handling and storage, and serving of alcohol. In some locations, you must obtain a food sanitation certification before opening.

You must comply with state and local liquor licensing requirements in order to serve alcohol. You must comply with the U.S. Food and Drug Administration Menu labeling requirements.

You should check with your attorney and state and local authorities for local regulations on the preparation and sale of food products and for beer and wine licensing procedures.

## **ITEM 2 BUSINESS EXPERIENCE**

#### President and Chief Executive Officer and Director: Thomas Sacco

Thomas Sacco was named our President and Chief Executive Officer in October 2020. From October 2020 to the present, he has been President and CEO of Dynamic Restaurant Acquisition, Inc., Dynamic Restaurant Franchising, Inc., HJ Dynamic Holdings, LLC, Dynamic Restaurant Holdings, LLC, TS Dynamic Holdings, LLC and TS Dynamic Acquisition, Inc. From July 2017 to the present, he has been a Restaurant Management Consultant for New Century Dynamics, Inc. d/b/a In The Black Partners in Atlanta, Georgia. From January 2018 to the present, he has been an Advisory Board Member of BGMXX, Inc. d/b/a Blue Goose Cantina and RAPXX, LP d/b/a Aw Shucks Oyster Bar in Addison, Texas. From April 2018 to June 2020, he was CEO of Flipdaddy's LLC in Cincinnati, Ohio. From January 2000 to present, he has been President of DALMS, Inc. in Austin, Texas, a restaurant consulting firm offering "C Level" and Board of Directors advisory consultation.

#### Chief Financial Officer and Treasurer: Hollie Matthys: Aaron Huber

~~Hollie Matthys~~Aaron Huber has been our Chief Financial Officer ~~and Treasurer~~ since October 2024. ~~From March 2019. As of March 2019, she also became Chief Financial Officer and Treasurer of HJ Dynamic Holdings, LLC, Dynamic Restaurant Acquisitions, Inc., Dynamic Restaurant Franchising, Inc., TS Dynamic Holdings, LLC, TS Dynamic Acquisition, Inc. and PF Restaurant Franchising, Inc. From 2017-2023 to March 2019, she~~September 2024, he was Director of Finance~~Accounting~~ for ~~the above companies.~~Sagemark Ltd. d/b/a The Hungry Hobo in Rock Island, Illinois. From 2003October 2022 to March 2019, sheFebruary 2023, he was ~~our~~ Director of Finance~~Controller~~ of Dahl Ford in Davenport, Iowa. From July 2018 to October 2022, he was Accountant for Padgett Business Services

in Moline, Illinois.

Vice President of Franchise Development: Kathy Davidson

Kathy Davidson has been our Vice President of Franchise Development since February 2020, and has been Vice President of Franchise Development of TS Dynamic Acquisition since February 2020. From April 2019 to August 2020, she was Vice President Franchise Development for Coolgreens in Oklahoma City, Oklahoma. From August 2018 to April 2019, she was Senior Vice President Franchise Development for Fazolis in Lexington, Kentucky. From August 2020 to the present, she has been self-employed as a franchise consultant in Dallas, Texas.

~~Director~~Vice President of Training & Culinary Development: Ashley Balluff

Ms. Balluff has been ~~Director~~Vice President of Training & Culinary Development of Dynamic Restaurant Holdings, LLC since January 2025. From April 2022 to January 2025, she was Director of Training & Culinary Development of Dynamic Restaurant Holdings LLC. From September 2019 until April 2022, Ms. Balluff was Director of Field Training. From August 2010 to August 2019, she was a District Coach/Manager for Max Brewer Corporation, a Happy Joe's franchisee, in Muscatine, Iowa.

~~Director~~Vice President of Purchasing & Supply Chain: Jenny Culp

Jenny Culp has been the ~~Director~~Vice President of Purchasing & Supply Chain for our affiliate, Dynamic Restaurant Holdings, LLC since January 2025. From October 2022 to January 2025, she was Director of Purchasing & Supply Chain for Dynamic Restaurant Holdings, LLC. She was Director of Operations for Happy Joe's Company owned and operated restaurants from 2018 to October 2022.

Vice President of Operations: Christopher Anschutz

Christopher Anschutz has been Vice President of Operations for our affiliate, Dynamic Restaurant Holdings, LLC since January 2025. From October 2020 to January 2025, he was Director of Operations for Dynamic Restaurant Holdings, LLC. From January 2019 to September 2020, he was Director of Culinary Operations for Flipdaddy's Burger's & Beer in Cincinnati, Ohio. From March 2018 to January 2019, he was General Manager for T.G.I.Fridays and GoldCoast Holdings, LLC in Buffalo, New York.

Director of Marketing: Joshua Spiller

Josh Spiller has served as Director of Marketing for Dynamic Restaurant Holdings, LLC since June 2023.- Before joining us, Mr. Spiller served as Director of Marketing for Park Vista Retirement Living in East Moline, Illinois, from September 2021 to June of 2023, and served as Director of Marketing for Generations at Rock Island in Rock Island, Illinois, from August 2020 to September 2021. From July 2018 to August 2020, Josh was an account executive and digital strategist for Lee Enterprises, located in Davenport, Iowa.

Director of Community & Public Relations: Kristel Whitty Ersan

Kristel Whitty Ersan has been with Happy Joe's Pizza & Ice Cream in various roles since 1980. Kristel has been the Secretary/Treasurer, Vice President of Marketing, and Director of Marketing at various times for Happy Joe's Pizza & Ice Cream, and Happy Joe's Franchising, Inc. In Kristel's current role she is the local, Quad Cities media spokesperson, and wears a variety of hats supporting numerous functions, such as the annual Franchise Operators Conference, Special Events, such as the Quad Cities Mini-Marathon, and is the Chairperson who heads up the annual Happy Joe's Kids Foundation Christmas Party.

**ITEM 3  
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4  
BANKRUPTCY**

Our President and CEO, Thomas Sacco, was CEO of Flipdaddy's, LLC, a Cincinnati, Ohio based burger and craft beer bar chain from April 2018 to June 2020. On December 6, 2018, Flipdaddy's LLC filed a Voluntary Petition for Bankruptcy under Chapter 11 of the U.S. Bankruptcy Code. In re Flipdaddy's LLC No. 18-14408 (S.D. Ohio 2018). On February 9, 2021, the court issued an order dismissing the case.

On September 2, 2022, four of our operating affiliates, HJ Dynamic Holdings, LLC, TS Dynamic Holdings, LLC, Dynamic Restaurant Acquisition, Inc. and TS Dynamic Acquisition, Inc., filed for protection under Chapter 11 of the U.S. Bankruptcy Code, primarily seeking protection from lease liability: In re HJ Dynamic Holdings, LLC No. 22-10837 (JKS) (Delaware 2022), In re TS Dynamic Holdings, LLC No. 22-10838 (JKS) (Delaware 2022), In re Dynamic Restaurant Acquisition, Inc. No. 22-10839 (JKS) (Delaware 2022), and In re TS Dynamic Acquisition, Inc. No. 22-10840 (JKS) (Delaware 2022). These cases had their Plan of Reorganization approved by The United States Bankruptcy Court for the District of Delaware, and by the Honorable J. Kate Stickles, United States Bankruptcy Judge, on April 26, 2023. The affiliates have a principal business address located at 5239 Grand Avenue, Davenport, Iowa 52807. This action involved only our operating affiliates. It did not involve us or the franchise system.

No other bankruptcy information is required to be disclosed in this item.

## ITEM 5 INITIAL FEES

### Franchise Agreement

You must pay us an initial franchise fee when you sign the Franchise Agreement. Our standard initial franchise fee is ~~\$3540~~,000. If you are a Legacy Franchisee signing a new franchise agreement after expiration of an existing franchise agreement, the initial franchise fee is only a \$1,000 to cover the drafting of the new legal documents.

We also currently offer special incentive programs for individuals who qualify for one of the following:

- (1) Honorably discharged veterans of U.S. military service who provide adequate documentation of the honorable discharge;
- (2) Members of an ethnic minority group who are U.S. citizens or lawful permanent residents of the U.S.; and
- (3) Women.

In all cases, the individual qualifying for the program must own at least 51% of the franchise and will be acting as the operating owner of the HAPPY JOE'S Restaurant. If you qualify for the special incentive program, the initial franchise fee is ~~\$2530~~,000.

The initial franchise fee is nonrefundable when paid. Except for the differences and discounts described above, the initial franchise fee is uniform for all new franchisees.

### Area Development Agreement

If you enter into a multi-unit development arrangement, you will sign our Area Development Agreement and pay us a development fee equal to the product of ~~\$3540~~,000 multiplied by the number of ~~Franchised~~-Restaurants to be developed. For example, if you sign an Area Development Agreement for three ~~Franchised~~-Restaurants, you will pay us a development fee of ~~\$405120~~,000 [~~\$3540~~,000 x 3 = ~~\$405120~~,000].

When you sign the Area Development Agreement, you also will sign a franchise agreement for the first ~~Franchised~~ Restaurant, and we will credit ~~\$3540~~,000 of your development fee payment to fully satisfy the initial franchise fee due under that first franchise agreement.

As you get ready to develop additional ~~Franchised~~-Restaurants, you will sign a franchise agreement for each ~~Franchised~~ Restaurant in the form then being offered to new franchisees. The terms of our then-current form of franchise agreement may be materially different than the terms of our current franchise agreement, but the initial franchise fee will be locked in at ~~\$3540~~,000. When you sign the franchise agreement, we will credit ~~\$3540~~,000 of your development fee payment to fully satisfy the initial franchise fee due under the franchise agreement.

The development fee is calculated uniformly for all new franchisees and is nonrefundable when paid.

## ITEM 6 OTHER FEES

### Franchise Agreement

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	6% of Gross Sales.	Weekly	
Advertising Fee/ Happy Joe's National Franchise Board	Contribution to the Happy Joe's National Franchise Board (HJNFB) as determined by the HJNFB. Currently monthly fees are 1.58% of Gross Sales. If HJNFB is terminated, you must pay an advertising fee to us an amount we designate, which will be between 1% and 2% of Gross Sales.	Weekly	You must participate actively with the National Franchise Board. We have the right to enforce the amount due HJNFB if you do not pay them.
Cooperative Advertising	Your pro rata share in proportion to sales as determined by cooperative.	Determined by cooperative	We designate cooperatives. We or our Affiliate will participate in cooperatives and will have one vote per restaurant.
Local Advertising	2% of Gross Sales is recommended.	Annually	We recommend, but do not require, you to spend this amount on local advertising. However, we may require you to list your Restaurant in local telephone directories or online equivalents. You pay directly to advertisers, subject to our approval, for any local advertising you conduct.
Audit	Cost of audit plus interest on underpayment.	Upon demand	You pay the cost of the audit only if our audit shows that you understated Gross Sales by at least 2%. Otherwise, you pay only the underpayment and interest on the underpayment.
Inspection	Cost of inspection by qualified third party designated by us.	Upon demand	You pay the cost of the inspection and re-inspection every 30 days if your facility and operations are rated as unacceptable until your facility passes inspection.
Maintenance and Modernization	Cost plus overhead for maintenance; no more than your initial cost for leasehold improvements for refresh and modernization.	Upon demand; time of modernization	Payable if we repair or maintain your Premises if you fail to do so within 30 days after you receive written notice from us. You must periodically, but not more than once every five years, refresh and modernize the <del>Franchised</del> Restaurant.

Type of Fee	Amount	Due Date	Remarks
Operation of the <del>Franchised</del> Restaurant in Case of Your Default	Then current service fee published by us plus the expenses of our representative. Currently \$200 per day, plus expenses.	Time of service	Payable if we operate your <del>Franchised</del> Restaurant if you fail to cure a default within 20 business days of your receipt of a notice to cure.
Late Fees	Highest applicable legal rate for open account business credit not to exceed 1.5% a month.	After due date	Applies to all Royalty Fees, advertising contributions and amounts due for purchases from us or our Affiliate. We do not agree to accept your late payments and may apply any payments to your indebtedness as we see fit.
Supplier/Supplies Approval	<del>Reasonable cost</del> <u>Cost</u> of inspection and actual cost of test.	Time of inspection	Applies to new suppliers or supplies that we have not previously approved. You or the supplier pays the costs.
Operation of the <del>Franchised</del> Restaurant in Case of Your Absence, Incapacity or Death.	<del>Reasonable compensation</del> <u>Compensation</u> and expenses for our representative; currently 5% of revenue.	Time of service	Payable if we decide to operate the <del>Franchised</del> Restaurant. Prevents harmful interruption or depreciation of the <del>Franchised</del> Restaurant in case of your absence, incapacitation or death.
Incapacity	<u>Actual Cost of Medical Evaluations</u>	Time of determination	Any dispute concerning your incapacity will be decided by the majority of three medical physicians and the cost will be paid by the party against whom the decision is made. "Incapacity" includes physical, mental or emotional incapacity, chemical dependency or other limitations.
Transfer Fee	30% of our then-current Franchise Fee for start-up franchises.	At time of transfer	This transfer fee does not apply to an assignment of interest to an entity that you form and own.
On-Site Initial Assistance and Training	Our cost in sending our representative to your <del>Franchised</del> Restaurant for approximately seven days of opening assistance and training.	Invoiced after completion of the training	We do not charge a fee for this training. However, you must reimburse us our costs, including the representative's salary and travel expenses. You are required to complete this on-site training as part of the initial training program. If you request additional assistance beyond the seven days, you must pay us our then-current fee for additional assistance.

Type of Fee	Amount	Due Date	Remarks
Additional Training	Our then-current rate, currently, \$400 per trainee over three trainees for initial training; \$100 per trainee for additional managers.	Time of training	Applies if you fail training or if you hire new or additional managers after initial training. You are responsible for all expenses of your employees in attending this training, including travel, room and board, and employees' salaries.
Relocation Fee	\$2,000	Time of cost	Payable if you relocate the <del>Franchised</del> Restaurant. We must approve the new location.
Indemnification	<del>Varies</del> <u>Actual Losses, costs, damages, and Liabilities incurred by Us.</u>	Upon demand	You must indemnify us and our designees from and against all loss, costs, damages and liabilities connected with the <del>Franchised</del> Restaurant or connected with our operation of the <del>Franchised</del> Restaurant for you as we determine.
Cost of Enforcement or Defense	Varies	Upon breach of the Franchise Agreement	You may be responsible for our legal expenses in defending or enforcing the Franchise Agreement.
Taxes	Actual amount assessed	Upon demand	Payable if taxes are levied against us based on your operation of the business or payments to us.
Annual Meeting Fee	Determined by us. Currently, \$0 for Franchise Owners and \$25 per Manager	Before date of conference	Payable when you and/or your managers attend the annual meeting. You are also responsible for the travel and living expenses incurred by you and your employees when attending the conference. We require Franchise Owners to be in attendance at the annual meeting. We attempt to maintain a \$0 fee for Franchise Owners by covering the cost through vendor, manufacturer, and supplier contributions.
<del>iPathsStella</del> On-line Training	Currently <del>\$30</del> <u>\$35</u> per month.	First payment due upon date of opening then quarterly	You must have access to <del>iPathsStella</del> On-line training throughout the franchise term for training employees.
Non-compliance fee	As provided in the Manuals or otherwise in writing. Currently, not to exceed \$500 for first breach, not to exceed \$2,000 for second breach, and not to exceed \$5,000 for third or additional breaches.	Upon demand	If we establish a system of non-compliance fee, payable if you are in breach of the franchise agreement. Fee covers costs we incur in obtaining compliance.

Type of Fee	Amount	Due Date	Remarks
Temporary license fee after expiration of franchise agreement term	\$1,000 per month for the first three months; after first three months, monthly fee increases by \$500 per month.	1 <sup>st</sup> day of each calendar month	Payable if your franchise term expired and you have not executed a new franchise agreement but are still operating, and after 30 days' notice from us.
Liquidated Damages	Average monthly Royalty Fee multiplied by 36 months or the number of months remaining in the term, whichever is less.	Upon demand	Payable if your franchise agreement is terminated by us for your breach or you close or abandon the <b>Franchised</b> Restaurant without our prior written consent. You can close the <b>Franchised</b> Restaurant without payment of these Liquidated Damages with our prior written consent if you deliver notice 60 days prior to intended closing along with financial statements for previous 6 months demonstrating to us a net cumulative loss despite compliance with the Franchise Agreement and expenditures in reasonable amounts, and you and your guarantors sign a termination agreement and release of us.

**NOTES**

Note 1. "Gross Sales" means the total of all sales of Proprietary Products, Menu Items, other food and beverage products, including alcohol, and other related merchandise and products to your customers, whether or not sold or performed at or from the HAPPY JOE'S **Franchised**-Restaurant, less sales, use or service taxes collected and paid to the appropriate taxing authority, authorized discounts, customer refunds, tips or gratuities paid directly by Restaurant customers to your employees or paid to you and then turned over to these employees by you in lieu of direct tips or gratuities, and delivery surcharges or fees charged to customers if the surcharges and fees are paid to Franchisee's delivery drivers. All barter and exchange transactions will be valued at the full retail value of the goods/services provided to you.

Note 2. All fees are imposed by and are payable to us, unless otherwise noted. Any fees paid to us are non-refundable unless otherwise noted. Except as stated herein, all fees are imposed uniformly for franchisees purchasing under this Disclosure Document. There are franchisees under previous Franchise Agreements that pay royalties and advertising fees in a different manner and amount and/or that do not pay all of the fees listed in this Item 6.

Area Development Agreement

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Indemnification	<del>Varies</del> <u>Actual Losses, costs, damages, and Liabilities incurred by Us.</u>	Upon demand	You must indemnify us from and against any claims and costs incurred by us by reason of your operation of the development business or your offer or sale of securities.
Transfer Fee	Then-current <u>Development</u> fee	Before transfer	Payable if you sell or transfer all or any portion of your Area Development Agreement or interest in the Area Development rights.

Note 1. All fees are imposed by and are payable to us. All fees are non-refundable.

**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**  
**YOUR ESTIMATED INITIAL INVESTMENT**  
Full-Size Restaurant

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Paid
	Low	High			
Initial Franchisee Fee <sup>(1)</sup>	\$ <del>2530</del> ,000	\$ <del>3540</del> ,000	Lump Sum	When you sign the Franchise Agreement	Us
Rent <sup>(2)</sup>	\$15,750	\$45,360	As Arranged	As Arranged	Landlord
Lease and Utility/Security Deposits <sup>(3)</sup>	\$7,875	\$23,625	As Arranged	As Arranged	Landlord and Utility Companies
Leasehold Improvements <sup>(4)</sup>	\$136,500	\$367,500	As Arranged	As Arranged	You Determine
Initial Inventory <sup>(5)</sup>	\$12,390	\$29,400	As Arranged	As Arranged	Us, Designated and Approved Suppliers
Furniture, Fixtures & Equipment <sup>(6)</sup>	\$210,000	\$472,500	As Arranged	As Arranged	Approved Suppliers
Insurance <sup>(7)</sup>	\$2,888	\$6,563	As Arranged	As Arranged	Insurance Company
Training <sup>(8)</sup>	\$27,000	\$43,500	As Incurred	As Incurred	Transportation Lines, Hotels and Restaurants
Grand Opening Advertising <sup>(9)</sup>	\$ <del>5,250</del> <u>10,000</u>	\$ <del>12,600</del> <u>10,000</u>	As Arranged	First <del>15-Days</del> <u>Six Months</u> of Operations	Us, Approved Suppliers
Signage <sup>(10)</sup>	\$10,500	\$42,000	As Arranged	As Arranged	Approved Suppliers
Additional Funds – 3 months <sup>(11)</sup>	\$83,790	\$153,405	As Arranged	As Incurred	You Determine
Liquor License <sup>(12)</sup>	\$0	\$35,000	As Incurred	As Incurred	Licensing Agencies, Advisors

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Paid
	Low	High			
TOTALS (assumes rental of Premises and not a purchase)	<del>\$536,943</del> <u>546,643</u>	<del>\$1,266,453</del> <u>358,853</u>			

DELCO FACILITY

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Paid
	Low	High			
Initial Franchisee Fee <sup>(1)</sup>	<del>\$2530,000</del> 0	<del>\$3540,000</del> 0	Lump Sum	When you sign the Franchise Agreement	Us
Rent <sup>(2)</sup>	\$4,462	\$8,400	As Arranged	As Arranged	Landlord
Lease and Utility/Security Deposits <sup>(3)</sup>	\$4,725	\$5,906	As Arranged	As Arranged	Landlord and Utility Companies
Leasehold Improvements <sup>(4)</sup>	\$102,375	\$210,000	As Arranged	As Arranged	You Determine
Initial Inventory <sup>(5)</sup>	\$7,875	\$12,600	As Arranged	As Arranged	Us, Designated and Approved Suppliers
Furniture, Fixtures & Equipment <sup>(6)</sup>	\$78,750	\$262,500	As Arranged	As Arranged	Approved Suppliers
Insurance <sup>(7)</sup>	\$2,100	\$5,250	As Arranged	As Arranged	Insurance Company
Training <sup>(8)</sup>	\$18,000	\$29,000	As Incurred	As Incurred	Transportation Lines, Hotels and Restaurants
Grand Opening Advertising <sup>(9)</sup>	<del>\$5,250</del> <u>10,000</u>	<del>\$7,875</del> <u>10,000</u>	As Arranged	First <del>45</del> <u>30</u> Days of Operations	Us, Approved Suppliers
Signage <sup>(10)</sup>	\$7,875	\$26,250	As Arranged	As Arranged	Approved Suppliers
Additional Funds – 3 months <sup>(11)</sup>	\$56,700	\$80,231	As Arranged	As Incurred	You Determine
TOTALS (assumes rental of Premises and not a purchase)	<del>\$313,112</del> <u>322,862</u>	<del>\$683,012</del> <u>780,137</u>			

NOTES

Note 1. You will pay an Initial Franchise Fee of \$~~3540~~,000 when you sign the Franchise Agreement. See Item 5 for circumstances under which the initial Franchise Fee may be reduced or waived.

Note 2. Rent expense for the Premises will vary based on location, square footage, lease arrangements, minimum payments required, age and condition of the structure, utility and miscellaneous expenses and other factors. The average suggested facility contains approximately 1,500 to 2,000 square feet of space for a DELCO Facility and 4,000 to 4,500 square feet for a Full-Size Restaurant. We estimate that the above amounts will be sufficient to cover the rental payments for three months. This estimate range does not include purchasing a site. If you choose to purchase ground and construct a new building, the estimated cost for the land and the estimated cost for construction of a building ranges from \$840,000 to \$1,900,000. Plans and specifications will cost you additional monies and may be purchased from an approved architect of your choice.

Note 3. Your landlord and utility companies may require that you place a deposit before occupation of the Premises and before installing telephone, gas, electricity and related utility services. These deposits may be refundable under with the agreements made with the landlord and utility companies.

Note 4. The cost of construction and leasehold improvements may vary widely depending upon the size and condition of the Premises, the local cost of contract work, cost of materials, quality of materials purchased, the location of the business, brands of fixtures leased or purchased and financing terms available. The above range of figures for a business is the cost of reasonable renovation or leasehold improvements, including the services of an architect, store designer and/or decorator, floor coverings, construction, painting, lighting, electrical wiring, installation of display counters, doors, locks, and other materials. However, the actual cost you incur may be lower or higher than estimated.

Note 5. Your requirements for initial inventory are described in the Manuals and include the Proprietary Products.

Note 6. This estimate includes expenses for office equipment, small wares, uniforms, furniture, the point of sale system, computer systems (including required firewall systems, our online ordering system, and gift card processing equipment), a safe, and other fixtures and equipment necessary for the ~~Franchised~~ Restaurant. Your actual expense will depend on the equipment present at the Premises when you assume the lease. The low estimate assumes 50% of the equipment will be financed. The high estimate assumes that you will offer the full array of menu items and will need to purchase all of the equipment needed to prepare these items.

Note 7. You must procure and maintain insurance coverage in minimum amounts described in the Manuals or otherwise in writing. The insurance required for the operation of the ~~Franchised~~ Restaurant is also described in Item 8 of this Disclosure Document. The low estimate contemplates a 3 month down payment. The high estimate contemplates premium payments for 12 months and includes liquor liability coverage.

Note 8. You are responsible for arranging transportation and paying the expenses for meals and lodging for any persons attending the training program. The amount spent will depend on the distance you must travel and the type of accommodations you choose. The estimate for the Full-Size Restaurant contemplates attendance by three persons for six weeks traveling to our designated location in Bettendorf, Iowa. The estimate for the DELCO Facility contemplates attendance by two persons for six weeks traveling to our designated location in Bettendorf, Iowa. This estimate also includes the amount you must pay to us to cover the cost of us sending a representative to your ~~Franchised~~ Restaurant to provide initial assistance for approximately seven days around the time of opening of your ~~Franchised~~ Restaurant.

Note 9. ~~You~~ if you are opening a Restaurant in an existing market for HAPPY JOE'S franchises, you must spend a minimum of \$~~510~~,000 on advertising before you open the ~~Franchised~~ Restaurant and during the first ~~4530~~ days of operation. If you are opening a Restaurant in a new market, you must spend a minimum of \$100,000 on advertising before you open the Restaurant and during the first six months of operation. You must follow our guidelines in conducting the Grand Opening Advertising.

Note 10. Signage includes interior and exterior signs that bear the Marks. The cost of signage may vary depending on the type, size and location of the signs, and may also be affected by local restrictions.

Note 11. This amount is projected to cover operating expenses, including employees' salaries, rent, and utility expenses, for the first three months of operation. This estimate is based on the experience of our affiliates and franchisees in opening and operating HAPPY JOE'S Restaurants. However, we cannot guarantee that this amount will be sufficient. NOTE: This estimate does not include draw or salary for you. You should have additional sources for payment of personal expenses.

Note 12. The liquor license is required for a Full-Size Restaurant if you sell beer and/or wine. The fees and related costs will vary depending on the jurisdiction and your option to sell beer and/or wine.

~~We do not offer any financing for your initial investment, and the availability and terms of financing to you will depend upon factors such as the availability of financing in general, your creditworthiness, the collateral security that you may have, and policies of lending institutions concerning the type of business you will operate. The investment and expenditures required of actual franchisees may vary considerably from the projections set out above, depending on many factors, including geographical area, the amount of space leased and the business capabilities of any particular management and service team.~~

Any fees paid to us are non-refundable except as outlined in Items 5 and 6 of this Disclosure Document; fees paid to any third party may be refundable, depending upon the contracts, if any, between that third party and you.

#### Legacy and Renewing Franchisees

A Legacy Franchisee is not expected to incur any costs in connection with signing the new Franchise Agreement, except that the Legacy Franchisee may be required to expend monies to remodel, modernize and/or redecorate the premises of the HAPPY JOE'S Restaurant if it does not meet current standards and specifications.

A renewing Franchisee may also be required to expend monies to remodel, modernize and/or redecorate the premises of the HAPPY JOE'S Restaurant if it does not meet current standards and specifications.

### **ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

#### Proprietary Products

We own certain Proprietary Products, including food products (including proprietary sauces, cheese and meats, pizza dough, pizza sauce and the Happy Joe's Taco Chips, Spicy Joe's Taco Sauce, Happy Joe's Taco Sauce and Happy Joe's Pizza & Dipping Sauce), paper products, uniforms, and other equipment. You must purchase the Proprietary Products from suppliers designated by us. We and/or our Affiliate have license agreements with manufacturers of these products and with distributors who are licensed to sell the products to franchisees. The license fees paid by manufacturers and distributors are paid directly to the HJNFB Advertising Fund.

#### Software

We or a designated supplier may develop and custom design a proprietary software package for conducting accounting, inventory (ORCA) point-of-sale (SpeedLine and SpeedDine) functions and related loyalty app technology based (Punchh) activities at the ~~Franchised~~ Restaurant. The proprietary software may be implemented into the System at our discretion. If the proprietary software is implemented into the System, you will be required to only use the proprietary software in the operation of the ~~Franchised~~ Restaurant.

#### Approved Supplies and Suppliers

We will provide you with our standards and specifications, which includes a list of approved manufacturers, suppliers and distributors authorized for the ~~Franchised~~ Restaurant ("Approved Suppliers List") and a list of approved inventory, products, equipment and other items or services necessary to operate the ~~Franchised~~ Restaurant ("Approved Suppliers List"). We may modify our standards and specifications and will communicate those changes to you. If you would like to sell or use any product, material or supply or purchase any products from a supplier not on either of these lists, you must notify us and may need to submit samples and other information to us so that we can make an informed decision as to whether the product or supplier meets our standards. You may be charged for the costs of our determining whether a product or supplier should be approved. The cost will vary depending on the availability of product samples for testing, shipping costs or travel costs to review the product, type of product under review, the availability of objective information on the product or supplier, whether the product or supplier has been rated or reviewed by associations in our industry, and other similar factors. We will approve or disapprove proposed suppliers and submitted items within six weeks.

All inventory, products, supplies and other items used in the ~~Franchised~~ Restaurant operations which are not specifically required to be purchased from suppliers designated by us or from our Approved Suppliers List or Approved Suppliers List must conform to our specifications and quality standards.

There are no approved suppliers in which any of our officers owns an interest.

~~We apply the following general criteria in approving a proposed supplier: (1) ability to purchase product in bulk; (2) quality of services and product specifications; (3) production and delivery capability; (4) proximity to Franchised Restaurants in order to be able to make timely deliveries of product; (5) dependability of the supplier; (6) willingness to enter into confidentiality agreements to protect our proprietary products; (7) whether supplier follows HACCP, GMP and SSOP guidelines; (8) whether supplier has annual food safety and quality audits conducted by independent third parties; and (9) whether the supplier is cooperative in providing nutritional data necessary to comply with menu labeling laws and regulations. We may limit the number of suppliers who are approved in order to gain buying power and efficiency.~~

Our complete criteria for approving a proposed supplier will be made available to you in writing. Our written specifications and standards for purchasing and list of approved suppliers will be provided to you. Any additions or changes to our purchasing standards will be provided to you in writing.

If an approved supplier or supply fails to meet our criteria for approval, we will notify you in writing, and you must cease using that supplier or supply. A supplier whose approval has been revoked may apply to us for reapproval if it follows the same procedure as previously unapproved suppliers.

#### Revenue Derived from Franchisee Purchases and Leases

We are currently an approved supplier of certain preprinted advertising and promotional items bearing the Marks, forms, signs, and supplies. We are currently the only approved supplier of trademarked name tags, redemption tokens, and forms used in the management of the ~~Franchised~~ Restaurant. Our affiliate, Dynamic Restaurant Acquisition, Inc. is currently a supplier of computer maintenance products and services and accounting and management services and is currently the only approved supplier of computer maintenance products and services.

In the fiscal year ended September 30, ~~2023~~2024, we received \$~~12,7948,313~~ or 0.96% of our total revenues of \$~~1,378,070343,660~~ from franchisee purchases of the items described above. These revenue figures were taken from our audited financial statement. In the fiscal year ended September 30, ~~2024~~2023, our Affiliate, Dynamic Restaurant Acquisition, Inc., received \$~~105,62085,100~~ or ~~2-1.7~~% of their total revenues from franchisee purchases, including sales of computer maintenance products and management and accounting services. These revenue figures were taken from the unaudited financial statement of our affiliate.

The purchase of products from designated suppliers, approved suppliers or in accordance with specifications and standards, will represent approximately 80% to 90% of your initial purchases and leases in establishing the ~~Franchised~~ Restaurant and 80% to 90% of your on-going purchases and leases if you are operating a Full-Size Restaurant or DELCO Facility.

There are no purchasing or distribution cooperatives in existence for the system. We negotiate arrangements with suppliers, including price terms, for the benefit of franchisees. We do not provide any material benefits (for example, renewal or additional franchises) to franchisees based on your purchase of particular products or services or use of particular suppliers.

#### Insurance

You must procure and maintain, at your expense, an insurance policy or policies protecting you, us and the respective officers, directors and employees against any loss, liability, personal injury, death or property damage or expense connected to the ~~Franchised~~ Restaurant as we may reasonably require for our own and your protection. You must also procure and maintain liquor liability insurance if you are serving alcohol. We must be named as an additional insured on the general liability and umbrella policies. The policy or policies must be written by an insurance company licensed in the state in which your ~~Franchised~~ Restaurant is located and having at least an "A-" Rating Classification as indicated in Best's Key Rating Guide. If possible, the policy must include a provision agreeing to provide notice to us at least ten days before cancellation or non-renewal. If this is not possible, you must notify us at least 10 days before cancellation or non-renewal. You must obtain replacement coverage prior to the cancellation or non-renewal of any existing insurance policy and provide us with a copy of the new insurance certificate. We may modify minimum insurance requirements, including required insurance coverage types and coverage amounts, at any time.

## ITEM 9 FRANCHISEE'S OBLIGATIONS

**The tables list your principal obligations under the Franchise Agreement and Area Development**

Agreement. It will help you find more detailed information about your obligations in the Franchise Agreement and Area Development Agreement and in other items of this Disclosure Document.

Franchise Agreement

Obligation	Provision in Agreement	Disclosure Document Item
a. Site Selection and acquisition/lease	Paragraph III; Renewal Addendum, Paragraph 6; Legacy Franchisee Addendum, Paragraph 5.	Items 8 and 12
b. Pre-opening purchases/leases	Paragraphs III. and <del>XX</del> ; Renewal Addendum, Paragraph 6; Legacy Franchisee Addendum, Paragraph 5.	Items 5, 7 and 8
c. Site development and other pre-opening requirements	Paragraphs III. and IV.; Renewal Addendum, Paragraph 6; Legacy Franchisee Addendum, Paragraph 5.	Items 5, 7, 8 and 11
d. Initial and ongoing training	Paragraph IV.; Renewal Addendum, Paragraph 7; Legacy Franchisee Addendum, Paragraph 6.	Items 6, 7 and 11
e. Opening	Paragraph <del>XX</del> ; Renewal Addendum, Paragraph 9; Legacy Franchisee Addendum, Paragraph 8.	Item 7 and 11
f. Fees	Paragraphs I., III., <u>VII., VIII., IX., X., XI., XII., XIV., XVI., XIX., XXI., XXII., XVII., and XXV.; XX.C.</u> ; Renewal Addendum, Paragraph 3; Legacy Franchisee Addendum, Paragraphs 3 and 11; Special Incentives Program Addendum	Items 5 and 6
g. Compliance with standards and policies/Operations Manual	Paragraphs <del>VI., VII., XI., XII.,</del> and <del>XXIX</del>	Items 8, 11, 15 and 16
h. Trademarks and proprietary information	Paragraphs <del>V., VI.</del> and <del>VII., XV</del>	Items 13 and 14
i. Restrictions on products/services offered	Paragraph <del>XX</del>	Items 8 and 16

Obligation	Provision in Agreement	Disclosure Document Item
j. Warranty and customer service requirements	Not applicable	Not applicable
k. Territorial development and sales quota	Not applicable.	Item 12
l. Ongoing product/service purchases	Paragraph <del>XIX</del>	Items 8 and 11
m. Maintenance, appearance and remodeling requirements	Paragraphs III., <del>XIX</del> , and <del>XVIX</del> ;	Items 6 and 8
n. Insurance	Paragraph <del>XIVXII</del> .	Items 6, 7 and 8
o. Advertising	Paragraph <del>IXVII</del> ; Renewal Addendum, Paragraph 8; Legacy Franchisee Addendum, Paragraph 7.	Items 6, 7, 8 and 11
p. Indemnification	Paragraphs <del>XIX.D.</del> , <del>XIV.E.</del> , <del>XVI.E.</del> , <del>XVIII.C.</del> , <del>XXI.</del> , <del>XXIXIX</del> , and <del>XXXIII.G-XVII</del>	Item 6
q. Owner's participation/management/staffing	Paragraphs IV., <del>XII.</del> , <del>XV.</del> , <del>XH.TX.</del> , <del>XIII.</del> , and <del>XXIXIX.B.</del>	Item 15
r. Record/reports	Paragraph III. and <del>XIX</del> .	Items 6 and 8
s. Inspections/audits	Paragraphs V. and <del>XIX</del> .	Items 6, 11 and 13
t. Transfer	Paragraphs <del>XVIXVI</del> . and <del>XXVII</del> ; Legacy Franchise Addendum, Paragraph 9.	Items 6 and 17
u. Renewal	Paragraph II; Renewal Addendum, Paragraph 5.	Item 6 and 17
v. Post-termination obligations	Paragraph <del>XVIXV</del>	Item 17
w. Non-competition covenants	Paragraphs <del>VII.</del> and <del>XVXII</del> .	Item 17
x. Dispute resolution	Paragraphs <del>XXIX.</del> and <del>XXX-XXI</del>	Item 17

Area Development Agreement.

Obligation	Provision in Agreement	Disclosure Document Item
a. Site Selection and acquisition/lease	Area Development Agreement, Paragraph V.B.	Items 8 and 12
b. Pre-opening purchases/leases	Not applicable	Not applicable
c. Site development and other pre-opening requirements	Not applicable	Not applicable
d. Initial and ongoing training	Not applicable	Not applicable
e. Opening	Not applicable	Not applicable
f. Fees	Area Development Agreement, Paragraphs II. and V	Items 5 and 6
g. Compliance with standards and policies/Operations Manual	Not applicable	Not applicable
h. Trademarks and proprietary information	Not applicable	Not applicable
i. Restrictions on products/services offered	Not applicable	Not applicable
j. Warranty and customer service requirements	Not applicable	Not applicable

Obligation	Provision in Agreement	Disclosure Document Item
k. Territorial development and sales quota	Area Development Agreement, Paragraphs I., II. and III.	Item 12
l. Ongoing product/service purchases	Not applicable	Not applicable
m. Maintenance, appearance and remodeling requirements	Not applicable	Not applicable
n. Insurance	Not applicable	Not applicable
o. Advertising	Not applicable	Not applicable
p. Indemnification	Area Development Agreement, Paragraphs VIII. and XI.	Item 6
q. Owner's participation/ management/staffing	Area Development Agreement, Paragraph V.B.	Item 15
r. Record/reports	Not applicable	Not applicable
s. Inspections/audits	Not applicable	Not applicable
t. Transfer	Area Development Agreement, Paragraph VIII	Items 6 and 17
u. Renewal	Not applicable	Not applicable
v. Post-termination obligations	Area Development Agreement, Paragraph VII	Item 17
w. Non-competition covenants	Area Development Agreement, Paragraphs VIII. and IX	Item 17
x. Dispute resolution	Area Development Agreement, Paragraphs XVII. and XVIII.	Item 17

**ITEM 10  
FINANCING**

We do not offer direct or indirect financing. We do not guaranty your note, lease or obligation.

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

**Except as listed below, Happy Joe's Franchising, Inc. is not required to provide you with any assistance.**

Some of our obligations under the Franchise Agreement and described in this Item 11 may be delegated to an Area Director if your franchise is located in the territory granted to an Area Director.

Our Obligations Before the ~~Franchised~~ Restaurant Opens:

1. Provide you with written notice of approval or disapproval of the proposed site within 30 business days after receiving your written proposal. (Paragraph III.B.)
2. Use reasonable efforts to help analyze your market area, determine site feasibility and to assist in the designation of the franchise location; however, it is your sole responsibility to undertake site selection activities and otherwise secure Premises. (Paragraph III.~~DB~~.)
3. Approve the lease for the Premises. Such approval is conditioned upon the lease containing the Franchisor's required terms and is not a determination of whether the economic terms or the lease are favorable. (Paragraph III.C.)
4. Review and approve your architectural plans and specifications for the development of a HAPPY JOE'S restaurant, including requirements for dimensions, exterior design, materials, interior design and layout, equipment, fixtures, furniture, signs and decorating. (Paragraph III.~~FE~~)
5. Train you and your designated employee before beginning operations of the ~~Franchised~~ Restaurant for

approximately four to six weeks. (Paragraph IV.A.).

6. Provide Approved Suppliers Lists and Approved Supplies Lists when the bid and ordering procedures begin, training and the Manuals when your training begins, and an accounting manual when you set up your accounting system. (Paragraph ~~XIII~~.~~EXX~~.I.)

Our Obligations During the Operation of the ~~Franchised~~-Restaurant:

1. For approximately seven days before and during the start of ~~Franchised~~ Restaurant operations, we will furnish to you, at your Premises and at your expense, a representative to help with the opening of your ~~Franchised~~ Restaurant. We may provide additional assistance, if you request and we approve of your request, at our then-current fee. (Paragraph IV.B.)

2. We will loan you one copy of or provide you electronic access to the Manuals which contains mandatory and suggested specifications, standards and procedures. The Manuals are confidential and remain our property. We may modify the Manuals (Paragraph VI.A.) The Table of Contents of the Manuals as of the date of this Disclosure Document are attached to this Disclosure Document at Exhibit E. The total number of pages in the Manuals as of the date of this Disclosure Document is as follows:

MANUAL	NUMBER OF PAGES
Food & Beverage Manual	245
Accounting Manual	98

We may provide the following training manuals to you for your use: Certified Service Artist Training Manual, Certified Pizza Artist Training Manual, and Certified Delivery Driver Manual.

3. We will review and approve all promotional materials and advertising that you will use, including newspapers, radio, television and internet advertising, specialty and novelty items, signs, boxes, napkins, bags, and wrapping papers. All advertising, promotions, marketing, and public relations conducted by you, in whatever medium or type of media, must be completely factual, conform to the highest standards of ethical advertising, and be in compliance with the standards, specifications and procedures described in the Manuals or other written materials provided by us. If we do not disapprove in writing any advertising or promotional item within 30 days of receipt, the particular materials will be considered approved. We reserve the right to subsequently disapprove any advertising or promotional item that was previously approved. (Paragraph ~~IX~~.~~VII~~.A.)

4. In lieu of payment to us of an advertising fee, we currently require you to become a member of and participate in the Happy Joe's National Franchise Board, Inc. ("HJNFB"). HJNFB is an Iowa non-profit corporation. The corporation was organized to provide advice, suggestions, and approval of policies and procedures in all areas in reference to our operation, including menu items, product development, supply selection, building design, advertising and marketing materials, programs and techniques for use by participating franchisees and providing members with timely communications of the HJNFB's matters, events and activities. The membership is made up of franchisees who are required to be members of HJNFB, franchisees under older franchise agreements who are not required to be members of HJNFB but who do so voluntarily, and one of our appointed representatives. The HJNFB is funded by contributions by the member franchisees. HAPPY JOE'S restaurants owned by us or an affiliate make contributions to HJNFB on the same basis as franchisees.

HJNFB is managed under the direction of the board of directors. 10 directors are elected by the membership.

HJNFB uses our in-house advertising department, freelance contractors, and regional advertising agencies for the creation and dissemination of advertising.

HJNFB directs the development of all advertising programs and materials. HJNFB does not promise to make expenditures for you which are equal or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or proportionately from the placement of advertising.

The monies paid to HJNFB are used for the purposes described above. None of the monies you pay to HJNFB will be used to defray our general operating expenses or to solicit franchises. We may be reimbursed by HJNFB for its expenses incurred for HJNFB. Further, HJNFB may vote to contribute certain sums to us for projects for the benefit of franchisees.

If excess amounts remain in the funds of the HJNFB at the end of its fiscal year, the Board of Directors will determine when and how the monies will be spent. HJNFB may dissolve at the end of any calendar month upon the vote of

66 2/3% of the members. If dissolved, all funds will be paid to us if we will perform the advertising function. If HJNFB is dissolved, you must thereafter make payments to us for an advertising fund administered by us.

HJNFB is not audited and is not required to make an accounting of expenditures available to you, but may do so. In the fiscal year ending September 30, ~~2024~~2023 the HAPPY JOE'S National Franchise Board spent the collected funds as follows: ~~85.4~~% on production, ~~7778.6~~% on media placement, ~~43.4~~14.9% on administrative, and 1.4~~2~~% on other expenses. We do not have the power to form, change, or dissolve the HJNFB.

If the HJNFB were to be dissolved and we establish an advertising fund as permitted under the Franchise Agreement, you would be required to contribute to us an amount we designate, which will be between 1% and 2% of Gross Sales.

Except for the HJNFB board described above, we do not have an advertising council composed of franchisees that advises us on advertising material.

5. We may designate a local, regional or national Advertising Coverage Area in which your business and at least one other HAPPY JOE'S franchise is located for purposes of developing a cooperative local or regional advertising or promotional program. If we establish a cooperative, you will contribute your share to cooperative advertising and promotional programs in your Advertising Coverage Area, defined as the area covered by a particular advertising medium (television, radio or other medium), as recognized in the industry ("Advertising Coverage Area"). The cost of the program will be allocated among franchisees in the Advertising Coverage Area and each franchisee's share will be in proportion to its sales during the preceding 12-month period. At the time a program is submitted, we will submit a list to you of all operating HAPPY JOE'S restaurants within the Advertising Coverage Area. (Paragraph IX.E.) Each business will receive one vote. The members of the cooperative are responsible for the current administration of the cooperative. The cooperatives currently need not operate from written governing documents. The cooperatives are encouraged, but not required, to prepare periodic financial statements. We have the power to form, change, dissolve, or merge cooperatives. Currently there is one local cooperative operating in the Quad Cities area.

6. We may modify the System, including the adoption and use of new or modified trade names, new Proprietary Products, new Marks or copyrighted materials, new menu items, new products, new equipment or new techniques. (Paragraph VIII.)

7. We may advise you concerning prices for the food products offered for sale by the ~~Franchised~~-Restaurant. (Paragraph XIII.A.)

8. We will: (a) provide a comprehensive list of established sources of equipment, foods, alcohol and other beverages, supplies and containers necessary for the operation of the ~~Franchised~~-Restaurant and specifications for these products; (b) coordinate product distribution for local, regional and national suppliers; (c) regulate quality standards and products throughout the network of ~~Franchised~~-Restaurants; (d) coordinate advertising materials and strategies; (e) negotiate group rates on products and materials for the ~~Franchised~~-Restaurant as we deem necessary; (f) provide on-going training and support; and (g) provide nutritional data compiled by us from suppliers and other third parties for standard Menu Items to assist you in complying with current menu labeling laws and regulations. (Paragraph XIII.B.)

9. We may make visits to the ~~Franchised~~-Restaurant. We may prepare written reports concerning these visits outlining any suggested changes or improvements in the operations of the ~~Franchised~~-Restaurant, and will advise you of problems arising out of the operation of the ~~Franchised~~ Restaurant to the extent it is disclosed in the written report. (Paragraph XIII.D.)

10. We may furnish you with assistance concerning the operation of the ~~Franchised~~-Restaurant as we determine is necessary. (Paragraph XIII.C.) Although we may provide reports on visits to the ~~Franchised~~-Restaurant and may offer assistance and guidance in various forms regarding the operation of the ~~Franchised~~-Restaurant, you have the sole control over the day-to-day operations of your ~~Franchised~~ Restaurant.

11. You must purchase and use a computer system and the SpeedLine Solutions POS software. The current estimated cost to purchase the required hardware for computer system is \$10,410 for a Full-Size Restaurant (based on five terminals) and \$4,708 for a DELCO Facility (based on 2 terminals). In addition, you must obtain a software license and pay a monthly subscription fee (SaaS) of \$625 per month for five terminals and \$250 per month for two terminals or a one-time initial cost of \$7,490 (traditional licensing). SpeedLine Solutions Inc. offers support services and upgrades as they are available. The current annual cost of support and upgrades beginning after six months

from the date of purchase of the software is \$995, which is waived if using the monthly subscription licensing model (SaaS).

Your computer system and POS system must meet the Payment Card Industry Data Security Standard. Currently this includes putting a firewall in place and having a service do periodic external scans. Currently, the cost for implementation of the firewall is \$318 and the fee for the monthly service is \$114 per month.

You must have high speed internet access with a minimum download speed of 60 Mbps throughout the term of the franchise for us to provide support and to that you can access our [iPathsStella](#) on-line training system for initial and ongoing training for you, your managers and employees.

You must offer on-line ordering to customers unless your particular circumstances to not warrant it and we agree and issue our written consent that you are not required to offer online ordering. Currently, the costs associated with on-line ordering, paid to a third-party vendor, is an initial fee of \$795 for set up with your existing POS system and an ongoing monthly charge of \$109.

You will have access to ORCA, an Inventory Management and Cost Management software program that integrates directly with your POS system and with Sysco, our only approved broadline foodservice distributor. ORCA will allow you to see virtual real time costs for your restaurant's sales based on your restaurant's product mix, menu pricing, and most recent Sysco invoices. The granular visibility you have with ORCA allows you to review variances for each ingredient that is part of every recipe for every item sold on your Happy Joe's menu. Your cost for [20242025](#) is approximately \$90 per month, net of local and state taxes and fees.

You must be able to process gift cards using a Mercury processing system. The current cost for this system is \$0 to \$20 per month depending on the system you use for processing.

We may require you to upgrade or update the computer system at any time. There are no contractual limitations on the number of times you must upgrade or update the computer system or on the amount of money that you must spend in doing so. We will have full access to all of your data, systems and related information by direct access, whether in person or by computer network or the internet (Paragraph XI.D.) There is no contractual limitation on our right to access your computer system.

Other than the support of the SpeedLine POS described above, we have no obligation to providing ongoing maintenance repairs, upgrades or updates. Our affiliate, Dynamic Restaurants Acquisition, Inc., offers ongoing computer system support to franchisees on a fee for service basis.

#### Methods Used to Select the Location of the [Franchised](#) Restaurant:

You must select the site for the [Franchised](#) Restaurant within the area designated in the Franchise Agreement. Our approval of the site is required. (Paragraph III.B.). If you do not select a site that is approved by us within 90 days from the date of signing the Franchise Agreement, the Franchise Agreement may be terminated. We generally will not own the site or lease it to you.

The factors considered by us in approving the proposed site may include traffic counts and patterns, visibility, population and density, local business competition, cost, and accessibility of site. We will give you notice of approval or disapproval of the site within 30 days after receiving your written proposal on a proposed site.

#### Typical Length of Time Before Operation:

The typical length of time between the signing of the Franchise Agreement, or the first payment of any consideration for the franchise, and the opening of your business is approximately 6 to 18 months after signing the Franchise Agreement for a Full-Size Restaurant or DELCO Facility franchise. The length of time between the signing of the Franchise Agreement, or the first payment of any consideration for the franchise, and the opening of a DELCO Co-Brand Facility is approximately 3 to 8 months if you do not have an existing facility in which the DELCO Co-Brand Facility will be operated or approximately 6 to 12 weeks if you have an existing facility in which the DELCO Co-Brand Facility will be operated. The factors that may affect this time include your ability to locate a site, construct, decorate, and equip the site, complete training, and hire employees.

~~You must open your Franchised Restaurant within 9 months (if the Premises is located in an existing building) and 18 months (if the Premises is being built to suit) after signing the Franchise Agreement, unless you are prevented from doing so by reasons beyond your control. (Paragraph XII.B.)~~

#### Training

The initial training programs as of the date of this disclosure document are as follows:

**TRAINING PROGRAM  
FULL SIZE RESTAURANT AND DELCO FACILITY**

<b>SUBJECT</b>	<b>HOURS OF CLASSROOM TRAINING<sup>1</sup></b>	<b>HOURS OF ON-THE-JOB TRAINING</b>	<b>LOCATION<sup>2</sup></b>
Orientation	3	None	Our Headquarters in Davenport, Iowa
Product Preparation	1-2	80	Happy Joe's restaurants selected by us
Product Purchasing	1-2	10	Selected Happy Joe's restaurants
Customer Service	1-2	20	Selected Happy Joe's restaurants
Administrative Responsibilities	2-5	20	Davenport, Iowa
Marketing	2-5	5	Davenport, Iowa
Policy/Standards	1-2	None	Davenport, Iowa
On-the-Job Training (all areas hands on experience)	None	200	Selected Happy Joe's restaurants
<b>Total</b>	<b>11 - 21</b>	<b>335</b>	

<sup>1</sup> Some of the initial training may be done on-line with our [iPathsStella](#) on-line training system instead of attending classroom training as we determine appropriate.

<sup>2</sup> The restaurant designated for on-the-job-training could be any Happy Joe's franchised or a restaurant owned by Dynamic Restaurant Acquisition, Inc.

The time devoted to each subject covered in the initial training may vary between franchisees depending on their experience. The following instructional materials will be used during the training: Food and Beverage Manual, Accounting Manual, Certified Pizza Artist Training Manual, Certified Service Artist Training Manual, and Certified Delivery Driver Manual. We have developed and are continuing to develop an on-line training system for restaurant owners, managers and employees under the name "[iPathsStella](#)." In addition to the classroom and on-the-job training, you may be required to complete certain modules of the [iPathsStella](#) training system contemporaneously with attending the initial training program. You must have a computer and internet access in order to access Our [iPathsStella](#) on-line training that you may be required to complete.

Training is conducted under the supervision of Ashley Balluff, our [DirectorVice President](#) of Training & Culinary Development. Prior to joining us in September 2019, Ms. Balluff managed two Happy Joe's [franchised restaurantsRestaurants](#) for nine years. Prior to that, she worked for Happy Joe's Pizza & Ice Cream Parlor, Inc. in their affiliate-owned Happy Joe's restaurants in a variety of positions.

Our Director of Marketing, Josh Spiller, participates in our initial training program. Mr. Spiller has been with the HAPPY JOE'S brand since June 2023 and has been in the marketing industry since 2017. Jenny Culp, our [DirectorVice President](#) of Purchasing & Supply Chain also participate in our initial training. Ms. Culp has been with the HAPPY JOE'S brand since 2007.

Other employees of ours or our parent or affiliate may participate in portions of the initial training. We reserve the right to make changes in the instructors at any time. Training will start approximately 4 months before you begin operations of your [Franchised](#)-Restaurant. Training is conducted as often as necessary for new franchisees.

We do not charge for up to a total of three people to attend the initial training; however, your expenses in attending this program, including travel and living costs and employees' salaries, will be your sole responsibility. (Paragraph IV.A.)

You must successfully complete our training program. If we determine that you are unable to satisfactorily complete the initial training program, we may require that you attend additional training at our current daily fee until you demonstrate your ability to operate the [Franchised](#)-Restaurant to our satisfaction or terminate the Franchise Agreement. (Paragraph IV.C). You MUST complete the initial training no later than [around the time of the opening](#)

~~of the Franchise~~ eight weeks before you open your Restaurant.

We may periodically provide and require that you and/or your managers and employees attend and successfully complete refresher training programs or seminars conducted at a location designated by us. Additional training will be required in the event you are in Default of this FDD due to failure of critical items on your evaluations. Default is considered after two consecutive failures of the same critical item. We will determine the criteria deemed as critical. We will not charge you an attendance fee for mandatory refresher training programs or seminars; however, you are responsible for the expenses of you and your employees in traveling to and attending the training or seminar, including travel costs, room and board and employees' salaries. Your attendance will not be required at more than three programs in any calendar year and will not collectively exceed six business days in any calendar year. You must provide your employees with access to our on-line training system, and pay the quarterly fee charged by us, which is currently \$50 per month. (Paragraph IV.D.)

You must attend any Annual Meeting of HAPPY JOE'S franchisees that is held by us (Paragraph IV.E.) We select the date and location. You may pay an annual meeting fee to us if all expenses are not covered by vendor, manufacturer, and supplier contributions, and you are responsible for all of the expenses of you and your employees in traveling to and attending the meeting, including travel costs, room and board and employees' salaries. Attendance at annual meetings will not be required more than 3 days during any calendar year. (Paragraph XII.S.)

## ITEM 12 TERRITORY

Once the location for your Happy Joe's ~~Franchised~~ Restaurant is approved, we will assign you a protected area ("Protected Area"). Protected Areas granted will vary in size and will be determined based on population density, demographics, the location of other Happy Joe's ~~Franchised~~ Restaurants, major and restricting topographical features which define contiguous areas, and other relevant factors, but will at minimum be a one-mile radius with its center point at the entrance of your Restaurant. A description and/or map of your Protected Area will be attached at Exhibit A to your Franchise Agreement.

You are granted the right to operate a ~~Franchised~~ Restaurant at one location approved by us. You must receive our approval of the new location before relocating. If the lease for the Premises expires or terminates and it is not your fault, or if the Premises is destroyed, condemned or otherwise rendered unusable, or if you and we otherwise agree, you must relocate the ~~Franchised~~ Restaurant to a site acceptable to us. You must use the Premises solely for the purpose of conducting a HAPPY JOE'S ~~Franchised~~ Restaurant.

~~As long as you are not in default under the Franchise Agreement, we will not grant a franchise for another Full-Size Restaurant or DELCO Facility and will not establish another HAPPY JOE'S owned by us or an affiliate Full-Size Restaurant or DELCO Facility in the Protected Area. We (and our affiliates) reserve the right to grant Satellites and establish company-owned Satellite units at any location. "Satellites" are locations which primarily offer carry-out services and do not offer birthday party or fun center services. We (and our affiliates) also reserve the right to operate, and grant others the right to operate, outlets in captive markets, such as gas stations, convenience stores, transportation facilities (such as airports, train stations, subway and rail and bus stations), military bases, government offices, sports facilities, amusement parks, zoos and convention centers, car and truck rest stops and travel centers, educational facilities, recreational theme parks, hospitals, business, or industrial foodservice venues, Indian reservations, and casinos. We call these "Non-Traditional Units." Based on this reservation of rights for Satellites and Non-Traditional Units, 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.~~

~~You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own from other channels of distribution or competitive brands that we control.~~

We (and our affiliates) reserve the right to offer and sell at wholesale, retail, or through any other distribution system, products and services which comprise, may in the future comprise or which do not comprise, a part of the System including, but not limited to, the Proprietary Products, which products may be resold at retail or through any other distribution channel under the Marks or other trademarks or service marks, including but not limited to, supermarkets and other retail facilities, and on the Internet, to the general public by such entities. We currently sell HAPPY JOE'S Pizza & Dipping Sauce, Spicey Joe's Taco Sauce, Happy Joe's Taco Sauce and HAPPY JOE'S Taco Chips through grocery store chains and other retail outlets. From its website, we sell Spicey Joe's Taco Sauce and frozen pizzas directly to customers. We are currently researching the development of other pizza related products for sale to the public through grocery store chains or other retail outlets, including frozen and/or take-and-bake HAPPY JOE'S

pizzas. We are not required to pay you any compensation for soliciting or accepting orders from inside your Protected Area.

We and any of our affiliates are not prohibited from opening other food service businesses, or distributing through another distribution system selling or leasing similar products and services under a different trademark. If we merge with, acquire or are acquired by a company that has established businesses identical or similar to the ~~Franchised~~ Restaurant, the businesses may convert to or operate under our Marks or other trademarks and may offer or sell products and services that are the same as or similar to the products and services offered at or from your ~~Franchised~~ Restaurant, and may be located anywhere within or outside of the Protected Area.

In addition to the Protected Area granted to you, a Designated Delivery Area is designated for you. The Designated Delivery Area will be agreed upon between Franchisor and Franchisee and will be described in writing in an exhibit to the Franchise Agreement. You can only provide delivery service to locations within your Designated Delivery Area unless you obtain our prior written consent to deliver outside of your Designated Delivery Area, and subject to the standards, specifications and procedures on delivery as outlined in the Manuals or other written materials provided by us. During the term of the franchise, we may revise your Designated Delivery Area based on changes in our policies and procedures on delivery, changes in market conditions or demographics, or the existence of new Happy Joe's Restaurants.

You are not prohibited from serving any customers as long as they come to your Restaurant site. You are not restricted in the areas of where you can market and promote your Happy Joe's Restaurant, except that you cannot conduct targeted marketing in the Designated Delivery Area assigned to another Happy Joe's franchisee. "Targeted marketing" includes all forms of advertising and promotion for customers which can reasonably be restricted to an address. Examples are direct mailings, door leaflets, telephone solicitation, and localized signs. These restrictions are imposed to prevent confusion in the market place among HAPPY JOE'S franchisees soliciting the same customers.

You do not receive the right to acquire additional franchises within your Protected Area, Designated Delivery Area or contiguous territories.

~~Continuation of your exclusive rights to the Protected Area is not dependent upon achieving any sales quotas, market penetration or other contingency. However, you must at all times use your best efforts to promote and increase the sales and service of Menu Items and to effect the widest and best possible distribution of HAPPY JOE'S products and services from your Happy Joe's Restaurant. Your failure to do so is cause for termination of the Franchise Agreement.~~

Tony Sacco's franchises the operation of TONY SACCO'S COAL OVEN PIZZA restaurants which (in contrast to the family-friendly, fun atmosphere of a HAPPY JOE'S restaurant) feature gourmet pizzas and authentic Italian dishes in a casual atmosphere. Because the restaurant facility and menu offerings were designed to serve different customers, we believe there will be little direct competition between the two brands, and there is no formal policy in place to resolve conflicts between the franchisor and franchisees and between the franchisees of each system regarding territory, customers, and franchisor support. Tony Sacco's shares our principal business address and shares our offices and training facilities.

#### Area Development Agreement

Under the Area Development Agreement, you will be granted an area within which you will develop the number of Full-Size Restaurants and DELCO Facilities agreed to by you and us ("Development Territory"). Your Development Territory is described in Exhibit A to the Area Development Agreement. The size of the Development Territory will vary and will depend on the market potential and our analysis of your financial and operational capabilities.

The territorial rights and protections you will be granted under each Franchise Agreement you sign under the Area Development Agreement will be determined by what territorial rights and protections are being granted by us to individual franchisees at the time you sign each Franchise Agreement.

~~We will not ourselves or through an affiliate establish or license anyone other than you the right to establish a HAPPY JOE'S Restaurant in the Development Territory before the expiration of the Development Schedule as long as you are not in default under the Area Development Agreement. However, we (and our affiliates) reserve the right to operate, and grant others the right to operate, Non-Traditional Units in captive markets. Based on this reservation of rights for Non-Traditional Units, you will not receive an exclusive territory. 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 (and our affiliates) reserve the right to offer and sell at wholesale, retail or any other distribution system the Proprietary Products, and other products and services, which now or in the future comprise a part of the System and which products may be resold to the general public. We (and our affiliates) also reserve the right to sell at both wholesale and retail all products and services which do not comprise a part of the System. We (and our affiliates) may market, sell or distribute our products for resale through supermarkets and other retail facilities, and other channels of distribution. We (and our affiliates) are not prohibited from opening other food service businesses or distributing through another distribution system selling or leasing similar products and services under a different trademark.

Other than those franchises provided for in the Area Development Agreement, you do not receive the right to develop additional franchises in the Development Territory.

Continuation of your ~~exclusive rights to the~~ Development Territory is dependent on meeting the Development Schedule or otherwise being in full compliance with the Area Development Agreement and all Franchise Agreements you have entered into with us. If you do not meet your Development Schedule or are not in full compliance with the Area Development Agreement or any Franchise Agreement, we have the option to terminate the Area Development Agreement, reduce the number of ~~Franchised~~ Restaurants you can open, or terminate or reduce your exclusive territorial rights.

### ITEM 13 TRADEMARKS

We grant you the right to operate a ~~Franchised~~ Restaurant under the Mark "HAPPY JOE'S" and other Marks we may authorize you to use. We own the following principal trademarks, which have been registered on the Principal Register of the U.S. Patent and Trademark Office. All required affidavits and renewals have been filed.

Mark	Date of Registration	Registration Number
"HAPPY JOE'S"	February 3, 1976	1032639
"HAPPY JOE'S"	November 11, 1975	1024785
"HAPPY JOE'S PIZZA & ICE CREAM PARLOR"	November 30, 1976	1053785
"WHERE BIRTHDAYS ARE FUN"	November 30, 1976	1053784
"HAPPY JOE'S"	August 18, 1987	1453392
"SPICEY JOE'S"	December 27, 1988	1518183
"MEAT WORKS"	February 7, 1995	1877797
Design plus words "HAPPY JOE'S PIZZA & ICE CREAM PARLOR"	June 1, 2004	2848301
"GOOD TIMES TO BE TOGETHER"	August 7, 2007	3277071

There are no agreements currently in effect which significantly limit our rights to use or license the use of the Marks in a manner material to the franchise. There are no presently effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, any pending infringement, opposition or cancellation, proceeding or any pending material litigation involving the Marks or other commercial symbols.

We are not aware of any superior prior rights or infringing uses that could materially affect your use of the principal trademarks in any state. We are aware, however, of a chain of restaurants operating under the name "HAPPY'S PIZZA" and of a federal registration for the mark "HAPPY'S PIZZA." We initially opposed the registration of the mark, and ultimately reached an agreement with the owner in January 2009 which restricted their use of the HAPPY'S PIZZA mark in certain states and within certain distances of HAPPY JOE's restaurants.

~~You may not at any time contest the validity or ownership of the Marks, including any Marks authorized or licensed to you after you sign the Franchise Agreement.~~ You must immediately notify us when you learn about an infringement of or challenge to your use of the Marks. We will take whatever action we think appropriate. We are not required to defend you or indemnify you against a claim against your use of the Marks. We have the sole right to contest or bring an action against a third party relating to the Marks. If action is taken by us, you must cooperate with us in the defense or prosecution of the action. You and your Principals must agree not to communicate with any person other than us, any designated affiliate, and our or their counsel about any infringement, challenge, or

claim. We, or our affiliates, have sole discretion to take any action we deem appropriate and the right to exclusively control any litigation or Patent and Trademark Office (or other) proceeding from any infringement, challenge, or claim concerning any of the Marks.

You must modify or discontinue using any Mark upon direction to do so from us within a reasonable time after receiving notice from us. We have no obligation to you if modification or discontinuance of any Mark is required.

~~You must use the designation @,™,SM or other trademark registration notice where applicable in your advertising and promotion. You must not use any Mark or a portion of any Mark as part of any corporate or trade name or in any modified form, in the sale of any unauthorized product or service, or in any other manner that we have not authorized in writing. You must give notices of trademark and service mark registration as we specify and obtain fictitious or assumed name registrations as may be required under applicable law.~~

~~Unless you obtain our prior written consent, you must not (i) obtain any domain names for the Internet incorporating the Marks or create, develop, maintain and/or use your own web site on the Internet using any of the Marks, (ii) use any of the Marks on the Internet in any directory listing or advertising, or (iii) make any reference to or associate the Marks on any social media platforms, social networks, blog, or other on-line venue or in any other manner on the Internet. If we specifically permit any of these uses in the Manuals or other written materials provided by us, you must conform completely to all applicable standards and procedures described in the Manuals or other written materials.~~

#### ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no copyrights, patents, or patents pending that are material to the franchise. We are the owner of Copyright Registration No. VAU536-862 on file in the U. S. Register of Copyrights Office for the Happy Joe's Pizza & Ice Cream trademark artwork. We also claim copyright protection in many other elements of the System, including the Manuals, the content of our website and marketing materials, and the design elements of our trademarks (collectively, the "Copyrighted Works").

There are no presently effective determinations of the U.S. Register of Copyrights Office or any court which are relevant to the use of the Copyrighted Works. There are no pending infringement, opposition or cancellation proceedings, or any pending material litigation involving our Copyrighted Works.

As a franchisee, you will have access to information that we consider proprietary and confidential. You may use our confidential information only for authorized purposes related to your operation of the ~~Franchised~~ Restaurant. You must promptly notify us when you learn of an unauthorized use of the confidential information. We are not obligated to take any action against any unauthorized user of the confidential information, but will respond to this information as we think appropriate. We are not obligated to indemnify you for losses brought by a third party concerning your use of this information.

You may divulge confidential information only to employees who must know it to operate the ~~Franchised~~ Restaurant. You must not use, in advertising or any other form of promotion our copyrighted materials or other commercial symbols without the appropriate notices which may be required by law or we may require, including © or other copyright registration notice. All of your employees having access to our confidential information and all of your management personnel receiving training from us must sign non-disclosure agreements in a form that is acceptable to us.

You must immediately notify us when you learn about an infringement of or challenge to your use of the Copyrighted Works or confidential information. ~~We will take whatever action we think appropriate. We are not obligated by the Franchise Agreement, or otherwise, to protect any rights you have to use the copyrights.~~ We are not required to defend you or indemnify you against a claim against your use of the Copyrighted Works or confidential information. We have the sole right to contest or bring an action against a third party relating to the Copyrighted Works or confidential information. If action is taken by us, you must cooperate with us in the defense or prosecution of the action.

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

~~You are an independent business owner with sole responsibility over the operation of the Franchised Restaurant.~~ You (or an owner if you are an entity) or a trained and competent employee acting as a full-time manager must

provide on-premises supervision of the ~~Franchised~~ Restaurant. The full-time manager does not need to have an ownership interest in the franchisee entity. However, even if you employ a full-time manager, you (or an owner if you are an entity) will remain ultimately responsible for the manager's performance. You must keep us informed of the identity(ies) of your manager(s). If you hire a substitute or additional manager, you must make sure that the manager receives training from us and completes it to our satisfaction. While we encourage your direct, on-site supervision of the ~~Franchised~~ Restaurant, you are not restricted in hiring managers who meet our training requirements.

If you are an entity, all of your owners must personally guarantee your obligations under the Franchise Agreement, and must agree to be bound by, and personally liable for the breach of, every provision in the agreement. This includes both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including the preservation of the confidentiality of our confidential information and compliance with the covenants not to compete. The Guaranty and Assumption of Obligations is attached to the Franchise Agreement.

#### **ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must offer and sell at retail all products and services that we require and may offer and sell only those goods and services that we have approved for sale.

Menu items and other food and beverage products will be prepared only by properly trained personnel strictly according to our recipes, techniques and processes and as required in the Manuals. All items offered from the ~~Franchised~~ Restaurant will be sold only at retail to customers. All menu items and other designated food products must be prepared according to our designated recipes, techniques and processes. These recipes, techniques and processes are integral to the System and failure to use them will be detrimental to the System and the Marks. You are prohibited from offering and selling any pizzas that are not fully baked and ready for consumption.

The Full-Size Restaurant and DELCO Facility may offer for sale or sell beer and/or wine at the ~~Franchised~~ Restaurant, subject to your compliance with any applicable liquor laws and permits. However, you must not offer for sale or sell any other alcoholic beverages.

The menu offered by the DELCO Co-Brand Facility may be more limited than the menu of the standard DELCO Facility. You and we will agree on the menu items which you may offer from the DELCO Co-Brand Facility before you purchase the franchise, and will list the permitted items in a rider to the DELCO Co-Brand Facility Addendum.

We have the right to add additional authorized products and services that you must offer. There are no limits on our right to do so.

You may not install or maintain on the Premises of the ~~Franchised~~ Restaurant (except for DELCO Co-Brand facilities) any newspaper racks, video games, juke boxes, gaming machines, gum machines, games, rides, vending machines, punchboards, raffles, or other similar devices without our written approval. You cannot display any third-party sign at the ~~Franchised~~ Restaurant that is inconsistent with the System, the ~~Franchised~~ Restaurant family atmosphere or to which we object.

You cannot conduct targeted marketing, directed to particular addresses, in the Designated Delivery Area of another franchisee. You cannot deliver products to customers located outside your Designated Delivery Area unless you obtain our prior written consent, the delivery location is not within the Designated Delivery Area of another franchisee, and subject to the standards, specifications and procedures on delivery as set forth in the Manuals or other written materials provided by us.

#### **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 franchise term	Paragraph II.A.	20 years from the date the Franchise Agreement is signed.
b. Renewal or extension of term	Paragraph II.B; Renewal Addendum, Paragraph 5.	Two five-year renewal options.
c. Requirements for franchisee to renew or extend	Paragraphs II.B., C. and D.	Compliance with the franchise agreement; you have the right to occupy the premises; the <b>Franchised</b> Restaurant is renovated to reflect current image requirements; you have given notice of renewal; you have satisfied all monetary obligations owed to us and our related companies; you have met current training requirements; and you and your guarantors have signed a general release. To renew, you must sign the form of franchise agreement being offered to new franchisees, the terms of which may be materially different than the terms of <del>our current</del> <b>your original</b> franchise agreement.
d. Termination by franchisee	Paragraph <del>XV</del> <b>XIV</b> .A; Legacy Franchise Addendum, Paragraph 4.	You may terminate the Franchise Agreement if you are in compliance and we materially breach the Franchise Agreement and fail to cure within 30 days of receiving your written notice. If you are a Legacy Franchisee, you may terminate the Franchise Agreement for any reason by giving one year prior notice.
e. Termination by franchisor without cause	No provision	The Franchise Agreement does not contain a provision allowing us to terminate the Franchise Agreement without cause.
f. Termination by franchisor with cause	Paragraphs <del>XV</del> <b>XIV</b> .B. and C.	We may terminate the Franchise Agreement upon delivery of notice to you if you default under the terms of the Franchise Agreement.
g. "Cause" defined - curable defaults	Paragraph <del>XV</del> <b>XIV</b> .C.	You fail or refuse to make payments due to us or our affiliates or to suppliers, vendors, lessors, utility companies, landlords or taxing authorities, and do not cure within 10 business days or you fail to comply with mandatory specifications in Franchise Agreement and do not cure within 30 days.

Provision	Section in Franchise Agreement	Summary
h. "Cause" defined - non- curable defaults	Paragraph <del>XV</del> <u>XIV</u> .B., <del>IV.C., III.E</del> <u>D</u> .	You fail to complete training; make a material misrepresentation or omission in the franchise application; are convicted of or plead no contest to a felony or other crime or offense that can adversely affect the reputation of you or the <del>Franchised</del> Restaurant; misuse the Manuals, Marks or Software (if developed); abandon business for 2 business days in any 12 month period; fail to relocate to approved premises within a reasonable period of time after the expiration or termination of your lease or after destruction or damage to the premises; surrender control of the <del>Franchised</del> Restaurant; submit reports understating Royalty Fees by more than 3% for periods totaling 3 or more weeks more than twice during the term of the franchise; fail to submit reports on 2 occasions in any 12 month period; breach of the same obligation on 3 or more consecutive occasions during the franchise term; continue to violate any health, safety or sanitation law or operation in a manner that presents a health or safety hazard; fails to cure default of lease; your bankruptcy; or you fail to open the <del>Franchised</del> Restaurant on or before the date required.
i. Franchisee's obligations on termination /non-renewal	Paragraph <del>XVII</del> <u>XV</u>	Your obligations include: stop operations of the <del>Franchised</del> Restaurant; assign your lease to us at our option; stop using the Marks and items bearing the Marks; assign any assumed names to us; de-identify the Premises from any confusingly similar decoration, design or other imitation of a Happy Joe's business; stop advertising as a <del>Franchised</del> Restaurant; pay all sums owed to us, including liquidated damages; pay all of our damages and costs in enforcing the termination provisions of the Franchise Agreement; return all Manuals and other confidential information and property to us; return all signs to us; sell to us, at our option, all assets and items bearing the Marks; assign your telephone and facsimile numbers and internet and social media listings or pages to us; and comply with the covenants not to compete.
j. Assignment of contract by franchisor	Paragraph <del>XVIII</del> <u>XVI</u> .A.	There is no restriction on our right to transfer, except that the transferee must be willing and able to fulfill our obligations.
k. "Transfer" by franchisee – definition	Paragraph <del>XVIII</del> <u>XVI</u> .B.	You may transfer the Franchise Agreement and all rights under the Franchise Agreement subject to certain restrictions.

Provision	Section in Franchise Agreement	Summary
l. Franchisor approval of transfer by franchisee	Paragraph <del>XVIII</del> XVI.B.	We have the right to approve all of your transfers, but will not unreasonably withhold approval.
m. Conditions for franchisor approval of transfer	Paragraphs <del>XVIII</del> XVI.B., C., and D.	The transferee must meet our qualifications, successfully complete the training program and sign the current Franchise Agreement. You must deliver proposed purchase agreement to us and we must determine terms of sale will not adversely affect buyer's future operation of <del>Franchised</del> Restaurant. You will pay all sums owed to us and transfer fee, and you and your guarantors sign a general release. If you are transferring to an entity you own and formed solely for the purposes of operating the <del>Franchised</del> Restaurant, you must remain the owner of the majority interest of that entity. You must promptly give us written notice whenever you receive a third party offer to buy your franchise. You must simultaneously give us written notice whenever you offer to sell your franchise. You may not advertise that the <del>Franchised</del> Restaurant is for sale without our written consent. You are not relieved from complying with the covenants not to compete if you transfer the franchise, unless we consent in writing.
n. Franchisor's right of first refusal to acquire franchisee's business	Paragraphs <del>XXVIII</del> and <del>XV</del> XV.K.	We can match any offer to buy your business, except in the event of a transfer to an immediate family member approved by us.
o. Franchisor's option to purchase franchisee's business	No provision	Not applicable.
p. Death or disability of franchisee	Paragraphs <del>XIX</del> XVII.A. and B.	Your heirs or legal representative can apply to us to continue operation of the <del>Franchised</del> Restaurant, or sell or otherwise transfer interest in the <del>Franchised</del> Restaurant within 180 days of death or incapacity.

Provision	Section in Franchise Agreement	Summary
q. Non-competition covenants during the term of the franchise	Paragraphs <del>XXIII</del> .C. and H.	You must not divert or attempt to divert any business or customer to a competitor, or perform any act which may harm the goodwill associated with the marks and the System; or own or otherwise have any interest in any business (including a business you currently operate, but excluding any businesses specifically identified in the Franchise Agreement) specializing in the wholesale or retail sale of prepared food products the same as or similar to any product or service provided through the System unless we agree otherwise. Your personnel performing managerial or supervisory functions and all personnel receiving training from us may be required to sign covenants in a form satisfactory to us.
r. Non-competition covenants after the franchise is terminated or expires	Paragraphs <del>XXIII</del> .D. and H.	You must not own or operate a business which sells prepared food products or services the same as or similar to any other product or service provided through the System for 1 year after the Franchise Agreement is terminated within the Metropolitan or Micropolitan Statistical Area (as defined by the U.S. Census Bureau), within a 20-mile radius of the <del>Franchised</del> Restaurant Premises or within a 20-mile radius of any other business using the System. See above for more information on covenants.
s. Modification of the agreement	Paragraphs <del>VIII</del> .H. and <del>XXVII</del> .XX.E.	The Franchise Agreement can be modified only by written agreement between us and you. We can modify or change the System through changes in the Manuals.
t. Integration/merger clause	Paragraphs <del>XXVII</del> . and <del>XXVIII</del> .XX.E.	Only the terms of the Franchise Agreement and this Disclosure Document are binding. The Franchise Agreement may only be modified to the extent required by an appropriate court to make the Franchise Agreement enforceable.
u. Dispute resolution by arbitration or mediation	No provision	Not applicable.
v. Choice of forum	Paragraph <del>XXIX</del> .XXI.B.	Any action will be brought in the appropriate state or federal court situated in the district in which we maintain our principal headquarters, subject to state law.

Provision	Section in Franchise Agreement	Summary
w. Choice of law	Section <del>XXI</del> <u>XXI.A.</u>	Texas law applies, subject to state law; except that disputes regarding the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.)

### THE AREA DEVELOPMENT RELATIONSHIP

This table lists certain important provisions of the Area Development Agreement. You should read these provisions in the agreement attached to this Disclosure Document.

Provision	Section in Development Agreement	Summary
a. Length of Term of the franchise term	Paragraph IV.	The period beginning on the effective date and ending on the earlier of: (i) the date on which you have completed your development obligations, or (ii) 11:59 PM Central Time on the last day specified in the development schedule.
b. Renewal or extension of term	No provision	Not applicable.
c. Requirements for franchisee to renew or extend	No provision	Not applicable.
d. Termination by franchisee	No provision	Not applicable.
e. Termination by franchisor without cause	No provision	Not applicable.
f. Termination by franchisor with cause	Paragraphs VII.B., C.	If you are in default of the Area Development Agreement, we may terminate the Area Development Agreement, reduce the number of Franchised Businesses you may develop, reduce or terminate your territorial exclusivity, or exercise any other rights and remedies we may have. We do not have the right upon termination of the Area Development Agreement to terminate any Franchise Agreements you have entered into with us, unless you are in default of that Franchise Agreement.
g. "Cause" defined - curable defaults	No provision	Not applicable.

Provision	Section in Development Agreement	Summary
h. "Cause" defined - non-curable defaults	Paragraph VII.B., C.	The Area Development Agreement will terminate automatically if you are adjudicated bankrupt or are otherwise involved in a bankruptcy proceeding, if a final judgment remains unsatisfied of record for 30 days or longer (unless bond is filed), if execution is levied against your business or property, if a mortgage or lien foreclosure suit is instituted against you and is not dismissed within 30 days, if you have failed to exercise options and enter into Franchise Agreements with us set out on your Development Schedule, failed to comply with any other term and condition of the Area Development Agreement, make or attempt to make an unapproved transfer of the Area Development Agreement, or if you fail to comply with the terms and conditions of any Franchise Agreement or other agreement between you and us.
i. Franchisee's obligations on termination /non-renewal	Paragraph VII.D.	You will lose your options to establish an individual <del>Franchised</del> Restaurant for which a Franchise Agreement has not been signed. A default under the Area Development Agreement will not be considered a default under the Franchise Agreement unless specified otherwise. If you are in default of the Area Development Agreement, but are not in default under any one or all of you Franchise Agreements, you may continue to operate the existing <del>Franchised</del> Restaurant(ies) under the terms of their separate Franchise Agreements.
j. Assignment of contract by franchisor	Paragraph VIII.A.	There is no restriction on our right to transfer the Area Development Agreement, except that the transferee must be willing and able to perform its obligations.
k. "Transfer" by franchisee – definition	Paragraphs VIII.D., E. and F.	Includes transfer of assets and all rights under the contract or change of ownership. You may assign the Area Development Agreement to an entity whose business is to conduct the business contemplated by the franchise if you retain at least 51% interest in the new entity.
l. Franchisor approval of transfer by franchisee	Paragraph XVIII.B.	We have the right to approve all of your transfers, but will not unreasonably withhold approval.

Provision	Section in Development Agreement	Summary
m. Conditions for franchisor approval of transfer	Paragraphs VIII.C., and D.	For a transfer to a third party, the transferee must meet our qualifications, be of good moral character, have sufficient business experience, aptitude and financial resources, and sign the current Area Development Agreement. You will pay all sums owed to us and our affiliates and sign a general release as well as pay our then-current transfer fee. You must give us 90 days' written notice before any sale or assignment of the Area Development Agreement and 15 days written notice of any received offer to buy your interest in the Area Development Agreement. You must give simultaneous written notice to us of any offer to sell an interest under the Area Development Agreement made by you.
n. Franchisor's right of first refusal to acquire franchisee's business	Paragraph VIII.G.	We have the right of first refusal to purchase your ownership interest or assets which are for sale and for which you have received a good faith offer to purchase.
o. Franchisor's option to purchase franchisee's business	Paragraph VIII.G. and I.	We have 30 days from notice of the offer to purchase your ownership interest or its assets at the same terms as contained in the offer.
p. Death or disability of franchisee	No provision	Not applicable
q. Non-competition covenants during the term of the franchise	Paragraphs VIII.J. and IX.C., H.	You must not divert or attempt to divert any business or customer to a competitor, or perform any act which may harm the goodwill associated with the Marks and the System; employ or seek to employ any person then employed by us or another of our franchisees or otherwise cause that person to leave his or her employment; or own or otherwise have any interest in any business (including a business you currently operate) specializing in the wholesale or retail sale of prepared food products the same as or similar to any product or service provided through the System unless we agree otherwise. You will also be bound by and must comply with the covenants in each Area Development Agreement you sign with us. The covenants apply even if you have transferred your interest in the Area Development Agreement.

Provision	Section in Development Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Paragraphs IX.D. and H.	You must not own or operate a business which sells prepared food products or services the same as or similar to any other product or service provided through the System for 1 year after the Area Development Agreement is terminated. The covenants apply even if you have transferred your interest in the Area Development Agreement.
s. Modification of the agreement	Paragraphs XV.	The Area Development Agreement can be modified only by written agreement between us and you.
t. Integration/merger clause	Paragraphs XV. and XVI.	In case of conflict between the terms of the Franchise Agreement and the Area Development Agreement, the terms of the Franchise Agreement will prevail. <u>Nothing in the franchise agreement or any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.</u>
u. Dispute resolution by arbitration or mediation	None	The Area Development Agreement does not provide for dispute resolution by arbitration or mediation.
v. Choice of forum	Paragraph XVII.B.	Any action will be brought in the appropriate state or federal court situated in the district in which we maintain our principal headquarters, subject to state law.
w. Choice of law	Paragraph XVII.A.	Texas law applies, subject to state law; except that disputes regarding the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.)

**ITEM 18  
PUBLIC FIGURES**

We do not use any public figures 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 particular location or under particular circumstances..

There are three affiliate-owned HAPPY JOE'S Restaurants owned and operated by our affiliate Dynamic Restaurant Acquisition, Inc. Each of these three Restaurants operated for the full 12-month period ending on September 30, ~~2024~~2023, and are located in Iowa.

The following chart reflects historic representations of based on past performance of existing outlets' Gross Sales, Cost of Sales, and certain operating expenses for the period of October 1, ~~2022~~2023 to September 30, ~~2024~~2023 for each of the three affiliate-owned HAPPY JOE'S Restaurants.

**AFFILIATE-OWNED FULL SIZE HAPPY JOE'S RESTAURANTS**

	Bettendorf		Locust		West 50th	
	Yearly Totals		Yearly Totals		Yearly Totals	
	\$	%	\$	%	\$	%
Total Revenue	1,905,784,913.777		1,485,632,457.034		1,573,668,628.856	
Total Discounts	197,634,235.679	10.412.3%	150,417,184.129	10.112.6%	146,307,184.685	911.3%
Net Revenue	1,708,150,678.098		1,335,215,272.905		1,427,361,444.171	
Total Cost of Sales	563,793,553.007	29.628.9%	479,432,463.170	32.331.8%	454,612,486.217	2829.9%
Gross Profit	1,144,357,125.091	60.158.8%	855,783,809.735	57.55.6%	972,749,957.954	6158.8%
Total Controllable Payroll Expenses	474,075,445.041	24.923.3%	400,863,402.180	27.6%	412,871,448.852	26.227.6%
Total Other Payroll Expenses	69,837,62,300	3.73%	66,477,53,283	4.53.7%	60,108,64,458	3.84%
Total Variable Expenses	195,467,207.074	10.38%	151,688,168.760	10.211.6%	209,102,237.095	13.314.6%
Total Fun Center Income/(Expense)	1,182,6,645	0.0635%			30,462,69,086	1.94.2%
Net Income	406,160,417.321	21.38%	236,756,185.512	15.912.7%	321,130,276.635	20.417%
Royalty Fee	-102,938,003	6%	80,113,76,374	6%	97,008,94,552	6%
Imputed Net Income	303,221,315.318	16.5%	156,643,109.138	10.7.5%	224,122,182.083	1411.2%

Note 1. "Total Revenue" as used in this financial performance representation means the total gross sales derived from the operation of the restaurant including all sales of Menu Items, Proprietary Products, other food products, beverages and other related products and services to customers of the Restaurant, or any other source (including, but not limited to, insurance proceeds for loss of revenue), whether or not sold or performed at or from the HAPPY JOE'S Restaurant, less the amount of all sales tax receipts or similar tax receipts which, by law, are chargeable to customers, if such

taxes are separately stated when the customer is charged and if such taxes are paid to the appropriate taxing authority. Total Revenue does not include game and coin machine income.

Note 2. "Net Revenue" means the Total Revenue minus authorized discounts.

Note 3. "Cost of Sales" means Total Revenue minus the costs for all food, and beverage ingredients, and paper products.

Note 4. "Gross Profit" means Net Revenue minus Cost of Sales.

Note 5. "Variable Expenses" includes expenses for advertising; HJNFB and co-op contributions; promotions; team sponsors and pledges; donations; Restaurant supplies; Workers Compensation insurance; laundry; staff member relations; education and conventions; maintenance supplies; uniforms; repairs and maintenance; maintenance contracts; outside services; telephone; television, cable, and internet; postage; office supplies; computer supplies; dues and subscriptions; cash (over) short; returned checks; travel and lodging; meals and entertainment; automobile expenses; client expenses; research and development for food; training materials; payroll administrative fees; intra-company bookkeeping; professional services; bank service fees; credit card fees; online ordering fees; licenses and fees; penalties and fines; sales and use tax expenses; waste removal; and other miscellaneous expenses. This category includes the contribution ~~franchised~~ Restaurants are required to pay to HJNFB and are recommended to spend on local advertising.

Note 6. "Total Fun Center Income/(Expense)" means the Gross Revenue from the Fun Center less Fun Center Expenses.

Note 7. "Net Income" means Gross Profit minus Controllable Payroll Expenses, Other Payroll Expenses, and Variable Expenses, plus Fun Center Income.

Note 8. "Royalty Fee Adjustment" reflects the 6% Royalty Fee that franchisees must pay to us under the franchise agreement on Net Revenue of the Restaurant and Gross Revenue of the Fun Center. These Restaurants did not pay us this Royalty Fee.

Note 9. "Imputed Net Income" means Net Income minus the Royalty Fee Adjustment.

Note 10. The affiliate-owned Restaurants included in the table above have been in operation ranging from ten (10) years to forty plus (40+) years. A newly established Restaurant without brand recognition in the local market or a customer base cannot expect to initially experience the same level of sales or income as an established business.

### GROSS SALES OF ~~FRANCHISED~~ RESTAURANTS

As of September 30, ~~2024~~~~2023~~, we had ~~3529~~ franchised HAPPY JOE'S restaurants in operation in the United States. Of these ~~35 franchised~~~~29~~ Restaurants, ~~2421~~ were Full-Size Restaurants, one restaurant operated under our "PIZZAGRILLE" model, ~~ninesix~~ were delivery-only or DELCO facilities, and one was a Bolt-On franchise which is a Restaurant that operates in an existing restaurant.

The following chart reflects ~~the historic representations of based on past performance of existing outlets'~~ Gross Sales for the year ending on September 30, ~~2024~~~~2023~~, for the ~~2421~~ Full-Size HAPPY JOE'S Restaurants and ~~ninesix~~ DELCO Restaurants that operated for the full reporting period.

Restaurant Type	Average Gross Sales	Number of Restaurants Meeting or Exceeding the Average	Median Gross Sales	Number of Restaurants Meeting or Exceeding the Median	Gross Sales Range	
					Low	High
Full-Size Restaurants	<del>932,226</del> <del>923,741</del>	10	<del>874,637</del> <del>879,713</del>	10	<del>295,650</del> <del>331,814</del>	<del>1,880,454</del> <del>903,222</del>

DELCO Restaurants	<u>848,503,885.2</u> <u>78</u>	1	<u>667,416,709.9</u> <u>41</u>	<u>43</u>	<u>465,008,430.7</u> <u>43</u>	<u>2,211,870,133.8</u> <u>58</u>
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**Note 1.** The information was compiled from royalty reports and/or financial statements submitted to us by the franchisee. This information has not been audited and we have not taken any steps to independently verify the accuracy of the information submitted for each of these restaurants.

**Note 2.** "Gross Sales" as used in the chart above means the total gross sales derived from the operation of the Restaurant including all sales of Menu Items, Proprietary Products, other food products, beverages and other related products and services to customers of Franchisee (including but not limited to any game and coin machine income), or any other source (including, but not limited to, insurance proceeds for loss of revenue), whether or not sold or performed at or from the HAPPY JOE'S Franchised-Restaurant, less the amount of all sales tax receipts or similar tax receipts which, by law, are chargeable to customers, if such taxes are separately stated when the customer is charged and if such taxes are paid to the appropriate taxing authority.

**Note 3.** As of September 30, ~~2024~~2023, the time the Full-Size Restaurants included in the above table have been in operation range from ~~42~~30 months to forty+ (40+) years. As of September 30, ~~2024~~2023, the time the DELCO Restaurants included in the above table have been in operation range from ~~45~~ years to forty+ (40+) years.- A newly established restaurant without brand recognition in the local market or a customer base cannot expect to initially experience the same level of Gross Sales as the Gross Sales of established businesses.

~~Note 4. Two affiliate-owned HAPPY JOE'S Restaurants transferred to franchisees as of October 1, 2022. While these Restaurants opened as franchised locations in 2022, they were operated by franchisees for the full calendar year ending on September 30, 2023 and were included in the above chart.~~

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

Written substantiation of the data used in preparing this financial performance representation will be made available to prospective franchisees on reasonable request.

Other than the above financial performance representations, 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 other 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 financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Thomas Sacco, 5239 Grand Avenue, Davenport, Iowa, 52807, (563) 332-8811, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

### Systemwide Outlet Summary

For years ended September 30, ~~2024~~2022, to September 30, ~~2024~~2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	<del>2022</del> 2021	<del>32</del> 33	33	<del>+10</del>
	<del>2023</del> 2022	33	<del>33</del> 35	<del>0</del> +2
	<del>2023</del> 2024	<del>33</del> 35	<del>35</del> 29	<del>+2</del> -6
Company-Owned	<del>2022</del> 2021	9	<del>9</del> 5	<del>0</del> -4
	<del>2023</del> 2022	<del>9</del> 5	<del>5</del> 3	<del>-4</del> -2
	<del>2023</del> 2024	<del>5</del> 3	3	<del>-2</del> 0
Total Outlets	<del>2022</del> 2021	<del>41</del> 42	<del>42</del> 38	<del>+1</del> -4
	<del>2023</del> 2022	<del>42</del> 38	38	<del>-4</del> 0

	<del>2023</del> 2024	38	<del>38</del> 32	<del>0</del> 6
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Table No. 2

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For years ended September 30, ~~2021~~2022, to September 30, ~~2024~~2023**

State	Year	Number of Transfers
Iowa	2021	2
<b>TOTALS</b>	2022	0
	2023	0
Minnesota	2021	1
	<del>2022</del> 2024	0
	2023	0
North Dakota	2021	1
	2022	0
	2023	0
<b>TOTALS</b>	2021	4
	<del>2022</del>	0
	2023	0

Table No. 3

**Status Franchised Outlets**  
**For years ended September 30, ~~2021~~2022, to September 30, ~~2023~~2024**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of Year
Illinois	<del>2022</del> 2024	8	01	0	0	0	0	89
	<del>2023</del> 2022	89	42	0	0	0	0	911
	<del>2023</del> 2024	911	20	01	0	0	02	118
Iowa	<del>2022</del> 2024	15	20	40	0	0	40	15
	<del>2023</del> 2022	15	0	0	0	0	0	15
	<del>2023</del> 2024	15	0	0	0	0	02	1513
Minnesota	<del>2022</del> 2024	2	0	0	0	0	0	2
	<del>2023</del> 2022	2	0	0	0	0	0	2
	<del>2023</del> 2024	2	0	0	0	0	0	2
Missouri	<del>2022</del> 2024	42	40	0	0	0	0	2
	<del>2023</del> 2022	2	0	0	0	0	0	2
	<del>2023</del> 2024	2	0	01	0	0	0	21

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
North Dakota	<del>2022</del> <del>024</del>	4	0	0	0	0	<del>0</del> <u>1</u>	<del>43</del> <u>3</u>
	<del>2023</del> <del>022</del>	<del>43</del> <u>3</u>	0	0	0	0	<del>10</del> <u>0</u>	3
	<del>2023</del> <del>024</del>	3	0	0	0	0	0	3
Wisconsin	<del>2022</del> <del>024</del>	2	0	0	0	0	0	2
	<del>2023</del> <del>022</del>	2	0	0	0	0	0	2
	<del>2023</del> <del>024</del>	2	0	0	0	0	0	2
TOTALS	<del>2022</del> <del>024</del>	<del>32</del> <u>33</u>	<del>31</del> <u>31</u>	<del>40</del> <u>40</u>	0	0	1	33
	<del>2022</del> <del>023</del>	33	<del>42</del> <u>42</u>	0	0	0	<del>40</del> <u>40</u>	<del>33</del> <u>35</u>
	<del>2023</del> <del>024</del>	<del>33</del> <u>35</u>	<del>20</del> <u>20</u>	<del>02</del> <u>02</u>	0	0	<del>04</del> <u>04</u>	<del>35</del> <u>29</u>

Notes:

- (1) Of the ~~3529~~ HAPPY JOE'S ~~franchised restaurants~~ Restaurants as of September 30, ~~2023~~2024, one restaurant operated under our "PIZZAGRILLE," model, which features full table service, a different store design, and extended menu, ~~2421~~ were standard Full-Size restaurants, ~~ninesix~~ were Delivery Only Facilities, and one was a Bolt-On Franchise.
- (2) In the fiscal year ending September 30, ~~2023~~2024, one franchised Full-Size Restaurant ~~and one DELCO Restaurant are~~ opened in ~~in~~ Egypt ~~and one DELCO~~. ~~The Full-Sized Restaurant~~ opened in Egypt ~~in the fiscal year ending September 30, 2023 and the DELCO Restaurant opened~~ in the fiscal year ending September 30, 2022.

Table No. 4  
**Status of Company-Owned Outlets**  
For years ended September 30, ~~2024~~2022, to September 30, ~~2023~~2024

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Illinois	<del>2022</del> 2024	2	0	0	0	0	2
	<del>2023</del> 2022	2	0	0	0	<del>02</del> <u>20</u>	<del>20</del> <u>3</u>
	<del>2023</del> 2024	<del>20</del> <u>3</u>	0	0	0	<del>20</del> <u>0</u>	0
Iowa	<del>2022</del> 2024	<del>76</del> <u>63</u>	0	0	<del>03</del> <u>30</u>	<del>40</del> <u>0</u>	<del>63</del> <u>3</u>
	<del>2023</del> 2022	<del>63</del> <u>3</u>	0	0	<del>30</del> <u>0</u>	0	3
	<del>2023</del> 2024	3	0	0	0	0	3
Wisconsin	<del>2022</del> 2024	<del>01</del> <u>40</u>	<del>40</del> <u>0</u>	0	<del>01</del> <u>40</u>	0	<del>40</del> <u>0</u>
	<del>2023</del> 2022	<del>40</del> <u>0</u>	0	0	<del>40</del> <u>0</u>	0	0
	<del>2023</del> 2024	0	0	0	0	0	0
Totals	<del>2022</del> 2024	9	<del>40</del> <u>40</u>	0	<del>04</del> <u>40</u>	<del>40</del> <u>02</u>	<del>95</del> <u>53</u>
	<del>2023</del> 2022	<del>95</del> <u>53</u>	0	0	<del>40</del> <u>02</u>	<del>02</del> <u>40</u>	<del>53</del> <u>95</u>

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
	<del>2023</del> 2024	<del>53</del>	0	0	0	<del>20</del>	3

Notes:

- (1) All outlets are owned and operated by our affiliate Dynamic Restaurant Acquisition, Inc.

Table No. 5  
Projected Openings as of September 30, ~~2023~~2024

State	Franchise Agreements Signed but Outlet Not Open	Projected New Franchised Outlet in the Next Fiscal Year		Projected Company-Owned Outlet in the Next Fiscal Year
		Full	DELCO	
Florida	<del>0</del> 1	1	0	0
North Dakota	<del>0</del> 1	0	1	0
<del>Texas</del> Illinois	0	1	0	0
<del>Montana</del>	<del>0</del>	<del>1</del>	<del>0</del>	<del>0</del>
Arizona	<del>0</del> 1	<del>1</del> 2	0	0
Minnesota	<del>0</del> 1	1	0	0
<del>Montana</del>	<del>1</del>	<del>0</del>	<del>0</del>	<del>0</del>
<del>Texas</del>	<del>1</del>	<del>0</del>	<del>0</del>	<del>0</del>
<b>Totals</b>	<del>0</del> 6	<b>5</b>	<b>1</b>	<b>0</b>

We also have license agreements with one restaurant in Iowa for the right to sell branded HAPPY JOE'S products.

A list of HAPPY JOE'S ~~Franchised~~ Restaurants as of September 30, ~~2023~~2024, and a list of Happy Joe's Restaurants owned by Dynamic Restaurant Acquisition, Inc. as of September 30, ~~2023~~2024, are attached as Exhibit F.

The names, city and state, and telephone numbers of every franchisee who has had an outlet terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the year ending September 30, ~~2023~~2024, or who has not communicated with the franchisor within 10 weeks of the date of this Disclosure Document are listed in Exhibit G.

If you buy this 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 agreements restricting their ability to speak openly about the Happy Joe's franchise system.

The following is a trademark-specific franchisee association that was created and is sponsored by us: Happy Joe's National Franchise Board, 5239 Grand Avenue, Davenport, Iowa, 52807, ~~Will Brinkley~~Kari White, President, ~~(319) 572-4474~~563) 212-9922. There are no franchisee organizations that have asked to be disclosed in our Disclosure Document.

## ITEM 21 FINANCIAL STATEMENTS

~~Also Attached as Exhibit A are our unaudited balance sheets as of December 31, 2023 and the related statements of income and retained earnings and cash flows for the three months ended December 31, 2023.~~

~~Also attached are our~~ audited balance sheets as of September 30, ~~2024~~, 2023, ~~and~~ 2022 ~~and~~ 2021 and the related statements of income and retained earnings and cash flows for the years ended September 30,

~~2024~~, ~~2023~~, ~~2022~~ and ~~2021~~2022. Our fiscal year end is September 30.

**ITEM 22  
CONTRACTS**

The following contracts are included in this disclosure document:

- Exhibit B – Franchise Agreement
- Exhibit C – Area Development Agreement
- Exhibit H – Franchise Acknowledgment Questionnaire
- Exhibit I – Renewal Addendum (for franchisees exercising renewal rights)
- Exhibit J – Legacy Franchisee Addendum (for franchisees with expiring agreements)
- Exhibit K – Special Incentive Program Addendum
- Exhibit L – State-Specific Addenda

**ITEM 23  
RECEIPTS**

Attached as the last two pages of this disclosure document are duplicative Receipts. Please sign and date both copies of the Receipt. Keep on signed copy of the Receipt for your file and return to us the other signed copy of the Receipt. The Receipt contains the names of our franchise sellers or brokers.

**HAPPY JOE'S FRANCHISING, INC.**  
**FINANCIAL STATEMENTS**  
**EXHIBIT A TO THE FRANCHISE DISCLOSURE DOCUMENT**

**HAPPY JOE'S FRANCHISING, INC.**

**AUDITED FINANCIAL STATEMENTS**

**Years Ended September 30, 2024, 2023, and 2022**

# HAPPY JOE'S FRANCHISING, INC.

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## **INDEPENDENT AUDITOR'S REPORT**

To the Stockholder  
Happy Joe's Franchising, Inc.

### **Opinion**

We have audited the financial statements of Happy Joe's Franchising, Inc. (the Company), which comprise the balance sheets as of September 30, 2024, 2023 and 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2024, 2023 and 2022, 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 (GAAP).

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 the Company's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, cursive font, with 'LLP' in a smaller, simpler font to the right.

West Des Moines, Iowa  
January 28, 2025

# HAPPY JOE'S FRANCHISING, INC.

## BALANCE SHEETS

	September 30,		
	2024	2023	2022
<b>Assets (Note 3)</b>			
Current assets:			
Cash	\$ 366,800	\$ 9,691	\$ 35,222
Accounts receivable, net	71,431	98,967	117,210
Inventory	22,908	31,506	25,805
Prepaid expenses	285,568	138,469	123,600
Due from affiliates	374,913	357,587	111,872
Total current assets	<u>1,121,620</u>	<u>636,220</u>	<u>413,709</u>
Intangible assets, net	1,088,293	1,446,463	1,788,127
Total assets	<u>\$ 2,209,913</u>	<u>\$ 2,082,683</u>	<u>\$ 2,201,836</u>
<b>Liabilities and stockholder's equity</b>			
Current liabilities:			
Accounts payable	\$ 13,598	\$ 32,738	\$ 21,520
Deferred revenue	1,019,046	486,045	504,983
Total current liabilities	<u>1,032,644</u>	<u>518,783</u>	<u>526,503</u>
Commitments and contingency (Note 3)			
Stockholder's equity:			
Common stock, no par value; 100,000 shares authorized, 10,000 shares issued and outstanding	50,000	50,000	50,000
Additional paid-in capital	3,191,000	3,191,000	3,191,000
Accumulated deficit	<u>(2,063,731)</u>	<u>(1,677,100)</u>	<u>(1,565,667)</u>
Total stockholder's equity	<u>1,177,269</u>	<u>1,563,900</u>	<u>1,675,333</u>
Total liabilities and stockholder's equity	<u>\$ 2,209,913</u>	<u>\$ 2,082,683</u>	<u>\$ 2,201,836</u>

**HAPPY JOE'S FRANCHISING, INC.**  
**STATEMENTS OF OPERATIONS**

	<b>Years Ended September 30,</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
Revenues:			
Royalties and franchise fees	\$ 1,330,679	\$ 1,357,335	\$ 1,285,588
Trademark fees and other income	-	-	25,317
Commissary sales	12,981	20,736	22,599
Exclusivity rebates	-	-	2,195
Total revenues	<u>1,343,660</u>	<u>1,378,071</u>	<u>1,335,699</u>
Costs and expenses:			
Cost of commissary sales and commissions	39,199	23,321	30,874
Payroll and related costs	539,651	462,424	470,252
Operating expenses	805,665	702,588	802,872
Amortization	358,170	356,028	334,050
Total costs and expenses	<u>1,742,685</u>	<u>1,544,361</u>	<u>1,638,048</u>
Other income	12,394	54,857	-
Loss before income tax	<u>(386,631)</u>	<u>(111,433)</u>	<u>(302,349)</u>
Income tax expense	-	-	-
Net loss	<u>\$ (386,631)</u>	<u>\$ (111,433)</u>	<u>\$ (302,349)</u>

**HAPPY JOE'S FRANCHISING, INC.**  
**STATEMENTS OF STOCKHOLDER'S EQUITY**  
**Years Ended September 30, 2024, 2023 and 2022**

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance at September 30, 2021	\$ 50,000	\$ 3,191,000	\$ (1,263,318)	\$ 1,977,682
Net loss	-	-	(302,349)	(302,349)
Balance at September 30, 2022	<u>50,000</u>	<u>3,191,000</u>	<u>(1,565,667)</u>	<u>1,675,333</u>
Net loss	-	-	(111,433)	(111,433)
Balance at September 30, 2023	<u>50,000</u>	<u>3,191,000</u>	<u>(1,677,100)</u>	<u>1,563,900</u>
Net loss	-	-	(386,631)	(386,631)
Balance at September 30, 2024	<u>\$ 50,000</u>	<u>\$ 3,191,000</u>	<u>\$ (2,063,731)</u>	<u>\$ 1,177,269</u>

**HAPPY JOE'S FRANCHISING, INC.**  
**STATEMENTS OF CASH FLOWS**

	<b>Years Ended September 30,</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
<b>Operating activities</b>			
Net loss	\$ (386,631)	\$ (111,433)	\$ (302,349)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Amortization	358,170	356,028	334,050
Changes in working capital components:			
Accounts receivable	27,536	18,243	70,677
Inventory	8,598	(5,701)	6,158
Prepaid expenses	(147,099)	(14,869)	(117,588)
Accounts payable	(19,140)	11,218	(25,773)
Deferred revenue	533,001	(18,938)	337,800
Due from/to affiliates	(17,326)	(245,715)	(158,324)
Net cash provided by (used in) operating activities	<u>357,109</u>	<u>(11,167)</u>	<u>144,651</u>
<b>Investing activities</b>			
Purchase of intangible assets	-	(14,364)	(180,985)
Net cash used in investing activities	<u>-</u>	<u>(14,364)</u>	<u>(180,985)</u>
Net increase (decrease) in cash	357,109	(25,531)	(36,334)
Cash at beginning of year	9,691	35,222	71,556
Cash at end of year	<u>\$ 366,800</u>	<u>\$ 9,691</u>	<u>\$ 35,222</u>

See accompanying notes to financial statements.

**HAPPY JOE'S FRANCHISING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2024, 2023 and 2022**

**NOTE 1 — NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business**

Happy Joe's Franchising, Inc. (the Company) was incorporated on August 29, 2000. The operations of the Company consist of franchisor rights for 36 (as of September 30, 2024) franchised and licensed pizza and ice cream stores located in the Midwest region of the United States and the granting of franchises for future Happy Joe's restaurants. On October 24, 2017, the Company's shareholder sold the outstanding common stock of the Company to Dynamic Restaurant Franchising, Inc. (DRF), a subsidiary of Dynamic Restaurant Holdings, LLC (DRH), with the intent of growing the franchising operations of the Happy Joe's brand in collaboration with other current and future regional pizza concepts owned by DRH.

**Cash**

Cash consists of deposits in federally insured financial institutions with original maturities of less than three months.

The Company maintains cash in bank accounts which, at times, may exceed Federal Deposit Insurance Corporation limits. The Company believes it is not exposed to any significant credit risk on cash.

**Accounts Receivable**

Accounts receivable are carried at original invoice amount less an estimate for allowance for credit losses. The allowance for credit losses is determined by evaluating the anticipated impact on the balance of current economic conditions, changes in the character and size of the balance, past and expected future loss experience, reasonable and supportable forecasts, and other pertinent factors. Accounts receivable are written off when deemed uncollectible, and recoveries of written off accounts are recorded when received. The allowance for credit losses balance was as follows at September 30:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Beginning Balance	\$ 7,636	\$ 4,700	\$ 4,700
Write-offs	(2,950)	-	-
Provision	<u>1,000</u>	<u>2,936</u>	<u>-</u>
Ending Balance	<u>\$ 5,686</u>	<u>\$ 7,636</u>	<u>\$ 4,700</u>

**Inventory**

Inventory consists of commissary products and is stated at the lower of cost or net realizable value. Cost has been determined for substantially all inventory under the average cost method.

**HAPPY JOE'S FRANCHISING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2024, 2023 and 2022**

**NOTE 1 — NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Intangible Assets, Net**

Intangible assets represent franchise rights and prototype development costs. Intangible assets are reported at cost (measured at fair value on the acquisition date), net of accumulated amortization, and are amortized on a straight-line basis over the estimated useful life, which is ten years for franchise rights and five for prototype development costs. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. No impairments were identified for the years ending September 30, 2024, 2023, and 2022.

**Revenue Recognition**

Revenues consist primarily of franchise revenue, which includes franchisee royalties.

*Royalties and Franchise Fees*

Revenues the Company receives from franchise and license agreements include sales-based royalties, franchisee fees, and area development fees. The Company recognizes sales-based royalties from franchisees and licensees as the underlying sales occur. The Company also provides its franchisees with services associated with opening new restaurants and operating them under franchise and development agreements in exchange for area development and franchise fees. The Company has adopted the accounting standards update (ASU) ASU 2021-02, *Franchisors – Revenue from Contracts with Customers (Practical Expedient)*, as of October 1, 2020, which allows these activities to be recognized as revenue when performed, typically at the point the franchise is opened. Upfront fees collected that represent a franchise license fee are capitalized and recognized over the contracted franchise term as the services comprising the performance obligations are satisfied, typically over 10 to 15 years. Revenues for area development agreements are recognized as new franchises within the area are opened. All franchise license fees and fees collected under area development agreements that have not yet been earned are recorded as deferred revenue. Deferred revenue was \$167,183 as of October 1, 2021.

*Trademark Fees*

The Company receives fees in connection with the use of the Happy Joe's trademarks and logos, which are recorded as income when earned, generally on a straight-line basis over the term of the contract.

*Other Revenues*

Revenues for commissary sales, exclusivity rebates, annual franchise meeting, and other revenue are recognized when earned, which is usually a point-in-time when the products are sold or service is provided. Revenues from the annual franchise meeting are presented net of related costs and are recognized once the annual meeting occurs. The Company presents all sales net of sales-related taxes.

**HAPPY JOE'S FRANCHISING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2024, 2023 and 2022**

**NOTE 1 — NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Taxes**

For the years ending September 30, 2024, 2023 and 2022, income taxes are accounted for using a liability method and provide for the tax effects of transactions reported in the financial statements. Deferred taxes are adjusted to reflect deferred tax consequences at current enacted tax rates. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible, when the assets and liabilities are recovered or settled. The Company has evaluated its income tax positions and has determined that there are no uncertain income tax positions that need to be recorded or reported in the financial statements at September 30, 2024, 2023 and 2022.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

**Recently Adopted Accounting Pronouncement**

In June 2016, the Financial Accounting Standards Board issued ASU 2016-13 *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. The financial asset held by the Company that is subject to the guidance in ASC 326 was accounts receivable. The Company adopted the standard effective October 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures.

**HAPPY JOE'S FRANCHISING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2024, 2023 and 2022

**NOTE 2 — INTANGIBLE ASSETS**

Intangible assets consist of franchise rights and prototype costs summarized as follows at September 30:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Franchise agreements	\$ 3,191,000	\$ 3,191,000	\$ 3,191,000
Prototype	<u>195,349</u>	<u>195,349</u>	<u>180,985</u>
Intangible assets, cost	3,386,349	3,386,349	3,371,985
Accumulated amortization	<u>2,298,056</u>	<u>1,939,886</u>	<u>1,583,858</u>
	<u>\$ 1,088,293</u>	<u>\$ 1,446,463</u>	<u>\$ 1,788,127</u>

Amortization expense for future years is expected to be as follows:

Fiscal year ending:	
2025	\$ 358,170
2026	358,170
2027	343,220
2028	<u>28,733</u>
	<u>\$ 1,088,293</u>

**NOTE 3 — PLEDGE AGREEMENT AND TRANSACTIONS WITH AFFILIATES**

DRH and its affiliates entered into a subordinated loan and investment arrangement with a member of DRH. All issued and outstanding ownership interests in the Company and its affiliates are pledged in connection with the agreement in addition to providing a security interest in substantially all assets of the Company, DRH and its affiliates, which is subordinate to the bank security interest. The balance of the member note was \$6,017,545 at September 30, 2024 and 2023, and is included in the DRH financial statements.

The Company shares certain administrative and overhead expenses with DRH and other affiliates under common ownership. The Company's share of these expenses was \$982,217, \$796,463, and \$923,683 for the years ended September 30, 2024, 2023 and 2022, respectively. These costs are recorded as a component of both payroll and related costs and operating expenses in the statements of operations.

The Company sold \$4,668, \$7,945, and \$11,217 of commissary items to affiliates for the years ended September 30, 2024, 2023, and 2022, respectively.

**HAPPY JOE'S FRANCHISING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2024, 2023 and 2022**

**NOTE 4 — INCOME TAX**

Total income taxes for the years ended September 30, 2024, 2023 and 2022, differed from the amount of income taxes computed by applying the United States federal income tax rate. The reasons for such differences are as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Computed "expected" taxes (benefit)	\$ (81,000)	\$ (23,000)	\$ (63,000)
State income tax effect, net of federal tax benefit	(12,600)	2,600	(4,200)
Other	(4,400)	(21,600)	(25,800)
Change in valuation allowance	<u>98,000</u>	<u>42,000</u>	<u>93,000</u>
Net income tax expense (benefit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Temporary differences between the financial statement basis and the income tax basis of assets and liabilities of the Company and the related deferred tax assets (liabilities) at September 30, 2024, 2023 and 2022 are as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Net operating loss carryforwards	\$ 242,000	\$ 174,000	\$ 191,000
Intangible assets	172,000	135,000	149,000
Other	109,000	116,000	43,000
Valuation allowance	<u>(523,000)</u>	<u>(425,000)</u>	<u>(383,000)</u>
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The net deferred tax assets are reduced by a valuation allowance as management has determined it is more likely than not that some portion or all of the deferred tax assets will not be realized. At September 30, 2024, the Company had a federal net operating loss carryforward of approximately \$167,000, which expires in 2038, and a federal net operating loss of \$775,000 with an unlimited carryforward period and subject to an 80% utilization against future taxable earnings. State net operating loss carryforwards are approximately \$897,000 as of September 30, 2024.

**NOTE 5 — LIQUIDITY**

The Company has incurred net losses of approximately \$387,000, \$111,000, and \$302,000 for the years ended September 30, 2024, 2023, and 2022, respectively. Due to the transition to new management, activities initiated to reduce expenses, and amortization of intangible assets. Management plans to continue to reduce expenses and increase revenues from new branding strategies to bring the Company stable, positive cash flows from operations in the future.

**NOTE 6 — SUBSEQUENT EVENTS**

The Company has evaluated all subsequent events through January 28, 2025, the date which the financial statements were available to be issued.

**HAPPY JOE'S FRANCHISING, INC.**  
**FULL SIZE/DELCO FRANCHISE AGREEMENT**  
**EXHIBIT B TO THE FRANCHISE DISCLOSURE DOCUMENT**

**FRANCHISE AGREEMENT**

**SUMMARY PAGE**

**EFFECTIVE DATE:** \_\_\_\_\_

**FRANCHISEE(S):** \_\_\_\_\_

**FRANCHISEE  
ADDRESS FOR NOTICES:** \_\_\_\_\_

**MANAGING OWNER:** \_\_\_\_\_

    Telephone Number: \_\_\_\_\_

    Email Address: \_\_\_\_\_

**SITE SELECTION AREA:** \_\_\_\_\_

**INITIAL FRANCHISE FEE:**               \$3540,000 (Full-Size Restaurant or DELCO Facility)

(check one)                               \$2530,000 Special Incentive

   \$1,000 Legacy Franchise

**GRAND OPENING MARKETING:**       \$10,000 (Existing Market)

   \$100,000 (New Market)

**ROYALTY FEE:**                       6% of the Gross Sales derived from the ~~Franchised~~-Restaurant

**TRANSFER FEE:**                   30% of the then-current franchise fee charged by Franchisor for  
new franchises

**FRANCHISOR  
ADDRESS FOR NOTICES:**           HAPPY JOE'S FRANCHISING, INC.  
5239 Grand Avenue  
Davenport, Iowa 52807

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**EXHIBITS**

- A. GLOSSARY OF TERMS
- B. LOCATION OF PREMISES, DESCRIPTION OF PROTECTED AREA AND DESCRIPTION OF DESIGNATED DELIVERY AREA
- ~~BC.~~ AUTHORIZATION FOR ELECTRONIC TRANSFER OF FUNDS
- ~~CD.~~ GUARANTY AND ASSUMPTION OF OBLIGATIONS
- ~~DE.~~ COLLATERAL ASSIGNMENT OF LEASE
- ~~EF.~~ LEASE ADDENDUM
- ~~FG.~~ CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS

**HAPPY JOE'S FRANCHISING, INC.**  
**FRANCHISE AGREEMENT**

This Franchise Agreement ("this Agreement") is made and entered into on the Effective Date reflected on the Summary Page by and between HAPPY JOE'S FRANCHISING, INC. an Iowa corporation, ~~having its principal place of business at 5239 Grand Avenue, Davenport, Iowa, 52807~~ ("Franchisor") and the franchisee identified in the Summary Page ("Franchisee"); or "you".

**WITNESSETH:**

WHEREAS, Franchisor, ~~over a period of time has acquired the license to use and as the result of to sublicense the expenditure of time, expertise, effort use of a distinctive business format and money (i) has developed and owns a proprietary System ("System"), identified by the Mark, "HAPPY JOE'S", system relating to the establishment, development and operation of a~~ of a restaurant facility offering on-premises dining, carry-out, and/or delivery services, providing premium quality pizza, ice cream, pasta, spaghetti, fresh baked sandwiches, salads, and other food and beverage products, all prepared in accordance with specified recipes and procedures ("Menu Items"), and featuring birthday party and fun center services; ~~(ii), and~~ has developed and continues to further develop a proprietary line of specially formulated pizza dough, spices, sauces, ice cream, ice cream toppings and other food products and related equipment ("Proprietary Products"); ~~(iii) has developed certain presentation, packaging and marketing standards and techniques for all Menu Items and Proprietary Products; and (iv) has developed consumer acceptance for all Menu Items, Proprietary Products, and services ("Franchised Restaurant"); which Franchised"), all under the name HAPPY JOE'S ("System");~~

~~WHEREAS, the distinguishing characteristics of the System include, without limitation, distinctive interior and exterior design, decor, color scheme, graphics, fixtures and furnishings, Franchisor's proprietary recipes, procedures for preparing, packaging, and serving menu items, operation and customer service standards and procedures, advertising and marketing specifications and requirements, and other standards, specifications, techniques, and procedures that Franchisor designates for developing, operating, managing, and promoting a HAPPY JOE'S Restaurant, all of which Franchisor may change, improve, and further develop (collectively, "Standards");~~

~~WHEREAS, the System is identified by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited, to the mark HAPPY JOE'S and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System ("Marks"); and~~

~~WHEREAS, You desire to enter into the business of operating a restaurant under the System and Marks ("Restaurant"), which Restaurant may be a HAPPY JOE'S Full-Size Restaurant or a HAPPY JOE'S Delivery Only Facility ("DELCO Facility"); and") as identified in the Summary Pages, and Franchisor desires to grant you such rights, all pursuant to the terms and conditions of this Agreement.~~

~~WHEREAS, the distinguishing characteristics of the System include, without limitation, distinctive exterior and interior layout, design and color scheme; exclusively designed signage, decorations, furnishings and materials; special recipes, formulae, menus and food and beverage designations; a collection of confidential manuals relating to the operation of the Franchised Restaurant under the System ("Manuals"), which may be contained in one or more volumes; the Proprietary Products; the Proprietary Software Package ("Software") (if developed); food and beverage storage, preparation and service procedures and techniques; operating procedures for sanitation and maintenance; and methods and techniques for inventory and cost controls, record keeping and reporting, personnel management, purchasing, sales promotion and advertising; all of which may be changed, improved and further developed by Franchisor from time to time; and~~

~~WHEREAS, Franchisor is the owner of the right, title and interest together with all the goodwill connected thereto in and to the trade names, service marks and trademarks "HAPPY JOE'S", "HAPPY JOE'S, plus the design", associated logos, commercial symbols and such other trade names, service marks, and trademarks as are now designated (and may hereinafter be designated by Franchisor in writing) as part of the System ("Marks"); and~~

~~WHEREAS, Franchisor shall continue to develop, use and control such Marks for the benefit and use of itself and its franchisees in order to identify for the public the source of food products and services marketed~~

~~thereunder and to represent the System's high standards of quality regarding Menu Items, operations, food products, ingredients, appearance and service; and~~

~~WHEREAS, Franchisor grants to qualified persons franchises to own and operate HAPPY JOE'S restaurants offering food products and services authorized and approved by Franchisor and utilizing the System and Marks. Franchisee desires to operate a HAPPY JOE'S restaurant using the System and Marks and has applied for a franchise, which application has been approved by Franchisor in reliance upon all of the representations made therein; and~~

~~WHEREAS, Franchisee understands and acknowledges the importance of Franchisor's high and uniform standards of quality, operations and customer service and the necessity of operating the HAPPY JOE'S restaurant in conformity with Franchisor's standards and specifications for the protection of the Marks; and~~

~~WHEREAS, Franchisor expressly disclaims the making of and Franchisee acknowledges that it has not received nor relied upon any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement. Franchisee acknowledges that it has read this Agreement and Franchisor's Franchise Disclosure Document and that it has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees or agents that are contrary to the statements made in Franchisor's Franchise Disclosure Document or to the terms herein.~~

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other set forth in this Agreement, hereby agree as follows:

#### **1. APPOINTMENT AND FRANCHISE FEE**

A. Franchisor hereby grants to Franchisee~~you~~, upon the terms and conditions herein contained, the nonexclusive ~~right, license and privilege~~ to use the Marks, and Franchisee~~undertakes you undertake~~ the obligation to operate a HAPPY JOE'S restaurant facility ~~featuring the Menu Items and~~ offering carry-out and on-premises dining services and/or delivery services and to use solely in connection therewith the System, ~~as it is currently established, and as it~~which may be changed, improved and further developed from time to time, at the Premises identified (or to be identified) in Exhibit AB to this Agreement ("Premises"). ~~If the Premises for the restaurant has not been identified as of the Effective Date of this Agreement, the restaurant location shall be selected in accordance with Paragraph III, and Exhibit A will be amended to reflect the restaurant Premises at that time. Franchisee shall not relocate its Franchised Restaurant without the prior written approval of Franchisor.~~

B. Once the location of the Premises is determined, ~~we~~Franchisor will grant Franchisee~~you~~ a protected area which will be described in Exhibit AB to this Agreement ("Protected Area"). Franchisor shall not, so long as this Agreement is in force and effect and Franchisee~~is you are~~ not in default under any of the terms hereof, ~~enfranchise franchise~~ or operate any other HAPPY JOE'S Full-Size Restaurant or DELCO Facility within the Protected Area. Franchisor has the right, in its sole discretion, to grant ~~such~~ other franchises outside of the Protected Area as Franchisor, in its sole ~~and exclusive~~ discretion, deems appropriate. Franchisor (and any affiliate) reserves the right, both within and outside of the Protected Area:

1. ~~\_\_\_\_\_ (a) to offer and sell at wholesale, retail, or through any other distribution system, distribute~~ products and services ~~which comprise, may in the future comprise or which do not comprise, a part of the System including, but not limited to, the Proprietary Products, which products may be resold at retail or through any other distribution channel under identified by the Marks or other trademarks or service marks, including but not limited to, such as pre-packaged products, through alternative channels of distribution including grocery stores, supermarkets, convenience stores, restaurants, and via mail order, catalog sales, and other retail facilities, and on /or the Internet;~~ (b) to operate or license the general public by such entities;

2. ~~\_\_\_\_\_ to sell at both wholesale and retail all products and services which do not comprise a part~~use of the System. Franchisor (and any affiliate) also reserves the right, both Marks and System to Non-Traditional Units within and outside the Protected Area; ~~or to grant the right to an existing franchisee to establish food service units operating under a format and trademarks and service marks distinct from the HAPPY JOE'S System;~~

and operate a Satellite location; and (c) to merge with, acquire or be acquired by a company that has established ~~franchised, licensed, or company owned~~ businesses identical or similar to the ~~Franchised~~ Restaurant, ~~including franchised or licensed businesses~~, which businesses may convert to or operate under ~~our Franchisor's~~ Marks or other trademarks and may offer or sell products and services that are the same as or similar to the products and services offered at or from your ~~Franchised~~ Restaurant, and which may be located anywhere within or outside of the Protected Area; ~~Nothing in this Agreement prohibits or restricts Franchisor or its Affiliates from owning, acquiring, establishing, operating, or granting franchise rights for one or more other businesses under a different trademark or service mark (i.e. a mark other than HAPPY JOE'S), whether or not the business is the same as or competitive to HAPPY JOE'S.~~

~~3. ——— to operate or grant the right to operate outlets identified in whole or in part by our Marks and/or utilizing the System in the Protected Area that are located in gas stations or convenience stores; transportation facilities, including airports, train stations, subway and rail and bus stations; military bases and government offices; sports facilities, including stadiums and arenas; amusement parks, zoos and convention centers; car and truck rest stops and travel centers; educational facilities; recreational theme parks; hospitals; business or industrial foodservice venues; venues in which foodservice is or may be provided by a master concessionaire or contract foodservice provider; Indian reservations; casinos; or any similar captive market location not reasonably available to you ("Non-Traditional Unit").~~

~~4. ——— to grant the right to an existing franchisee to establish a Satellite location; and~~

~~5. ——— to engage in any other business activities not expressly prohibited by this Agreement.~~

~~C. ——— In consideration of the franchise granted herein, Franchisee shall pay to Franchisor an initial franchise fee in the amount stated on the Summary Page. The initial franchise fee is due in full upon execution of this Agreement. Said fee shall be deemed fully earned and non-refundable upon execution of this Agreement as consideration for expenses incurred by Franchisor in furnishing assistance and services to Franchisee and for Franchisor's lost or deferred opportunity to franchise others, except as may be otherwise specifically provided in this Agreement.~~

C. ——— Upon execution of this Agreement, you shall pay Franchisor an Initial Franchise Fee in the amount specified in the Summary Pages, which is fully earned and nonrefundable upon payment.

D. Franchisee>You at all times shall use its best efforts to promote and increase the sales and service of Menu Items, to affect the widest and best possible distribution of Menu Items from Franchisee'syour HAPPY JOE'S Restaurant, and to solicit all potential customers for the sale of HAPPY JOE'S food products and services from Franchisee'syour HAPPY JOE'S Restaurant. Franchisee'sYour failure to devote itsyour best efforts to adequately represent the HAPPY JOE'S restaurant in Franchisee'syour area through its sales and service efforts shall be deemed just cause for termination. Franchisee>You shall not engage only in the retail, sale of Menu Items, and Franchisee agrees not to engage in the wholesale sale and/or distribution of distribute any product offered for sale through the Franchised Restaurant, except if authorized in writing by Franchisor. "Wholesale Sale and/or Distribution" shall mean any sale and/or distribution of product by Franchisee to a third party for resale, retail sale or further distribution by such third party.

E. AYour Designated Delivery Area ~~for Franchisee~~ will be set by Franchisor and will be described in writing in Exhibit AB to this Agreement and on a map attached thereto.

~~1. Franchisee, which area is prohibited subject to changes by the Franchisor's. You are prohibited from conducting targeted marketing to promote its Restaurant within the designated delivery area of another HAPPY JOE'S franchisee and from providing delivery serviceservices to any location outside the Designated Delivery Area unless Franchisee obtainsyou obtain the prior written consent of Franchisor to do so.~~

~~2. If you obtain the Franchisor's consent to deliver outside of the Designated Delivery Area, said deliveries are subject to and complies with Franchisor's standards, specifications, and procedures for delivery as set forth in the Manuals or other written materials provided by Franchisor.~~

~~3. ——— During the term of this Agreement, Franchisor may revise your Designated Delivery Area based on changes in Franchisor's policies and procedures on delivery, changes in market conditions or~~

~~demographics, or the existence of new Happy Joe's Restaurants.~~

~~4. Throughout the term of the franchise, Franchisee is strictly prohibited from conducting targeted marketing to promote its Franchised Restaurant within the Designated Delivery Area of another HAPPY JOE'S franchisee. "Targeted Marketing" shall include all forms of advertising and promotion for customers which can reasonably be restricted to an address, including, but not limited to, direct mailings, door leaflets, telephone solicitation, and localized signs. The purpose of this restriction includes, but is not limited to, preventing confusion in the marketplace among HAPPY JOE'S franchisees soliciting the same customers.~~

F. ~~Franchisee acknowledges~~You acknowledge that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any System franchisee based upon the peculiarities of the particular site or circumstance, density of population, business potential, population of trade area, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of such franchisee's business. FranchiseeYou shall not be entitled to require Franchisor to grant to Franchiseeyou a like or similar variation hereunder.

## **H2. TERM AND RENEWAL**

A. Initial Term. This Agreement shall be effective and binding from the date of its execution for an initial term equal to 20 years commencing on the date of this Agreement.

B. Renewal Term and Requirements. ~~Franchisee shall have the right to renew this franchise for two additional successive terms of five years each, providing all of the conditions hereinafter set forth have been fulfilled: You may renew the franchise granted by this Agreement for two consecutive five-year periods if, at the end of each term, each of the following conditions has been satisfied: (a) you notified Franchisor of its intent to renew the franchise no less than six months and no more than 12 months before the then-current term expiration date; (b) you are not in default of any material provision of this Agreement and you have complied with the materials terms and conditions of this Agreement throughout the term; (c) you have satisfied all monetary obligations owed to Franchisor, its Affiliates and third party suppliers; (d) you have renovated and refurbished the Restaurant Premises so that they reflect Franchisor's then-current image, trade dress, equipment, and furnishings requirements; (e) you have the right to remain in possession of the Restaurant Premises, or has secured an alternate site with Franchisor's prior approval, and have provided the Franchisor with a copy of the lease containing the Lease Rider attached to this Agreement as Exhibit G (if you do not own the Franchised Location); (f) you comply with the then-current qualifications and training requirements; (g) you sign Franchisor's then-current form of franchise agreement, the terms of which may be materially different than the terms of this Agreement, and each Owner executes a guaranty and personal undertaking in the form Franchisor prescribes; and (h) you and each Owner sign a general and full release in favor of Franchisor and its Affiliates, and their respective, officers, directors, shareholders, members, managers, employees, and agents, of any claims arising out of or related to the franchise relationship including the offer and sale of the HAPPY JOE'S franchise opportunity.~~

~~1. Franchisee has, during the entire term of this Agreement, complied with all its provisions;~~

~~2. At the time of giving notice of renewal to Franchisor, Franchisee is not in default under any terms of this Agreement nor has Franchisee at any time during the term of this Agreement been in material default under any provisions of this Agreement;~~

~~3. Franchisee maintains possession of the Franchised Restaurant and before the expiration date of this Agreement, has brought the Franchised Restaurant into full compliance with the specifications and standards then applicable for new or renewing HAPPY JOE'S restaurants and presents evidence satisfactory to Franchisor that it has the right to remain in possession of the Premises for the duration of any renewal term within two weeks after notifying Franchisor of its desire to renew; or, in the event Franchisee is unable to maintain possession of the Premises, or if, in the judgment of Franchisor, the Premises should be relocated, Franchisee secures substitute premises approved by Franchisor and has furnished, stocked and equipped such premises to bring the Franchised Restaurant at its substituted premises into full~~

~~compliance with the then-current specifications and standards before the expiration date of this Agreement;~~

~~4. Franchisee has given notice of renewal to Franchisor as provided hereinafter;~~

~~5. Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor and has timely met these obligations throughout the term of this Agreement;~~

~~6. Upon renewal, Franchisee has executed Franchisor's then-current form of the Franchise Agreement (with appropriate modifications to reflect the fact that the Franchise Agreement relates to the grant of a renewal franchise), which Franchise Agreement shall supersede in all respects this Agreement, and the terms of which may differ from the terms of this Agreement including, without limitation, a different percentage Royalty Fee, advertising contribution, and a different territory; provided, however, Franchisee shall not be required to pay the then-current initial franchise fee;~~

~~7. Franchisee has complied with Franchisor's then-current qualification and training requirements; and~~

~~8. Franchisee and its guarantors have executed a general release, in a form prescribed by Franchisor, and under seal, of any and all claims against Franchisor and its respective officers, directors, agents, shareholders and employees in their corporate and individual capacities.~~

C. Franchisee's Notice of Renewal. ~~If Franchisee desires to renew this franchise before the expiration of this Agreement, Franchisee shall give Franchisor written notice of its desire to renew at least 6 months, but not more than 12 months, prior to the expiration of the initial term of this Agreement. Within sixty (60) days after its Franchisor's receipt of such your timely notice to renew the franchise term, Franchisor shall furnish Franchisee you with written notice of: (i) reasons which could cause Franchisor not to grant a renewal to Franchisee you including, but not limited to, any deficiencies which require correction and a schedule for correction thereof by Franchisee to cure such deficiencies; and (ii) Franchisor's then-current requirements relating to the image, appearance, decoration, furnishing, equipping and stocking of HAPPY JOE'S restaurants, and a schedule for effecting upgrading or modifications in order to bring the Franchised Restaurant in compliance therewith, as a condition of renewal. Renewal of the franchise shall be conditioned upon Franchisee's your compliance with such requirements and continued compliance with all the terms and conditions of this Agreement up to the date of termination of the initial term.~~

D. Franchisor's Notice of Renewal. Franchisor shall give Franchisee you written notice of its election not to renew the franchise at least three months prior to the expiration of the initial term of this Agreement.

E. Continued Operation Following Expiration. ~~Franchisee has no right to this Agreement expires and you continue to operate the Franchised Restaurant after the expiration of the initial term of this Agreement unless Franchisee is granted a renewal Franchise in accordance with this Section II.E. If Franchisor permits Franchisee to continue to operate the Franchised Restaurant after the expiration of the initial term, the terms of this Agreement but before the execution of a renewal Franchise Agreement as required by Section II.B.6, then the temporary continuation of the Franchised Restaurant will be on a month-to-month basis under the same terms as this Agreement, and will be terminable govern the parties' relationship, provided that: (a) either party may terminate the relationship at the will of Franchisor by giving Franchisee any time during the holdover period, for any reason or for no reason, by delivering to the other party 30 days' prior written notice of termination at least thirty (30) days before the termination is effective; and (b) in addition to your obligations to pay the Royalty Fees, advertising contributions, and other payments as may be due under this Agreement, you shall pay to Franchisor a monthly temporary license fee on the first day of each calendar month. If the laws of the jurisdiction in which Franchisee you or the Franchised Restaurant are located require a longer notice period, the thirty-day period will be deemed modified to be the shortest notice period required by the laws of such jurisdiction. Upon the expiration of said thirty (30) day (or longer) notice period and if no renewal Franchise Agreement has been executed, if Franchisor permits Franchisee you to continue to operate the Franchised Restaurant, then the temporary continuation of the Franchised Restaurant will be on the same terms as this Agreement but will be terminable at will with no prior notice required. Further, in the event of such continued operation terminable at will, Franchisee must pay to Franchisor a monthly temporary license fee on the first day of each calendar month. During the first three months, the temporary license fee shall be \$1,000.00, and for each month thereafter, the monthly temporary~~

license fee shall increase in amount by \$500.00. The obligation to pay the temporary license fee is in addition to obligations to pay the Royalty Fees, advertising contributions, and other payments as may be due under this Agreement.

### III. RESTAURANT LOCATION

A. ~~Alternative Locations.~~ Franchisee You shall operate the Franchised Restaurant only at the Premises specified in Paragraph I. hereof. If you, at no fault of yours, lose the lease for right to occupy the Premises expires due to expiration or terminates without fault of Franchisee and Franchisee is unable to maintain possession termination of the Franchised Restaurant, lease or if the Premises is destroyed, condemned, or otherwise rendered unusable, Franchisee you must, at its sole expense, relocate the Franchised Restaurant to a new location and site acceptable to Franchisor within a reasonable amount of time as determined by Franchisor. Approval of the new site may be subject to a change in the Protected Area granted to Franchisee. Any such relocation You shall be at Franchisee's sole expense, and pay Franchisor shall charge Franchisee a fee of \$2,000.00 for its services in connection with any such relocation of the Franchised Restaurant ("Relocation Fee").

B. ~~Franchisee's Responsibilities and Franchisor's Approval.~~ Franchisee Site Selection. You shall be responsible for purchasing or leasing acquiring a suitable site for the Franchised Restaurant. Prior to the acquisition by lease or purchase of any site for the Premises, Franchisee You shall submit a description of all information relating to the proposed site as requested by Franchisor, together with a letter of intent or other evidence satisfactory to Franchisor which confirms Franchisee's favorable prospects for obtaining the proposed site. Franchisor shall provide Franchisee you written notice of approval or disapproval of the proposed site within 30 business days after receiving Franchisee's your written proposal.

~~C. Lease Terms.~~ After receiving Franchisor's written approval of the location of the Franchised Restaurant as provided in Paragraph III.B. hereof, Franchisee shall submit a copy of the proposed lease (or purchase contract) to Franchisor along with a written request for approval. Franchisor's approval of the lease or purchase agreement shall be conditioned upon: (i) collateral assignment of the lease to Franchisor by Franchisee with the lessor's consent, by execution of the Collateral Assignment of Lease and Consent to Assignment attached hereto as Exhibit D, and (ii) at Franchisor's option, execution of the Lease Addendum attached hereto as Exhibit E, or inclusion in the lease of terms required by Franchisor, including but not limited to:

1. A provision reserving to Franchisor the right, at Franchisor's election, to receive an assignment of the leasehold interest upon termination or expiration of the franchise grant;

2. A provision which requires the lessor concurrently to provide Franchisor with a copy of any written notice of deficiency under the lease sent to Franchisee and which grants to Franchisor, in its sole discretion, the right (but not obligation) to cure any deficiency under the lease within 15 business days after the expiration of the period in which Franchisee had to cure any such default should Franchisee fail to do so;

3. A provision which evidences the right of Franchisee to display the Marks in accordance with the specifications required by the Manuals or other written materials provided by Franchisor, subject only to the provisions of applicable law;

4. A provision that the Premises be used for the operation of a Franchised Restaurant; and

Upon receipt of Franchisor's approval of the Lease, Franchisee shall execute the lease (or binding agreement to purchase if the site is to be purchased). Franchisee shall deliver to Franchisor a copy of the final, executed lease within three business days after its execution and a copy of any amendment, renewals, extensions or new leases executed by Franchisee for the location within a reasonable time after their execution. The parties acknowledge and agree that Franchisor's approval of a lease does not mean that the economic terms of the lease are favorable; it means only that the lease contains the lease terms that the Franchisor requires.

D. ~~Site Selection.~~ If the restaurant Premises has not been identified as of the Effective Date, Franchisee you must identify and acquire a site for the restaurant within 120 days after the Effective Date of this Agreement. The site must be located within the Site Selection Area identified on the Summary Page, must

meet Franchisor's current site selection criteria, and must otherwise be mutually acceptable to Franchisor and ~~Franchisee~~you. Franchisor may provide market analysis or other assistance to ~~Franchisee~~you, and/or may otherwise assist in site selection. Although Franchisor may propose sites for ~~Franchisee's~~your consideration and/or may offer guidance or advice concerning site feasibility, ~~Franchisee understands you understand~~ that ultimate site selection is solely ~~Franchisee's~~your responsibility. Nothing contained herein shall be interpreted as a guarantee of success for said location nor shall any site recommendation or approval made by Franchisor be deemed a representation that any particular site is available for use as a HAPPY JOE'S restaurant.

~~C. Lease Terms. E. Termination. In the event~~ Franchisor shall have the right to approve the terms of the lease or purchase agreement for the Premises, and the lease or purchase agreement, as applicable, shall not be signed until it has been approved by Franchisor. **The parties acknowledge and agree that Franchisor's approval of a lease or purchase agreement does not mean that the economic terms of the agreement are favorable; it means only that the agreement contains the terms that Franchisor requires.** The lease also must contain the terms reflected in Exhibit G, including Franchisor's option to assume the lease in the event of expiration or termination of this Agreement. The provisions of this Section shall apply to any and all amendments to such lease and any and all subsequent leases and lease renewal agreements. You shall provide Franchisor with a true and correct copy of all purchase agreements, leases, renewals, extensions, or amendments within three days of the execution of such document.

~~D. Termination. If~~ no acceptable site is found and approved by the parties within 120 days from the date of this Agreement, then, ~~and in that event~~, upon written application from either party, this contract shall be terminated and deposits received by Franchisor shall be returned to ~~Franchisee~~you, except as stated below. ~~In the event~~ If Franchisor has within the aforesaid time submitted in writing to ~~Franchisee~~you two or more sites which are acceptable to Franchisor, and ~~Franchisee has you have~~ refused to accept same, then, upon termination ~~franchisee~~you shall be liable to Franchisor in the amount of 50% of the initial franchise fee due hereunder for the expenses incurred by Franchisor as of such date by providing site evaluation and selection activities. If ~~Franchisee has you have~~ paid fees in excess of the amount ~~Franchisee is you are~~ liable to Franchisor, Franchisor shall return the excess amount to ~~Franchisee~~you. Upon return of said amount, Franchisor shall be fully and forever released from any claims or causes of action ~~Franchisee~~you may have ~~employ~~ pursuant to this Agreement ~~and Franchisee shall have no further right, title or interest in the Marks or System, and any such rights shall automatically revert to Franchisor.~~

~~FE. After Site Approval. Franchisee~~ You shall promptly after obtaining possession of the site for the ~~Franchised~~ Restaurant: (i) hire such architects, contractors, store designers and/or decorators as necessary for the development of the site; (ii) cause to be prepared and submit for approval by Franchisor a site survey and any modifications to Franchisor's basic architectural plans and specifications (not for construction) for the development of a HAPPY JOE'S restaurant (including requirements for dimensions, exterior design, materials, interior design and layout, equipment, fixtures, furniture, signs and decorating) at the site leased or purchased therefor, provided that ~~Franchisee~~you may modify Franchisor's basic plans and specifications only to the extent required to comply with all applicable ordinances, building codes and permit requirements and with prior notification to and approval by Franchisor; (iii) obtain all required zoning changes, building, utility, health, beer/wine, sanitation and sign permits and licenses and any other required permits and licenses; (iv) purchase or lease equipment, fixtures, furniture and signs as provided herein; (v) complete the construction and/or remodeling of the Premises, the installation of the equipment, fixtures, furniture and signs, the decorating of the ~~Franchised~~ Restaurant in full and strict compliance with plans and specifications therefor approved by Franchisor; (vi) comply with all applicable ordinances, building codes and permit requirements; (vii) obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services; and (viii) otherwise complete development of and have the ~~Franchised~~ Restaurant ready to open and commence the conduct of its business in accordance with ~~Paragraph XII. Article 10~~ hereof. ~~All You shall bear all~~ costs and expenses connected to this ~~Paragraph III.F. shall be borne by Franchisee. Section 3.F.~~ Upon completion of the development and the opening of the ~~Franchised~~ Restaurant, ~~Franchisee~~you shall submit to Franchisor a report, in a form specified by Franchisor, on the cost of development of the ~~Franchised~~ Restaurant.

~~GF. Remodeling. Franchisee~~ You shall be required to periodically make reasonable capital expenditures to remodel, modernize and redecorate the Premises ~~so that the Franchised Restaurant shall to~~ reflect the then-current image ~~intended to be portrayed by aof~~ HAPPY JOE'S restaurant. All remodeling,

modernization or redecoration of the Premises must be done in accordance with the standards and specifications as prescribed by Franchisor from time to time and with the prior written approval of Franchisor. All replacements must conform to Franchisor's then-current quality standards and specifications and must be approved by Franchisor in writing. Franchisee/You shall not be required to remodel, modernize and redecorate the ~~Franchised~~ Restaurant more than once every five years requiring expenditures in excess of Franchisee/your initial cost for leasehold improvements or \$30,000.00, whichever is greater; however, maintenance of the Premises and modifying, upgrading or replacing equipment may exceed this amount, and maintenance costs and equipment costs may not be credited to remodeling, modernization or redecoration expenditures. Upon completion of any remodeling, modernization or redecoration of the Premises, Franchisee/You shall submit to Franchisor a report in a form specified by Franchisor, on the cost of the remodeling, modernization or redecoration.

~~H. Trade Dress. Franchisee acknowledges that each and every detail of the design, layout, decor, color scheme, supplies utilized, services offered, appearance of the Premises of the Franchised Business and other elements of trade dress ("Trade Dress") is essential to Franchisor and the System. In order to protect the System, Franchisee shall comply with all mandatory specifications, standards and procedures relating to (1) the type and quality of the products and services offered by the Franchised Business; (2) the appearance, color, indicia, and signage of the Franchised Business premises; (3) appearance of employees; (4) cleanliness, standards of services, and operation of the Franchised Restaurant; (5) submission of requests for approval of materials, supplies, distributors, and suppliers; and (6) safety procedures and programs prescribed by Franchisor. Franchisee also agrees to use all equipment, signage, and services as have been approved for the System from time to time by Franchisor. Mandatory specifications, standards, and procedures may be prescribed from time to time by Franchisor in the Manuals, or otherwise communicated to Franchisee in writing.~~

#### ~~IV. TRAINING AND ASSISTANCE~~

#### ~~4. TRAINING AND ASSISTANCE~~

~~A. Initial Training. Prior to Franchisee's commencement of operations, Franchisor shall make an~~Before you may open the Restaurant for business, Franchisor will provide, and you must cause up to three individuals to attend and complete to Franchisor's satisfaction, Franchisor's initial training program available to Franchisee for up to three persons. ~~The initial training program shall be approximately six weeks in duration. Franchisee is required to attend and successfully complete such program. Franchisee's full-time manager(s) if any, must will take place at a location and time that Franchisor designates. Up to three individuals, may attend and satisfactorily complete a four week training course. The Franchisor's initial training program shall be conducted at Franchisor's headquarters, a HAPPY JOE'S restaurant or at such other place as Franchisor shall designate. Said training program shall include classroom training, on-the-job training at a HAPPY JOE'S restaurant, and/or on-line training. The training program shall cover material aspects of the operation of a HAPPY JOE'S restaurant, including financial controls, general bookkeeping procedures, food preparation, service and operational techniques, familiarization with recipes and cooking procedures, marketing and advertising techniques, sanitation and maintenance procedures, deployment of labor, maintenance of quality standards, and an understanding of the Manuals. All expenses incurred by Franchisee and its employees in attending such program including, without limitation, travel costs, room and board expenses, and employees' salaries shall be the sole responsibility of Franchisee. Franchisor shall~~without charge. Franchisor may provide initial training to additional owners or managers at its then-current rates and subject to available openings during any scheduled training program. You are responsible for all costs and expenses of complying with Franchisor's training requirements including, without limitation, tuition and registration costs and salary, travel, lodging, and dining costs for all of your employees who participate in the training.

~~B. Initial Assistance. For approximately seven days immediately prior to and during commencement of operations of the Franchised Restaurant, Franchisor shall furnish to Franchisee, at Franchisee's Premises and at Franchisee's expense (including, but not limited to Franchisor's representative's salary and travel expenses), one of Franchisor's representatives for the purpose of facilitating the opening of Franchisee's Franchised Restaurant. Franchisee is required to successfully complete this phase of the initial training program as well. During this period, such representative shall also assist Franchisee in establishing~~

~~and standardizing procedures and techniques essential to the operation of a HAPPY JOE'S restaurant and shall assist in training personnel. Should Franchisee request additional assistance from Franchisor in order to facilitate the opening of the Franchised Restaurant, and should Franchisor, in its discretion, deem it necessary, feasible and appropriate to comply with the request, Franchisee~~ B. Initial Assistance. At your expense, Franchisor will make available at least one individual to provide you with approximately seven days of on-site training immediately prior to and during commencement of operations, which training you shall complete to Franchisor's satisfaction. At your request, and Franchisor's approval, Franchisor will provide additional on-site training. You shall reimburse Franchisor for the expense of Franchisor providing such additional assistance, which may include Franchisor's then-current service fee, as set forth in the Manuals or other written materials provided by Franchisor which may be amended from time to time.

~~C. Termination.~~ If Franchisor determines, in its sole discretion, that Franchisee is unable to satisfactorily complete either phase of training program, Franchisor shall have the right to: (i) require Franchisee to attend such additional training so as to demonstrate its ability to operate the Franchised Restaurant to Franchisor's satisfaction; or (ii) terminate this Agreement in the manner herein provided.

~~C. Continuing Education.~~ D. Continuing Education. Franchisor from time to time may provide and, if it does, may require that previously-trained and experienced franchisees and their managers attend and successfully complete refresher training programs or seminars to be conducted at such location as may be designated by Franchisor. ~~Franchisee shall be responsible for paying expenses incurred by Franchisee and Franchisee's managers in attending the required refresher training programs or seminars, including travel, room and board and managers' salaries. However, that, at your expense. However,~~ attendance shall not be required at more than three such programs in any calendar year and shall not collectively exceed six business days in duration during any calendar year. Throughout the franchise term, Franchisee you must, at its expense, maintain access to Franchisor's on-line training system, including but not limited to having equipment and payinternet necessary to access such system, paying the quarterly fee assessed by Franchisor, and require requiring employees to complete training modules in compliance with Franchisor's training standards in order to maintain uniformity within the franchise system for the protection of Franchisor's brand.

ED. Annual Meeting. Franchisee You shall each year during the term of this Agreement attend the Franchisor's Annual Meeting or conference of franchisees, at a location designated by Franchisor, if Franchisor holds such meeting or conference. ~~However, this provision shall not obligate Franchisor to hold a meeting or conference of franchisees each year. The location of the meeting shall be designated by Franchisor, in Franchisor's sole discretion.~~ Franchisor may charge a fee for Franchisee you and any of Franchisee's your employees to attend the Annual Meeting or conference. Franchisee You shall be responsible for paying all expenses incurred by Franchisee you and Franchisee's your employees incur in attending the Annual Meeting, including travel, room and board, and employees' salaries. Attendance at such Annual Meeting shall not be required more than three days during any calendar year.

FE. Managers. If ~~Franchisee designates you designate~~ new or additional managers after the initial training program, Franchisor shall provide training to such managers at the then-current published rates. Any and all designated managers shall be required to successfully complete the training program provided at Franchisor's headquarters or such other location designated by Franchisor, and/or on-line. Franchisee You shall bear all costs incurred by Franchisee's your managers incur in attending such training program.

~~G. Access to On-line Training.~~ Throughout the term of the franchise, ~~Franchisee must have equipment and Internet service necessary in order to access our on-line training system for initial and ongoing training for Franchisee and Franchisee's managers and employees.~~

## **V5. PROPRIETARY MARKS AND COPYRIGHTED WORKS**

A. Franchisee acknowledges You acknowledge that Franchisor is the owner of all right, title and interest together with all the goodwill of the Marks. ~~Franchisee and Copyrighted Works. You~~ further acknowledges acknowledge that Franchisee's your right to use the Marks and Copyrighted Works is derived solely from this Agreement and is limited to theyour conduct of business ~~by Franchisee pursuant to and~~ in compliance with this Agreement and all applicable standards, specifications, and operating procedures

prescribed by Franchisor from time to time during the term of the franchise. ~~Any~~You unauthorized use of the Marks ~~by Franchisee~~ is a breach of this Agreement and an infringement of the rights of Franchisor in and to the Marks. ~~Franchisee acknowledges~~You acknowledge that all your usage of the Marks ~~by Franchisee~~ and any goodwill established by ~~Franchisee's~~your use of the Marks shall inure to the exclusive benefit of Franchisor, and that this Agreement does not confer any goodwill or other interests in the Marks upon ~~Franchisee~~. ~~Franchisee~~you. You shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or Copyrighted Works or assist any other person in contesting the validity or ownership of the Marks or Copyrighted Works. All provisions of this Agreement applicable to the Marks apply to any and all additional trademarks, service marks, and commercial symbols authorized for use by and licensed to ~~Franchisee~~you by Franchisor after the date of this Agreement.

B. ~~Franchisee~~You shall not use any Mark or portion of any Mark as part of a corporate or trade name, or with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form. ~~Franchisee~~You shall not obtain any domain names for the Internet incorporating the Marks or create, develop, maintain and/or use its own web site on the Internet using any of the Marks or the Copyrighted Works without Franchisor's prior written consent. ~~Franchisee~~You shall not use any of the Copyrighted Works or Marks on the Internet in any directory listing or advertising without Franchisor's prior written consent. ~~Franchisee~~You shall not make any reference to or any association with the Copyrighted Works or Marks on any social media platforms, social networks, blog, or other on-line venue or in any other manner on the Internet without the Franchisor's prior written consent. If any of the foregoing uses is specifically permitted in the Manuals or other written materials provided by Franchisor, ~~Franchisee's~~your use must conform completely to all of the applicable standards and procedures set forth in the Manuals or other written materials. ~~Franchisee~~You shall not use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor. ~~Franchisee~~You shall give such notices of trademark and service mark registrations as Franchisor specifies and obtain such fictitious or assumed name registrations as may be required under applicable law.

C. ~~Franchisee~~You shall promptly notify Franchisor of any claim, demand or cause of action based upon or arising from any attempt by any other person or entity to use the Marks ~~or~~, any colorable imitation thereof. ~~Franchisee~~, or the Copyrighted Works. You shall also notify Franchisor of any action, claim or demand against ~~Franchisee~~you relating to the Marks or Copyrighted Works within 10 days after ~~Franchisee receives~~you receive notice of said action, claim or demand. Upon receipt of timely notice of an action, claim or demand against ~~Franchisee~~you relating to the Marks or Copyrighted Works, Franchisor shall have the sole right, but not the duty, to defend any such action. Franchisor shall have the exclusive right to contest or bring action against any third party regarding the third party's use of any of the Marks or Copyrighted Works and shall exercise such right in their sole discretion. In any defense or prosecution of any litigation relating to the Marks or components of the System undertaken by Franchisor, ~~Franchisee~~You shall cooperate with Franchisor and execute any and all documents and take all actions as may be desirable or necessary in the opinion of their counsel, to carry out such defense or prosecution. Both parties shall make every effort consistent with the foregoing to protect, maintain and promote the Marks as identifying the System and only the System. **FRANCHISOR MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE USE, EXCLUSIVE OWNERSHIP, VALIDITY OR ENFORCEABILITY OF THE MARKS OR COPYRIGHTED WORKS.**

D. If it becomes advisable at any time, in Franchisor's sole discretion, for Franchisor to modify or discontinue use of any Mark, and/or use one or more additional or substitute trade names, trademarks, service marks or other commercial symbols, ~~Franchisee~~you shall comply with Franchisor's directions within a reasonable time after notice to ~~Franchisee~~you by Franchisor. Franchisor shall have no liability or obligation whatsoever with respect to ~~Franchisee's~~your modification or discontinuance of any Mark.

E. In order to preserve the validity and integrity of the Marks and ~~copyrighted material~~Copyrighted Works licensed herein and to ensure that ~~Franchisee is~~you are properly employing the same in the operation of its ~~Franchised~~-Restaurant, Franchisor or its agents shall have the right of entry and inspection of ~~Franchisee's~~your Premises and operating procedures at all reasonable times. Franchisor or its agents shall have the right to observe the manner in which ~~Franchisee is~~you are rendering its HAPPY JOE'S services and conducting its operations, to confer with ~~Franchisee's~~your employees and customers, and to select Menu Items, the Proprietary Products, ingredients, food and non-food products, beverages, and other

items, products and supplies for test of content and evaluation purposes to make certain that the Menu Items, the Proprietary Products, ingredients, food and non-food products, beverages and other items, products, materials and supplies are satisfactory and meet the quality control provisions and performance standards established by Franchisor. In the event Franchisee's your Premises and/or business operations are rated unacceptable by Franchisor or a qualified third party agent designated by Franchisor according to published standards for HAPPY JOE'S restaurants based on such inspection, Franchisee you shall reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, reasonable compensation for the third party designated agent). Thereafter, Franchisor may conduct additional inspections every 30 days itself or through a designated third-party agent and Franchisee you shall reimburse Franchisor for any and all costs and expenses connected with any and all inspections that results in an unacceptable rating for Franchisee's your Premises or business operations. The foregoing remedies shall be in addition to any other remedies Franchisor may have for Franchisee's your failure to comply with the terms of this Agreement.

F. Franchisee You shall not at any time grant to any third party a lien, encumbrance or security interest in any of the assets used in the operation of the HAPPY JOE'S Restaurant that contain or bear any of the Marks.

## **VI. CONFIDENTIAL OPERATIONS MANUALS**

~~A. Franchisor shall make available to Franchisee, either by hard copy or by electronic access to an online copy, during the term of the franchise the Manuals containing reasonable, mandatory and suggested specifications, standards, operating procedures and rules prescribed from time to time by Franchisor for HAPPY JOE'S restaurants and information relative to other obligations of Franchisee hereunder. Franchisor shall have the right to add to and otherwise modify the Manuals from time to time to reflect changes in the specifications, standards, operating procedures and rules prescribed by Franchisor for HAPPY JOE'S restaurants, provided that no such addition or modification shall alter Franchisee's fundamental status and rights under this Agreement. Franchisee acknowledges that the Manuals are intended to protect Franchisor's standards, System, name and Marks, and is not intended to control day-to-day operations of the Franchisee's HAPPY JOE'S Restaurant.~~

~~B. The Manuals shall at all times remain the sole property of Franchisor and access to the Manual will automatically cease upon the expiration or other termination of this Agreement, and any hard copies of the Manuals must be promptly returned to Franchisor at Franchisee's expense. Franchisee shall not copy, disclose or use the Manuals or any portion of the Manuals in any manner not authorized by Franchisor~~

~~G.~~

~~C. The Manuals contain Confidential Information of Franchisor as defined in Section VII.A. of this Agreement. All passwords and codes to access to the Manuals and their contents shall be kept confidential by Franchisee both during the term of the franchise and subsequent to the expiration and/or termination of the franchise. Franchisee shall only provide such passwords and codes to authorized personnel, as defined in the Manuals. Franchisee shall at all times ensure that its hard copies of the Manuals and/or its access to the Manuals are available at the Premises in a current and up-to-date manner for use by authorized personnel. At all times that the Manuals is not in use by authorized personnel, Franchisee shall prevent access to the hard copies and to passwords and codes for electronic access to the Manuals, and shall only give access to the Manuals to authorized personnel as needed. In the event of any dispute as to the contents of the Manuals, the terms of the master copy of the Manuals, maintained by Franchisor at Franchisor's home office, shall be controlling.~~

## **VII. CONFIDENTIAL INFORMATION**

~~A. Franchisee acknowledges that its entire knowledge of the operation of a HAPPY JOE'S restaurant including, without limitation, the method of preparation of Menu Items, Manuals and training materials (including any passwords or codes for access to same), Proprietary Products and other food products, and other specifications, product formulae, standards and operating procedures of a HAPPY JOE'S restaurant is derived from information disclosed to Franchisee by Franchisor and that such information of Franchisor is proprietary and confidential, some of which constitutes trade secrets under the law ("Confidential Information"). "Confidential Information" as used herein is defined as the whole or any~~

~~portion of know-how, knowledge, methods, recipes, formulae, specifications, processes, and procedures regarding the establishment, operation and promotion of HAPPY JOE'S restaurants and the System, including all changes, improvements and developments, that is valuable and not generally known to competitors of Franchisor, including but not limited to recipes, product and ingredient information; food preparation and storage techniques; training and operations manuals and materials (including any password and codes for obtaining access to same); site selection criteria and layout, design and color schemes for restaurants; methods, formats, specifications, standards, systems, procedures, techniques, knowledge and experience used in developing, operating and promoting Happy Joe's restaurants; marketing, advertising and promotional programs and materials; knowledge and specifications for suppliers of products, supplies and services; computer software and similar technology developed by or for Franchisor for Happy Joe's restaurants, and data, reports and other materials generated by such software or similar technology; knowledge of the operating results, financial performance, and customers lists and data of Happy Joe's restaurants. During and after the term of this Agreement, Franchisee shall maintain the absolute confidentiality of all Confidential Information, shall not use any such information in any other business or in any manner not specifically authorized or approved in writing by Franchisor, and shall not make any unauthorized copies of the Confidential Information.~~

~~**B.** Franchisee shall divulge such Confidential Information only to the extent and only to such of its employees as must have access to it in order to operate the Franchised Restaurant. Franchisor may require that Franchisee have all employees having access to the Confidential Information sign confidentiality and non-disclosure agreements. Any and all information, knowledge and know-how including, without limitation, drawings, materials, equipment, techniques, restaurant systems, product formulae, recipes and other data which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate lawfully came to its attention prior to disclosure thereof by Franchisor; or which, at the time of disclosure by Franchisor to Franchisee, had lawfully become a part of the public domain, through publication or communication by others; or which, after disclosure to Franchisee by Franchisor, lawfully becomes a part of the public domain, through publication or communication by others.~~

~~**C.** Due to the special nature of the Confidential Information, Marks, and Manuals of Franchisor, Franchisee hereby acknowledges that Franchisor shall be entitled to immediate equitable remedies including, but not limited to, restraining orders and injunctive relief in order to safeguard such proprietary, confidential, unique and special information of Franchisor and that money damages alone would be an insufficient remedy with which to compensate Franchisor for any breach of the terms of Paragraphs V., VI. and VII. of this Agreement. All owners, directors, shareholders, members, partners and employees of Franchisee having access to the confidential and proprietary information of Franchisor shall be required to execute non-disclosure agreements in the form acceptable to Franchisor.~~

~~**D.** Franchisor may authorize Franchisee to use certain copyrighted or copyrightable works ("Copyrighted Works"). The Copyrighted Works are the valuable property of Franchisor or Franchisor's parent, subsidiary or affiliate. Franchisee's rights to use the Copyrighted Works are granted to Franchisee solely on the condition that Franchisee complies with the terms of this Paragraph VII.~~

~~**E.** Franchisee acknowledges and agrees that Franchisor owns or is the licensee of the owner of the Copyrighted Works and shall further create, acquire or obtain licenses for certain copyrights in various works of authorship used in connection with the operation of a HAPPY JOE'S Franchised Restaurant including, but not limited to, all categories of works eligible for protection under the United States copyright law, all of which shall be deemed to be Copyrighted Works under this Agreement. Such Copyrighted Works include, but are not limited to, the Manuals, training materials, advertisements, promotional materials, posters and signs and may include all or part of the Marks, Software, trade dress and other portions of the System. Franchisor intends that all works of authorship related to the System which are created in the future shall be owned by it or its parent, subsidiaries or affiliates.~~

~~**F.** If Franchisee develops you develop any work for hire, including any improvements to Franchisor's Confidential Information and any new program, recipe, food product, project, process, work of art or other material, or product in the course of operating its Franchised Restaurant and Franchisor approves the use and sale of this service or product in the Franchised Restaurant, this improvement or new program, recipe, food product, project, process, work of art or other material shall automatically become the property of~~

Franchisor as though Franchisor had developed the program, product, work or art or other material itself.

## **6. SYSTEM, MANUALS, AND INFORMATION**

**A. Manuals.** Franchisor will provide you access to the Manuals, which may be in electronic format. You shall operate the Franchised Business in accordance with the standards, methods, policies, and procedures specified in the Manuals. The Manuals shall at all times remain the sole property of Franchisor. You shall ensure that your copy of the Manuals is kept current at all times, and in the event of any dispute as to the contents of the Manuals, the terms of the master copy of the Manuals maintained by Franchisor shall be controlling. If your copy of the Manual is lost or destroyed, or if you fail to return the Manual upon expiration or termination of this Agreement, you must Franchisor a \$250 Manual replacement fee.

**B. Franchisor's Confidential Information.** You shall maintain the confidentiality of all Confidential Information. You shall use Confidential Information only in connection with the operation of the Franchised Business and shall divulge Confidential Information only to your employees and only on a need-to-know basis.

**C. ~~G.~~ Franchisee's Confidential Information.** Franchisor shall take reasonable precautions to maintain the confidentiality of information ~~reported you report~~ to or otherwise ~~disclosed disclose~~ to Franchisor ~~by Franchisee~~ in connection with this Agreement or the operation of the ~~Franchised~~ Restaurant, except for (i) information Franchisor compiles from all franchisees and distributes to the franchise system in connection with providing operational assistance to its franchisees, (ii) information franchisor uses in connection with preparation of a financial performance representation disclosed in its franchise disclosure document, (iii) information that lawfully came to Franchisor's attention prior to your disclosure ~~by Franchisee~~, (iv) information that is or lawfully becomes part of the public domain and (v) information required to be disclosed to third parties pursuant to subpoena, court order or similar process.

## **D. ~~VIII.~~ MODIFICATION OF THE SYSTEM**

~~Franchisee acknowledges~~ **System Modification.** You acknowledge that from time to time hereafter Franchisor may change or modify the System presently identified by the Marks including, without limitation, the adoption and use of new or modified trade names, trademarks, service marks or copyrighted materials, new Menu Items, new Proprietary Products, new products, new equipment or new techniques and such modifications shall be communicated to Franchisee you through the Manuals or other written materials provided by Franchisor. Franchisee You shall accept, use and display for the purpose of this Agreement any such changes in the System, as if they were part of this Agreement at the time of execution hereof. Franchisee You shall make such expenditures as are reasonably required by such changes or modifications in the System. Franchisee You shall not change, modify or alter the System in any way.

## **IX. ADVERTISING**

Recognizing the value of advertising and the importance of the standardization of advertising and promotion to the furtherance of the goodwill and the public image of HAPPY JOE'S ~~Franchised~~ Restaurants, ~~Franchisee agrees you agree~~ as follows:

**A. Advertising by Franchisee; Advertising Approval.** All advertising, promotions, marketing and public relations ~~conducted by Franchisee you conduct~~, in whatever medium or type of media, ~~must be completely factual~~, shall conform to the highest standards of ethical advertising, and shall be in compliance with the standards, specifications and procedures set forth ~~in the Manuals or other written materials provided~~ by Franchisor. Franchisee You shall submit to Franchisor or its designated agency, for its prior approval, all promotional materials and advertising to be used by Franchisee you including, but not limited to, newspapers, radio, television, and internet advertising, specialty and novelty items, signs, containers and boxes. ~~Franchisee must obtain the prior written approval of Franchisor of all advertising and other information to be displayed on any web site, social media site or other advertising, promotion or listing on the internet.~~ In the event written disapproval of said advertising and promotional material is not given by Franchisor to Franchisee you within ~~thirty (30)~~ days from the date such material is received by Franchisor, said materials shall be deemed approved. ~~Failure by Franchisee to conform with the provisions herein and subsequent non~~ Non-action by Franchisor to require Franchisee you to cure or remedy this Your failure ~~and default to comply with this provision~~ shall not be deemed a waiver of future or additional failures and defaults ~~of any other provision of this Agreement. After any particular advertising has been approved,~~ Franchisor reserves

the right to subsequently disapprove ~~the any~~ advertising previously approved by Franchisor and Franchisee you shall cease using such advertising upon receipt of written notice from Franchisor. ~~The submission of advertising to Franchisor for approval shall not affect Franchisee's right to determine the prices at which Franchisee sells its products or services.~~

B. Grand Opening Advertising. Franchisee You shall spend ~~FIVE THOUSAND Dollars (\$5,000)~~ prior to and during the first 15 days of operation of the Franchised Restaurant ~~the amount specified on the Summary Page~~ on newspaper, direct mail advertising, or promotional items through other media, prior to and during the first 30 days of operation of the Restaurant, if you are opening in an existing market, or the first six months of operation of the Restaurant, if you are opening the Restaurant in a new market ("Grand Opening Advertising"). Such Grand Opening Advertising shall be conducted in accordance with the Manuals or other written materials provided by Franchisor and may include free food given away during pre-opening parties. Franchisor shall establish guidelines for Grand Opening Advertising and shall provide such guidelines to Franchisee you prior to or during the initial training program.

C. Advertising Fund. In the event the HAPPY JOE'S National Franchise Board is no longer in existence or, in Franchisor's sole discretion, is no longer providing sufficient advertising materials to HAPPY JOE'S franchisees, Franchisee You shall be required to pay an amount determined by Franchisor between 1% and 2% of Franchisee's your Gross Sales ~~(as defined in Paragraph X.A. herein), which is 1.8% on the Effective Date,~~ to Franchisor for the Advertising Fund. Franchisee's Your required payments to the Advertising Fund shall be made at the same time, in the same manner as, and in addition to the ~~Continuing Services and Royalty Fees ("Royalty Fees")~~ provided in Paragraph X Section 8.A. herein. Such payment shall be made in addition to and exclusive of any sums that Franchisee you may be required to spend on contributions to Advertising Cooperatives or recommended to spend on local advertising and promotion. The Advertising Fund shall be maintained and administered by Franchisor or its designee, as follows:

1. Franchisor shall direct all advertising programs with sole discretion over the creative concepts, materials and media used in such programs and the placement and allocation thereof. Franchisee agrees You agree and ~~acknowledges that the Advertising Fund is intended to maximize general public recognition and acceptance of the Marks for the benefit of the System and~~ acknowledge that Franchisor ~~undertakes no obligation in administering the Advertising Fund to make expenditures for Franchisee's not obligated to expend funds for you~~ which are equivalent or proportionate to its contribution, or to ensure that any particular Franchisee benefits you benefit directly or pro rata from the placement of advertising.

2. The monies may be used to meet any and all costs of maintaining, administering, directing, producing and preparing promotions and advertising (including, without limitation, the cost of conducting public relations activities, conducting advertising, and producing promotional brochures and other marketing materials to franchisees in the System). All sums paid by Franchisee you pay to the Advertising Fund shall be maintained in a separate account from the other monies of Franchisor and shall not be used to defray any of Franchisor's general operating expenses, except for such reasonable administrative costs and overhead, if any, as Franchisor may incur in activities reasonably related to the administration or direction of the Advertising Fund and advertising programs including, without limitation, conducting market research, preparing marketing and advertising materials, hiring advertising consultants, and collecting and accounting for assessments for the Advertising Fund.

~~3. It is anticipated that all contributions to the Advertising Fund shall be expended for advertising and promotional purposes during Franchisor's fiscal year within which contributions are made. If, however,~~ 3. ~~If~~ excess amounts remain in the Advertising Fund at the end of such fiscal year, all expenditures in the following fiscal year(s) shall be made first out of any current interest or other earnings of the Advertising Fund, next out of any accumulated earnings, and finally from principal.

4. Although Franchisor intends the Advertising Fund to be of perpetual duration, Franchisor maintains the right to terminate the Advertising Fund. The Advertising Fund shall not be terminated, however, until all monies in the Advertising Fund have been expended for advertising and promotional purposes.

5. An accounting of the operation of the Advertising Fund shall be prepared annually and shall be made available to Franchisee you upon request. Franchisor reserves the right, at its option, to

require that such annual accounting include an audit of the operation of the Advertising Fund prepared by an independent certified public accountant selected by Franchisor and prepared at the expense of the Advertising Fund.

D. Local Advertising. Franchisor recommends that each calendar year, Franchisee you should spend an amount equal to 2% of the Gross Sales ~~(as defined in Paragraph X.A.1. of this Agreement)~~ of the Franchised Restaurant on local advertising and promotion, less amounts contributed to advertising cooperatives as described in ~~Paragraphs IX~~Section 7.E. below. Such expenditures shall be made directly by Franchisee you, subject to approval and direction by Franchisor or Franchisor's designated advertising agency. If requested, within ~~thirty (30)~~ days of the end of each calendar year, Franchisee you shall furnish to Franchisor, in a manner approved by Franchisor, an accurate accounting of Franchisee's your expenditures on local advertising and promotion, if any, for the preceding calendar year ~~just ended~~. Franchisor shall provide guidelines for local advertising.

E. Cooperative Advertising. From time ~~to~~ time Franchisor may designate a local, regional or national Advertising Coverage Area in which Franchisee's your business and at least one other HAPPY JOE'S franchise is located for purposes of developing a cooperative local, regional or national advertising or promotional program. ~~Franchisee agrees~~You agree to participate in and contribute its share to such cooperative advertising and promotional programs in Franchisee's your Advertising Coverage Area in addition to such contributions and expenditures as required pursuant to ~~Paragraphs IX~~Sections 7.B. and IX 7.C. The cost of the program shall be allocated among locations in such area and each ~~Franchisee's~~franchisee's share shall be in proportion to its sales during the preceding 12 ~~month~~ period, or portion of said period. If any franchisee has less than 12 months of sales on which to determine the proportionate share, Franchisor shall determine an estimated 12 ~~month~~ sales figure for said franchise for determining the proportionate share based on information available. "Advertising Coverage Area" shall be defined as the area covered by the particular advertising medium (television, radio or other medium) as recognized in the industry. At the time a program is submitted, Franchisor shall submit a list to Franchisee you of all operating HAPPY JOE'S facilities within the Advertising Coverage Area.

F. Directory Advertising. Franchisee You shall maintain a listing in and advertise continuously in the white pages and/or business section of the local telephone directory and online equivalent in the manner specified by Franchisor from time to time in the Manuals or other written materials provided by Franchisor. When more than one (1) HAPPY JOE'S Franchised Restaurant serves a metropolitan area, Franchisor may require that all advertisements list all HAPPY JOE'S restaurants operating within the distribution area of such directories, and Franchisee you shall contribute its equal share in the cost of such advertisement. Franchisee You shall also maintain listings and advertise on the internet and on social media platforms as specified by Franchisor from time to time in the Manuals or other written materials provided by Franchisor.

G. Symbols. Franchisee You shall not advertise or use in advertising or any other form of promotion the copyrighted materials, trademarks, service marks or commercial symbols of Franchisor without the appropriate © registration marks or the designation <sup>TM</sup> or <sup>SM</sup> where applicable and as required by law and directed by Franchisor.

## **~~X8.~~ CONTINUING SERVICES AND ROYALTY FEE**

A. Franchisee You shall pay without offset, credit or deduction of any nature, to Franchisor, so long as this Agreement shall be in effect, a weekly Royalty Fee in the amount specified on the Summary Page. Said Royalty Fee shall be paid weekly in the manner specified below or as otherwise prescribed in the Manuals or other written materials provided by Franchisor.

1. On or before Monday of each week, Franchisee you shall submit to Franchisor on a form approved by Franchisor, a correct statement, signed by Franchisee you, of Franchisee's your Gross Sales for the preceding week ended Sunday. The Royalty Fee payment based on the Gross Sales reported in the statement so submitted shall be due on Wednesday of each week and shall be withdrawn from Franchisee's your Electronic Depository Transfer Account as provided in ~~Paragraph X~~Section 8.D. Franchisee, You shall make available to Franchisor all original books and records that Franchisor may deem necessary to ascertain Franchisee's your Gross Sales for reasonable inspection at reasonable times.

~~2. The term "Gross Sales", as used herein and throughout this Agreement, shall mean~~

~~and include the total of all revenues and income from the sale of all Menu Items, Proprietary Products, other food products, beverages and other related products and services to customers of Franchisee (including but not limited to any game and coin machine income), or any other source (including, but not limited to, insurance proceeds for loss of revenue), whether or not sold or performed at or from the HAPPY JOE'S Franchised Restaurant, and whether received in cash, in services in kind, from barter and/or exchange, on credit (whether or not payment is received therefor) or otherwise. There shall be deducted from Gross Sales for purposes of said computation (but only to the extent they have been included) the amount of all sales tax receipts or similar tax receipts which, by law, are chargeable to customers, if such taxes are separately stated when the customer is charged and if such taxes are paid to the appropriate taxing authority and tips or gratuities paid directly by Restaurant customers to your employees or paid to you and then turned over to those employees by you in lieu of direct tips or gratuities. There shall be further deducted from Gross Sales the amount of any authorized discounts, any documented refunds, chargebacks, credits and allowances given in good faith to customers by Franchisee, and any delivery surcharge charged to customers by Franchisee and collected and paid to Franchisee's delivery drivers. Any delivery surcharge charged to customers by Franchisee and collected and retained by Franchisee shall be included in Gross Sales. Any delivery surcharge charged by third party delivery services shall be included in Gross Sales. All barter and/or exchange transactions pursuant to which Franchisee furnishes services and/or products in exchange for goods or services to be provided to Franchisee by a vendor, supplier or customer shall, for the purpose of determining Gross Sales, be valued at the full retail value of the goods and/or services so provided to Franchisee.~~

~~3. Franchisee's obligations to pay the Royalty Fee begins when the Franchised Restaurant commences operation. For purposes of this requirement, Franchisee's Franchised Restaurant operation commences on the first day on which the Franchised Restaurant receives revenues, offers services, or conducts any activity contemplated by this Agreement.~~

B. All Royalty Fees, advertising contributions, amounts due for your purchases ~~by Franchisee~~ from Franchisor, and other amounts which Franchisee owes you owe to Franchisor shall bear interest after due date at the highest applicable legal rate for open account business credit, not to exceed 1.5% per month. ~~Franchisee acknowledges that this Paragraph X.B. shall not constitute an agreement by Franchisor to accept such payments after same are due or a commitment by Franchisor to extend credit to, or otherwise finance Franchisee's operation of, the Franchised Restaurant. Further, Franchisee acknowledges that its failure to pay all amounts when due shall constitute grounds for termination of this Agreement, as provided in Paragraph XVI. hereof, notwithstanding the provisions of this Paragraph X.~~

C. Notwithstanding any designation by Franchisee you, Franchisor shall have the sole discretion to apply any payments by Franchisee you to any of your past due indebtedness ~~of Franchisee~~ for Royalty Fees, advertising contributions, purchases from Franchisor, interest or any other indebtedness.

~~D. All Royalty Fees, advertising contributions, amounts due for purchases by Franchisee from Franchisor and other amounts which Franchisee owes to Franchisor shall be paid through an Electronic Depository Transfer Account ("Electronic Depository Transfer Account") as further described in the Manuals or other written materials provided by Franchisor. Immediately following execution of this Agreement, Franchisee shall set up an Electronic Depository Transfer Account and shall execute the Authorization for Electronic Transfer of Funds attached hereto as Exhibit B to this Agreement and any other documents required by Franchisee's financial institution in connection with setting up such account. Franchisor shall have access to such account for the purpose of receiving payment for Royalty Fees, advertising contributions, amounts due for purchases by Franchisee from Franchisor and any other amounts which Franchisee owes to Franchisor. By Monday of each week, Franchisee shall make deposits to the account sufficient to cover amounts owed to Franchisor for Royalty Fees, advertising contributions and other monies owed to Franchisor. Deposits for all other amounts owed to Franchisor shall be in accordance with the procedures set forth in the Manuals or other written materials provided by Franchisor.~~

You shall participate in Franchisor's then-current electronic funds transfer program. You shall: (1) comply with Franchisor's procedures, as specified in the Manual or otherwise in writing; (2) perform those acts and sign and deliver those documents as may be necessary to accomplish payment by electronic funds transfer as described herein; (3) execute and deliver to Franchisor a form authorizing Franchisor to collect all amounts due under this Agreement, and (4) make sufficient funds available in the Account for withdrawal by electronic

funds transfer no later than the due date for payment thereof. Notwithstanding the provisions of this Article 8, Franchisor reserves the right to modify, at its option, the method by which you pay the amounts due under this Agreement upon receipt of written notice by Franchisor.

If ~~Franchisee fails~~you fail to submit to Franchisor the statement of Gross Sales in the manner and in the time period required by the terms of this Agreement, the amount of Royalty Fees and advertising contributions ~~owed by Franchisee~~you owe with respect to the preceding week ending Sunday will be the amount reported or calculated for the previous week ending Sunday plus 10% as an estimate of the Royalty Fees and advertising contributions due. When Franchisor receives ~~Franchisee's~~your delinquent statement of Gross Sales, Franchisor will conduct a reconciliation of the amount of Royalty Fees and advertising contributions you actually ~~owed by Franchisee~~owe. In the event that the reconciliation indicates that Royalty Fees and advertising contributions are owed to Franchisor, ~~Franchisee~~you will be required to pay Franchisor any such amounts. In the event that the reconciliation indicates that ~~Franchisee has~~you have overpaid its Royalty Fees and advertising contributions, Franchisor will provide ~~Franchisee~~you with a credit in the amount of such overpayment.

#### **X19. ACCOUNTING AND RECORDS; REPORTING**

A. During the term of this Agreement, ~~Franchisee~~you shall maintain and preserve for the time period specified in the Manuals or other written materials provided by Franchisor, full, complete and accurate books, records and accounts in accordance with the standard accounting system prescribed by Franchisor in the Manuals or other written materials provided by Franchisor. ~~Franchisee~~You shall retain for a period of five years thereafter all books and records related to the ~~Franchised~~ Restaurant including, without limitation, sales checks, purchase orders, invoices, payroll records, customer lists, check stubs, sales tax records and returns, cash receipts and disbursement journals, general ledgers, and income tax returns.

B. ~~Franchisee~~You shall supply to Franchisor within 15 days after the end of each calendar month, in the form approved by Franchisor, a profit and loss statement and balance sheet for the last preceding month just ended. Additionally, ~~Franchisee~~you shall, at its expense, submit to Franchisor within 30 days after the end of each fiscal year during the term of this Agreement, a profit and loss statement for such fiscal year and a balance sheet as of the last day of such fiscal year, prepared on an accrual basis, including all adjustments necessary for fair presentation of the financial statements. ~~Such~~You shall certify such financial statements ~~shall be certified~~ to be true and correct ~~by Franchisee~~. Franchisor reserves the right to require annual financial statements, prepared in accordance with generally accepted accounting standards, audited by an independent certified public accountant.

C. ~~Franchisee~~You shall submit to Franchisor such other periodic reports, forms and records as specified, and in the manner and at the time as specified in the Manuals or other written materials provided by Franchisor.

D. ~~Franchisee~~You shall record all sales and related activities on computer-based point-of-sale system which is fully compatible with any program or system which Franchisor, in its discretion, may now or in the future employ. ~~Franchisee~~You must procure a computer system meeting the specifications and standards prescribed by Franchisor. All Gross Sales and sales information shall be recorded on such equipment. Franchisor shall have full access to all of ~~Franchisee's~~your data, system and related information by means of direct access whether in person, by computer network or internet access, or by physical back-up data on storage devices. ~~Franchisee~~You shall hold Franchisor harmless for any computer viruses, bugs, disruptions or failures, hackers or other unauthorized intruders, or other computer problems that may arise from Franchisor's accessing your data and/or system as permitted herein. ~~Franchisee's~~Your point-of-sale system and related credit card processing must be compliant with current Payment Card Industry Data Security standards and other procedures required by the Manuals or other written materials provided by Franchisor to prevent credit card fraud. ~~Franchisee~~You shall defend at its own cost and indemnify and hold harmless Franchisor, its shareholders, directors, officers, employees and agents, from and against any and all loss, costs, expenses (including attorneys' fees), taxes, damages and liabilities, however caused, resulting directly or indirectly from ~~Franchisee's~~your failure to comply with Payment Credit Industry Data Security Standards.

E. Franchisor or its designated agents shall have the right at all reasonable times to examine

~~and copy, at its expense.~~ E. ~~Franchisor or its designated agents shall have the right at all reasonable times to examine and copy, at its expense,~~ Franchisee's your books, records and tax returns. Franchisor shall also have the right, at any time, to have an independent audit made of Franchisee's your books and records at Franchisor's expense. If an inspection should reveal that any payments due to Franchisor have been understated in any report to Franchisor, then Franchisee You shall immediately pay to Franchisor the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the maximum rate permitted by law. If an inspection discloses an understatement in any report of 2% or more, ~~you shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, reasonable accounting and attorneys' fees).~~ The foregoing remedies shall be in addition to any other remedies Franchisor may have. ~~Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, reasonable accounting and attorneys' fees).~~ The foregoing remedies shall be in addition to any other remedies Franchisor may have. If an inspection discloses that Franchisee has you have overpaid, Franchisor shall return the amount overpaid to Franchisee you without interest either in cash or by giving Franchisee you credit toward future amounts due Franchisor.

F. ~~Franchisee acknowledges~~ You acknowledge that nothing contained herein constitutes Franchisor's agreement to accept any payments after same are due or a commitment by Franchisor to extend credit to or otherwise finance Franchisee's your operation of the Franchised Restaurant. Further, Franchisee acknowledges you acknowledge that its failure to pay all amounts when due shall constitute a material default of, and grounds for termination of, this Agreement.

#### **XII.10. STANDARDS OF QUALITY AND PERFORMANCE**

A. System Compliance. Franchisee You shall comply with all requirements set forth in this Agreement, the Manuals and other written policies and directives supplied to Franchisee by Franchisor, you by Franchisor, including but not limited to, policies and directives on selection of suppliers and time required between completing training and opening your Restaurant. Mandatory specifications, standards, operating procedures and rules prescribed from time to time by Franchisor in the Manuals or otherwise communicated to Franchisee you in writing, shall constitute provisions of this Agreement as if fully set forth herein and shall be reasonably and uniformly applied to all franchisees. ~~All references herein to this Agreement shall include all such mandatory specifications, standards and operating procedures and rules. All references herein to this Agreement shall include all such mandatory specifications, standards and operating procedures and rules.~~ Franchisee You shall comply with the entire System including, but not limited to, the requirements of this Paragraph XII-Article 10. In order to enforce compliance by all franchisees for the benefit of franchisees who are in compliance with the System, Franchisor may establish and enforce a system of non-compliance fees which Franchisee you must pay to Franchisor for violations of the requirements set forth in this Agreement, the Manuals and other written policies and procedures that make up part of the System. Franchisee You shall be obligated to pay such non-compliance fees as are published and made available to franchisee by Franchisor from time to time in the Manuals or otherwise in writing. Imposition of non-compliance fees by Franchisor is in addition to any and all other remedies available to Franchisor for Franchisee's your breach of this Agreement.

B. Commencement of Operations. Franchisee You shall commence operation of the Franchised Restaurant not later than 9 months after execution of this Agreement if the approved location for the Franchised Restaurant is located in an existing building, or 18 months after execution of this Agreement if the approved location for the Franchised Restaurant is to be located in a building that is not built or constructed on the date the date of the site's approval by the Franchisor, or as otherwise required or approved in writing by Franchisor. Prior to such commencement of operation, Franchisee you shall have procured all necessary licenses, permits, and approvals including, but not limited to, construction permits, have hired and trained personnel, made all leasehold improvements and purchased initial inventory, and have completed all training requirements including completing training within a designated time prior to the opening of the Restaurant. If Franchisee you for any reason fails fail to commence operation as herein provided, unless Franchisee is you are precluded from doing so by force majeure Force Majeure, such failure shall be considered a default, and Franchisor may terminate this Agreement as herein provided.

C. Maintenance. Franchisee You shall maintain the condition and appearance of the Premises

consistent with Franchisor's quality controls and standards. FranchiseeYou shall effect such reasonable maintenance of the ~~Franchised~~-Restaurant as is from time to time required to maintain or improve the appearance and efficient operation of the ~~Franchised~~-Restaurant including, but not limited to, replacement of worn out or obsolete fixtures and signs, repair of the exterior and interior of the Premises, and purchasing and installation of new or modified equipment. If at any time in Franchisor's judgment the general state of repair or the appearance of the Premises or its equipment, fixtures, signs or decor does not meet Franchisor's quality control and standards therefor, Franchisor shall so notify FranchiseeYou, specifying the action ~~to be taken by FranchiseeYou must take~~ to correct such deficiency. If, within 30 days after receipt of such notice, FranchiseeYou ~~fails you fail~~ or ~~refuses refuse~~ to initiate and ~~thereafter continue a bona fide program to complete diligently pursue completion of~~ any required maintenance, Franchisor shall have the right, in addition to all other remedies, to enter upon the Premises and effect such repairs, painting, maintenance or replacements of equipment, fixtures or signs on your behalf ~~of Franchisee~~ and FranchiseeYou shall pay the entire costs thereof on demand. ~~Franchisee's obligation to initiate and continue any required maintenance shall be suspended during any period in which such maintenance is impractical due to force majeure.~~

D. Alterations. FranchiseeYou shall make no material alterations to the Premises, nor shall FranchiseeYou make material replacements of or alterations to the equipment, fixtures or signs of the ~~Franchised~~-Restaurant without the prior written approval by Franchisor.

E. Location. The location of the ~~Franchised~~-Restaurant approved by Franchisor in accordance with ~~Paragraph III. Article 3.~~ hereof shall be used solely for the purpose of conducting a HAPPY JOE'S ~~Franchised~~-Restaurant.

F. Proprietary Products. Franchisor has developed Proprietary Products and ~~shall may~~ continue to further develop and own Proprietary Products and proprietary recipes. In order to protect its trade secrets and to monitor the manufacture, packaging, processing and sale of Proprietary Products, Franchisor shall (i) manufacture, supply, and sell Proprietary Products to franchisees of Franchisor, and/or (ii) disclose the formulae for and methods and preparation of the Proprietary Products to a limited number of suppliers who shall be authorized by Franchisor to manufacture Proprietary Products to Franchisor's precise specifications and sell Proprietary Products to franchisees of Franchisor. ~~Franchisee acknowledges You acknowledge~~ that FranchiseeYou shall be required to purchase and use Proprietary Products from Franchisor, or a limited number of suppliers so authorized by Franchisor.

G. Menu Items. FranchiseeYou shall offer for sale and sell at the ~~Franchised~~ Restaurant all types of Menu Items and other categories of food and beverage products that Franchisor from time to time authorizes and shall not offer for sale or sell at the ~~Franchised~~-Restaurant or the Premises any other category of products not authorized by Franchisor or use such premises for any purpose other than the operation of a ~~Franchised~~-Restaurant in full compliance with this Agreement. FranchiseeYou shall not offer for sale, sell or give away any Franchisor-authorized product from any location other than the Premises without Franchisor's prior written permission.

H. Preparation of Menu Items. In order to ensure that all Menu Items ~~produced by FranchiseeYou produce~~ meet Franchisor's high standards of taste, texture, appearance and freshness, in order to protect Franchisor's goodwill and Marks, and in order for FranchiseeYou to comply with all applicable legal requirements relating to menu labeling and providing nutritional data, all Proprietary Products, Menu Items and other food products shall be prepared only by properly trained personnel strictly in accordance with Franchisor's recipes, cooking techniques and processes as designated by Franchisor in the Manuals and using supplies and ingredients either from approved suppliers or meeting Franchisor's current specifications. Menu Items shall be sold only at retail to customers in conformity with Franchisor's marketing plan and concept. FranchiseeYou shall not alter, dilute, substitute, or otherwise change the quality or composition of any such ingredients and materials. ~~Franchisee acknowledges You acknowledge~~ that such recipes, cooking techniques and processes are integral to the System and failure to adhere to such recipes, cooking techniques and processes (including the handling and storage of both ingredients and fully prepared Menu Items) shall be detrimental to the System and Marks. FranchiseeYou shall defend at its own cost and indemnify and hold harmless Franchisor, its shareholders, directors, officers, employees and agents, from and against any and all loss, costs, expenses (including attorneys' fees), taxes, damages and liabilities, however caused, resulting directly or indirectly from Franchisee's your failure to prepare Menu Items as required herein and/or

~~Franchisee's~~your failure to comply with menu labeling laws and regulations.

I. Approved Suppliers and Supplies. From time to time, Franchisor shall provide to ~~Franchisee~~you a list of approved manufacturers, suppliers and distributors ("Approved Suppliers List") and approved inventory, products, fixtures, furniture, equipment, signs, stationery, supplies and other items or services necessary to operate the ~~Franchised~~Restaurant ("Approved Supplies List"). Such list shall specify the manufacturer, brand name, supplier and distributor and the inventory products, fixtures, furniture, equipment, signs, stationery, supplies and services which Franchisor has approved to be carried or used in the System. Franchisor shall have the right to limit the number of approved suppliers for any product or service, including having one sole source of supply, which source may be Franchisor or an affiliate. Franchisor may revise the Approved Suppliers List and Approved Supplies List from time to time in its sole discretion and such lists shall be submitted to ~~Franchisee~~you as Franchisor deems advisable. Franchisor and its affiliates reserve the right to make a profit on products or services it sells to franchisees, and to receive consideration from any suppliers it approves. If ~~Franchisee proposes~~you propose to offer for sale at or use in the ~~Franchised~~operation of the Restaurant any brand of product, ~~or to use in the operation of Franchised Restaurant or~~ any brand of food ingredient or other material or supply which is not then approved by Franchisor as meeting its minimum specifications and quality standards, or to purchase any product from a supplier that is not then designated by Franchisor as an approved supplier, ~~Franchisee~~You shall first notify Franchisor and shall upon request by Franchisor submit samples and such other information as Franchisor requires for examination and/or testing or to otherwise determine whether such product, material or supply, or such proposed supplier meets its specifications and quality standards. A You or the supplier shall pay a charge not to exceed the reasonable cost of the inspection and evaluation and the actual cost of the test ~~shall be paid by Franchisee or the supplier.~~ Franchisor reserves the right, at its option, to re-inspect the facilities and products of any supplier of an approved item and to revoke its approval of any item which fails to continue to meet any of Franchisor's criteria. Franchisor reserves the right, in its sole discretion, to approve or disapprove any and all supplies, suppliers, brand name products and other products and services, whether currently approved by Franchisor or you have submitted to Franchisor ~~by Franchisee~~ for approval, authorized for use by or sale from ~~Franchised~~ Restaurant. Franchisor shall have the right to limit the number of approved suppliers or to designate exclusive suppliers for any item in order to gain buying power and efficiency and/or to maintain quality.

J. Non-approved Supplies. All inventory, products and materials, and other items and supplies used in the operation of the ~~Franchised~~ Restaurant which are not specifically required to be purchased in accordance with Franchisor's Approved Suppliers List and Approved Suppliers List shall conform to the specifications and quality standards established by Franchisor from time to time.

K. Licenses; Legal Compliance. ~~Franchisee~~You shall secure and maintain in force all required licenses, permits and certificates relating to the operation of the ~~Franchised~~Restaurant. ~~Franchisee~~You shall operate the ~~Franchised~~ Restaurant in full compliance with all applicable laws, ordinances and regulations including, without limitation, all government regulations relating to occupational hazards and health, dispensing of food and liquor products, menu labeling, consumer protection, trade regulation, workers' compensation, unemployment insurance and withholding and payment of federal and state income taxes and social security taxes and sales, use and property taxes.

L. Alcoholic Beverages; Smoking. ~~Franchisee~~You shall not offer for sale or sell alcoholic beverages; provided, however, ~~Franchisee~~You may offer for sale or sell beer and/or wine at the ~~Franchised~~ Restaurant, subject to ~~Franchisee's~~your compliance with any applicable liquor laws and permits. In order to promote a healthy environment consistent with the image for HAPPY JOE'S ~~Franchised~~Restaurants, ~~Franchisee~~You shall not permit smoking on the premises of the ~~Franchised~~Restaurant by either customers or employees, except for designated smoking areas outside of the ~~Franchised~~ Restaurant.

M. Unethical Advertising. ~~Franchisee~~You shall refrain from any merchandising, advertising or promotional practice which is unethical or may be injurious to the business of Franchisor and/or other ~~Franchised~~Restaurants or to the goodwill associated with the Marks.

N. Imprinted Products. ~~Franchisee~~You shall, in the operation of the ~~Franchised~~ Restaurant, use only displays, trays, napkins, menus, menu boards, boxes, bags, wrapping paper, labels, forms and other paper and plastic products imprinted with the Marks and colors as prescribed from time to time by Franchisor, and shall purchase such items only from such third parties licensed by Franchisor to duplicate the Mark on

such items. FranchiseeYou shall promptly replace menus and menu boards following the issuance by Franchisor of new Menu Items or changes to existing Menu Items in order to comply with menu labeling laws and regulations.

O. Inventory. ~~Franchisee acknowledges~~ You acknowledge that the ~~Franchised~~ Restaurant shall at all times maintain an inventory of ingredients, food and beverage products and other products, materials and supplies that shall permit operation of the ~~Franchised~~ Restaurant at maximum capacity.

P. Managers. The ~~Franchised~~ Restaurant shall at all times be under ~~the direct, on-premises supervision of Franchiseeyou~~ (or an ~~owner of Franchisee~~ Owner if ~~Franchisee is you are~~ an entity, the "Managing Owner") direct, on-premises supervision or a trained and competent employee acting as full-time manager. If ~~Franchisee employs you employ~~ a full-time manager to operate the ~~Franchised~~ Restaurant, ~~Franchiseeyou~~ (or an ~~owner of Franchisee~~ Owner if ~~Franchisee is you are~~ an entity) shall continue to supervise the operations of the ~~Franchised~~ Restaurant. FranchiseeYou shall keep Franchisor informed at all times of the identity of the designated owner supervising the ~~Franchised~~ Restaurant and any employee(s) acting as manager(s) of the ~~Franchised~~ Restaurant. To the extent that Franchisor can reasonably accommodate ~~Franchisee's you~~ manager in Franchisor's regularly scheduled training course, Franchisor shall make training available, as is reasonable and necessary, for all managers ~~designated by Franchisee. you designate.~~ Franchisor shall provide such training to ~~Franchiseeyou~~ at the then-current published rates. In no event shall Franchisor be under any obligation to provide individual training to ~~Franchisee's you~~ managers. FranchiseeYou shall, at all times, faithfully, honestly and diligently perform its obligations hereunder and shall not engage in any business or other activities that shall conflict with its obligations hereunder.

Q. Games and Coin-operated Machines. FranchiseeYou shall not install or maintain on the Premises any newspaper racks, video games, juke boxes, gaming machines, gum machines, games, rides, vending machines, or other similar devices that are not identified in the Manuals as being approved or that have not been otherwise approved in writing by Franchisor. FranchiseeYou shall not display at the ~~Franchised~~ Restaurant any third-party sign ~~or signs(s)~~ inconsistent with the System, the ~~Franchised~~ Restaurant's family atmosphere, or to which Franchisor, in its discretion, objects.

R. National Franchise Board. FranchiseeYou shall become a member of and participate actively in HAPPY JOE'S National Franchise Board and participate in all National Franchise Board programs. The purposes of the National Franchise Board include, but are not limited to, exchanging ideas and problem-solving methods, advising Franchisor on expenditures for regional advertising, supplies selection, product development, building design and Menu Items; providing back-up support and staffing for political influence, and coordinating franchisee efforts. FranchiseeYou shall pay all assessments levied by the National Franchise Board in the manner required by the National Franchise Board, including by electronic transfer of funds, and ~~Franchiseeyou~~ shall execute such documents as necessary to authorize the electronic transfer of funds or other method of collection of contributions. Franchisor has the right to enforce this monetary obligation on behalf of the National Franchise Board. Amounts and expenditures may vary from time to time and due to variations in National Franchise Board participation and costs as determined by the National Franchise Board and as approved by Franchisor. Although ~~Franchiseeyou~~ shall pay such National Franchise Board assessments, such assessments shall in no way diminish ~~Franchisee's you~~ rights and the benefit of the bargain under this Agreement.

S. Software. Franchisor may, in the future, develop and custom design Software for conducting accounting, inventory control, point-of-sale functions and related activities. If developed, this Software shall be proprietary to and become Confidential Information of Franchisor. Franchisor has determined that it shall not be able to alter the Software and System to accommodate each and every franchisee of the System; therefore, at such time as Franchisor introduces the Software into the System, ~~Franchiseeyou~~ shall implement and utilize the Software in the operation of the ~~Franchised~~ Restaurant and comply with all specifications and standards prescribed by Franchisor regarding the Software, as provided from time to time in the Manuals or other written materials provided by Franchisor. This unique Software is in an on-going development and testing stage and upgrades may be implemented into the System at Franchisor's discretion. Once developed, ~~Franchiseeyou~~ shall be responsible for maintaining on-going service and support regarding the Software, and Franchisor shall license such Software to ~~Franchiseeyou~~ at the then-current rates published by Franchisor.

T. Employees/Uniforms. FranchiseeYou shall hire all employees of the ~~Franchised~~ Restaurant,

be exclusively responsible for complying with all employment laws and for all employment decisions and functions related to the operation of the ~~Franchised~~-Restaurant, including hiring, firing, demotion, promotion, compensation, benefits, work hours, schedules, work assignments, work rules, recordkeeping, supervision and discipline of employees, and working conditions. FranchiseeYou shall notify and communicate clearly with its employees in all dealings, including without limitation, its employment applications, written and electronic correspondence, paychecks, employee handbooks, employment policies and procedures, other materials, that Franchiseeyou (and only Franchisee isyou) are their employer, and that Franchisor is not their employer. FranchiseeYou shall implement a training program for said employees to ensure that the ~~Franchised~~-Restaurant operates in compliance with Franchisor's System requirements. FranchiseeYou shall maintain at all times a staff of trained managers, assistant managers and employees sufficient to operate the ~~Franchised~~-Restaurant in compliance with Franchisor's standards. FranchiseeYou must enforce all dress and appearance requirements established by Franchisor from time to time, including wearing of uniforms meeting Franchisor's color, design and specifications, and imprinted with the Marks as prescribed by Franchisor in the Manuals or other written materials provided by Franchisor, for the protection of Franchisor's brand and Marks. Franchisor requires Franchiseeyou to purchase uniforms from a designated supplier.

U. Franchisee's Notification by Franchisee, Franchisee, You shall notify Franchisor in writing within 10 days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of the ~~Franchised~~-Restaurant.

V. Annual Holiday Party for Special Needs Children. FranchiseeYou shall be required to conduct at the ~~Franchised~~-Restaurant each year at Franchisee'syour expense an annual holiday party for special needs children in accordance with Franchisor's then current written policies and procedures regarding such parties. Alternatively, to conducting an annual holiday party for special needs children at the ~~Franchised~~ Restaurant each year at Franchisee'syour expense, Franchiseeyou shall host or provide Happy Joe's products at a local special needs school one time each year or host or provide Happy Joe's products at another worthy philanthropic cause. All alternative philanthropic endeavors must be approved in writing by Franchisor prior to the event or cause Franchisee hasyou have chosen to participate.

W. Timely Payments. FranchiseeYou shall make prompt and timely payment of all amounts due to Franchisor and its affiliates and to suppliers, vendors, lessors, utility companies and any landlord of the ~~Franchised~~-Restaurant. FranchiseeYou shall promptly pay when due all taxes levied or assessed against the ~~Franchised~~ Restaurant, including, without limitation, payroll, unemployment, withholding and payment of federal and state income taxes, social security taxes and sales taxes, and all accounts and other indebtedness of every kind, incurred by Franchiseeyou incur in operating the ~~Franchised~~-Restaurant. In the event of any bona fide dispute as to Franchisee'syour liability for taxes assessed or other indebtedness, Franchiseeyou may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event shall Franchiseeyou permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the ~~Franchised~~-Restaurant or any assets ownedyou own or leased by Franchiseelease.

#### **XIII11. FRANCHISOR'S OPERATIONS ASSISTANCE**

A. Price Guidance. Franchisor may from time to time advise or offer guidance to Franchiseeyou relative to prices for the food and other products offered for sale by the ~~Franchised~~-Restaurant ~~that in Franchisor's judgment constitutes good business practice. Such guidance shall be based on the experience of Franchisor and its franchisees in operating Franchised Restaurants and an analysis of the costs of such products and prices charged for competitive products.~~ Franchisee, You shall not be obligated to accept any such advice or guidance and shall have the sole right to determine the prices to be charged by the ~~Franchised~~ Restaurant, except that Franchisor reserves the right, to the fullest extent allowed by applicable law, to require Franchiseeyou to charge maximum or minimum prices or to comply with other pricing requirements in connection with a system-wide, regional or local marketing campaign or promotion.

B. Franchisor May Provide. Upon commencement of operation of the ~~Franchised~~-Restaurant, and during the term of this Agreement, Franchisor may provide the following to Franchiseeyou:

1. A comprehensive list of established sources of equipment, foods, supplies and

containers necessary for the operation of the ~~Franchised~~ Restaurant and specifications for such products;

2. Coordination of product distribution for local, regional and national suppliers;
3. Regulation of quality standards and products in conformance throughout the network of ~~Franchised~~ Restaurants;
4. Coordination of advertising materials and strategies;
5. Negotiation of group rates for purchases of products and materials as Franchisor, in its sole discretion, deems necessary and appropriate; and
6. On-going training and support.
7. Nutritional data compiled by Franchisor from suppliers and other third parties for standard Menu Items to assist Franchisee you in complying with current menu labeling laws and regulations.

C. Operational Assistance. Franchisor may furnish Franchisee you with such assistance in connection with the operation of the ~~Franchised~~ Restaurant as is reasonably determined to be necessary by Franchisor from time to time. Operations assistance may consist of advice and guidance with respect to:

1. Proper utilization of procedures by the ~~Franchised~~ Restaurant regarding the preparation and sale of all Menu Items, other food and beverage items, and related items and materials as approved by Franchisor;
2. Additional products and services authorized for sale from HAPPY JOE'S restaurants;
3. Purchase of ingredients and other food and beverage items, materials and supplies;
4. The institution of proper administrative, bookkeeping, accounting, inventory control, supervisory and general operating procedures for the effective operation of the ~~Franchised~~ Restaurant;
5. Advertising and promotional programs; and
6. On-going research and development of new procedures and techniques, new products and materials and other enhancements to the System.

Except for guidance relating to mandatory specifications, standards, or operating procedures necessary to protect the Franchisor's Marks and System, Franchisee you shall decide whether to accept any such advice and guidance.

D. Franchisor Visits. Franchisor may make periodic visits to the ~~Franchised~~ Restaurant for the purposes of ~~consultation, assistance consulting, assisting and guidance of Franchisee guiding you~~ in all aspects of the operation and management of the ~~Franchised~~ Restaurant. Franchisor or Franchisor's representatives who attend at the ~~Franchised~~ Restaurant may prepare, for the benefit of both Franchisor and Franchisee you, written reports with respect to such visits outlining any suggested changes or improvements in the operations of the ~~Franchised~~ Restaurant and detailing any defaults in mandatory specifications, standards, or operating procedures which become evident as a result of any such visit, and a copy of each such written report shall be provided to both Franchisor and Franchisee you. Franchisor shall advise Franchisee you of problems arising out of the operation of the ~~Franchised~~ Restaurant as disclosed by reports ~~submitted you submit~~ to Franchisor ~~by Franchisee~~ or by inspections ~~conducted by~~ Franchisor conducts of the ~~Franchised~~ Restaurant.

E. Manuals. Approved Suppliers Lists and Approved Supplies Lists shall be provided by Franchisor to Franchisee you when the bid and ordering procedures begin. Franchisee You shall be given access to Manuals and training materials when the training program begins. Franchisee You will be given access to an accounting manual when Franchisee begins you begin to set up its accounting system.

F. Franchisor, in its discretion, may assign some or all of Franchisor's duties and obligations to Franchisee you hereunder to a Happy Joe's Area Director for the area in which the ~~Franchised~~ Restaurant is located.

#### **XIV.12. INSURANCE**

A. ~~FranchiseeYou~~ shall ~~procure at its own expense and~~ maintain in full force and effect at all times during the term of this Agreement, at your expense, an insurance policy or policies protecting ~~Franchiseeyou~~ and Franchisor, and their officers, directors and employees against any loss, liability, personal injury, death or property damage or expense whatsoever arising or occurring upon or in connection with the ~~Franchised~~ Restaurant, as Franchisor may reasonably require for its own and ~~Franchisee'syour~~ protection. Each such policy shall be written by an insurance with an A.M. Best rating of not less than "A-", shall be primary and non-contributory to any insurance carried by Franchisor or its Affiliates, and shall contain a waiver of subrogation in favor of Franchisor and its Affiliates. Franchisor shall be named an additional insured on the General Liability and Umbrella policies. ~~The policy or policies must be endorsed to show they are primary over any coverage carried by Franchisor, and a copy of an endorsement so stating must accompany the certificates of insurance provided to Franchisor by Franchisee. The amounts required herein may be modified from time to time by Franchisor to reflect inflation or future experience with claims.~~

B. Such ~~policy or policies~~ shall ~~be written by an insurance company licensed in the state in which Franchisee operates and having at least an "A-" Rating Classification as indicated in Best's Key Rating Guide in accordance with standards and specifications set forth in the Manuals or otherwise in writing, and shall include,~~ at a minimum (except as ~~different coverages and policy limits may reasonably be specified for all franchisees from time to time~~ provided by Franchisor in the Manuals or otherwise in writing) the following:

1. "Special peril" coverage insurance on the ~~Franchised~~ Restaurant and all fixtures, equipment, supplies, products and other property used in the operation of the ~~Franchised~~ Restaurant (which coverage may include flood and/or earthquake coverage where applicable, and theft insurance) for full repair and replacement value without any applicable co-insurance clause, except that an appropriate deductible clause shall be permitted. Franchisor shall be included as an insured or loss payee to the extent of its insurable interest.

2. Business interruption coverage on an actual loss sustained basis for 12 months, extended to include Franchisor as an insured or loss payee for its insurable interest.

3. Comprehensive general liability with a per premises aggregate, including the following coverages: broad form contractual liability, and personal injury with limits not less than:

<u>Minimum Coverage</u>	<u>Limits of Coverage</u>
Products and Completed Operations Aggregate .....	\$2,000,000.00
General Aggregate.....	\$2,000,000.00
Personal Injury .....	\$1,000,000.00
Each Occurrence .....	\$1,000,000.00
Fire Damage (any one fire).....	\$50,000.00
Medical Expense (any one person) .....	\$5,000.00

4. Dram shop insurance (where required by state law) with a combined single limit for bodily injury, property damage and loss of means of support of \$1,000,000. Said policy should not be state specific but should apply to loss anywhere.

5. Automobile liability insurance, including owned, hired and non-owned vehicle coverage, with no restrictions or exclusions for delivery, and with a combined single limit of at least ONE MILLION Dollars (\$1,000,000.00) and No Fault/PIP or other coverage if required by state law.

6. Workers' compensation coverage with employer's liability limits of not less than \$100,000.00/\$500,000.00/\$100,000.00.

7. Umbrella coverage of \$1,000,000.00 for each claim and annual aggregate, excess of primary, with a maximum \$10,000.00 self-insured retention.

8. Such insurance and types of coverage as may be required by the terms of any lease

for the ~~Franchised~~-Restaurant, applicable law or as may be required from time to time by Franchisor.

C. The insurance afforded by the policy or policies respecting liability shall not be limited in any way by reason of any insurance which may be maintained by Franchisor. ~~By You shall furnish to Franchisor for approval a Certificate of Insurance showing compliance with the foregoing requirements by~~ the date on which ~~Franchisee acquires you acquire~~ an interest in the real property from which ~~Franchisee you~~ will operate the ~~Franchised~~-Restaurant, ~~a Certificate of Insurance showing compliance with the foregoing requirements shall be furnished by Franchisee to Franchisor for approval.~~ If any of the required insurance coverage is cancelled, not renewed or materially altered, ~~we require~~ Franchisor requires direct notice from ~~Franchisee's your~~ insurance company at least 10 days before cancellation, non-renewal or material alteration, if available. If direct notice from ~~Franchisee's your~~ insurance company is not possible, ~~Franchisee you~~ must notify ~~us Franchisor~~ directly at least 10 days before cancellation, non-renewal or material alteration, and ~~Franchisee you~~ must obtain replacement coverage with no interruption in coverage and deliver to ~~us Franchisor~~ evidence of such replacement policy. ~~Maintenance Your maintenance~~ of such insurance and the performance ~~by Franchisee~~ of the obligations under this ~~Paragraph XIV Article 12~~ shall not relieve ~~Franchisee you~~ of liability under the indemnity provision set forth in this Agreement. Minimum limits as required above may be modified from time to time, as conditions require, by written notice to ~~Franchisee you~~.

D. ~~Franchisee You~~ must submit to Franchisor annually a copy of the certificate of or other evidence of the renewal or extension of each required insurance policy. Should ~~Franchisee you~~, for any reason, not procure and maintain such insurance coverage as required by this Agreement, Franchisor shall have the right and authority (without, however, any obligation to do so) to immediately procure such insurance coverage and to charge same to ~~Franchisee you~~, which ~~charges you shall pay immediately upon notice~~, together with interest at the highest rate allowed by law, ~~shall be payable by Franchisee immediately upon notice~~.

E. ~~Franchisee acknowledges You acknowledge~~ that compliance with the insurance requirements in this Agreement is ~~the your~~ sole responsibility ~~of Franchisee~~ and any failure on the part of Franchisor to detect or take action to correct non-compliance does not in any way alter ~~Franchisee's your~~ responsibility to comply with these obligations. Franchisee acknowledges and agrees that Franchisor may change the types of insurance coverage and minimum amounts of coverage at any time, and ~~Franchisee you~~ shall comply with such changes.

### **XV13. COVENANTS**

A. Unless otherwise specified, the term "~~Franchisee you~~" as used in this ~~Paragraph XV Article 13~~ shall include, collectively and individually, ~~Franchisee you~~ as defined in ~~Paragraph XXXII Article 22~~.

B. ~~Franchisee covenants You covenant~~ that during the term of this Agreement, except as otherwise approved in writing by Franchisor, ~~Franchisee you~~ (if ~~Franchisee is you are~~ an individual), an owner of a beneficial interest ~~of 10 of 10%~~ or more in ~~Franchisee you~~ (if ~~Franchisee is you are~~ a corporation or limited liability company), ~~your~~ general partner ~~of Franchisee~~ (if ~~Franchisee is you are~~ a partnership) or ~~Franchisee's your~~ full-time manager shall devote full-time energy and best efforts to the management and operation of the ~~Franchised~~-Restaurant.

C. ~~Franchisee covenants You covenant~~ that during the term of this Agreement, except as otherwise approved in writing by Franchisor, ~~Franchisee you~~ shall not, either directly or indirectly, for itself, or through, on behalf of or in conjunction with any person, persons, or entity:

1. Divert or attempt to divert any business or customer of the ~~Franchised~~-Restaurant to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System.

2. Own, maintain, assist, engage in or have any interest in any business (including any business ~~operated by Franchisee you operate~~ prior to entry into this Agreement) specializing in whole or in part, in dispensing, promoting or selling prepared food products, or any other business which sells or offers to sell prepared food products or services, the same as or similar to those sold in the System, unless agreed to by Franchisor.

D. ~~Franchisee You~~ specifically ~~acknowledges acknowledge~~ that, ~~pursuant to this Agreement, Franchisee shall you will~~ receive valuable training and access to Franchisor's Confidential Information.

Accordingly, ~~Franchisee covenants you covenant~~ that, except as otherwise approved in writing by Franchisor, ~~Franchisee you~~ shall not, for a period of ~~one of one~~ year after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for itself, or through, on behalf of or in conjunction with any person, persons, or entity, own, maintain, engage in, consult with or have any interest in any restaurant business or prepared food business engaged primarily in the preparation and sale of prepared food products or services, the same as or similar to the type sold in the System:

1. Within the Metropolitan or Micropolitan Statistical Area, as those terms are defined by the United States Census Bureau ("MSA") in which the ~~Franchised~~-Restaurant is located; or
2. Within a radius of 10 miles of the ~~Franchised~~-Restaurant Premises; or
3. Within a radius of 10 miles of the location of any other business using the System, whether franchised or owned by Franchisor. After the date of this Agreement, other franchisees may open additional ~~Franchised~~ Restaurants, thereby expanding the prohibited area in this provision.

E. ~~Franchisee You~~ shall not divulge to any person, partnership, corporation or any other entity any ~~information, trade secrets, ingredients, recipes, cooking techniques and processes used in the Proprietary Products, Menu Items and other food and beverage products used in the System or any information stated in the Manuals Confidential Information.~~

F. Each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this ~~Paragraph XV Article 13~~ is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, ~~Franchisee you~~ shall be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this ~~Paragraph XV Article 13.~~

G. ~~Franchisee understands You understand~~ and ~~acknowledges acknowledge~~ that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in ~~Paragraphs XV Sections 13.C. and XV 13.D.~~ in this Agreement, or any portion thereof, without ~~Franchisee's your~~ consent, effective immediately upon ~~your~~ receipt ~~by Franchisee~~ of written notice thereof, and ~~Franchisee you~~ shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of ~~Paragraph XXVI Section 20.D.~~ hereof.

H. Franchisor shall have the right to require all of ~~Franchisee's your~~ officers, directors, shareholders, members, general partners, limited partners, managers, personnel performing managerial or supervisory functions and all personnel receiving training from Franchisor to execute similar covenants in a form satisfactory to Franchisor.

I. ~~Franchisee You~~ further ~~covenants covenant~~ that, except as otherwise approved in writing by Franchisor, ~~Franchisee you~~ shall not, for a period of one year after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for itself, or through, on behalf of or in conjunction with any person, persons, or entity; sell, lease or rent the ~~Franchised~~-Restaurant to any person, persons or entity that is to engage in a restaurant business or prepared food business at the ~~Franchised~~-Restaurant engaged primarily in the preparation and sale of prepared food products or services, the same as or similar to the type sold in the System.

#### **XVI 14. DEFAULT AND TERMINATION**

A. Termination by Franchisee You. If ~~Franchisee is you are~~ in substantial compliance with this Agreement and Franchisor materially breaches this Agreement and fails to cure such breach within a reasonable time after written notice thereof is delivered to Franchisor, ~~Franchisee you~~ may terminate this Agreement. Such termination shall be effective 30 days after delivery to Franchisor of written notice that such breach has not been cured and ~~Franchisee elects you elect~~ to terminate this Agreement. ~~A Your~~ termination of this Agreement ~~by Franchisee~~ for any reason other than ~~Franchisor's~~ breach of this Agreement ~~by Franchisor~~ and Franchisor's failure to cure such breach within a reasonable time after receipt of written notice thereof shall be deemed a termination by ~~Franchisee you~~ without cause.

B. Termination by Franchisor. This Agreement shall terminate automatically upon delivery of

written notice of termination to Franchisee, if Franchisee or ~~its own~~your Owner(s), officer(s) or manager(s):

1. Fails to satisfactorily complete the training program as provided in Paragraph IV-Article 4 of this Agreement;
2. Has made any material misrepresentation or omission in its franchise application ~~for the franchise~~;
3. Is convicted of or pleads no contest to a felony or other crime or offense that is likely to adversely affect your or the Restaurant's reputation ~~of Franchisee or the Franchised Restaurant~~;
4. Makes any unauthorized use, disclosure or duplication of any portion of the Manuals or ~~duplicates or discloses or makes any unauthorized use of~~ any Confidential Information provided to Franchisee by Franchisor;
5. Abandons or fails or refuses to actively operate the Franchised Restaurant for 2two business days in any 12 month period, unless the Franchised Restaurant has been closed for a purpose approved by Franchisor or due to ~~force majeure~~Force Majeure; or fails to relocate to approved premises within a reasonable period of time, as determined in Franchisor's discretion, following expiration or termination of the lease for the Premises or destruction or damage to the Premises that renders the Premises unusable;
- ~~6. Surrenders or transfers control of the operation of the Franchised Restaurant, makes an unauthorized direct or indirect assignment of the franchise or an ownership interest in Franchisee or fails or refuses to assign the franchise or the interest in Franchisee of a deceased or disabled controlling owner thereof as herein required;~~
- ~~7. Submits to Franchisor on two or more separate occasions at any time during the term of the franchise any reports or other data, information or supporting records which understate \_~~
- ~~6. Attempts to make or makes an unauthorized transfer under this Agreement;~~
7. Understates by more than 3% the Royalty Fees for any period of, or periods aggregating, three or more weeks, and Franchisee is you are unable to demonstrate that such understatements resulted from inadvertent error;
8. If Franchisee shall be adjudicated bankrupt, becomes insolvent, commits any affirmative act of insolvency or files any action or petition of insolvency, or if a receiver (permanent or temporary) of its property or any part thereof is appointed by a court of competent authority, or if it makes a general assignment for the benefit of its creditors, or if a final judgment remains unsatisfied of record for 30 days or longer (unless supersedeas bond is filed), or if execution is levied against Franchisee's your business or property, or if suit to foreclose any lien or mortgage against its Premises or equipment is instituted against Franchisee and not dismissed within 30 days, or is not in the process of being dismissed; provided, however, that Franchisor reserves the right to be named as trustee or receiver in any voluntary petition for bankruptcy or insolvency ~~filed by Franchisee~~ file;
9. Materially misuses or makes an unauthorized use of any of the Marks or Software (if developed) or commits any other act which can reasonably be expected to materially impair the goodwill associated with any of the Marks;
- ~~10. Materially misuses or makes an unauthorized use of the Software (if developed);~~
11. Fails on two or more separate occasions within any period of 12 consecutive months to submit when due reports or other information or supporting records, to pay when due the Royalty Fees, advertising contributions, amounts due for purchases from Franchisor or other payments due to Franchisor, or otherwise fails to comply with this Agreement, whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee;
12. ~~Continues to violate~~Violates any health, safety or sanitation law, ordinance or regulation or operates the Franchised Restaurant in a manner that presents a health or safety hazard to its customers or the public;
13. Fails to cure a default under the lease for the Premises within the time provided

under the lease after receipt of proper notice from the landlord pursuant to the terms of the lease; or

14. On three or more occasions during the term of this Agreement breaches this Agreement in the same manner by failing to comply with the same term, provision, obligation or covenant of this Agreement, whether or not such breach is corrected after notice thereof is delivered to Franchiseeyou.

C. This Agreement shall terminate without further action by Franchisor or notice to Franchisee if Franchiseeyou or Franchisee's owner:any Owner:

1. Fails or refuses to make payments of any ~~amounts due Franchisor for Royalty Fees, advertising contributions, purchases from Franchisor or any other~~ amounts due to Franchisor, and does not correct such failure or refusal within 10 business days after written notice ~~of such failure is delivered to Franchisee to you~~; or

2. Fails or refuses to make payments of any amounts due to suppliers, vendors, lessors, utility companies, landlords or taxing authorities and does not correct such failure or refusal within 10 business days after written notice ~~of such failure is delivered to Franchisee to you~~; or

3. Fails or refuses to comply with any other provision of this Agreement, or any ~~mandatory specification, standard, or operating procedure~~requirements prescribed in the Manuals or otherwise in writing, and does not correct such failure within 30 days ~~(or provide proof acceptable to Franchisor that it has made all reasonable efforts to correct such failure and shall continue to make all reasonable efforts to cure until a cure is effected, if such failure cannot reasonably be corrected within 30 days)~~ after written notice of such failure to comply is delivered to Franchiseeyou.

D. To the extent that the provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation, non-renewal or the like other than in accordance with applicable law, such provisions shall, to the extent they are not in accordance with applicable law, not be effective, and Franchisor shall comply with applicable law in connection with each of these matters.

E. In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right or any other rights against Franchiseeyou, Franchisor, in the event that Franchiseeyou shall not have cured a default under this Agreement within the 20 business days after receipt of a written notice to cure from Franchisor, may, at its option, enter upon the Premises and exercise complete authority with respect to the operation of the Franchised Restaurant until such time as Franchisor determines that the default ~~of Franchisee~~ has been cured and that there is compliance with the requirements of this Agreement. FranchiseeYou specifically ~~acknowledges~~acknowledge that a designated representative of Franchisor may take over, control and operate the Franchised Restaurant, and that Franchiseeyou shall pay Franchisor a service fee, as published in the Manuals or otherwise in writing, plus all travel expenses, room and board and other expenses reasonably incurred by such representative so long as it shall be required by the representative to enforce compliance herewith. FranchiseeYou further ~~acknowledges~~acknowledge that if, as herein provided, Franchisor temporarily operates ~~for Franchisee the Franchised~~the Restaurant, ~~Franchisee for you, you~~ shall indemnify and hold harmless Franchisor and any representative of Franchisor who may act hereunder, respecting any and all acts and omissions which Franchisor may perform, or fail to perform ~~as regards the interests of Franchisee or third parties~~.

F. Liquidated Damages. If ~~Franchisee closes you abandon or close~~ the Franchised Restaurant prior to the expiration of this Agreement ~~or abandons the Franchised Restaurant~~, or if Franchisor terminates the Franchise Agreement for cause or material default (which includes but is not limited to Franchisee'syour failure to pay any amounts owing to ~~us~~Franchisor or ~~our~~its Affiliates, and Franchisee'syour failure to timely pay trade creditors as required by this Agreement), Franchiseeyou shall pay to Franchisor, upon such closing, abandonment or termination ("Early Termination"), as liquidated damages for the loss of the benefit bargained for in this Agreement due to premature termination only, and not as a penalty, or as damages for breaching this Agreement or in lieu of any other payment, an amount equal to the total of Royalty Fees and contributions to the HAPPY JOE'S National Franchise Board or Advertising Fund in the event the HJNFB no longer exists ("Advertising Contributions") due to Franchisor during the 36 months immediately preceding such Early Termination. If the Franchised Restaurant has not been open for at least 36 months prior to the date of Early Termination, the monthly average of the Royalty Fees and Advertising Contributions due to Franchisor during

such shorter period will be multiplied by 36 for purposes of determining the amount of the liquidated damages due hereunder. If there are fewer than 36 months remaining in the term hereof, the amount of the liquidated damages due from Franchisee you shall be equal to the number of months remaining in the term of this Agreement multiplied by the monthly average of Royalty Fees and Advertising Contributions payable to Franchisor during the 36 months immediately preceding the Early Termination. If the ~~Franchised~~ Restaurant was closed during any part of the 36-month period used in these calculations, then the Royalty Fee and Advertising Contribution for any week or partial week in which the ~~Franchised~~ Restaurant was closed will be presumed to be the highest weekly Royalty Fee and Advertising Contribution payable to Franchisor by Franchisee you during the 36-month period.

Notwithstanding the foregoing, Franchisor will permit Franchisee you to close the ~~Franchised~~ Restaurant and will waive its right to collect liquidated damages provided for herein based on your premature closure of the ~~Franchised~~ Restaurant only if all of the following conditions are met: (1) ~~Franchisee delivers you deliver~~ to Franchisor written notice of the proposed closure at least 12 months prior to the closure, (2) the notice includes profit and loss statements for the previous 36 months, prepared according to the accounting methods used to prepare federal income tax returns, (3) the profit and loss statements demonstrate to Franchisor's reasonable satisfaction that the ~~Franchised~~ Restaurant sustained a net cumulative loss during each of the 3 previous 12 month periods despite Franchisee's your compliance with this Agreement, and despite Franchisee's your operating expenses being reasonable in Franchisor's business judgment, and (4) Franchisee you and each guarantor of Franchisee's your obligations under this Agreement signs a termination agreement and general release of all claims against Franchisor in a form Franchisor prescribes.

Franchisor and Franchisee you agree that (i) this liquidated damages provision is intended to compensate Franchisor for loss of cash flow from ~~Royalty Fee and Advertising Contributions~~ the recurring fees going forward in an amount difficult to ascertain, and not as a penalty; (ii) it would be impractical to precisely determine the damages Franchisor would incur from this Agreement's Early Termination and the loss of cash flow from the ~~Royalty Fees and Advertising Contributions~~ recurring fees due to, among other things, the complications of determining what costs, if any, Franchisor might have saved and how much such Royalty Fees and Advertising Contributions would have grown over what would have been the remainder of the ~~term~~ Term; (iii) this liquidated damages provision provides a reasonable, good faith method of estimating those damages from loss of cash flow from the monthly fees; and (iv) this liquidated damages provision only covers Franchisor's prospective damages due to the loss of cash flow from Royalty Fees and Advertising Contributions that would have been received by Franchisor from Franchisee you going forward, had this Agreement not been terminated for cause. The liquidated damages set forth herein do not cover any other damages, including damages to Franchisor's reputation with the public and landlords and damages arising from a violation of any provision of this Agreement other than the aforementioned post-termination damages due to the loss of cash flow from Royalty Fees and Advertising Contributions. Payment of the liquidated damages provided for herein does not preclude Franchisor from seeking to recover any other such damages. This liquidated damages provision does not give Franchisor an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement, except as otherwise provided in this section.

#### **XVII15. RIGHTS AND DUTIES OF PARTIES UPON EXPIRATION OR TERMINATION**

Upon termination or expiration, this Agreement and all rights granted hereunder to Franchisee you shall forthwith terminate, and:

A. Franchisee You shall immediately cease to operate the ~~Franchised~~ Restaurant under this Agreement, and shall not thereafter, directly or indirectly, represent to the public or hold ~~itself yourself~~ out as a present or former franchisee of Franchisor.

B. Upon demand by Franchisor, Franchisee you shall assign to Franchisor Franchisee's your interest in any lease then in effect for the Premises, and Franchisee you shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within 30 days after termination or expiration of this Agreement.

C. Franchisee You shall immediately and permanently cease to use, by advertising or in any manner whatsoever, any confidential methods, procedures and techniques associated with the System, the

Marks, and any distinctive forms, slogans, signs, symbols, logos or devices associated with the System. In particular, ~~Franchisee~~you shall cease to use, without limitation, all signs, advertising materials, promotional materials, stationery, forms and any other articles which display the Marks associated with the System.

D. ~~Franchisee~~You shall take such action as may be necessary to cancel or assign to Franchisor or Franchisor's designee, at Franchisor's option, any assumed name rights or equivalent registration filed with state, city, or county authorities which contains the name "HAPPY JOE'S" or any Mark, and ~~Franchisee~~you shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within ~~thirty~~ (30) days after termination or expiration of this Agreement.

E. ~~Franchisee~~You shall, in the event it continues to operate or subsequently begins to operate any other business, not use any reproduction, counterfeit, copy or colorable imitation of the Marks either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute Franchisor's exclusive rights in and to the Marks and shall not utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with Franchisor so as to constitute unfair competition. ~~Franchisee~~You shall make such modifications or alterations to the Premises (including, without limitation, the changing of the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business thereon ~~you or others~~ subsequently ~~operated by Franchisee or others~~operate, and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose including, without limitation, removal of all distinctive physical and structural features identifying the System. In the event ~~Franchisee fails~~you fail or ~~refuses~~refuse to comply with the requirements of this ~~Paragraph XVII., Article 15~~, Franchisor shall have the right to enter upon the Premises where ~~Franchisee's Franchised~~your Restaurant was conducted, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required at the expense of ~~Franchisee~~you, which expense ~~Franchisee~~you shall pay upon demand.

F. ~~Franchisee~~You shall promptly pay all sums owing to Franchisor. In the event of termination for ~~any~~your default ~~of Franchisee~~, such sums shall include all damages, including liquidated damages as set forth herein, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default.

G. ~~Franchisee~~You shall pay to Franchisor all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of ~~the franchise herein granted~~this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of ~~this Paragraph XVII. or Paragraph XV~~Article 14 and 15.

H. ~~Franchisee~~You shall immediately turn over to Franchisor ~~to, and cease access through any electronic means to~~, the Manuals, all training materials, customer lists and data, records, files, instructions, brochures, agreements and any and all other materials containing Confidential Information and/or provided by Franchisor to ~~Franchisee~~you (including, but not limited to, computerized back-up storage files and data bases) relating to the operation of the ~~Franchised~~Restaurant (all of which are acknowledged to be Franchisor's property).

I. Franchisor shall have the right, title and interest to any sign or sign faces bearing the Marks. ~~Franchisee~~You hereby ~~acknowledges~~acknowledge Franchisor's right to access the Premises should Franchisor elect to take possession of any said sign or sign faces bearing the Marks.

J. ~~Franchisee~~You hereby ~~agrees~~agree and ~~acknowledges~~acknowledge that as between Franchisor and ~~Franchisee~~you, Franchisor has the sole right to and interest in all telephone numbers and directory listings associated with Franchisor's Marks. ~~Therefore, upon~~Upon termination or expiration of this Agreement, ~~Franchisee~~you shall assign to Franchisor or its designee all ~~Franchisee's~~your right, title and interest in and to all of the telephone and facsimile numbers ~~you~~used ~~by Franchisee~~in connection with the ~~Franchised~~Restaurant and shall notify the telephone company and all listing agencies of the termination or expiration of ~~Franchisee's~~your right to use any telephone or facsimile number and any regular, classified or other telephone directory listing associated with the Marks and to authorize a transfer of same to or at the direction of Franchisor. This Agreement hereby constitutes authorization to the appropriate telephone company to transfer to Franchisor all of ~~Franchisee's~~your rights in and to the use of said telephone and

facsimile numbers, and Franchisee hereby irrevocably appoints and authorizes Franchise to act as Franchisee's attorney-in-fact and hereby empowers Franchisor to execute such documents as necessary on your behalf of ~~Franchisee~~ to effectuate such transfer. Upon the execution of this Agreement, Franchisee shall sign the Conditional Assignment of Telephone Numbers attached hereto as Exhibit FG to assist in effecting the transfer of rights to the telephone and facsimile numbers upon termination of this. Franchisee shall assign to Franchisor or its designee all Franchisor's right, title and interest in and to any domain name registrations, any web sites, and any listings or presence on any social media platforms or social media networks, or other presence on the Internet, including passwords and account manager access, and shall notify the necessary parties of the termination of the Franchisee's right to use any domain name, web site, or other presence on the internet and to authorize a transfer of same to or at the direction of Franchisor.

K. Franchisor shall have the right (but not the duty), to be exercised by notice of intent to do so within 30 days after termination or expiration, to purchase for cash except as provided in Paragraph XVII.K.this Section any or all assets of the ~~Franchisee~~ Restaurant, including leasehold improvements, equipment, supplies and other inventory, advertising materials and all items bearing the Marks, at Franchisee's cost or fair market value, whichever is less. If Franchisor elects to exercise any option to purchase as herein provided, it shall have the right to set off all amounts due from Franchisee under this Agreement, if any, against any payment therefor.

L. Franchisee shall comply with the covenants contained in Paragraph XV.Article 13 of this Agreement.

M. All obligations of Franchisor and Franchisee which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect regardless of the expiration or termination until they are satisfied or by their nature expire.

#### **XVIII.16. TRANSFERABILITY OF INTEREST**

A. Transfer by Franchisor. This Agreement and all rights hereunder can be assigned and transferred by Franchisor and, if so, shall be binding upon and inure to the benefit of Franchisor's successors and assigns; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall:

1. At the time of such assignment, be financially responsible and economically capable of performing the obligations of Franchisor hereunder; and

2. Expressly assume and agree to perform such obligations. Specifically, and without limitation to the foregoing, Franchisee expressly agrees that Franchisor may sell its assets, Marks or System outright to a third party; may make a public offering of securities; may engage in a private placement of some or all of its securities; may merge, acquire other corporations or entities, or be acquired by another corporation or other entity; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of said Marks (or any variation thereof) and/or the loss of association with or identification of HAPPY JOE'S FRANCHISING, INC. as Franchisor hereunder. Nothing contained in this Agreement shall require Franchisor to remain in the business in the event that Franchisor exercises its rights hereunder to assign its rights in this Agreement.

B. Transfer by Franchisee. This Agreement and all rights hereunder may be assigned and transferred by Franchisee and, if so, shall be binding upon and inure to the benefit of Franchisee's successors and assigns, subject to the following conditions and requirements, and Franchisor's right of first refusal as set forth herein:

~~1. No Franchisee, partner of Franchisee (if Franchisee is a partnership), or owner of Franchisee (if Franchisee is a corporation or limited liability company) 1. Neither you nor any Owner (if you are a Business Entity), without Franchisor's prior written consent, by operation of law or otherwise shall sell, assign, transfer, convey, give away or encumber to any person or entity, all or any part of its interest in this Agreement or its interest in the franchise granted hereby or its interest in any proprietorship,~~

partnership, corporation or limited liability company which owns any interest in the franchise, nor offer, permit or suffer the same to be sold, assigned, transferred, conveyed, given away or encumbered in any way to any person or entity. ~~Franchisee~~You may not, without the prior written consent of Franchisor, fractionalize any of ~~the~~your rights ~~of Franchisee~~ granted pursuant to this Agreement. Any purported assignment of any of ~~Franchisee's~~your rights herein not having the aforesaid consent shall be null and void and shall constitute a material default hereunder.

2. Franchisor shall not unreasonably withhold its consent to any transfer referenced in ~~Paragraph XVIII~~Section 16.B.1. of this Agreement when requested; provided, however, that the following conditions and requirements shall first be met to the full satisfaction of Franchisor. ~~Franchisee's~~Your or transferee's failure to meet in any way the conditions for transfer set forth herein shall be good cause for Franchisor to withhold its consent to any transfer.

a. If ~~Franchisee is~~you are an individual or partnership and desires to assign and transfer its rights to a corporation or limited liability company:

(1) Said transferee entity shall be newly organized, and its organizational documents shall provide that its activities are confined exclusively to acting as a HAPPY JOE'S franchisee as licensed under this Agreement;

(2) ~~Franchisee~~You shall be and shall remain the owner of the majority interest (~~fifty-one percent~~ 51% or greater) in the transferee entity;

(3) ~~The~~You (if you are an individual ~~Franchisee (~~) ~~or, if Franchisee is a partnership,~~ one of the partners if you are a partnership) shall be and shall remain the principal executive officer of the entity if it is a corporation or managing member of the entity if it is a limited liability company;

(4) The transferee entity shall enter into a written assignment (in a form satisfactory to Franchisor), in which the transferee entity assumes all of ~~Franchisee's~~your obligations hereunder;

(5) All owners of the transferee entity shall enter into a written agreement, in a form satisfactory to Franchisor, jointly and severally guaranteeing the full payment and performance of the transferee entity's obligations under this Agreement;

(6) Each stock certificate or other document identifying ownership interest in the transferee entity shall have conspicuously endorsed upon it a statement that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon assignments by this Agreement;

(7) No new shares of common or preferred voting stock (if the transferee entity is a corporation) or ownership interest (if the transferee entity is a limited liability company) shall be issued to any person, partnership, trust, foundation or entity without obtaining Franchisor's prior written consent and then only upon disclosure of the terms and conditions contained herein being made to the prospective new holders of the stock or ownership interest;

(8) All ~~your~~ accrued money obligations ~~of Franchisee~~ to Franchisor, its subsidiaries or assignees, shall be satisfied prior to assignment or transfer.

b. If the transfer, other than such transfer as is authorized under ~~Paragraph XVIII~~Section 16.B.2.a. of this Agreement, if consummated alone or together with other related previous, simultaneous, or proposed transfers, would have the effect of transferring control of the franchise licensed herein to someone other than an original signatory of this Agreement:

(1) The transferee(s) shall be of good moral character and reputation and shall have a good credit rating and competent business qualifications reasonably acceptable to Franchisor. ~~Franchisee~~You shall provide Franchisor with such information as Franchisor may require to make such determination concerning each such proposed transferee(s).

(2) The transferee(s) or ~~such other individual(s) as shall be~~ the actual manager of the franchise shall have successfully completed and passed the training course then in effect for

franchisees, or otherwise demonstrated, to Franchisor's satisfaction, sufficient ability to operate the business being transferred.

(3) The transferee(s), including all shareholders, officers, directors, members and partners of the transferee(s), shall jointly and severally execute any or all of the following, at Franchisor's sole discretion and as Franchisor shall direct:

a. A Franchise Agreement and other standard ancillary agreements with Franchisor on the current standard forms being used by Franchisor, except that an additional franchise fee shall not be charged; and/or

b. A written assignment from Franchisee you in a form satisfactory to Franchisor, wherein transferee shall assume all of Franchisee's your obligations hereunder.

(4) Approval by Franchisor of any transfer by Franchisee you of the franchise herein granted or any of Franchisee's your rights under this Agreement shall in no way be deemed a release by Franchisor of Franchisee's your obligations pursuant to this Agreement. Consent by Franchisor to a transfer of the franchise shall not constitute or be interpreted as consent for any future transfer thereof.

(5) The term of said agreements required pursuant to Subparagraph XVIII Subsection 16.B.2.b.(3) shall be for the unexpired term of this Agreement and for any extensions or renewals as provided herein.

(6) If transferee is an entity:

a. Each stock certificate or other document evidencing ownership interest in the transferee entity shall have conspicuously endorsed upon it a statement that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon assignments by this Agreement; and

b. No new shares of common or preferred voting stock (if the transferee entity is a corporation) or ownership interests (if the transferee entity is a limited liability company) shall be issued to any person, partnership, trust, foundation or entity without obtaining Franchisor's prior written consent and then only upon disclosure of the terms and conditions contained herein being made to the prospective new holders of the stock; and

c. All owners of the transferee entity shall enter into a written agreement, in a form satisfactory to Franchisor, jointly and severally, guaranteeing full payment and the performance of the transferee entity of all obligations under this Agreement.

(7) All your accrued money obligations of ~~Franchisee~~ to Franchisor or its assignees, shall be satisfied prior to assignment or transfer, and Franchisee you shall not be in default under the terms of this Agreement.

(8) Franchisee You and its your guarantors, prior to the transfer, shall execute a general release, in a form prescribed by Franchisor, of any and all existing claims against Franchisor, and their respective officers, directors, agents and employees, except such claims as are not permitted to be waived under applicable law.

(9) Franchisee You must furnish Franchisor with copies of all proposed sale or transfer documents and Franchisor must determine that the terms and conditions contained in the proposed sale or transfer documents, including price and payment terms, will not adversely affect the proposed assignee's future operations of the HAPPY JOE'S Restaurant. Franchisor shall have the right to communicate with both Franchisee you and the proposed assignee on any aspect of the proposed assignment and to furnish the proposed assignee with financial and other information regarding Franchisee's your Happy Joe's Restaurant to which Franchisor has access to or which is in its possession.

3. Franchisee You shall have fully paid and satisfied all of Franchisee's your obligations to Franchisor, and the transferee or Franchisee you shall have fully paid to Franchisor a non-refundable transfer fee in the amount stated on the Summary Page. The transfer fee is used to cover expenses of Franchisor for the training, supervision, administrative costs, overhead, counsel fees, accounting and other

Franchisor expenses in connection with the transfer. This transfer fee does not apply to an assignment of interest to an entity under ~~Paragraph XVIII~~Subsection 16.B.2.a. of this Agreement.

4. No sale, assignment, transfer, conveyance, encumbrance or gift of any interest in this Agreement or in the franchise granted thereby, shall relieve Franchisee you and the ~~shareholders, members or partners~~Owner participating in any transfer, of the obligations of the covenants contained in ~~Paragraph XV., Article 13~~, except where Franchisor shall expressly authorize in writing.

C. Franchisee You must promptly ("promptly" herein defined as within 30 days of receipt of an offer to buy) give Franchisor written notice whenever ~~Franchisee has you have~~ received an offer to buy ~~Franchisee's your~~ franchise. Franchisee You must also give Franchisor written notice simultaneously with any offer to sell the franchise made by, for, or on behalf of Franchisee you. The purpose of this ~~Paragraph XVII. Article 13~~ is to enable Franchisor to comply with any applicable state or federal franchise disclosure laws or rules. Franchisee You shall indemnify and hold harmless Franchisor for ~~Franchisee's your~~ failure to comply with this ~~Paragraph XVIII Article 13~~.

D. Franchisor shall have the right to communicate ~~with~~ and confer with both Franchisee you and the proposed transferee on any aspect of the proposed transfer and to furnish the proposed transferee with financial and other information regarding ~~Franchisee's your~~ franchise business to which Franchisor has access to or in its possession.

E. Franchisee You shall not, without prior written consent of Franchisor, place in, on or upon the location of the ~~Franchised~~ Restaurant, or in any communication media, any form of advertising, or list with any business, real estate broker, agent or attorney any information relating to the sale of the ~~Franchised~~ Restaurant or the rights granted hereunder.

#### **~~XIX~~17. DEATH OR INCAPACITY OF FRANCHISEE**

A. In the event of ~~the your~~ death or incapacity ~~of (if you are an individual franchisee,) or any partner of an Owner with a franchisee which is~~ Controlling Interest in you (if you are a partnership Business Entity), your or ~~any shareholder or member owning 50% or more of a franchisee which is an entity, the said Owner's~~ heirs, beneficiaries, devisees, or legal representative ~~of said individual, partner, shareholders or member~~ shall, within 180 days of such event:

1. Apply to Franchisor for the right to continue to operate the franchise for the duration of the ~~term of this Agreement~~Term and any renewals hereof, which right shall be granted upon the fulfillment of all of the conditions set forth in ~~Paragraph XVIII Section 16~~.B.2.b. of this Agreement (except that no transfer fee shall be required); or

2. Sell, assign, transfer or convey ~~Franchisee's your or Owner's~~ interest in compliance with the provisions of ~~Paragraphs XVIII.B. and XX. Article 16~~ of this Agreement; provided, however, in the event a proper and timely application for the right to continue to operate has been made and rejected, the 180 days to sell, assign, transfer or convey shall be computed from the date of said rejection. For purposes of this ~~Paragraph XIX., Article~~, Franchisor's silence on an application made pursuant to ~~Paragraph XIX Section 17.B~~. through the 180 days following the event of death or incapacity shall be deemed a rejection made on the last day of such period.

B. In the event ~~of the death or incapacity of an individual franchisee, or any partner, shareholder or member of a franchisee which is a partnership, corporation or limited liability company, respectively, where the aforesaid foregoing~~ provisions ~~of Paragraph XVIII.~~ have not been fulfilled within the time provided, all rights granted to Franchisee you under this Agreement shall, at the option of Franchisor, terminate ~~forthwith and Franchisor shall have the option to purchase the Franchised Restaurant in accordance with Paragraph XVII.K. herein upon notice.~~

~~C. Any dispute as to the existence of an incapacity~~ ~~C. For purposes of this Agreement, "incapacity" shall be defined as the inability of Franchisee to operate or oversee the operation of the Franchised Restaurant on a regular basis by reason of any continuing physical, mental or emotional incapacity, chemical dependency or other limitation. Any dispute as to the existence of an incapacity as defined herein~~ shall be resolved by majority decision of three (3) licensed medical physicians practicing in the MSA in which the ~~Franchised~~ Restaurant is located, with each party selecting one (1) medical physician and

the two (2) medical physicians so designated selecting the third medical physician. The determination of the majority of the three (3) medical physicians shall be binding upon the parties and all costs of making said determination shall be borne by the party against whom it is made.

~~XX D. Operation in the Event of Absence, Incapacity, or Death. In the event that you, in the Franchisor's sole determination, unable to operate the Restaurant as a result of incapacitation, illness, or death, Franchisor may, but is not obligated, to operate the Restaurant at your cost and expense for so long as Franchisor deems appropriate, and without waiver of any other rights or remedies Franchisor may have under this Agreement.~~ **RIGHT OF FIRST REFUSAL**

~~\_\_\_\_\_ If Franchisee or its owners propose to sell the Franchised Restaurant (or its assets) or part or all of the ownership of Franchisee, Franchisee or its owners shall obtain and deliver a bona fide, executed written offer to purchase same to Franchisor, which shall, for a period of 30 days from the date of delivery of such offer to Franchisor, have the right, exercisable by written notice to Franchisee or its owners, to purchase the Franchised Restaurant (or its assets) or such ownership for the price and on the terms and conditions contained in such offer, provided that Franchisor may substitute cash for any form of payment proposed in such offer. Notwithstanding the foregoing, Franchisor shall not have the right of first refusal if the proposed transfer is to an immediate family member of Franchisee or Franchisee's owners. However, such family member must obtain Franchisor's approval as a transferee pursuant to Paragraph XVIII hereof. If Franchisor does not exercise this right of first refusal, the offer may be accepted by Franchisee or its owners, subject to the prior written approval of Franchisor, as provided in Paragraph XVIII. hereof, provided that if such offer is not so accepted within six months of the date thereof, Franchisor shall again have the right of first refusal herein described.~~

~~XXI. OPERATION IN THE EVENT OF ABSENCE, INCAPACITY OR DEATH~~

~~\_\_\_\_\_ In order to prevent any interruption of the Franchised Restaurant which would cause harm to the Franchised Restaurant and thereby depreciate the value thereof, Franchisee authorizes Franchisor, in the event that Franchisee is absent or incapacitated by reason of illness or death and is not, therefore, in the sole judgment of Franchisor, able to operate the Franchised Restaurant, to operate the Franchised Restaurant for so long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies Franchisor may have under this Agreement; provided, however, that Franchisor shall not be obligated to so operate the franchise. All monies from the operation of the business during such period of operation by Franchisor shall be kept in a separate account and the expenses of the Franchised Restaurant, including reasonable compensation and expenses for Franchisor's representative(s) at the then-current rates published in the Manuals or otherwise in writing, shall be charged to said account. If, as herein provided, Franchisor temporarily operates the Franchised Restaurant for Franchisee, Franchisee you, you shall indemnify and hold harmless Franchisor and any representative of Franchisor who may act hereunder, from any and all claims arising from the operation of the Franchised Restaurant including, without limitation, the acts and omissions of Franchisor and its representative.~~

**18. RIGHT OF FIRST REFUSAL**

~~XXII. If you receive a bona fide offer to purchase its interest in this Agreement or all or substantially all of the assets of the Restaurant, or if any Owner receives a bona fide offer to purchase his or her equity interest in you, and if you or such Owner wishes to accept such offer, you or Owner must provide written notice of the offer to Franchisor who shall have the right, exercisable within 30 days of receipt thereof, to purchase the Restaurant (or its assets) or such ownership for the price and on the terms and conditions contained in such offer, provided that Franchisor may substitute cash for any form of payment proposed in such offer. Notwithstanding the foregoing, Franchisor shall not have the right of first refusal if the proposed transfer is to your or an Owner's immediate family member. However, you and such Owner(s) shall comply with the transfer provisions in this Agreement. If Franchisor does not exercise this right of first refusal, you or such Owner may accept the offer, subject to Article 16 hereof, provided that if such offer is not so accepted within six months of the date thereof, Franchisor shall again have the right of first refusal herein described.~~

**19. INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

A. This Agreement does not constitute Franchisee you as an agent, legal representative, joint venturer, partner, employee or servant of Franchisor for any purpose whatsoever. Franchisee You may not

represent to third parties that ~~it is you are~~ an agent of Franchisor and it is understood between the parties hereto that ~~Franchisee you~~ shall be an independent contractor and ~~is are~~ in no way authorized to make any contract, agreement, warranty or representation on ~~Franchisor's~~ behalf ~~of Franchisor~~, or to create any obligation, express or implied, on ~~Franchisor's~~ behalf ~~of Franchisor~~. Franchisor shall have no liability for any sales, use, excise, income, gross receipts, property or other taxes, whether levied against ~~Franchisee you~~, the ~~Franchised~~ Restaurant, or ~~Franchisee's your~~ assets, or on Franchisor in connection with the business ~~Franchisee conducts you conduct~~, or on any payments ~~Franchisee makes you make~~ to Franchisor pursuant to this Agreement or any franchise agreement (except for Franchisor's own income taxes). If any such taxes are assessed against Franchisor, ~~Franchisee you~~ shall reimburse Franchisor the ~~actual~~ amount of the taxes upon demand and ~~upon~~ receipt of proof of tax assessment.

B. ~~Franchisee You~~ shall prominently display on or in the Premises, by posting of a sign within public view and a sign within view of all employees, a statement that clearly indicates that ~~the Franchised Restaurant is you~~ independently ~~owned own~~ and ~~operated by Franchisee operate the Restaurant~~ as a HAPPY JOE'S franchise of Franchisor and not as an agent of Franchisor. ~~Franchisee You~~ expressly ~~acknowledges acknowledge~~ that Franchisor is not ~~Franchisee's your~~ employer ~~or~~ any employer of any of ~~Franchisee's your~~ employees. ~~In addition, Franchisor is not, nor~~ a joint employer with ~~Franchisee~~. ~~Franchisee acknowledges you. You acknowledge~~ that Franchisor's training, guidance, advice and assistance, ~~the Franchisee's and your~~ obligations under this Agreement and the standards and specifications required by Franchisor hereunder and in Manuals are imposed not for the purpose of exercising control over ~~Franchisee you~~ but rather for the limited purpose of protecting Franchisor's Marks and Confidential Information, goodwill and brand consistency. ~~Franchisee is You are~~ solely responsible for the management of the ~~Franchised~~ Restaurant as an independent franchise owner/operator.

C. ~~Franchisee You~~ shall defend at its own cost and indemnify and hold harmless Franchisor, its ~~affiliates and their respective~~ shareholders, directors, officers, employees and agents, ~~("Franchisor Indemnitees")~~, from and against any and all loss, costs, expenses (including attorneys' fees), taxes, damages and liabilities, ~~("Losses")~~, however caused, ~~resulting directly arising out of or indirectly from or pertaining related~~ to the use, condition or construction, equipping, decorating, maintenance or operation of the ~~Franchised Restaurant, business contemplated under this Agreement~~, including the sale of any food products, service or merchandise sold from the ~~Franchised~~ Restaurant. ~~Such loss, claims, costs, expenses, damages, and liabilities shall include, without limitation, those Losses~~ arising from latent or other defects in the ~~Franchised~~ Restaurant, whether or not discoverable by Franchisor, and those arising from the death or injury to any person or arising from damage to ~~the property of Franchisee or your, a Franchisor, their agents or employees, or any Indemnitee's, or a third person or entity party's property~~, whether or not such ~~losses, claims, costs, expenses, damages, or liabilities~~ ~~Losses~~ were actually or allegedly caused wholly or in part through the active or passive negligence of ~~any Franchisor or any of its agents or employees~~ ~~Indemnitee~~ or resulted from any strict liability imposed on Franchisor or any of its agents or employees.

### **XXIII. NON-WAIVER**

~~No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms hereof. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by the party sought to be charged and shall not affect or impair Franchisor's right with respect to any subsequent default of the same or of a different nature; nor shall any delay, waiver, forbearance, or omission of Franchisor to exercise any power or rights arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's rights nor shall such constitute a waiver by Franchisor of any right hereunder or of the right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payment(s) due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.~~

### **XXIV. NOTICES**

#### **20. CONSTRUCTION**

A. Non-Waiver. No waiver, modification, or failure to enforce any term of, this Agreement or of any covenant, condition, or limitation herein contained shall be valid unless the same is made in writing and duly executed by the party to be charged therewith. No evidence of any waiver or modification shall be offered or received in evidence in any proceeding, arbitration, or litigation between the parties arising out of or affecting this Agreement or the rights or obligations of any party hereunder, unless such waiver or modification is in writing, duly executed as aforesaid.

B. Notices. Any and all notices ~~required or permitted under this Agreement~~ shall be in writing and shall be personally delivered or mailed by certified mail, return receipt requested, or sent by commercial overnight delivery service, to the respective parties at address for ~~Notices~~notices identified on the Summary Page, unless ~~and until~~ a different address has been designated by written notice to the other party. Any notice by certified mail shall be deemed to have been given at the date and time of mailing. Any notice by commercial overnight delivery service shall be deemed to have been given the business day following the date of deposit.

### C. ~~XXV. COST OF ENFORCEMENT OR DEFENSE~~

Cost of Enforcement or Defense. If ~~either party commences a claim for amounts owed by Franchisee to Franchisor is asserted in any~~ legal proceeding ~~before a court of competent jurisdiction, or if Franchisor action against the other party arising out of or Franchisee is required to enforce in connection with this Agreement in a judicial proceeding,~~ the prevailing party shall be entitled to ~~reimbursement of~~have and recover from the other party its ~~costs, including~~ reasonable ~~accounting and legal~~attorneys' fees, in connection with such proceeding and costs of suit.

### XXVI. APPROVALS

A. ~~\_\_\_\_\_~~ D. Approvals. Whenever this Agreement requires the prior approval or consent of Franchisor, ~~Franchisee~~you shall make a timely written request to Franchisor therefor, and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing.

B. ~~\_\_\_\_\_~~ Franchisor makes no warranties or guarantees upon which ~~Franchisee~~you may rely and assumes no liability or obligation to ~~Franchisee~~you or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to ~~Franchisee~~you in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

### XXVII. ENTIRE AGREEMENT

E. Entire Agreement. This Agreement, ~~any Exhibit attached hereto, and the documents referred to herein, shall be construed together and constitute~~ represents the entire, ~~full and complete~~fully integrated agreement between ~~Franchisor and Franchisee~~the parties and supersedes all other negotiations, agreements, representations, and covenants, oral or written, concerning the subject matter hereof, ~~and supersede all prior agreements. No other representation has induced Franchisee to execute.~~ Except for Franchisor's unilateral rights under this Agreement, ~~and there are no representations, inducements, promises or agreements, oral or otherwise, between the parties not embodied herein, which are of any force or effect with reference to this Agreement or otherwise. No~~ amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing ~~by both parties.~~ Nothing in this ~~or any related agreement, however, Agreement~~ is intended to disclaim ~~the representations Franchisor any representation made in the Franchise Disclosure Document that it furnished to Franchisee~~franchise disclosure document delivered to you in connection with your purchase of a HAPPY JOE'S franchise.

### XXVIII. SEVERABILITY AND CONSTRUCTION

A. ~~\_\_\_\_\_~~ Each Paragraph, part, term and/or provision of this Agreement shall be considered severable, and if, for any reason, any Paragraph, part, term and/or provision herein is determined to be invalid and contrary to, or in conflict with any existing or future law or regulation, such shall not impair the operation of or affect the remaining portions, sections, parts, terms and/or provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid sections, parts, terms and/or provisions shall be deemed not part of this Agreement.

B. ~~\_\_\_\_\_~~ F. Severability. The invalidity or unenforceability of any provision of this

Agreement shall not affect the validity or enforceability of any other provision of this Agreement. If any provision of this Agreement shall be declared by a court of competent jurisdiction to be invalid, illegal, or unenforceable, such provision shall be interpreted so as to remain enforceable to the maximum extent permissible with applicable law.

G. No Third-Party Beneficiary. Anything to the contrary herein notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee you and such of their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under or by reason of this Agreement.

~~C. Franchisee shall be bound by any promise or covenant imposing the maximum duty permitted by law which is contained within the terms of any provision hereof, as though it were separately stated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.~~

~~D. H. Captions.~~ All captions herein are intended solely for the parties' convenience ~~of the parties~~, and none shall be deemed to affect the meaning or construction of any provision ~~hereof~~. The singular usage includes the plural, where appropriate in the context, and the masculine and neuter usages include the other and the feminine.

~~E. I. Counterparts.~~ This Agreement may be executed in multiple copies, and one or more counterparts, each copy so executed of which shall be deemed to be an original. ~~This Agreement may be signed with full legal force and effect using electronic signatures and records. Delivery of this Agreement by facsimile, electronic mail or other electronic means, but all of transmission constitutes valid and effective delivery.~~ F. which together shall constitute one agreement.

J. Recitals. The recitals set forth in this Agreement are specifically incorporated into the terms of this Agreement and hereby constitute a part thereof.

K. Force Majeure. If performance of either party is delayed on account of a Force Majeure, the applicable deadline for performance shall be extended for a period commensurate with the Force Majeure. This clause shall not apply or not result in an extension of the term of this Agreement.

~~XXIX L. Guaranty.~~ All Owners, if you are a Business Entity, shall execute the Guaranty and Assumption of Obligations attached hereto as Exhibit D and made a part hereof.

## **21. APPLICABLE LAW**

**A. THIS AGREEMENT SHALL BE INTERPRETED AND CONSTRUED UNDER THE LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES, EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.).**

**B. ALL DISPUTES BETWEEN THE PARTIES, WHETHER ARISING IN CONTRACT, TORT, OR OTHERWISE, SHALL BE RESOLVED BY LITIGATION BROUGHT AND MAINTAINED EXCLUSIVELY IN THE STATE OR FEDERAL COURT SITUATED IN THE DISTRICT IN WHICH FRANCHISOR MAINTAINS ITS PRINCIPAL BUSINESS HEADQUARTERS AT THE TIME THE ACTION IS INITIATED, AND THE PARTIES IRREVOCABLY CONSENT TO THE PERSONAL JURISDICTION OF SAID COURTS AND WAIVE ALL OBJECTIONS TO PERSONAL JURISDICTION OR VENUE FOR PURPOSES OF CARRYING OUT THIS PROVISION.**

**C. NO RIGHT OR REMEDY CONFERRED UPON OR RESERVED TO FRANCHISOR OR FRANCHISEE YOU BY THIS AGREEMENT IS INTENDED TO BE, NOR SHALL BE DEEMED, EXCLUSIVE OF ANY OTHER RIGHT OR REMEDY HEREIN OR BY LAW OR EQUITY PROVIDED OR PERMITTED, BUT EACH SHALL BE CUMULATIVE OF EVERY OTHER RIGHT OR REMEDY.**

**D. NOTHING HEREIN CONTAINED SHALL BAR FRANCHISOR'S RIGHT TO OBTAIN INJUNCTIVE RELIEF AGAINST THREATENED CONDUCT THAT SHALL CAUSE IT LOSS OR DAMAGES, UNDER THE USUAL EQUITY RULES, INCLUDING THE APPLICABLE RULES FOR**

## OBTAINING RESTRAINING ORDERS AND PRELIMINARY INJUNCTIONS.

### ~~XXX.— FORCE MAJEURE~~

~~Whenever a period of time is provided in this Agreement for either party to do or perform any act or thing, except the payment of monies, neither party shall be liable or responsible for any delays due to strikes, lockouts, casualties, acts of God, war, pandemic, governmental regulation, order or control or other causes beyond the reasonable control of the parties, and in any event said time period for the performance of an obligation hereunder shall be extended for the amount of time of the delay<sup>22</sup>. This clause shall not apply or not result in an extension of the term of this Agreement.~~

### ~~XXXI.— "FRANCHISEE" DEFINED AND GUARANTY~~

~~As used in this Agreement, the term "Franchisee" shall include all persons who succeed to the interest of the original Franchisee by permitted transfer or operation of law and shall be deemed to include not only the individual or entity defined as "Franchisee" in the introductory paragraph of this Agreement, but shall also include all partners of the entity that executes this Agreement, in the event said entity is a partnership, and all shareholders, officers and directors of the entity that executes this Agreement, in the event said entity is a corporation, and all members and manager of the entity that executes this Agreement, in the event said entity is a limited liability company. By their signatures hereto, all partners, shareholders, officers, directors, members and/or managers of the entity that signs this Agreement as Franchisee acknowledges and accepts the duties and obligations imposed upon each of them, individually, by the terms of this Agreement. All partners of the entity that executes this Agreement, in the event said entity is a partnership, all shareholders, officers and directors of the entity that executes this Agreement, in the event said entity is a corporation, and all members and managers of the entity that executes this Agreement, in the event said entity is a limited liability company, shall execute the Guaranty and Assumption of Obligations attached hereto as Exhibit C and made a part hereof.~~

### ~~XXXII.— CAVEAT~~

~~The success of the business venture contemplated to be undertaken by Franchisee by virtue of this Agreement is speculative and depends, to a large extent, upon the ability of Franchisee as an independent businessperson, and its active participation in the daily affairs of the business as well as other factors. Franchisor does not make any representation or warranty, express or implied, as to the potential success of the business venture contemplated hereby.~~

### ~~XXXIII. ACKNOWLEDGEMENTS~~

A. ~~Franchisee represents~~You represent and ~~acknowledges~~acknowledge that ~~it has~~you have received, read and understood this Agreement and Franchisor's ~~Franchise Disclosure Document~~; and that ~~Franchisor has fully and adequately explained the provisions of each to Franchisee's satisfaction~~; ~~disclosure document~~ and that Franchisor has accorded ~~Franchisee~~you ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement.

B. ~~Franchisee acknowledges~~You acknowledge that ~~Franchisee has~~you have received the ~~disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled Disclosure Requirements and Prohibitions Concerning Franchising~~Franchisor's disclosure document at least 14 calendar days prior to the date on which this Agreement was executed.

C. ~~Franchisee has~~You have been ~~advised to consult with its own~~encouraged to seek independent legal counsel and advisors ~~with respect to~~ assist in the legal, financial ~~purchase of the franchise and other aspects~~understand the terms of this Agreement, ~~the business franchised hereby, and the prospects for that business. Franchisee has.~~ You have either consulted with such advisors or ~~has~~have deliberately declined to do so.

D. The covenants not to compete set forth in this Agreement are fair and reasonable, and shall not impose any undue hardship on ~~Franchisee~~you, since ~~Franchisee has~~you have other considerable skills, experience and education which afford ~~Franchisee~~you the opportunity to derive income from other endeavors.

E. ~~Franchisee affirms~~You affirm that all information set forth in any and all applications, financial statements and submissions to Franchisor is true, complete and accurate in all respects, with ~~Franchisee~~you

expressly acknowledging that Franchisor is relying upon the truthfulness, completeness and accuracy of such information. ~~Franchisee~~You further ~~affirms~~affirm that neither ~~Franchisee~~you nor any ~~owner of Franchisee~~has~~Owner~~have been designated a terrorist and/or a suspected terrorist and/or is associated and/or affiliated in any way with ~~an~~a terrorist organization as defined under the law, or is obtaining funding for the purchase of this franchise from any unlawful sources.

F. ~~Franchisee~~has~~You~~have conducted an independent investigation of the business contemplated by this Agreement and recognizes that, like any other business, an investment in a HAPPY JOE'S ~~Franchised~~ Restaurant involves business risks and that the success of the venture is primarily dependent upon the business abilities and ~~efforts of Franchisee~~your efforts. ~~Franchisor does not make any representation or warranty, express or implied, as to the potential success of the business venture contemplated hereby.~~

~~G. FRANCHISEE UNDERSTANDS AND ACKNOWLEDGES THAT ALL REPRESENTATIONS OF FACT CONTAINED HEREIN ARE MADE SOLELY BY FRANCHISOR. ALL DOCUMENTS, INCLUDING FRANCHISOR'S FRANCHISE AGREEMENT AND FRANCHISE DISCLOSURE DOCUMENT AND ALL EXHIBITS THERETO, HAVE BEEN PREPARED SOLELY IN RELIANCE UPON REPRESENTATIONS MADE AND INFORMATION PROVIDED BY FRANCHISOR, ITS OFFICERS AND ITS DIRECTORS. FRANCHISEE FURTHER AGREES TO INDEMNIFY AND HOLD HARMLESS THE PREPARER OF ANY AND ALL SUCH FRANCHISE AGREEMENTS, FRANCHISE DISCLOSURE DOCUMENTS AND EXHIBITS THERETO FROM ANY AND ALL LOSS, COSTS, EXPENSES (INCLUDING ATTORNEYS' FEES), DAMAGES AND LIABILITIES RESULTING FROM ANY REPRESENTATIONS AND/OR CLAIMS MADE BY FRANCHISOR IN SUCH DOCUMENTS.~~

The next page is the signature page.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed, sealed and delivered this Agreement on the date set forth opposite each signature.

\_\_\_\_\_  
\_\_\_\_\_  
HAPPY JOE'S FRANCHISING, INC.:  
FRANCHISEE:

Date: \_\_\_\_\_ By: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
FRANCHISEE:

Date: \_\_\_\_\_ By: \_\_\_\_\_

Title: \_\_\_\_\_ Title: \_\_\_\_\_

\_\_\_\_\_

## **EXHIBIT A TO THE FRANCHISE AGREEMENT**

### **GLOSSARY OF TERMS**

**"Affiliate"** means an affiliate of a named person identified as any person or entity that is controlled by, controlling, or under common control with such named person.

**"Captive Market"** means a facility that serves a captive market, such as a department store, supermarket, restaurant in a mall (defined as an enclosed or open retail center with gross leasable area in excess of 250,000 square feet), Amusement park, airport, train station, travel plaza, casino, nightclub, restaurant, public facility, college or school campus, store or entertainment stadium or arena, hospital, office building, convention center, airline (in-flight services), military base, or any other mass gathering event of location. A Captive Market also is any facility for which food and/or beverage service rights are contracted to a third party or parties (including designated roadways and adjacent facilities).

**"Confidential Information"** means all trade secrets, the Standards, and other elements of the System; all customer information; all information contained in the Manuals; Franchisor's Proprietary Products, including recipes and standards and specifications for product preparation, packaging and service; financial information; marketing data; vendor and supplier information; all other knowledge, trade secrets, or know-how concerning the methods of operation of the Restaurant which may be communicated to you, or of which you may be apprised, by virtue of their operation under the terms of the Franchise Agreement, and all other information that Franchisor designates.

**"Copyrighted Works"** means works of authorship which are owned by Franchisor and fixed in a tangible medium of expression including, without limitation, the content of the Manual, the design elements of the Marks, Franchisor's menus, bulletins, correspondence and communications with franchisees, training, advertising, and promotional materials, and the content and design of the Franchisor's website.

**"Force Majeure"** means acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire, or other natural catastrophe); strikes, lockouts or other industrial disturbances; war, terrorist acts, riot, or other civil disturbances; epidemics; or other similar forces which could not, by the exercise of reasonable diligence, have been avoided; provided, however, that neither an act or failure to act by a government authority, nor the performance, nonperformance, or exercise of rights by your lender, contractor, or other person qualifies as a Force Majeure unless the act, failure to act, performance, non-performance, or exercise of rights resulted from a Force Majeure. Franchisee's financial inability to perform or Franchisee's insolvency is not a Force Majeure.

**"Gross Sales"** means and includes the total of all revenues and income from the sale of all Menu Items, Proprietary Products, other food products, beverages and other related products and services to customers of Franchisee (including but not limited to any game and coin machine income), or any other source (including, but not limited to, insurance proceeds for loss of revenue), whether or not sold or performed at or from the HAPPY JOE'S Restaurant, and whether received in cash, in services in kind, from barter and/or exchange, on credit (whether or not payment is received therefor) or otherwise. There shall be deducted from Gross Sales for purposes of said computation (but only to the extent they have been included) the amount of all sales tax receipts or similar tax receipts which, by law, are chargeable to customers, if such taxes are separately stated when the customer is charged and if such taxes are paid to the appropriate taxing authority and tips or gratuities paid directly by Restaurant customers to your employees or paid to you and then turned over to these employees by you in lieu of direct tips or gratuities. There shall be further deducted from Gross Sales the amount of any authorized discounts, any documented refunds, chargebacks, credits and allowances given in good faith to customers by Franchisee, and any delivery surcharge charged to customers by Franchisee and collected and paid to Franchisee's delivery drivers. Any delivery surcharge charged to customers by Franchisee and collected and retained by Franchisee shall be included in Gross Sales. Any delivery surcharge charged by third-party delivery services shall be included in Gross Sales. All barter and/or exchange transactions pursuant to which Franchisee furnishes services and/or products in exchange for goods or services to be provided to Franchisee by a vendor, supplier or customer shall, for the purpose of determining Gross Sales, be valued at the full retail value of the goods and/or services so provided to Franchisee.

**"Incapacity"** means the inability of Franchisee to operate or oversee the operation of the Restaurant on a regular basis by reason of any continuing physical, mental or emotional incapacity, chemical dependency or other limitation.

**“Non-Traditional Unit”** means a HAPPY JOE’S restaurant which is located in a Captive Market.

**“Owners”** means each individual or entity holding a beneficial ownership in the franchisee. It includes all shareholders of a corporation, all members of a limited liability company, all general and limited partners of a limited partnership, and the grantor and the trustee of a trust.

**“Satellite”** means a HAPPY JOE’S restaurant which: (1) offers primarily carry out service, (2) has limited or no seating, (3) does not offer delivery service, and (4) is located within a store, restaurant, other business or high traffic facility, or Captive Market. A Satellite location may have an altered menu based on the location.

**EXHIBIT B TO THE FRANCHISE AGREEMENT**

**LOCATION OF PREMISES, DESCRIPTION OF PROTECTED AREA  
AND DESIGNATED DELIVERY AREA**

Location of Premises:

Address: \_\_\_\_\_

Description of Protected Area

\_\_\_\_ Mark "X" if a map is attached hereto along with the written description.

Description of Designated Delivery Area

Franchisee acknowledges and agrees that the above Designated Delivery Area is subject to change during the term of this Agreement pursuant to Paragraph Section I.E.3. of this Agreement.

HAPPY JOE'S FRANCHISING, INC.

FRANCHISEE:

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT BC TO FRANCHISE AGREEMENT**

**AUTHORIZATION FOR ELECTRONIC TRANSFER OF FUNDS**

The form below is authorization for electronic transfer of funds from your checking account for payment of fees according to ~~Section X~~**Article 8** of the Franchise Agreement and other authorized optional payments.

\*\*\*\*\*

Authorization for Automatic Payment

I authorize Happy Joe's Franchising, Inc. and the bank named below to initiate variable entries to my checking account for payment of weekly royalties, required advertising contributions, if any, amounts due for purchases from Happy Joe's Franchising, Inc., amounts due under notes to Happy Joe's Franchising, Inc. and any other amounts due to Happy Joe's Franchising, Inc. under the Franchise Agreement or other optional payments authorized by me in writing, and for payment of contributions due to the Happy Joe's National Franchise Board collected by Happy Joe's Franchising, Inc. on behalf of the Happy Joe's National Franchise Board.

Type or print the following:

\_\_\_\_\_  
Name of Financial Institution

\_\_\_\_\_  
Address of Financial Institution

\_\_\_\_\_  
Account Name

\_\_\_\_\_  
Account Address

Bank Routing No. \_\_\_\_\_ Checking Account No. \_\_\_\_\_

\*\*\*\*\*

This authorization will remain in effect through the term of the Franchise Agreement between Happy Joe's Franchising, Inc. and Franchisee or until Franchisee provides Happy Joe's Franchising, Inc. with a replacement Authorization for Electronic Transfer of Funds for a different financial institution and/or account. Franchisee agrees to notify Happy Joe's Franchising, Inc. at least 30 days in advance of any change in financial institutions or accounts in connection with this Authorization.

Franchisee:

\_\_\_\_\_ Date: \_\_\_\_\_

(Signature)

Print Name: \_\_\_\_\_ Franchise #: \_\_\_\_\_

Print Title: \_\_\_\_\_

**EXHIBIT GD TO THE FRANCHISE AGREEMENT**

**GUARANTY AND ASSUMPTION OF OBLIGATIONS**

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this \_\_\_\_\_ day of , 20\_, by the undersigned(s).

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement of even date herewith (the "Agreement") by HAPPY JOE'S FRANCHISING, INC. ("Franchisor"), each of the undersigned hereby personally and unconditionally (1) guarantees to Franchisor, its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that ("Franchisee") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (2) shall be personally bound by and personally liable for the breach of each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities including, without limitation, the provisions of ~~Paragraph XV~~, Article 13, and in any other agreements between Franchisee and Franchisor. Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; (4) any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (5) any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this guaranty shall be joint and several; (2) he or she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his or her signature on the same day and year as the Agreement was executed.

*The remainder of this page was intentionally left blank. Signature Page to follow.*

GUARANTOR(S)

PERCENTAGE OF OWNERSHIP IN FRANCHISEE

\_\_\_\_\_  
Print Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_ %

\_\_\_\_\_  
Print Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_ %

\_\_\_\_\_  
Print Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_ %

\_\_\_\_\_  
Print Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_ %

Total must be equal to 100%

**EXHIBIT DE TO THE FRANCHISE AGREEMENT**

**COLLATERAL ASSIGNMENT OF LEASE**

FOR VALUE RECEIVED, the undersigned ("Assignor") hereby assigns, transfers and sets over unto Happy Joe's Franchising, Inc. ("Assignee") all of Assignor's right, title and interest as lessee in, to and under that certain lease, a copy of which is attached hereto as Exhibit 1, (the "Lease") for the premises commonly known as \_\_\_\_\_ ("leased premises").

This Assignment is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless Assignee takes possession of the leased premises pursuant to the terms of this Assignment and assumes the obligations of Assignor under the Lease.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest in it and that Assignor has not previously, and is not obligated to, assign or transfer any of its interest in the Lease or the leased premises to any other party.

If Assignor defaults under the Lease or under the franchise agreement for the leased premises between Assignee and Assignor (the "Franchise Agreement"), and fails to cure the default within the time allotted, or if Assignor defaults under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the leased premises and expel Assignor from the leased premises. If that occurs, Assignor will have no further right, title or interest in the Lease.

Assignor agrees that it will not permit any surrender, termination, amendment or modification of the Lease without the advance written consent of Assignee. If Assignor fails to extend or renew the Lease without Assignee's written consent, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting such extension or renewal.

Assignor agrees to indemnify Assignee against and to reimburse Assignee for all valid claims, obligations, losses, damages and taxes occurring or accruing on or prior to the date upon which Assignee assumes the Lease and for all costs reasonably incurred by Assignee in defense of any such valid claim brought against it or in any action concerning such a claim in which Assignee is made a party, including without limitation, reasonable attorneys' and expert witness fees, costs of investigation and proof of facts, court costs and other litigation expenses to include travel and living expenses.

This Assignment shall be in full force and effect for the full term of the Lease hereinabove described and any renewal or extension terms, including any such renewal pursuant to the terms of the Lease. Upon expiration of the Lease, this Assignment shall be null and void.

*Signature page to follow.*

ASSIGNOR:

CORPORATE SIGNATURE:

Dated: \_\_\_\_\_

\_\_\_\_\_  
a \_\_\_\_\_ [corporation] or [limited liability company]

By: \_\_\_\_\_

Its: \_\_\_\_\_

INDIVIDUAL SIGNATURE(S)

\_\_\_\_\_  
\_\_\_\_\_

**CONSENT AND AGREEMENT OF LESSOR**

The undersigned Lessor under the Lease described above hereby:

(a) Consents to the foregoing Collateral Assignment of Lease executed by \_\_\_\_\_ ("Assignor") in favor of Happy Joe's Franchising, Inc. ("Assignee), and agrees that if Assignee takes possession of the leased premises and confirms to Lessor the assumption of the Lease by Assignee as lessee under it in writing, Lessor shall recognize Assignee as lessee under the Lease, provided that Assignee cures the defaults of Assignor under the Lease within 30 days of notice to Assignee that Assignor has not cured its defaults; and

(b) Agrees that Assignee may further assign the Lease to a person or entity who shall agree to assume the lessee's obligations under the Lease and who is reasonably acceptable to Lessor, and upon such assignment Assignee shall have no further liability or obligation under the Lease as assignee, lessee or otherwise.

Dated: \_\_\_\_\_

LESSOR:

CORPORATE SIGNATURE:

\_\_\_\_\_  
a \_\_\_\_\_ [corporation] [limited liability company]

By: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT EF TO THE FRANCHISE AGREEMENT**

**LEASE ADDENDUM**

THIS LEASE ADDENDUM (the "Addendum") is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_, hereinafter referred to as "Landlord", and \_\_\_\_\_, hereinafter referred to as "Tenant", and modifies that certain lease (the "Lease") of even date herewith.

WITNESSETH:

WHEREAS, Landlord and Tenant are parties to the Lease, concerning real estate commonly described as \_\_\_\_\_ ("Premises");

WHEREAS, Tenant intends to use the Premises for the operation of a HAPPY JOE'S PIZZA franchised business pursuant to a Franchise Agreement between Tenant and Happy Joe's Franchising, Inc. ("Franchisor") using the Marks and System of doing business licensed to Tenant by Franchisor in the Franchise Agreement; and

WHEREAS, pursuant to the terms of the Franchise Agreement, Tenant's lease for the operation of the HAPPY JOE'S PIZZA franchised business is subject to the approval of Franchisor and such lease must contain certain terms required by Franchisor.

NOW, THEREFORE, in consideration of the mutual promises hereinafter contained, the sufficient of which is hereby acknowledged, the parties agree as follows:

1. **TERM OF LEASE.** Landlord and Tenant agree that the initial term of the Lease shall expire on \_\_\_\_\_, the date of expiration of the initial franchise term under the Franchise Agreement between Tenant and Franchisor.
2. **ASSIGNMENT.** Tenant shall have the right to assign this Lease, without payment of an assignment fee and without Landlord's consent being required, to Franchisor, or any parent, subsidiary or affiliate of Franchisor ("a Franchisor Entity"). In such event, Tenant shall remain liable for any obligations occurring prior to the date of the assignment to Franchisor or a Franchisor Entity. Tenant, or Franchisor or a Franchisor Entity that has received an assignment of the Lease hereunder, shall have the right to assign this Lease, without payment of an assignment fee, and upon Landlord's approval which shall not be unreasonably withheld, to a duly authorized franchisee of Franchisor in connection with the sale, transfer or assignment of the business operated on the Premises. Landlord shall not withhold consent to an authorized franchisee of Franchisor if such franchisee has a tangible net worth at least equivalent to the tangible net worth of Tenant. The assignor shall remain liable for any obligations accruing under the Lease prior to the date of the assignment and such assignee shall not be responsible for any obligations accruing under the Lease prior to the date of assignment. Landlord may require a replacement guaranty in the event of such assignment. The parties agree to execute any commercially reasonable documents necessary to document the assignment and assumption of the Lease hereunder. Any options to extend or renew the term of the Lease shall automatically transfer to an assignee in connection with an assignment and assumption of the Lease. Tenant shall agree to attorn to any assignee of Landlord provided such assignee will agree not to disturb Tenant's possession of the Premises.
3. **FRANCHISOR'S OPTION TO ASSUME LEASE.** Landlord and Tenant grant to Franchisor the right, exercisable at the option of Franchisor, to take assignment of and assume all rights, title and interest of Tenant in and to the Lease and the Premises: (a) on the termination or expiration of the Franchise Agreement between Tenant and Franchisor; (b) on the commencement of eviction or termination proceedings by the Landlord against Tenant; (c) on cessation of the use of the Premises by Tenant as a Happy Joe's Pizza restaurant; or (d) the abandonment or closing by Tenant of the Happy Joe's Pizza restaurant on the Premises. Landlord must give Franchisor prompt notice of the commencement of any eviction or termination proceedings against Tenant. Franchisor shall give written notice to Landlord of its intent to exercise this option within ~~ninety (90)~~ days after the event triggering the option. If Franchisor timely exercises its option, the Lease and all rights, title and interest of Tenant under the Lease and to the Premises will be automatically be assigned

to Franchisor and assumed by Franchisor (or an affiliate or parent of Franchisor). If Franchisor does not give notice exercising its assignment option within the 90 day period, Franchisor will be deemed to have forfeited its rights under this Paragraph. Upon Franchisor's written request, Landlord and/or Tenant agree to execute documents in a form acceptable to Landlord in its reasonable discretion confirming this assignment and assumption of the Lease. If Franchisor (or an affiliate or parent of Franchisor) takes assignment of the Lease pursuant to this Paragraph, Franchisor (or its affiliate or parent) shall not be deemed to have assumed any obligations of Tenant under the Lease existing as of the date of assignment and assumption.

4. **NOTICE AND CURE RIGHTS.** Landlord shall provide to Franchisor a copy of any written Notice of Default or Notice of Termination issued by Landlord to the Tenant at the time that such notice is issued to Tenant. Franchisor reserves the right, but is under no obligation, to cure any default(s) within 30days after the expiration of the cure period given to Tenant for such default under the Lease, if Tenant should fail to cure. Landlord shall not evict Tenant from the Premises unless it has delivered a copy of any Notice of Default or Notice of Termination to Franchisor and Franchisor has had the foregoing opportunity to cure the default(s). Landlord acknowledges and understands that by curing Tenant's default, Franchisor does not assume and Landlord shall not hold Franchisor responsible for any liabilities of Tenant under the Lease unless Franchisor assumes the Lease as provided in Paragraph 2 herein. All notices shall be sent to:

Happy Joe's Franchising, Inc.  
5239 Grand Avenue  
Davenport, Iowa 52807

5. **FRANCHISOR'S SIGNAGE.** The Landlord consents that Tenant and/or Franchisor shall have the right to display at the Premises the marks Happy Joe's® and Happy Joe's Pizza & Ice Cream Parlor® on exterior and interior signs meeting Franchisor's standards and specifications as required by Franchisor of its franchisees on the date of execution of the Lease and as they may be modified and changed from time to time by Franchisor, subject only to applicable local laws and ordinances.
6. **USE OF PREMISES.** The Parties agree that, during the term of the Lease and any renewals or extensions, the Premises shall be used only for the operation of a Happy Joe's Pizza restaurant offering eat-in, carry-out and/or delivery and offering pizza and food and beverage products and services as authorized by Franchisor for HAPPY JOE'S Pizza franchisees from time to time.
7. **EXCLUSIVE USE.** Throughout the term of the Lease and any renewals or extensions, Landlord agrees that Tenant shall have the exclusive use in the shopping center or building in which the Premises is located to engage in a business that primarily sells pizza, pasta, and related products. As used herein, the term "primarily" means that greater than 20% of the gross sales of the restaurant are derived from the sale of pizza, pasta, and related products. Landlord shall not allow any other tenant in the shopping center in which the Premises is located to violate the terms of this exclusivity agreement, and if a violation occurs, in addition to any other remedies Tenant may have at law or in equity, Tenant shall have the right to terminate this Lease upon 30 days written notice.
8. **IMPROVEMENTS.** Landlord shall not unreasonably withhold its consent to any remodeling, redecorating or other alterations to the interior of the Premises as may be required by Franchisor from time to time so that the Tenant's HAPPY JOE'S PIZZA franchised business reflects the then-current image for HAPPY JOE'S PIZZA businesses as required by Franchisor for the franchise system, on the condition that such work is performed in a good and workmanlike manner.
9. **LIEN SUBORDINATION.** If Landlord has a security interest or lien on Tenant's furniture, fixtures, equipment, and inventory ("Collateral") pursuant to either a statute, common law or the terms of this Lease, such security interest or lien shall be subject and subordinate to Franchisor's right, pursuant to the terms of the Franchise Agreement, to purchase the Collateral upon the termination or expiration of the Franchise Agreement. Upon request, Landlord shall execute a waiver of Landlord's lien in a form reasonably acceptable to Landlord.

10. Landlord shall permit Franchisor to enter the Premises upon termination or expiration of the franchise agreement between Franchisor and Tenant, or upon the termination or expiration of the Lease between Landlord and Tenant, in order to (i) remove signage and other items bearing the Happy Joe's Pizza service marks and trademarks and otherwise to de-identify the Premises, and (ii) remove any furniture, fixtures, equipment, and inventory in which Franchisor has an interest.
11. Landlord and Tenant agree not to amend the Lease in any respect except with the prior written consent of Franchisor. Landlord and Tenant shall not enter into an extension or renewal of this Lease without the prior written consent of Franchisor and without including the terms similar to those contained in this Addendum.
12. This Addendum amends the Lease between the parties describe hereinabove, and in the event of any conflict between the terms of this Addendum and the terms of this Lease, the terms of this Addendum shall control. Except as provided herein, all other terms of said Lease shall remain unchanged.

DATED this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

LANDLORD:

TENANT:

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT FG TO THE FRANCHISE AGREEMENT**

**CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS**

Franchisee (Assignor): \_\_\_\_\_, whose business address is \_\_\_\_\_, in consideration of the granting of a franchise to Assignor contemporaneously herewith, and other valuable consideration paid by Happy Joe's Franchising, Inc. (Franchisor/Assignee), having its principal place of business at 5239 Grand Avenue, Davenport, Iowa, 52807, hereby assigns unto the Assignee upon termination or expiration of the Franchise Agreement all telephone and facsimile numbers and listings used by Assignor in the operation of its HAPPY JOE'S ~~Franchised~~ Restaurant at Assignor's address above. Assignor acknowledges that Happy Joe's® and associated marks are solely the property of Franchisor/Assignee. As such, Assignor's right to use any telephone and facsimile numbers and directory listings associated with the Happy Joe's® trademarks and service marks was solely due to a limited license granted by Assignee/Franchisor in connection with the Assignee/Franchisor's trademark(s)/service mark(s) in the Franchise Agreement entered into by and between Assignor and Assignee/Franchisor. Since said Franchise Agreement has expired and/or terminated, Assignor has no further right to the telephone and facsimile numbers or directory listings associated with the Assignee/Franchisor's trademarks and service marks, including, but not limited to Happy Joe's.®

This Assignment shall constitute authorization to the appropriate telephone company to change and transfer to Franchisor/Assignee all of Assignor's rights in and to the use of said business telephone and facsimile numbers associated with Assignor's Happy Joe's ~~franchised~~ restaurants and Assignor hereby irrevocably appoints and authorizes Franchisor/Assignee to act as Assignor's attorney-in-fact and hereby empowers Franchisor/Assignee to execute such instruments in the Assignee's name in order to give full effect to this Assignment and to effectuate any transfer.

The Assignee hereby assumes the performance of all of the terms, covenants and conditions of the telephone company with respect to such telephones, telephone and facsimile numbers and directory listings with the full force and effect as if the Assignee has been originally issued such telephones, telephone and facsimile numbers, directory listings and the usage thereof.

**ASSIGNOR (Franchisee):**

**ASSIGNEE (Franchisor):**

HAPPY JOE'S FRANCHISING, INC.

By: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**HAPPY JOE'S FRANCHISING, INC.**  
**AREA DEVELOPMENT AGREEMENT**  
**EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT**

**AREA DEVELOPMENT AGREEMENT**

**SUMMARY PAGE**

**EFFECTIVE DATE:** \_\_\_\_\_

**DEVELOPER:** \_\_\_\_\_

**DEVELOPER  
ADDRESS FOR NOTICES:** \_\_\_\_\_

**MANAGING OWNER:** \_\_\_\_\_

    Telephone Number: \_\_\_\_\_

    Email Address: \_\_\_\_\_

**DEVELOPMENT FEE:** \$ \_\_\_\_\_

**INITIAL FRANCHISE FEE FOR  
EACH ~~FRANCHISED~~ RESTAURANT  
TO BE DEVELOPED:** \$3540,000

**TRANSFER FEE:** 30% of the then-current franchise fee charged by Franchisor for new franchises

**FRANCHISOR  
ADDRESS FOR NOTICES:** HAPPY JOE'S FRANCHISING, INC.  
5239 Grand Avenue  
Davenport, Iowa 52807

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**EXHIBITS**

- A. DESCRIPTION OF DEVELOPMENT TERRITORY
- B. DEVELOPMENT SCHEDULE

**HAPPY JOE'S FRANCHISING, INC.**  
**AREA DEVELOPMENT AGREEMENT**

This Area Development Agreement ("this Agreement") made and entered into on the Effective Date reflected on the Summary Page by and between HAPPY JOE'S FRANCHISING, INC., an Iowa corporation, having its principal place of business at 5239 Grand Avenue, Davenport, Iowa, 52807 ("Franchisor") and the Developer identified on the Summary Page ("Developer").

**WITNESSETH:**

WHEREAS, Franchisor, ~~over a period of time and as the result of the expenditure of time, expertise, effort and money, (i)~~ has developed and owns a ~~unique~~ System ("System"), identified by the Mark "HAPPY JOE'S", relating to the establishment, development and operation of a restaurant facility offering on-premises dining, carry-out, and/or delivery services, providing premium quality pizza, ice cream, pasta, spaghetti, sandwiches and other food and beverage products, all prepared in accordance with specified recipes and procedures ("Menu Items"), and featuring birthday party and fun center services; (ii) has developed and continues to further develop a proprietary line of specially formulated pizza dough, spices, sauces, ice cream, ice cream toppings and other food products ("Proprietary Products"); (iii) has developed certain presentation, packaging and marketing standards and techniques for all Menu Items and Proprietary Products; and (iv) has developed consumer acceptance for all Menu Items and Proprietary Products, and services ("~~Franchised~~-Restaurant"); and

WHEREAS, the distinguishing characteristics of the System include, ~~without limitation, a~~ distinctive exterior and interior layout, design and color scheme; exclusively designed signage, decorations, furnishings and materials; special recipes, formulae, menus and food and beverage designations; a collection of confidential manuals relating to the operation of the ~~Franchised~~-Restaurant under the System ("Manuals"); the Proprietary Products; the Proprietary Software Package ("Software"), if developed; food and beverage storage, preparation and service procedures and techniques; operating procedures for sanitation and maintenance; and methods and techniques for inventory and cost controls, record-keeping and reporting, personnel management, purchasing, sales promotion and advertising; all of which may be changed, improved and further developed by Franchisor from time to time; and

WHEREAS, Franchisor is the owner of the right, title and interest together with all the goodwill connected thereto in and to the trade names, service marks and trademarks "HAPPY JOE'S", "HAPPY JOE'S, plus the design", associated logos and commercial symbols, and such other trade names, service marks and trademarks as are now designated (and may hereinafter be designated by Franchisor in writing) as part of the System ("Mark[s]"); and

WHEREAS, Franchisor grants ~~to qualified persons~~ franchises ~~to own and operate for~~ HAPPY JOE'S restaurants ~~offering food products and services authorized and approved by Franchisor and utilizing which operate using~~ the System and Marks. Developer desires to operate a HAPPY JOE'S restaurant using the System and Marks and has applied for a franchise, which application has been approved by Franchisor in reliance upon all of the representations made therein; and

WHEREAS, Developer understands and acknowledges the importance of Franchisor's ~~high and uniform~~ standards of quality, operations and customer service and the necessity of operating the HAPPY JOE'S restaurant in conformity with Franchisor's standards and specifications; and

WHEREAS, Franchisor expressly disclaims the making of and Developer acknowledges that it has not received nor relied upon any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement. Developer acknowledges that it has read this Agreement and Franchisor's Franchise Disclosure Document and that it has no knowledge of any representations by Franchisor, or its officers, directors, shareholders, employees or agents that are contrary to the statements made in Franchisor's Franchise Disclosure Document or to the terms herein.

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other set forth in this Agreement, hereby agree as follows:

## I. GRANT

A. Franchisor hereby grants to Developer, pursuant to the terms and conditions of this Agreement, options to obtain licenses to establish and operate multiple HAPPY JOE'S ~~Franchised~~ Restaurants within the territory described in Exhibit A attached hereto and incorporated herein by this reference ("Development Territory").

B. Developer shall be bound by the development schedule set forth in Exhibit B. Time is of the essence of this Agreement. Each ~~Franchised~~ Restaurant shall be established and operated pursuant to a separate Franchise Agreement ("Franchise Agreement") to be entered into by Developer and Franchisor. Each Franchise Agreement shall be in the form of Franchisor's then-current form of Franchise Agreement.

C. Except as otherwise provided in this Agreement, and as long as Developer is in compliance with the Development Schedule and otherwise in compliance with this Agreement, Franchisor shall not establish, nor license anyone other than Developer the right to establish any HAPPY JOE'S restaurant in the Development Territory prior to the expiration of the development schedule ("Development Schedule") set forth in Exhibit B. Franchisor (and any affiliate) reserves the right:

1. to, both within and outside of the Development Territory, offer and sell at wholesale, retail, or through any other distribution system, products and services which comprise, may in the future comprise or which do not comprise, a part of the System including, but not limited to, the Proprietary Products, which products may be resold at retail or through any other distribution channel including, but not limited to, supermarkets and other retail facilities, to the general public by such entities.

2. to, both within and outside the Development Territory, sell at both wholesale and retail all products and services which do not comprise a part of the System. Franchisor (and any affiliate) also reserves the right, both within and outside the Development Territory, to establish food service units operating under a format and trademarks and service marks distinct from the HAPPY JOE'S System.

3. to merge with, acquire or be acquired by a company that has established businesses identical or similar to the ~~Franchised~~ Restaurant, including franchised or licensed businesses, which businesses may convert to or operate under the our Marks or other trademarks and may offer or sell products and services that are the same as or similar to the products and services offered at or from your ~~Franchised~~ Restaurant, and which may be located anywhere within or outside of the Development;

4. to operate or grant the right to operate outlets identified in whole or in part by our Marks and/or utilizing the System in the Development Territory that are located in gas stations or convenience stores; transportation facilities, including airports, train stations, subway and rail and bus stations; military bases and government offices; sports facilities, including stadiums and arenas; amusement parks, zoos and convention centers; car and truck rest stops and travel centers; educational facilities; recreational theme parks; hospitals; business or industrial foodservice venues; venues in which foodservice is or may be provided by a master concessionaire or contract foodservice provider; Indian reservations; casinos; or any similar captive market location not reasonably available to Developer ("Non-Traditional Unit"); and

5. to engage in any other business activities not expressly prohibited by this Agreement.

D. This Agreement is not a Franchise Agreement, and Developer shall have no right to use in any manner the Marks by virtue hereof.

E. Developer shall have no right under this Agreement to license others to operate a business or use the System or the Marks

## II. DEVELOPMENT FEE

A. Upon execution of this Agreement, Developer shall pay to Franchisor a Development Fee in the amount set forth in the Summary Pages ("Development Fee"). The Development Fee is fully earned by Franchisor when paid and is not refundable, in whole or in part, under any circumstances.

B. Developer shall submit a separate application for each HAPPY JOE'S Restaurant to be developed under this Agreement. Upon approval of the site of the HAPPY JOE'S Restaurant by Franchisor, a separate Franchise Agreement shall be executed for such HAPPY JOE'S Restaurant.

C. For each Franchise Agreement signed under this Agreement, Developer shall pay to Franchisor an Initial Franchise fee in the amount set forth in the Summary Pages. When Developer signs a Franchise Agreement for each ~~Franchised~~ Restaurant contemplated under this Agreement, Franchisor will credit part the Development Fee payment (to the extent of available funds) to fully satisfy the Initial Franchise Fee due thereunder.

### III. DEVELOPMENT SCHEDULE AND MANNER OF EXERCISING OPTIONS

A. Developer shall be bound by and strictly follow the Development Schedule set forth in Exhibit B. Time is of the essence. By the dates set forth under the Development Schedule ("Option Period[s]"), Developer shall exercise options by entering into Franchise Agreements with Franchisor pursuant to this Agreement and shall commence operation of the ~~Franchised~~ Restaurant for the number of ~~Franchised~~ Restaurants described under the Development Schedule. Developer shall at all times after the expiration of each of the Option Periods continuously maintain in operation pursuant to each Franchise Agreement at least the number of ~~Franchised~~ Restaurants set forth in the Development Schedule, provided, however, that such obligation does not apply to businesses that are transferred in accordance with the provisions of the Franchise Agreement, or are closed due to force majeure.

B. Developer shall exercise each option granted herein only as follows:

1. By giving Franchisor written notice of Developer's intention to exercise such option at least thirty (30) days before the execution of the Franchise Agreement for the applicable business;
2. By submitting to Franchisor a description of the proposed site, together with a letter of intent or other evidence satisfactory to Franchisor which confirms Developer's favorable prospects for obtaining the proposed site; and
3. By executing the then-current form of the Franchise Agreement for the applicable business and complying with its terms including, without limitation, the payment of the unpaid balance of the applicable franchise fee.

Franchisor shall execute the Franchise Agreement only if (i) Developer is in compliance with all and is not in default of any requirements and obligations of this Agreement and all other agreements between Franchisor and Developer, and (ii) Developer is in compliance with all and is not in default of any of its respective obligations under any Franchise Agreement. In order to meet the Development Schedule, the Franchise Agreement must be executed by Developer and Franchisor within the applicable Option Period(s). Developer must comply with all of the terms and conditions of each Franchise Agreement.

### IV. TERM

A. Unless sooner terminated in accordance with the terms of this Agreement, the term ("Term") of this Agreement begins on the Effective Date and, unless otherwise negotiated, terminated, or extended as provided in this Agreement, expires on the earlier of: (a) the date on which Developer has completed its development obligations under this Agreement, or (b) 11:59 pm Central Time on the last day of the last time period identified in Attachment B during which Developer has the right and obligation to construct, equip, open, and thereafter continue to operate HAPPY JOE's Restaurants ("Development Period").

### V. DUTIES OF THE DEVELOPER

A. Developer shall perform the following obligations:

1. Developer shall comply with all terms and conditions set forth in this Agreement.
2. Developer shall comply with all of the terms and conditions of each Franchise Agreement including, without limitation, the operating requirements specified in each Franchise Agreement, however, Developer shall not be required to attend an initial franchisee training course conducted at a Franchisor designated location in connection with the second or any subsequent ~~Franchised~~ Restaurant.

3. Developer shall at all times preserve in confidence any and all materials and information furnished or disclosed to Developer by Franchisor, and Developer shall disclose such information or materials only to such of its employees or agents who must have access to it in connection with their employment. Developer shall not at any time, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

4. Developer shall comply with all requirements of federal, state and local laws, rules and regulations.

B. Developer shall establish and maintain an office and sufficient staff to support Developer's HAPPY JOE'S ~~Franchised~~ Restaurants as follows:

1. Within 12 months from the date of this Agreement, Developer shall have acquired and taken occupancy of premises within the Development Territory which are suitable for use by Developer for a central business office from which Developer can perform activities related to the establishment, development, supervision and administration of its HAPPY JOE'S ~~Franchised~~ Restaurants established pursuant to this Agreement. Further, Developer shall acquire and maintain for such premises a business telephone line and suitable office furniture, fixtures and equipment.

2. Developer must maintain sufficient staff to support the ongoing operation and continued development of Developer's HAPPY JOE'S ~~Franchised~~ Restaurants in compliance with our standards as may be specified by us from time to time. Such staff shall include operations support and financial personnel. Developer shall be exclusively responsible for all employment decisions and functions related to the operation of the area development business, including hiring, firing, compensation, benefits, work hours, work rules, recordkeeping, supervision and discipline of employees, and for complying with all employment laws.

## VI. PROPRIETARY MARKS/CONFIDENTIALITY

A. Notwithstanding any provision to the contrary under this Agreement, it is understood and agreed that this Agreement does not grant Developer any right to use the Marks or to use any of Franchisor's Confidential Information, as defined below. Further, it is understood and agreed that this Agreement does not grant Developer any right to any copyright or patent which the Franchisor now owns or may hereinafter own. Rights to the Marks, Confidential Information, copyrights, or patents are granted only under the Franchise Agreements to be executed by Franchisor and Developer.

B. Developer and its owners, officers and directors, if any, acknowledges that their entire knowledge of the operation of a HAPPY JOE'S restaurant including, without limitation, the method of preparation of Menu Items, Proprietary Products and other food products, and other specifications, product formulae, standards and operating procedures of a HAPPY JOE'S restaurant is derived from information disclosed to Developer by Franchisor and that such information of Franchisor is proprietary and confidential, some of which constitutes trade secrets under the law ("Confidential Information"). "Confidential Information" as used herein is defined as the whole or any portion of know-how, knowledge, methods, recipes, formulae, specifications, processes, and procedures regarding the establishment, operation and promotion of HAPPY JOE'S restaurants and the System, including all changes, improvements and developments, that is valuable and not generally known to competitors of Franchisor, including but not limited to recipes, product and ingredient information; food preparation and storage techniques; training and operations manuals and materials; site selection criteria and layout, design and color schemes for restaurants; methods, formats, specifications, standards, systems, procedures, techniques, knowledge and experience used in developing, operating and promoting Happy Joe's restaurants; marketing, advertising and promotional programs and materials; knowledge and specifications for suppliers of products, supplies and services; computer software and similar technology developed by or for Franchisor for Happy Joe's restaurants, and data, reports and other materials generated by such software or similar technology; knowledge of the operating results, financial performance, and customers lists and data of Happy Joe's restaurants. During and after the term of this

Agreement, Developer shall maintain the absolute confidentiality of all Confidential Information, shall not use any such information in any other business or in any manner not specifically authorized or approved in writing by Franchisor, and shall not make any unauthorized copies of the Confidential Information.

C. Developer and its owners, officers and directors, if any, shall divulge such Confidential Information only to the extent and only to such of its employees as must have access to it in order to perform its obligations under this Agreement or a Franchise Agreement. Franchisor may require that Developer have all employees having access to the Confidential Information sign confidentiality and non-disclosure agreements. Any and all information, knowledge and know-how including, without limitation, drawings, materials, equipment, techniques, restaurant systems, product formulae, recipes and other data which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Developer can demonstrate lawfully came to its attention prior to disclosure thereof by Franchisor; or which, at the time of disclosure by Franchisor to Developer, had lawfully become a part of the public domain, through publication or communication by others; or which, after disclosure to Developer by Franchisor, lawfully becomes a part of the public domain, through publication or communication by others.

D. Due to the special and unique nature of the Confidential Information, Marks, and Manuals of Franchisor, Developer hereby acknowledges that Franchisor shall be entitled to immediate equitable remedies including, but not limited to, restraining orders and injunctive relief in order to safeguard such proprietary, confidential, unique and special information of Franchisor and that money damages alone would be an insufficient remedy with which to compensate Franchisor for any breach of the terms of Paragraphs VI. of this Agreement. All owners, directors, shareholders, members, managers, partners and employees of Developer having access to the confidential and proprietary information of Franchisor shall be required to execute non-disclosure agreements in the form acceptable to Franchisor.

E. Developer is granted access to certain Confidential Information pertaining to the System only pursuant to an individual Franchise Agreement executed between Developer and Franchisor, and the foregoing paragraphs are not intended, and shall not be interpreted, to grant or entitle Developer to receive any such Confidential Information pursuant to this Agreement.

## VII. DEFAULT AND TERMINATION

A. The options and territorial exclusivity granted to Developer in this Agreement have been granted in reliance on Developer's representations and warranties, and strictly on the conditions set forth in this Development Agreement including, without limitation, the condition that Developer comply strictly with the Development Schedule.

B. Developer shall be deemed in default under this Agreement, and all rights granted herein to Developer shall automatically terminate without notice: (i) If Developer shall be adjudicated bankrupt, becomes insolvent, commits any affirmative action of insolvency or files any action or petition of insolvency, or if a receiver (permanent or temporary) of its property or any part thereof is appointed by a court of competent authority, or if it makes a general assignment for the benefit of its creditors; (ii) if a final judgment remains unsatisfied of record for 30 days or longer (unless supersedeas bond is filed); (iii) if execution is levied against Developer's business or property, or; (iv) if suit to foreclose any lien or mortgage against Developer's premises or equipment is instituted against Developer and not dismissed within 30 days, or is not in the process of being dismissed; provided, however, that Franchisor reserves the right to be named as trustee or receiver in any voluntary petition for bankruptcy or insolvency filed by Developer.

C. If Developer (i) fails to exercise options and enter into Franchise Agreements with Franchisor pursuant to this Agreement for the ~~Franchised~~ Restaurants within any Options Period as set forth in the Development Schedule; (ii) fails to comply with any other term and condition of this Agreement; or (iii) makes or attempts to make a transfer or assignment in violation of this Agreement; or (iv) fails to comply with the terms and conditions of any individual Franchise Agreement with Franchisor, or of any other agreement to which Developer and Franchisor are parties, any such event shall constitute a default under this Agreement. Upon any such default, Franchisor, in its discretion, may do any one or more of the following:

1. Terminate this Agreement and all rights granted hereunder to Developer without

affording Developer any opportunity to cure the default effective immediately upon receipt by Developer of written notice from Franchisor;

2. Reduce the number of ~~Franchised~~ Restaurants, without any reduction of the Development Fee, which are subject to options granted to Developer pursuant to this Agreement;

3. Terminate or reduce in any manner, in Franchisor's discretion, the territorial exclusivity granted Developer in Paragraph I. hereof; or

4. Exercise any other rights and remedies which Franchisor may have.

D. Upon termination of the Area Development Agreement, all remaining options granted to Developer to establish ~~Franchised~~ Restaurants under this Agreement shall automatically be null and void. Developer shall have no right to establish or operate any HAPPY JOE'S ~~Franchised~~ Restaurant for which a Franchise Agreement has not been executed by Franchisor. Franchisor shall be entitled to establish, and to license others to establish, ~~Franchised~~ Restaurant which shall operate in the Development Territory except as may be otherwise provided under any Franchise Agreement which has been executed between Franchisor and Developer and which has not been terminated. No default under this Agreement shall constitute a default under any Franchise Agreement between the parties hereto, except to the extent that any default under this Agreement constitutes a default under any Franchise Agreement in accordance with the terms of the Franchise Agreement. Notwithstanding the above, the terms and conditions of each Franchise Agreement must be complied with by Developer thereunder and shall control in determining whether any default exists under such Franchise Agreement.

E. No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law or equity.

#### **VIII. TRANSFERABILITY**

A. This Agreement and all rights hereunder can be assigned and transferred by Franchisor and, if so, shall be binding upon and inure to the benefit of Franchisor's successors and assigns; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall:

1. At the time of such assignment, be financially responsible and economically capable of performing the obligations of Franchisor hereunder; and

2. Expressly assume and agree to perform such obligations. Specifically, and without limitation to the foregoing, Developer expressly agrees that Franchisor may sell its assets, Marks or System outright to a third party; may make a public offering of securities; may engage in a private placement of some or all of its securities; may merge, acquire other corporations or entities, or be acquired by another corporation or other entity; may undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, Developer expressly and specifically waives any claims, demands or damages arising from or related to the loss of said Marks (or any variation thereof) and/or the loss of association with or identification of HAPPY JOE'S FRANCHISING, INC. as Franchisor hereunder. Nothing contained in this Agreement shall require Franchisor to remain in the business in the event that Franchisor exercises its rights hereunder to assign its rights in this Agreement.

B. Should Developer at some time in the future desire to make either a public or a private offering of its securities, prior to such offering and sale, and prior to the public release of any statements, data or other information of any kind relating to the proposed offering of Developer's securities, Developer shall secure the written approval of Franchisor, which approval shall not be unreasonably withheld. Developer shall secure Franchisor's prior written approval of any and all press releases, news releases and any and all other publicity, the primary purpose of which is in the public interest in its offering. Only to the extent that written approval has been given by Franchisor may Developer proceed to file, publish, issue and release and make public any data, material or information regarding its securities offering or the ~~Franchised~~ Restaurants. It is specifically understood that any review by Franchisor is solely for its own information, and its approval shall not constitute any kind of authorization, acceptance, agreement, endorsement, approval, or ratification of the

same, either express or implied; and Developer shall make no oral or written notice of any kind whatsoever indicating or implying that Franchisor and/or related corporations or persons have any interest in or relationship whatsoever to the proposed offering other than acting as Franchisor. Developer agrees to indemnify and hold harmless Franchisor and its subsidiaries, and their owners, directors, officers, employees, successors and assigns, from all claims, demands, costs, fees, charges, liabilities or expenses (including attorneys' fees) of any kind whatsoever arising from Developer's offering or information published or communicated and any actions taken with regard thereto.

C. Developer understands and acknowledges that the rights and duties set forth in this Agreement are personal to Developer and are granted in reliance upon the personal qualifications of Developer. Developer has represented and hereby represents to Franchisor that Developer is entering into this Agreement with the intention of complying with its terms and conditions and not for the purpose of resale of the developmental or option rights hereunder.

D. Neither Developer nor any partner, shareholder, member and/or manager thereof shall, without Franchisor's prior written consent, directly or indirectly sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any interest in this Agreement or in Developer. Any such proposed assignment occurring by operation of law or otherwise, including any assignment by or to any trustee in bankruptcy, without Franchisor's prior written consent, shall be a material default of this Agreement.

E. Neither Developer, nor any partner (if Developer is a partnership), shareholder (if Developer is a corporation), or member (if Developer is a limited liability company) of Developer, without Franchisor's prior written consent, by operation of law or otherwise, shall sell, assign, transfer, convey, give away or encumber to any person, firm or corporation, all or any part of its interest in this Agreement or its interest in the rights granted hereby or its interest in any proprietorship, partnership or corporation which owns any interest in such rights, nor offer, permit or suffer the same to be sold, assigned, transferred, conveyed, given away or encumbered in any way to any person, firm or corporation. Developer may not without the prior written consent of Franchisor fractionalize any of the rights of Developer granted pursuant to this Agreement. Any purported assignment of any of Developer's or any of its partner's, shareholder's, or member's rights herein not having the aforesaid consent shall be null and void and shall constitute a material default hereunder. Subject to Paragraph VIII.F. of this Agreement, so long as Developer and its owners, directors and officers executing this Agreement are in full compliance with this Agreement and any other agreements to which Developer and Franchisor are parties, Franchisor shall not unreasonably withhold its approval of an assignment or transfer, to proposed assignees or transferees if such persons: (i) are of good moral character and have sufficient business experience, aptitude and financial resources, (ii) otherwise meet Franchisor's then applicable standards for developers, and (iii) are willing to assume all obligations of Developer hereunder and to execute and be bound by all provisions of the Franchisor's then-current form of this Agreement for a term equal to the remaining term hereof. As a condition to granting its approval of any such assignment or transfer, Franchisor may require Developer or the assignee or transferee to pay to Franchisor its then-current assignment fee to defray expenses incurred by Franchisor in connection with the assignment or transfer, legal and accounting fees, credit and other investigation charges and evaluation of the assignee or transferee and the terms of the assignment or transfer. Franchisor shall have the right to require Developer and its owners to execute a general release of Franchisor and its owners, directors, officers, successors and assigns, in form and content satisfactory to Franchisor as a condition to its approval of the assignment of this Agreement or ownership of Developer. Developer's or transferee's failure to meet in any way the conditions for transfer set forth herein shall be good cause for Franchisor to withhold its consent to any transfer.

F. This Agreement may be assigned to a partnership or corporation which conducts no business other than the business contemplated hereunder, which is actively managed by Developer and in which Developer owns and controls, and continues to own throughout the term of this Agreement, not less than 51% of the general partnership interest or the corporate equity and voting power, provided that all partners, shareholders or members shall execute an assignment agreement and guaranty in a form approved by Franchisor undertaking to be bound jointly and severally by all provisions of this Agreement and all issued and outstanding stock certificates of such corporation or limited partnership units of such partnership shall bear a legend reflecting or referring to the restrictions of this Agreement as designated by Franchisor.

G. If Developer or its owners shall at any time determine to sell the rights under this Agreement or any of their respective ownership interests in Developer, or any of Developer's assets (except in the ordinary course of business), Developer or its owners shall obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and shall submit an exact copy of such offer to Franchisor, which shall, for a period of 30 days from the date of delivery of such offer, have the right, exercisable by written notice to Developer or its owners, to purchase such rights under this Agreement or such ownership interests for the price and on the terms and conditions contained in such offer, provided that Franchisor may substitute cash for any form of payment proposed in such offer and that Franchisor shall have not less than 60 days to prepare for closing. If Franchisor does not exercise this right of first refusal, Developer or its owners, as applicable, may complete the sale of such interest in this Agreement or such ownership interest, subject to Franchisor's approval of the purchaser as provided in this Paragraph VIII., provided that, if such sale is not completed within 90 days after delivery of such offer to Franchisor, Franchisor shall again have the right of first refusal provided herein.

H. Developer must give Franchisor 90 days written notice prior to any sale or assignment by Developer or any of its owners. The purpose of this paragraph is to enable Franchisor to comply with any applicable state or federal franchise disclosure laws. Developer agrees to indemnify and hold harmless Franchisor for Developer's failure to comply with this paragraph.

I. Developer must promptly ("promptly" herein defined as within 15 days of receipt of an offer to buy) give Franchisor written notice whenever Developer or any of its owners have received an offer to buy Developer's or such owner's interest in this Agreement or any options pursuant to this Agreement. Developer must also give Franchisor written notice simultaneously with an offer to sell any interest in this Agreement or any options pursuant to this Agreement, made by, for or on behalf of Developer or any of its owners. The purpose of this paragraph is to enable Franchisor to comply with any applicable state or federal franchise disclosure laws or rules. Developer agrees to indemnify and hold harmless Franchisor for Developer's failure to comply with this paragraph.

J. No sale, assignment, transfer, conveyance, encumbrance or gift of any interest in this Agreement or in the options granted thereby, shall relieve Developer and the partners, shareholders or members participating in any transfer of the obligations of the covenants not to compete with Franchisor contained in this Agreement except where Franchisor shall expressly authorize in writing.

## **IX. COVENANTS**

A. Unless otherwise specified, the term "Developer" as used in this Paragraph IX. shall include, collectively and individually, Developer as defined in Paragraph XIX.

B. Developer covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Developer (if Developer is an individual), a shareholder of a beneficial interest of 10% or more of the securities of Developer (if Developer is a corporation), a member of a beneficial interest of 10% or more of the ownership interests in Developer (if Developer is a limited liability company) a general partner of Developer (if Developer is a partnership), or Developer's full-time manager approved by Franchisor shall devote full-time energy and best efforts to the management and operation of the restaurants to be franchised in accordance with the rights and options granted pursuant to this Agreement.

C. Developer, as defined in Paragraph IX.A., covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, shall not, either directly or indirectly, for itself, or through, on behalf of or in conjunction with any person, persons, partnership or corporation:

1. Divert or attempt to divert any business or customers of any of the ~~Franchised~~ Restaurants to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with any of Franchisor's Marks or the System.

2. Employ or seek to employ any person who is at that time employed by Franchisor or by any franchisee of Franchisor, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment.

3. Own, maintain, engage in or have any interest in any business (including any business operated by Developer prior to entry into this Agreement) specializing in whole or in part, in dispensing, promoting or selling prepared food products, or any other business which sells or offers to sell prepared food products or services, the same as or similar to those sold in the System, unless agreed to by Franchisor.

D. Developer specifically acknowledges that, pursuant to this Agreement, Developer shall receive valuable training and Confidential Information including, without limitation, information regarding the promotional, operational, sales and marketing methods and techniques of Franchisor and the System. Accordingly, Developer covenants that, except as otherwise approved in writing by Franchisor, Developer shall not, for a period of one year after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership or corporation, own, maintain, engage in, consult with or have any interest in any restaurant business or prepared food business engaged primarily in the preparation and sale of prepared food products or services, the same as or similar to the type sold in the System.

E. Each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Paragraph IX. is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Developer expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Paragraph IX.

F. Developer understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Paragraph IX.C. or IX.D. of this Agreement, or any portion thereof, without Developer's consent, effective immediately upon receipt by Developer of written notice thereof, and Developer agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Paragraph XV. hereof.

G. Franchisor shall have the right to require all of Developer's personnel performing managerial or supervisory functions and all management personnel receiving special training from Franchisor to execute similar covenants in a form satisfactory to Franchisor.

H. In addition to the foregoing covenants, Developer shall be bound by and comply with the covenants contained in each Franchise Agreement executed by Franchisor and Developer.

## **X. NOTICES**

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by certified mail, return receipt requested, or sent by commercial overnight delivery service, to the respective parties at address for Notices identified on the Summary Page unless and until a different address has been designated by written notice to the other party. Any notice by certified mail shall be deemed to have been given at the date and time of mailing. Any notice by commercial overnight delivery service shall be deemed to have been given the business day following the date of deposit.

## **XI. INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

A. It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever. Each party to this Agreement is an independent contractor, and neither shall be responsible for the debts or liabilities incurred by the other.

B. Developer shall hold itself out to the public to be an independent contractor operating pursuant to this Agreement. Developer agrees to take such actions as shall be necessary to that end. Developer is solely responsible for the management of the area development business as an independent business owner.

C. Developer understands and agrees that nothing in this Agreement authorizes Developer to

make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name, and that Franchisor assumes no liability for, nor shall Franchisor be deemed liable by reason of, any act or omission of Developer in Developer's conduct of any ~~Franchised~~-Restaurant, or any claim or judgment arising therefrom. Developer shall indemnify and hold Franchisor harmless against any and all such claims directly or indirectly from, as a result of, or in connection with Developer's operations hereunder or under any Franchise Agreement, as well as the costs, including attorneys' fees, of defending against them.

D. Developer acknowledges that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any developer based upon the peculiarities of the particular location or circumstance, business potential, population of trade area, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of such Developer's business under any Franchise Agreement. Developer shall not be entitled to require Franchisor to disclose or grant to Developer a like or similar variation hereunder to that which may be accorded to any other developer.

## **XII. APPROVALS**

A. Whenever this Agreement requires the prior approval or consent of Franchisor, Developer shall make a timely written request to Franchisor therefor, and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing.

B. Franchisor makes no warranties or guarantees upon which Developer may rely and assumes no liability or obligation to Developer or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Developer in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

## **XIII. NON-WAIVER**

No failure of Franchisor to exercise any power reserved to it in this Agreement or to insist upon compliance by Developer with any obligation or condition in this Agreement, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Franchisor's rights to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any particular default shall not affect or impair Franchisor's right in respect to any subsequent default of the same or of a different nature, nor shall any delay, forbearance, or omission of Franchisor to exercise any power or right arising out of any breach or default by Developer of any of the terms, provisions, or covenants of this Agreement, affect or impair Franchisor's rights, nor shall the same constitute a waiver by Franchisor of any rights hereunder or rights to declare any subsequent breach or default.

## **XIV. SEVERABILITY AND CONSTRUCTION**

A. Each provision of this Agreement shall be deemed severable from the others.

B. Nothing in this Agreement shall confer upon any person or legal entity other than Franchisor or Developer and such of their respective successors and assigns as may be contemplated by Paragraph VIII. hereof, any rights or remedies under or by reason of this Agreement.

C. All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

D. All references herein to gender and number shall be construed to include such other gender and number as the context may require, and all acknowledgements, promises, covenants, agreements and obligations herein made or undertaken by Developer shall be deemed jointly and severally undertaken by all the parties hereto which execute this Agreement on behalf of Developer.

**E. This Agreement may be executed in duplicate and each copy so executed shall be deemed an original. This Agreement may be signed with full legal force and effect using electronic signatures and records. Delivery of this Agreement by facsimile, electronic mail or other functionally equivalent means of transmission constitutes valid and effective delivery.**

This Agreement constitutes the entire, full and complete agreement between Franchisor and Developer concerning the subject matter hereof, and supersedes all prior agreements. No amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by themselves or their authorized officers or agents in writing. Nothing in this or any related agreement, however, is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document that it furnished to Developer.

#### **XVI. SUPERIORITY OF FRANCHISE AGREEMENT**

For each HAPPY JOE'S individual ~~Franchised~~ Restaurant developed in the Development Territory, a separate Franchise Agreement shall be executed and any individual franchise fee as prescribed by Franchisor shall be paid to Franchisor. It is understood and agreed by Developer that any and all Franchise Agreements executed in connection with HAPPY JOE'S individual ~~Franchised~~ Restaurant within the Development Territory are independent of this Agreement. The continued existence of any such Franchise Agreement shall not depend on the continuing existence of this Agreement. If any conflict shall arise in connection with this Agreement and any Franchise Agreement executed within the Development Territory, the Franchise Agreement shall have precedence and superiority over this Agreement.

#### **XVII. APPLICABLE LAW**

**A. THIS AGREEMENT SHALL BE INTERPRETED AND CONSTRUED UNDER THE LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES, EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.).**

**B. ALL DISPUTES BETWEEN THE PARTIES, WHETHER ARISING IN CONTRACT, TORT, OR OTHERWISE, SHALL BE RESOLVED BY LITIGATION BROUGHT AND MAINTAINED EXCLUSIVELY IN THE STATE OR FEDERAL COURT SITUATED IN THE DISTRICT IN WHICH FRANCHISOR MAINTAINS ITS PRINCIPAL BUSINESS HEADQUARTERS AT THE TIME THE ACTION IS INITIATED, AND THE PARTIES IRREVOCABLY CONSENT TO THE PERSONAL JURISDICTION OF SAID COURTS AND WAIVE ALL OBJECTIONS TO PERSONAL JURISDICTION OR VENUE FOR PURPOSES OF CARRYING OUT THIS PROVISION.**

**C. NO RIGHT OR REMEDY CONFERRED UPON OR RESERVED TO FRANCHISOR OR DEVELOPER BY THIS AGREEMENT IS INTENDED TO BE, NOR SHALL BE DEEMED, EXCLUSIVE OF ANY OTHER RIGHT OR REMEDY HEREIN OR BY LAW OR EQUITY PROVIDED OR PERMITTED, BUT EACH SHALL BE CUMULATIVE OF EVERY OTHER RIGHT OR REMEDY.**

**D. NOTHING HEREIN CONTAINED SHALL BAR FRANCHISOR'S RIGHT TO OBTAIN INJUNCTIVE RELIEF AGAINST THREATENED CONDUCT THAT SHALL CAUSE IT LOSS OR DAMAGES, UNDER THE USUAL EQUITY RULES, INCLUDING THE APPLICABLE RULES FOR OBTAINING RESTRAINING ORDERS AND PRELIMINARY INJUNCTIONS.**

#### **XVIII. "DEVELOPER" DEFINED AND GUARANTY**

As used in this Agreement, the term "Developer" shall include all persons who succeed to the interest of the original Developer by permitted transfer or operation of law and shall be deemed to include not only the individual or entity defined as "Developer" in the introductory paragraph of this Agreement, but shall also include all partners of the entity that executes this Agreement, in the event said entity is a partnership, all shareholders, officers and directors of the entity that executes this Agreement, in the event said entity is a corporation, and all members and managers of the entity that executes this Agreement, in the event said entity is a limited liability company. By their signatures hereto, all partners, shareholders, officers, directors, members and/or managers of the entity that signs this Agreement as Developer acknowledges and accepts the duties and obligations imposed upon each of them, individually, by the terms of this Agreement. All partners of the entity that executes this Agreement in the event said entity is a partnership, all shareholders, officers and directors of the entity that executes this Agreement in the event said entity is a corporation, and all members and managers of the entity that executes this Agreement in the event said entity is a limited liability company, shall execute the Guaranty and Assumption of Obligations attached as Exhibit C of every

Franchise Agreement executed by this entity.

## **XIX. CAVEAT**

The success of the business venture contemplated to be undertaken by Developer by virtue of this Agreement is speculative and depends, to a large extent, upon the ability of Developer as an independent businessperson, and its active participation in the daily affairs of the business as well as other factors. Franchisor does not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby.

## **XX. ACKNOWLEDGEMENTS**

A. Developer represents and acknowledges that it has received, read and understood this Agreement and Franchisor's Franchise Disclosure Document; and that Franchisor has fully and adequately explained the provisions of each to Developer's satisfaction; and that Franchisor has accorded Developer ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement.

B. Developer acknowledges that it has received a copy of this Agreement and the attachments thereto, at least seven calendar days prior to the date on which this Agreement was executed. Developer further acknowledges that Developer has received the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled Disclosure Requirements and Prohibitions Concerning Franchising, at least 14 calendar days prior to the date on which this Agreement was executed.

C. Developer has been advised to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby, and the prospects for that business. Developer has either consulted with such advisors or has deliberately declined to do so.

D. The covenants not to compete set forth in this Agreement are fair and reasonable, and shall not impose any undue hardship on Developer, since Developer has other considerable skills, experience and education which afford Developer the opportunity to derive income from other endeavors.

E. Developer affirms that all information set forth in any and all applications, financial statements and submissions to Franchisor is true, complete and accurate in all respects, with Developer expressly acknowledging that Franchisor is relying upon the truthfulness, completeness and accuracy of such information.

F. Developer has conducted an independent investigation of the business contemplated by this Agreement and recognizes that, like any other business, an investment in a HAPPY JOE'S **Franchised** Restaurant involves business risks and that the success of the venture is primarily dependent upon the business abilities and efforts of Developer.

**G. DEVELOPER UNDERSTANDS AND ACKNOWLEDGES THAT ALL REPRESENTATIONS OF FACT CONTAINED HEREIN ARE MADE SOLELY BY FRANCHISOR. ALL DOCUMENTS, INCLUDING FRANCHISOR'S FRANCHISE AGREEMENT AND FRANCHISE DISCLOSURE DOCUMENT AND ALL EXHIBITS THERETO, HAVE BEEN PREPARED SOLELY IN RELIANCE UPON REPRESENTATIONS MADE AND INFORMATION PROVIDED BY FRANCHISOR, ITS OFFICERS AND ITS DIRECTORS. DEVELOPER FURTHER AGREES TO INDEMNIFY AND HOLD HARMLESS THE PREPARER OF ANY AND ALL SUCH FRANCHISE AGREEMENTS, FRANCHISE DISCLOSURE DOCUMENTS AND EXHIBITS THERETO FROM ANY AND ALL LOSS, COSTS, EXPENSES (INCLUDING ATTORNEYS' FEES), DAMAGES AND LIABILITIES RESULTING FROM ANY REPRESENTATIONS AND/OR CLAIMS MADE BY FRANCHISOR IN SUCH DOCUMENTS.**

The next page is the signature page.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Agreement in duplicate on the date set opposite each signature.

HAPPY JOE'S FRANCHISING, INC.:

Date: \_\_\_\_\_

By: \_\_\_\_\_

If Developer is an individual:

Date: \_\_\_\_\_

\_\_\_\_\_

Developer

If Developer is a corporation or partnership:

\_\_\_\_\_

Developer:

Date: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

By: \_\_\_\_\_

**EXHIBIT A TO THE AREA DEVELOPMENT AGREEMENT**

**DESCRIPTION OF DEVELOPMENT TERRITORY**

If ZIP codes or municipal or other governmental boundaries are used above to describe the Development Territory, any subsequent change to the area covered by a ZIP code or to the municipal or other governmental boundary shall not affect the Development Territory granted to Developer. Throughout the term of this Agreement, the Development Territory shall remain the same as it is on the date of execution of this Exhibit A to the Area Development Agreement.

HAPPY JOE'S FRANCHISING, INC.:

Date: \_\_\_\_\_

By: \_\_\_\_\_

If Developer is an individual:

Date: \_\_\_\_\_

\_\_\_\_\_  
Developer

If Developer is a corporation or partnership:

\_\_\_\_\_  
Developer:

Date: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

By: \_\_\_\_\_

**EXHIBIT B TO THE AREA DEVELOPMENT AGREEMENT**

**DEVELOPMENT SCHEDULE**

At the dates set forth below, Developer is obligated by Paragraph III. of this Agreement to have open the number of HAPPY JOE'S restaurants indicated:

Number of HAPPY JOE'S ~~Franchised~~ Restaurants

<b>Type of Restaurant</b>	<b>Last Date for Site Approval and Execution of Franchise Agreement</b>	<b>Date for Commencement of Operations</b>
---------------------------	---	--

\*If the Development Territory, as described in Exhibit A, is divided into different Trade Areas, Developer must open and be operating a Full-Size Restaurant before a DELCO Facility may be developed in the same Trade Area. By way of example, (a) if the first HAPPY JOE'S restaurant to be developed under this Agreement is a Full-Size Restaurant in Trade Area 1, then restaurants two and three may be DELCO restaurants in Trade Area 1, (b) if the first HAPPY JOE'S restaurant to be developed under this agreement is a Full-Size Restaurant in Trade Area 1 and the second is a Full-Size Restaurant in Trade Area 2, then restaurant three may be a DELCO restaurant in either Trade Area 1 or Trade Area 2.

HAPPY JOE'S FRANCHISING, INC.:

Date: \_\_\_\_\_

By: \_\_\_\_\_

If Developer is an individual:

Date: \_\_\_\_\_

\_\_\_\_\_  
Developer

If Developer is a corporation or partnership:

\_\_\_\_\_  
Developer:

Date: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

By: \_\_\_\_\_

**HAPPY JOE'S FRANCHISING, INC.**  
**LIST OF STATE ADMINISTRATORS AND**  
**STATE AGENTS FOR SERVICE OF PROCESS**  
**EXHIBIT D TO THE FRANCHISE DISCLOSURE DOCUMENT**

**AGENTS FOR SERVICE OF PROCESS AND REGISTRATION DATES**

Illinois

Illinois Attorney General  
500 South Second Street  
Springfield, IL 62701  
(217) 782-4465

Indiana

For service of process:  
Secretary of State  
201 State House  
Indianapolis, IN 46204

Michigan

Michigan Department of Attorney General  
525 W. Ottawa  
G. Mennen Williams Bldng., 1<sup>st</sup> Floor  
Lansing, MI 48913  
(517) 335-7622

Minnesota

Minnesota Commissioner of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, MN 55101  
(651) 539-1600

North Dakota

North Dakota Securities Commissioner  
600 East Boulevard Avenue  
State Capitol - 5<sup>th</sup> Floor  
Bismarck, ND 58505-0510

South Dakota

Division of Insurance  
Securities Regulation  
124 S. Euclid Ave., 2<sup>nd</sup> Floor  
Pierre, SD 57501-3185  
(605)773-3563

Wisconsin

Wisconsin Commissioner of Securities  
201 West Washington Ave., Suite 300  
Madison, WI 53703

## LIST OF STATE ADMINISTRATORS

### **California**

Commissioner of Financial Protection and Innovation  
320 West 4th Street, Suite 750  
Los Angeles, California 90013  
(866) 275-2677

### **Hawaii**

Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
Securities Compliance Branch  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813  
(808) 586-2722

### **Illinois**

Office of Attorney General  
500 S. Second Street  
Springfield, Illinois 62701  
(217) 782-4465

### **Indiana**

Franchise Section  
Securities Division  
302 W. Washington St., Room E-111  
Indianapolis, Indiana 46204  
(317) 232-6681

### **Maryland**

Office of Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202  
(410) 576-6360

### **Michigan**

Consumer Protection Division  
Antitrust and Franchise Unit  
Department of Attorney General  
525 W. Ottawa St.  
G. Mennen Williams Bldg., 1<sup>st</sup> Floor  
PO Box 30212  
Lansing, Michigan 48909  
(517) 335-7622

### **Minnesota**

Department of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, Minnesota 55101  
(651) 539-1500

### **New York**

NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21<sup>st</sup> Floor  
New York, New York 10005  
212-416-8222

### **North Dakota**

North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol – 5<sup>th</sup> Floor Dept. 414  
Bismarck, North Dakota 58505-0510  
(701) 328-4712

### **Rhode Island**

Securities Division  
Department of Business Regulation  
1511 Pontiac Avenue  
John O. Pastore Complex – Building 68-2  
Cranston, Rhode Island 02920  
(401) 462-9527

### **South Dakota**

Division of Insurance  
Securities Regulation  
124 S. Euclid, Suite 104  
Pierre, South Dakota 57501  
(605) 773-3563

### **Virginia**

State Corporation Commission  
Division of Securities and Retail Franchising  
1300 Main Street, 9<sup>th</sup> Floor  
Richmond, Virginia 23219  
(804) 371-9051

### **Washington**

Department of Financial Institutions  
Securities Division  
P.O. Box 9033  
Olympia, Washington 98507  
(360) 902-8760

### **Wisconsin**

Franchise Administrator  
Division of Securities  
Department of Financial Institutions  
345 West Washington Avenue  
Madison, Wisconsin 53703  
(608) 266-8557

**HAPPY JOE'S FRANCHISING, INC.**  
**TABLE OF CONTENTS OF THE MANUALS**  
**EXHIBIT E TO THE FRANCHISE DISCLOSURE DOCUMENT**



GOOD TIMES TO BE TOGETHER!®



# Food and Beverage Manual



## Introduction (Rev. 5-24-16)

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GOOD TIMES TO BE TOGETHER!®

### Welcome to Happy Joe's

In an effort to insure quality and consistency, this manual has been created for your use.

Within you will find how-to-procedures, recipes, product information, equipment specifications, visual training aids, and various other policies and procedures in insuring the highest quality product possible. Your manual has been categorized and tabbed for ease of usage.

If you have any questions or need assistance, please don't hesitate to call the Support Center.

Good luck with Happy Joe's.

[www.happyjoes.com](http://www.happyjoes.com)



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Section 2:	<a href="#"><u>Pizza Recipes</u></a>
Section 3:	<a href="#"><u>Pizza Make</u></a>
Section 4:	<a href="#"><u>Appetizer</u></a>
Section 5:	<a href="#"><u>Ice Cream</u></a>
Section 6:	<a href="#"><u>Pasta</u></a>
Section 7:	<a href="#"><u>Sandwiches</u></a>
Section 8:	<a href="#"><u>Beverage</u></a>
Section 9:	<a href="#"><u>Salad</u></a>
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GOOD TIMES TO BE TOGETHER!®

# Dough Procedures



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# Pizza Make

Items shaded in gray are required to be on each menu  
Items with ingredients and/or instructions in boxes are recipes



## Pizza Make Section Table of Contents (Rev. 5-31-16)

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Items shaded in gray are required to be on each menu  
Items with ingredients and/or instructions in boxes are recipes



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Items shaded in gray are required to be on each menu  
Items with ingredients and/or instructions in boxes are recipes



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## **Welcome to Happy Joe's**

In an effort to ensure quality and consistency, this manual has been created for your use.

Within you will find how-to-procedures, recipes, product information, equipment specifications, visual training aids, and various other policies and procedures in an effort to ensure the highest quality product possible. Your manual has been categorized and tabbed for ease of usage.

If you have any questions or need assistance, please do not hesitate to call the Support Center 563-332-8811.

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**HAPPY JOE'S FRANCHISING, INC.**  
**HAPPY JOE'S RESTAURANTS AS OF SEPTEMBER 30, ~~2023~~2024**  
**EXHIBIT F TO THE FRANCHISE DISCLOSURE DOCUMENT**



ILLINOIS

**Store Address:**

**Open Date:**

**Owner:**

**Aledo, IL 61231**  
Route 17  
Southeast 314-3<sup>rd</sup> St.  
309-582-5636  
Full-Size  
Population: 3,681

3/1/1980

Dave VanDerGinst

**Coal Valley, IL 61240**  
119 W. 1<sup>st</sup> Avenue  
309-799-3171  
Full-Size  
Population: 2,683

4/11/1998

Dave VanDerGinst  
Jerome Moreno (Bucky)

~~**East Dubuque, IL 61205**  
222 Sinsinawa  
815-747-3300  
DELCO  
Population: 1,914~~

~~12/10/1984~~

~~Mark Schmitt,  
Darryl Schmitt, Dan Boland,~~

**East Moline, IL 61244**  
4020 Kennedy Drive  
309-755-4576  
Full-Size  
Population: 20,147

9/25/1976

Mick Mapes

**Galena, IL 61036**  
9919 Route 20

Roger & Margaret Bussan

~~**Galesburg, IL 61401**  
1727 N Henderson  
\*Location transferred from a corporate store to a franchisee on 10/1/2022~~

~~10/1/2022~~

~~Leslie Boynton~~

~~**Kewanee, IL 61443**  
515 Tenney Street  
\*Location transferred from a corporate store to a franchisee on 10/1/2022~~

~~10/1/2022~~

~~Heather Avery~~

**Milan, IL 61264**  
909 W. 4<sup>th</sup> St.  
309-787-6126  
Full size  
Population: 5,831

7/12/1973

Dave VanDerGinst,

~~Store Address:~~

~~Open Date:~~

~~Owner:~~

**Moline, IL 61265**

2041 16<sup>th</sup> St.

309-764-3388

DELCO

Population: 43,202

10/21/1976

Dick Henning

**Morrison, IL 61270**

109 W. Main St.

815-772-7840

Full size

Population: 4,363

10/15/1987

Kevin and Lynn Kenady

Store Address: Open Date: Owner:

**Rock Island, IL 61201** 3/9/1981 Mick Mapes  
1412 30<sup>th</sup> Street  
309-788-8777  
Full size  
Population: 40,552

IOWA

Store Address: Open Date: Owner:

**Burlington, IA 52601** 5/8/1996 Will & Deb Brinkley  
Moved from 3110 Division  
To 1011 Lawrence Dr.  
319-753-1665  
Full size  
Fun Center  
Population: 27,208

**Cascade, IA 52033** 2/26/2021 John & Joe Lehmann  
207 1<sup>st</sup> Avenue West  
563-852-3838  
Full-Size  
Population: 2,387

**Cedar Rapids, IA 52404** 1/21/2011 Travis Bark  
3315 Williams Blvd SW, #6  
319-396-0626  
DELCO  
Population: 108,751

**Clinton, IA 52732** 4/8/1974  
408 S. 1<sup>st</sup> Street 7/1/2021 Transfer Kari & Brandon White  
563-242-3121  
Full-Size  
Fun Center  
Population: 29,201

**DeWitt, IA 52742** 8/6/1976 Rick & JoJo Schroeder  
1407 11<sup>th</sup> St.  
563-659-9173  
Full size  
Fun Center  
Population: 4,514

Store Address: Open Date: Owner:

**Dubuque, IA 52001** 2/20/1994 Mark Schmitt, Darryl Schmitt,  
109 University Dr. Dan Boland  
563-556-0823  
DELCO  
Population: 54,546

**Dubuque, IA 52001** 11/12/1974 Mark Schmitt, Darryl  
855 Century Drive Schmitt, Dan Boland  
563-556-0820  
Full size

Population: 54,546

**Store Address:****Open Date:****Owner:****Dyersville, IA 52040**

2/21/2015

John Lehmann

1213 12<sup>th</sup> Avenue  
 Southridge Plaza  
 563-875-7263  
 Full size  
 Population: 4,100

~~**North Liberty, IA 52317**~~

~~708 Community Drive, Suite #9  
 moved location from Coralville, IA to address stated above 4/25/22  
 319-351-6900  
 DELCO  
 Population: 20,875~~

~~Sold 7/31/2018~~~~Gabe Bark~~~~**Hiawatha, IA**~~~~4/22/2019~~~~Gabe Bark~~

~~Hiawatha, IA 52402  
 1940 Blairs Ferry Rd NE  
 319-200-7100  
 DELCO  
 Population: 7,353~~

**LeClaire, IA 52753**

5/24/1979

Kelene Henning, Rich Henning

119 North Cody Road  
 563-289-3305  
 Full size  
 Fun Center  
 Population: 2,734

**Muscataine, IA 52761**

6/28/1983

Valery Smith,  
Natalie Bartenhagen

927 Grandview  
 563-263-1320  
 DELCO  
 Population: 22,881

**Muscataine, IA 52761**

8/8/1988  
 Closed fire 8/8/2008  
 Reopened March 2010

Natalie Bartenhagen

203 Lake Park Blvd.  
 563-288-4142  
 Full size  
 Fun Center  
 Population: 22,881

<u>Store Address:</u>	<u>Open Date:</u>	<u>Owner:</u>
<b>Ottumwa, IA 52501</b> 315 Church Street 641-682-4565 Full size Fun Center Population: 24,448	8/8/1988	Monte Derby

<b>Urbandale, IA 50322</b> 8056 Douglas Ave. 563-508-8255 DELCO Population: 45,279	2/17/2011 1/18/2021 Sold to Franchisee	Jeff & Suzie Reid
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<b>Walcott, IA 52733<sup>1</sup></b> 755 W. Iowa 80 Road 563-284-5055 License Population: 1,623	7/5/1985	Mike Whalen
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**Note 1: This location reflects a licensee who has the right to sell HAPPY JOE'S branded products pursuant to a license agreement.**

#### MINNESOTA

<u>Store Address:</u>	<u>Open Date:</u>	<u>Owner:</u>
<b>Crookston, MN 57616</b> 705 E. Robert St. 318-281-5141 Full size Fun Center Population: 8,119	7/25/1979 6/21/2021 Transfer	Jake Fee & Elizabeth Koeppe

<u>Store Address:</u>	<u>Open Date:</u>	<u>Owner:</u>
<b>New Ulm, MN 56073</b> 1700 N. Broadway 507-359-9811 Full size Fun Center Population: 13,132	11/28/1979 Sold 2017	Nick Fruhwirth

#### MISSOURI

<u>Store Address:</u>	<u>Open Date:</u>	<u>Owner:</u>
<del><b>Branson, MO 65616</b> 1429 W. 76 Country Road 314-961-4074 Full size Fun Center</del>	<del>8/11/1975 Transfer 11/21/2018</del>	<del>Satish Pardeshi</del>

<b>St. Peters, MO 63373</b> 905 Jungermann Road Full-Size Fun Center Population: 60,390	8/9/2021	Satish Pardeshi
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## NORTH DAKOTA

**Store Address:**

**BISMARK, ND 58507**

Red Carpet Car Wash 8/31/2021  
2921 N 11<sup>th</sup> Street  
701-355-1146  
DELCO  
Population: 49,256

**Open Date:**

1/27/2000  
Transfer

**Owner:**

SuperPumper, Inc  
Dan Dunstan

**GRAND FORKS, ND 58201**

2909 S. Washington  
701-772-6655  
Full size  
Fun Center  
Population: 49,425

4/13/1976

Todd Halverson, John & Rita  
Post, Mike & Cheryl Post

**MINOT, ND 58701**

420 20<sup>th</sup> Avenue S.E.  
(701) 772-6655  
DELCO

2/11/2007

Cory Pardon

## WISCONSIN

**Store Address:**

**GREEN BAY, WI 54302**

1675 East Mason St.  
920-465-0690  
Full size  
Fun Center  
Population: 96,466

**Open Date:**

10/10/1977

**Owner:**

Frank & Teri Hanold

**LANCASTER, WI 54601**

Highway 61  
105 Alona Lane  
608-723-4101  
Full size  
Fun Center  
Population: 4,192

12/17/1983

Roger Bussan

## CORPORATE STORE LISTING

### IOWA

<u>Store Address:</u>	<u>Open Date:</u>	<u>Head Coach:</u>
<b>BETTENDORF, IA 52722</b> 2430 Spruce Hills Dr. 563-359-5457 Full size Population: 32,861	1/4/1976	Greg Holst
<b>DAVENPORT, IA 52804</b> 1616 W. Locust St. 563-324-5656 Full size Population: 102,677	1/29/1975	Jonah Hill
<b>DAVENPORT, IA 52806</b> 201 W. 50 <sup>th</sup> St. 563-386-1766 Full size Fun Center (Jungle Bungle) Population: 102,677	9/17/1990	Ryan Healey

### FRANCHISE AGREEMENTS SIGNED BUT STORE NOT OPENED AS OF SEPTEMBER 30, ~~2023~~2024

<u>Store City, State</u>	<u>Owner</u>
<u>Phoenix, Arizona</u> <u>nigelkanuri@yahoo.com</u>	<u>Nigel Kanuri</u>
Navarre, Florida (214) 930-0961 *Multi-unit developer	Jennifer and Jeff Harding*
<u>Woodbury, Minnesota</u> <u>(612) 206-0436</u> <u>*Area Director</u>	<u>Brian Smith</u>
<u>Billings, Montana</u> <u>(406) 969-1249</u> <u>*Area Director</u>	<u>Mike Fasching</u>
<u>Fargo, North Dakota</u> <u>(701) 261-6034</u>	<u>Dan Labernick</u> <u>John Krumm</u>
<u>Dallas, Texas</u> <u>(972) 217-5235</u> <u>*Multi-unit developer</u>	<u>Antonio Sisk</u>

**HAPPY JOE'S FRANCHISING, INC.**  
**LIST OF FORMER FRANCHISEES**  
**EXHIBIT G TO THE FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF FORMER FRANCHISEES**

For period October 1, ~~2022~~2023 through September 30, ~~2023~~2024

~~None.~~

<b><u>Name</u></b>	<b><u>City, State</u></b>	<b><u>Phone Number</u></b>
<u>Leslie Boynton</u>	<u>Galesburg, Illinois</u>	<u>309-315-3739</u>
<u>Heather Avery</u>	<u>Kewanee, Illinois</u>	<u>309-312-1375</u>
<u>Mark Schmitt, Darryl Schmitt, Dan Boland</u>	<u>East Dubuque, Illinois</u>	<u>815-747-3300</u>
<u>Satish Pardeshi</u>	<u>Branson, Missouri</u>	<u>314-961-4074</u>
<u>Gabe Bark</u>	<u>Hiawatha, Iowa</u>	<u>319-200-7100</u>
<u>Gabe Bark</u>	<u>North Liberty, Iowa</u>	<u>319-351-6900</u>

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

**HAPPY JOE'S FRANCHISING, INC.**  
**FRANCHISEE ACKNOWLEDGEMENT QUESTIONNAIRE**  
**EXHIBIT H TO THE FRANCHISE DISCLOSURE DOCUMENT**

## FRANCHISEE ACKNOWLEDGEMENT QUESTIONNAIRE

The following questionnaire is not applicable to franchisees subject to the laws of the states of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

As you know, Happy Joe's Franchising, Inc. ("Franchisor") and you are preparing to enter into a Franchise Agreement for the operation of a Happy Joe's franchise. The purpose of this Questionnaire is to determine whether any statements or promises were made to you, either orally or in writing, that Happy Joe's Franchising, Inc. has not authorized and that may be untrue, inaccurate or misleading.

Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and carefully reviewed the Happy Joe's Franchising, Inc. Franchise Disclosure Document which was provided to you?  
Yes\_\_\_\_\_ No\_\_\_\_\_
2. On what date did you receive the Franchise Disclosure Document? \_\_\_\_\_
3. Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?  
Yes\_\_\_\_\_ No\_\_\_\_\_
4. Have you received and carefully reviewed the Franchise Agreement and each exhibit attached to it?  
Yes\_\_\_\_ No\_\_\_\_
5. Have you received execution copies of the Franchise Agreement (and exhibits) that were completed with all of the blanks filled in, along with any applicable addendum?  
Yes\_\_\_\_\_ No\_\_\_\_\_
- If so, on what date did you receive the completed Franchise Agreement? \_\_\_\_\_
6. Have you had the opportunity to discuss the benefits and risks of owning and operating a Happy Joe's franchise with an attorney, accountant and/or other professional advisor?  
Yes\_\_\_\_\_ No\_\_\_\_\_
7. Do you understand that the purchase of a Happy Joe's franchise is a business decision that has many of the same risks associated with starting any type of new business and that the success or failure of your franchise will depend in large part upon your skills and abilities, the time and effort you put into the business, your ability to and willingness to follow the Happy Joe's System and methods of doing business, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?  
Yes\_\_\_\_\_ No\_\_\_\_\_
8. Do you understand and acknowledge that Happy Joe's Franchising, Inc. cannot guarantee the success of your Happy Joe's franchise or that it will achieve profitability?  
Yes\_\_\_\_\_ No\_\_\_\_\_
9. Have you had the opportunity to investigate what kind of competition for a Happy Joe's business currently exists in your intended territory?  
Yes\_\_\_\_\_ No\_\_\_\_\_
10. IF YOU HAVE ANSWERED "NO" TO ANY OF QUESTIONS 1 THROUGH 9 ABOVE, PLEASE INDICATE THE NUMBER OF THE QUESTION(S) AND A FURTHER EXPLANATION OF YOUR

ANSWER(S) IN THE SPACE PROVIDED BELOW OR ATTACH AN ADDITIONAL SHEET IF NECESSARY. IF YOU HAVE ANSWERED "YES" TO ALL OF QUESTIONS 1 THROUGH 9 ABOVE, PLEASE LEAVE THE FOLLOWING LINES BLANK.

Question No.                      Explanation

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**Note that the following questions relating to any information that you received from officers and employees of Happy Joe's Franchising, Inc. as well as any outside brokers. These questions do not apply to any information that you may have received from any existing Happy Joe's franchisees that you obtained by contacting them directly.**

11. Has any officer, employee, or other person speaking on behalf of Franchisor made any written or oral statement or promise concerning the actual revenues of a Happy Joe's franchise other than any written information which was provided to you in Item 19 of the Franchise Disclosure Document?

Yes\_\_\_ No\_\_\_

12. Has any officer, employee, or other person speaking on behalf of Franchisor made any written or oral statement or promise concerning the gross or net profits from operating of a Happy Joe's franchise other than any written information which was provided to you in Item 19 of the Franchise Disclosure Document?

Yes\_\_\_ No\_\_\_

13. Has any officer, employee, or other person speaking on behalf of Franchisor made any written or oral statement or promise regarding the amount of money you may earn in operating a Happy Joe's franchise, other than any written information which was provided to you in Item 19 of the Franchise Disclosure Document?

Yes\_\_\_ No\_\_\_

14. Has any officer, employee, or other person speaking on behalf of Franchisor made any written or oral statement or promise regarding the costs you may incur in operating a Happy Joe's franchise that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes\_\_\_ No\_\_\_

15. Has any officer, employee, or other person speaking on behalf of Franchisor made any written or oral statement, promise or purported agreement concerning the advertising, marketing, training, support services or assistance that Franchisor will furnish to you that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes\_\_\_ No\_\_\_

16. Has any officer, employee, broker or other person speaking on behalf of Franchisor made any other written or oral statement, promise or purported agreement relating to the Happy Joe's franchise that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes\_\_\_ No\_\_\_

17. IF YOU HAVE ANSWERED "YES" TO ANY OF QUESTIONS 11 THROUGH 16 ABOVE, PLEASE INDICATE THE NUMBER OF THE QUESTION(S) AND A FURTHER EXPLANATION OF YOUR ANSWER(S), INCLUDING IDENTIFICATION OF THE SOURCE OF THE INFORMATION, IN THE SPACE PROVIDED BELOW OR AN ATTACH ADDITIONAL SHEET IF NECESSARY. IF YOU HAVE ANSWERED "NO" TO ALL OF QUESTIONS 11 THROUGH 16 ABOVE, PLEASE LEAVE THE FOLLOWING LINES BLANK.

Question No.                      Explanation

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You understand that your answers are important to us and that we will rely on them in making a decision to award a Happy Joe's franchise. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions and that you fully understand and accept the business risks involved in the purchase of a franchise business.

Date: \_\_\_\_\_

\_\_\_\_\_

Prospective Franchisee

Print Name: \_\_\_\_\_

**HAPPY JOE'S FRANCHISING, INC.**  
**RENEWAL ADDENDUM**  
**EXHIBIT I TO THE FRANCHISE DISCLOSURE DOCUMENT**

**HAPPY JOE'S FRANCHISING, INC.**

**RENEWAL ADDENDUM TO THE FRANCHISE AGREEMENT**

This Addendum is to a Franchise Agreement by and between HAPPY JOE'S FRANCHISING, INC., an Iowa corporation (hereinafter Franchisor), and \_\_\_\_\_ (hereafter Franchisee) executed simultaneously with this Addendum to amend said Franchise Agreement as follows:

WHEREAS, Franchisee owns and operates a Happy Joe's Pizza & Ice Cream Parlor Restaurant located at \_\_\_\_\_ pursuant to a Franchise Agreement dated \_\_\_\_\_ ("Initial Franchise Agreement");

WHEREAS, the Initial Franchise Agreement is to expire] on \_\_\_\_\_, 20\_\_\_\_, and under the Initial Franchise Agreement, Franchisee has the right to renew the franchise for an additional ten (10) year period as long as certain conditions have been met;

WHEREAS, Franchisee desires to remain a franchisee and to extend the franchise relationship with Franchisor by executing the standard form of franchise agreement currently being offered by Franchisor, which agreement is being executed contemporaneously with this Addendum to the Franchise Agreement ("Franchise Agreement") with this Addendum to the Franchise Agreement to reflect changes to the Franchise Agreement based on the fact that the Franchise Agreement is for renewal of an existing franchise; and

NOW THEREFORE, in consideration of the mutual covenants contained herein, the parties hereto agree as follows:

1. The above recitals are incorporated herein and made a part of this Addendum to the Franchise Agreement.
2. This Addendum shall amend and supplement the Franchise Agreement. The terms, covenants and conditions of this Addendum are incorporated into the Franchise Agreement, and with respect to any conflict between the two (2) agreements, the terms of this Addendum shall be controlling with respect to the subject matter thereof. Except as expressly set forth in this Addendum, the rights, duties and obligations of the parties with respect to the ~~Franchised~~ Restaurant shall be the same as the rights, duties and obligations of the parties with respect to the ~~Franchised~~ Restaurant described in the Franchise Agreement.
3. Paragraph I.C. of the Franchise Agreement is deleted in its entirety.
4. Paragraph II.A of the Franchise Agreement is deleted in its entirety and replaced by the following:
  - A. Renewal Term. This Agreement shall be effective and binding from the date of expiration of the Initial Franchise Agreement on \_\_\_\_\_ for a renewal term equal to ten (10) years
5. Paragraphs II.B., C. and D. of the Franchise Agreement are deleted in their entirety. At the end of the Renewal Term, this Agreement will expire and Franchisee shall have no additional options to renew. Prior to the date which is two (2) years from the date of expiration of the Renewal Term, Franchisee shall have prepared and delivered to Franchisor a succession plan to address the continued operation of a ~~Franchised~~ Restaurant at the Premises after the Renewal Term.
6. Paragraphs III.B., C., D., E., and F. of the Franchise Agreement relating to obtaining a site for the HAPPY JOE'S restaurant, site approval and build out are hereby deleted as inapplicable.
7. Paragraph IV.A., B. and C. of the Franchise Agreement on initial training and assistance are hereby deleted as inapplicable.
8. Paragraph IX.B. of the Franchise Agreement on Franchisee's requirement to conduct a grand opening advertising campaign is deleted.
9. Paragraph XII.B. of the Franchise Agreement on Commencement of Operations is deleted.
10. The termination events in Paragraphs XVI.B.1 and XVI.B.2 of the Franchise Agreement are hereby deleted as inapplicable.
11. In consideration of the mutual and several agreements recited above, Franchisee does forever release and discharge Franchisor and its affiliates, and their respective officers, directors, employees, attorneys and agents, in that capacity and individually, their guarantors, successors, and assigns on behalf of himself, herself

and/or itself, and his and her heirs and executors and its successors and assigns from all manner of actions, cause, causes of action, suits, debts, sums of money, accounts, promises, variances, trespasses, damages, judgments, execution, claims and demands, whatsoever, in law or in equity, arising out of any relationship with Franchisor whether contractual or otherwise, which he, she or it now has, or has had, or which his or her heirs executors or its successors and assigns hereafter can, shall or may have, for upon or by reason of any matter, cause or thing whatsoever at any time prior to the date of this Agreement.

12. The parties agree that Franchisee shall complete the following within \_\_\_\_\_ (\_\_\_\_) days of the execution of this Addendum as specified below in order to bring Franchisee's Happy Joe's Pizza & Ice Cream Parlor restaurant into compliance with the current specifications and standards for new or renewing HAPPY JOE'S restaurants:

[INSERT AS APPLICABLE]

In witness whereof, the parties hereto, intending to be legally bound, hereby have duly executed, sealed and delivered this Addendum to Franchise Agreement on the date opposite each signature.

HAPPY JOE'S FRANCHISING, INC.:

Date: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

FRANCHISEE:

\_\_\_\_\_

Date: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**HAPPY JOE'S FRANCHISING, INC.**  
**LEGACY FRANCHISEE ADDENDUM**  
**EXHIBIT J TO THE FRANCHISE DISCLOSURE DOCUMENT**

**HAPPY JOE'S FRANCHISING, INC.**

**LEGACY FRANCHISEE**

**ADDENDUM TO THE FRANCHISE AGREEMENT**

This Addendum is to a Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ by and between HAPPY JOE'S FRANCHISING, INC., an Iowa corporation (hereinafter Franchisor), and \_\_\_\_\_ (hereafter Franchisee) to amend said Franchise Agreement as follows:

WHEREAS, Franchisee has owned and operated a Happy Joe's Pizza & Ice Cream Parlor Restaurant located at \_\_\_\_\_ since signing the initial Franchise Agreement on \_\_\_\_\_ ("Initial Franchise Agreement");

WHEREAS, based on the term of the Initial Franchise Agreement, and any extension and renewal options, Franchisee's current franchise agreement will expire [OR expired] on \_\_\_\_\_, 20\_\_\_\_, and Franchisee has no additional renewal options;

WHEREAS, Franchisee desires to remain a franchisee and to continue the franchise relationship with Franchisor by executing the standard form of franchise agreement currently being offered by Franchisor, which agreement is being executed contemporaneously with this Addendum to the Franchise Agreement ("Franchise Agreement") with this Addendum to the Franchise Agreement to reflect changes to the Franchise Agreement based on the fact that the Franchise Agreement is for an existing franchise; and

NOW THEREFORE, in consideration of the mutual covenants contained herein, the parties hereto agree as follows:

1. The above recitals are incorporated herein and made a part of this Addendum to the Franchise Agreement.

2. This Addendum shall amend and supplement the Franchise Agreement. The terms, covenants and conditions of this Addendum are incorporated into the Franchise Agreement, and with respect to any conflict between the two (2) agreements, the terms of this Addendum shall be controlling with respect to the subject matter thereof. Except as expressly set forth in this Addendum, the rights, duties and obligations of the parties with respect to the ~~Franchised~~ Restaurant shall be the same as the rights, duties and obligations of the parties with respect to the ~~Franchised~~ Restaurant described in the Franchise Agreement.

3. The following shall be added to Paragraph II.A on Initial Term:

Franchisee shall have, at any time during the franchise term, the option to terminate this Agreement prior to the end of the ten (10) year term, without being in breach of this Agreement and without being liable for Liquidated Damages as set forth in Paragraph XVI.F, by delivering written notice to Franchisor at least one (1) year prior to the intended date of early termination. Such notice shall specify the date of termination. Upon termination as provided herein, Franchisee must fully comply with Section XVII. on Rights and Duties of Parties Upon Expiration or Termination and all other post-termination obligations.

4. Paragraphs III.B., C., D., E., and F. of the Franchise Agreement relating to obtaining a site for the HAPPY JOE'S restaurant, site approval and build out are hereby deleted as inapplicable.

5. Paragraph IV.A., B. and C. of the Franchise Agreement on initial training and assistance are hereby deleted as inapplicable.

6. Paragraph IX.B. of the Franchise Agreement on Franchisee's requirement to conduct a grand opening advertising campaign is deleted.

7. Paragraph XII.B. of the Franchise Agreement on Commencement of Operations is deleted.

8. Section XIII. of the Franchise Agreement is amended by the addition of the following:

F. Sale of Franchise. At the request of Franchisee, Franchisor may provide reasonable assistance to Franchisee in connection with a proposed sale of Franchisee's franchise rights and the assets of the ~~Franchised~~ Restaurant.

9. The termination events in Paragraphs XVI.B.1 and XVI.B.2 of the Franchise Agreement are hereby deleted as inapplicable.

10. The parties agree that Franchisee shall complete the following within \_\_\_\_\_ (\_\_\_\_) days of the execution of this Addendum as specified below in order to bring Franchisee's Happy Joe's Pizza & Ice Cream Parlor restaurant into compliance with the current specifications and standards for new HAPPY JOE'S restaurants:

[INSERT AS APPLICABLE OR WRITE "NOT APPLICABLE"]

In witness whereof, the parties hereto, intending to be legally bound, hereby have duly executed, sealed and delivered this Addendum to Franchise Agreement on the date entered next to each signature.

HAPPY JOE'S FRANCHISING, INC.:

Date: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

FRANCHISEE:

\_\_\_\_\_

Date: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**HAPPY JOE'S FRANCHISING, INC.**  
**SPECIAL INCENTIVE PROGRAM ADDENDUM**  
**EXHIBIT K TO THE FRANCHISE DISCLOSURE DOCUMENT**

**SPECIAL INCENTIVE PROGRAM ADDENDUM  
TO FRANCHISE AGREEMENT**

This is an Addendum to the Happy Joe's Franchising, Inc. Franchise Agreement ("Franchise Agreement") by and between Happy Joe's Franchising, Inc. ("Franchisor") and \_\_\_\_\_, an individual/corporation/limited liability company organized in the state of \_\_\_\_\_ ("Franchisee"), executed contemporaneously with this Addendum.

**RECITALS:**

WHEREAS, Franchisor currently has a Special Incentive Program for U.S. veterans, ethnic minorities and women to provide opportunities; and

WHEREAS, based on Franchisee's representations to Franchisor, Franchisee qualifies for Franchisor's Special Incentive Program,

NOW THEREFORE, in consideration of the promises and the mutual agreements, provisions and covenants contained in this Amendment, Franchisor and Franchisee hereby agree as follows:

1. The recitals above are incorporated herein and made part of this Agreement.

2. This Addendum amends and supplements the Franchise Agreement and any other addendum to the Franchise Agreement simultaneously executed by the parties. The terms, covenants and conditions of this Addendum are incorporated into the Franchise Agreement, and with respect to any conflict between the two (2) agreements, the terms of this Addendum shall be controlling with respect to the subject matter thereof.

3. Franchisee agrees that the individual franchisee or owner of the franchisee entity qualifying for the Special Incentive Program owns at least fifty-one percent (51%) of the franchise and will be the designated owner supervising the HAPPY JOE'S Restaurant.

4. Paragraph I.C. of the Franchise Agreement is amended so that the initial franchise fee due from Franchisee in connection with the purchase of the franchise will be \$~~2530~~,000.

This Addendum to the Franchise Agreement is executed as of the date opposite each signature.

HAPPY JOE'S FRANCHISING, INC.:

Date: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

FRANCHISEE:

Date: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

**HAPPY JOE'S FRANCHISING, INC.**

**STATE ADDENDA**

**EXHIBIT L TO THE FRANCHISE DISCLOSURE DOCUMENT**

**HAPPY JOE'S FRANCHISING, INC.**  
**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**FOR THE STATE OF ILLINOIS**

The Franchise Disclosure Document of Happy Joe's Franchising, Inc. for use in the State of Illinois is modified in accordance with the following:

Illinois law shall apply to and govern the Franchise Agreement and Area Development Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisee's rights upon Termination and Non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

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

**HAPPY JOE'S FRANCHISING, INC.**  
**ADDENDUM TO THE FRANCHISE AGREEMENT**  
**FOR THE STATE OF ILLINOIS**

This Addendum is to Franchise Agreement dated, \_\_\_\_\_, 20\_\_ between Happy Joe's Franchising, Inc. and (Franchisee) to amend said Agreement as follows:

1. Illinois law shall apply to and govern the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Franchisee's rights upon Termination and Non-renewal are set forth in Sections ~~4914~~ and ~~2015~~ of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
6. ~~Paragraph 7 of the Recitals and~~ Subsections A., C., F., and G of Section ~~XXXIII~~22 are deleted.

**In witness whereof**, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

HAPPY JOE'S FRANCHISING, INC.:

By: \_\_\_\_\_

Title: \_\_\_\_\_

FRANCHISEE:

By: \_\_\_\_\_

Title: \_\_\_\_\_

**HAPPY JOE'S FRANCHISING, INC.**  
**ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT**  
**FOR THE STATE OF ILLINOIS**

This Addendum is to an Area Development Agreement dated, \_\_\_\_\_, 20\_\_\_\_  
between Happy Joe's Franchising, Inc. and (Developer) to amend said Agreement as follows:

1. Illinois law shall apply to and govern the Area Development Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Franchisee's rights upon Termination and Non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
6. Paragraph 6 of the Recitals and Subsections A., C., F., and G of Section XX are deleted.

**In witness whereof**, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

HAPPY JOE'S FRANCHISING, INC.:

By: \_\_\_\_\_

Title: \_\_\_\_\_

FRANCHISEE:

By: \_\_\_\_\_

Title: \_\_\_\_\_

**HAPPY JOE'S FRANCHISING, INC.**  
**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**FOR THE STATE OF INDIANA**

The Franchise Disclosure Document of Happy Joe's Franchising, Inc. for use in the State of Indiana is modified in accordance with the following:

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

**HAPPY JOE'S FRANCHISING, INC.**  
**ADDENDUM TO THE FRANCHISE AGREEMENT**  
**FOR THE STATE OF INDIANA**

This Addendum is to Franchise Agreement dated, \_\_\_\_\_, 20\_\_ between Happy Joe's Franchising, Inc. and (Franchisee) to amend said Agreement as follows:

The Indiana Franchises Law, Title 23, Chapter 2.5, Sections 1 through 51 of the Indiana Code, supersedes any provisions of the Franchise Agreement if such provisions are in conflict with that law.

**In witness whereof**, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

HAPPY JOE'S FRANCHISING, INC.:

By: \_\_\_\_\_

Title: \_\_\_\_\_

FRANCHISEE:

By: \_\_\_\_\_

Title: \_\_\_\_\_

**HAPPY JOE'S FRANCHISING, INC.**  
**ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT**  
**FOR THE STATE OF INDIANA**

This Addendum is to an Area Development Agreement dated, \_\_\_\_\_, 20\_\_ between Happy Joe's Franchising, Inc. and (Developer) to amend said Agreement as follows:

The Indiana Franchises Law, Title 23, Chapter 2.5, Sections 1 through 51 of the Indiana Code, supersedes any provisions of the Area Development Agreement if such provisions are in conflict with that law.

**In witness whereof**, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

HAPPY JOE'S FRANCHISING, INC.:

By: \_\_\_\_\_

Title: \_\_\_\_\_

FRANCHISEE:

By: \_\_\_\_\_

Title: \_\_\_\_\_

**HAPPY JOE'S FRANCHISING, INC.**  
**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**FOR THE STATE OF MINNESOTA**

The HAPPY JOE'S FRANCHISING, INC. Franchise Disclosure Document for use in the State of Minnesota is modified in accordance with the following:

1. Item 17 of the Franchise Disclosure Document is amended by the addition of the following language to the original language that appears therein:

"With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement."

2. Item 17 of the Franchise Disclosure Document is amended by the addition of the following language to the original language that appears therein:

"The execution of a general release as a condition for renewal or for assignment of the franchise shall be inapplicable to franchises operating in Minnesota."

3. Item 17 of the Franchise Disclosure Document is amended by the addition of the following language to the original language that appears therein:

"Minn. Stat. Sec. 80C.21 and Minn. Rule Part 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 Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction."

4. Item 13 of the Franchise Disclosure Document on "Trademarks" is amended by the addition of the following language to the original language that appears therein:

"In the event Franchisee's right to the use of any name, mark or commercial symbol licensed hereunder is the subject of any claim, suit or demand (a "threat"), Franchisor shall either defend Franchisee against the threat or indemnify Franchisee from any loss, costs or expenses arising therefrom, provided and on condition, Franchisee:

- A. delivers to Franchisor prompt written notice of the threat;
- B. grants Franchisor written authorization to take unrestricted control over the defense and settlement of the threat with counsel of its choice;
- C. did not cause or give rise to the threat due to a material failure to comply with Franchisor's previously communicated trademark usage requirements;
- D. cooperates promptly and fully with Franchisor in the defense, mitigation, and/or settlement of the threat; and
- E. does not jeopardize or compromise any right, defense, obligation or liability of Franchisor, by making any statement to, or entering into any agreement with, the threatening party which does not have the advance written consent of Franchisor, unless required by applicable law."

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

6. The franchisee cannot be required to consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400(J). Also, a court will determine if a bond is required.

7. The Limitations of Claims section must comply with Minnesota Stat. § 80C.17, subd. 5
8. Minnesota Rules 2860.4400(G) prohibits a franchisor from imposing on a franchisee by contract or rule, whether written or oral, any standard of conduct that is unreasonable.
9. Item 17.w. of the Franchise Disclosure Document on “Choice of Law” shall be amended by replacing the Summary column with the following:  
“Iowa laws applies, subject to state law; except that disputes regarding the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq).

**HAPPY JOE'S FRANCHISING, INC.**  
**ADDENDUM TO THE FRANCHISE AGREEMENT**  
**FOR THE STATE OF MINNESOTA**

This Addendum is to a Franchise Agreement dated, \_\_\_\_\_, 20\_\_ between Happy Joe's Franchising, Inc. (Franchisor) and \_\_\_\_\_ (Franchisee) to amend said Agreement as follows:

1. Section ~~4~~2.B. of the Franchise Agreement on Renewal Term and Requirements and Section ~~XV~~14. of the Franchise Agreement on Default and Termination is amended by the addition of the following language to the original language that appears therein:

"Minnesota law provides franchisees with certain termination and non-renewal rights. Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement. These provisions of Minnesota law are hereby incorporated by reference in this Agreement."

2. Section ~~4~~2.B. of the Franchise Agreement on Renewal Term and Requirements and Section ~~XVIII~~16.B. of the Franchise Agreement on Transfer by Franchisee are amended by the addition of the following language to the original language that appears therein:

"The execution of a general release upon renewal shall be inapplicable to franchises operating in Minnesota."

3. Section ~~V~~5 of the Franchise Agreement on Proprietary Marks is amended by the addition of the following language to the original language that appears therein:

"In the event Franchisee's right to the use of any name, mark or commercial symbol licensed hereunder is the subject of any claim, suit or demand (a "threat"), Franchisor shall either defend Franchisee against the threat or indemnify Franchisee from any loss, costs or expenses arising therefrom, provided and on condition, Franchisee:

A. delivers to Franchisor prompt written notice of the threat;

B. grants Franchisor written authorization to take unrestricted control over the defense and settlement of the threat with counsel of its choice;

C. did not cause or give rise to the threat due to a material failure to comply with Franchisor's previously communicated trademark usage requirements;

D. cooperates promptly and fully with Franchisor in the defense, mitigation, and/or settlement of the threat; and

E. does not jeopardize or compromise any right, defense, obligation or liability of Franchisor, by making any statement to, or entering into any agreement with, the threatening party which does not have the advance written consent of Franchisor, unless required by applicable law."

4. Section ~~XV~~14.F. and Section ~~XXIX~~21.B. of the Franchise Agreement on Applicable Law are amended by the addition of the following language to the original language that appears therein:

"Minn. Stat. Sec. 80C.21 and Minn. Rule Part 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 Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction."

5. Section ~~XII~~10.A. of the Franchise Agreement is amended by the addition of the following language:

Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J prohibit us from requiring the franchisee to consent to liquidated damages.

6. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any

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

7. ~~Paragraph 7 of the Recitals and~~ Subsections A., C., F., and G of Section ~~XXXXII22~~ are deleted.

8. The franchisee cannot be required to consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400(J). Also, a court will determine if a bond is required.

9. The Limitations of Claims section must comply with Minnesota Stat. § 80C.17, subd. 5

10. Minnesota Rules 2860.4400(G) prohibits a franchisor from imposing on a franchisee by contract or rule, whether written or oral, any standard of conduct that is unreasonable.

11. Section ~~XXIX21~~.A. of the Franchise Agreement is deleted and replaced with the following:

THIS AGREEMENT SHALL BE INTERPRETED AND CONSTRUED UNDER THE LAWS OF THE STATE OF IOWA, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES, EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.).

**In witness whereof**, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

HAPPY JOE'S FRANCHISING, INC.:

By: \_\_\_\_\_

Title: \_\_\_\_\_

FRANCHISEE:

By: \_\_\_\_\_

Title: \_\_\_\_\_

**HAPPY JOE'S FRANCHISING, INC.**  
**ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT**  
**FOR THE STATE OF MINNESOTA**

This Addendum is to an Area Development Agreement dated, \_\_\_\_\_, 20\_\_\_\_ between Happy Joe's Franchising, Inc. (Franchisor) and (Developer) to amend said Agreement as follows:

1. Section VII. of the Area Development Agreement on Default and Termination is amended by the addition of the following language to the original language that appears therein:

"Minnesota law provides franchisees with certain termination and non-renewal rights. Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement. These provisions of Minnesota law are hereby incorporated by reference in this Agreement."

2. Section VIII.E. of the Area Development Agreement on Transferability is amended by the addition of the following language to the original language that appears therein:

"The execution of a general release as a condition for assignment of the franchise shall be inapplicable to franchises operating in Minnesota."

3. Section XVII. of the Area Development Agreement on Applicable Law is amended by the addition of the following language to the original language that appears therein:

"Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J prohibit us from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the Franchise Disclosure Document or agreement can abrogate or reduce any your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction."

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

5. Paragraph 6 of the Recitals and Subsections A., C., F., and G of Section XX are deleted.

6. The franchisee cannot be required to consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400(J). Also, a court will determine if a bond is required.

7. The Limitations of Claims section must comply with Minnesota Stat. § 80C.17, subd. 5

8. Minnesota Rules 2860.4400(G) prohibits a franchisor from imposing on a franchisee by contract or rule, whether written or oral, any standard of conduct that is unreasonable.

~~9. Section II of the Area Development Agreement is amended to reflect that payment of the development fee will be deferred until Developer has commenced doing business.~~

~~10.9.~~ Section XVII.A. of the Area Development Agreement is deleted and replaced with the following:

THIS AGREEMENT SHALL BE INTERPRETED AND CONSTRUED UNDER THE LAWS OF THE STATE OF IOWA, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES, EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.).

[Signature Pages Follows]

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

HAPPY JOE'S FRANCHISING, INC.:

By: \_\_\_\_\_

Title: \_\_\_\_\_

FRANCHISEE:

By: \_\_\_\_\_

Title: \_\_\_\_\_

**HAPPY JOE'S FRANCHISING, INC.**  
**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**FOR THE STATE OF NORTH DAKOTA**

The Happy Joe's Franchising, Inc. Franchise Disclosure Document for use in the State of North Dakota is modified in accordance with the following:

1. Item 6 and Item 17.i. of the Franchise Disclosure are amended in part to delete any and all references to the obligation of franchisee to pay liquidated damages or consent to termination.
2. Item 17, c. of the Franchise Disclosure Document on "Requirements for you to renew or extend" and Item 17, m of the Franchise Disclosure Document on "Conditions for our approval of transfer" are amended by the addition of the following:

"The execution of a general release upon renewal, assignment or termination shall be inapplicable to franchises operating under the North Dakota Franchise Investment Law."
3. Item 17, r. of the Franchise Disclosure Document on "Non-competition covenants after the franchise is terminated or expires" is amended by the addition of the following:

"Covenants not to compete such as those mentioned above are generally unenforceable in the State of North Dakota."
4. Item 17, v. of the Franchise Disclosure Document on "Choice of forum" shall be amended by the addition of the following:

"The consent to the jurisdiction of the courts of the state of Texas shall be inapplicable to franchises operating under the North Dakota Franchise Investment Law."
5. Item 17.w. of the Franchise Disclosure Document on "Choice of Law" shall be amended by replacing the Summary column with the following:

"North Dakota laws applies, subject to state law; except that disputes regarding the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.
6. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**HAPPY JOE'S FRANCHISING, INC.**  
**ADDENDUM TO THE FRANCHISE AGREEMENT**  
**FOR THE STATE OF NORTH DAKOTA**

This Addendum is to a Franchise Agreement dated, \_\_\_\_\_, 20\_\_\_\_ between Happy Joe's Franchising, Inc. and (Franchisee) to amend said Agreement as follows:

1. Section ~~4~~2.B.(8) of the Franchise Agreement on "Renewal" and Section ~~XVIII~~16.B.2.b.(8) of the Franchise Agreement on "Transferability by Franchisee" are amended by the addition of the following language to the original language that appears therein:  

"The execution of a general release upon renewal, assignment or termination shall be inapplicable to franchises operating under the North Dakota Franchise Investment Law."
2. Section ~~XV~~13 of the Franchise Agreement on "Covenant Not to Compete" is amended by the addition of the following language to the original language that appears therein:  

"Covenants not to compete such as those mentioned above are generally unenforceable in the State of North Dakota."
3. Section ~~XIV~~14.F. of the Franchise Agreement on "Liquidated Damages" is deleted in its entirety.
4. Section ~~XXIX~~21.A. of the Franchise Agreement is amended by deletion of consent to being governed by Texas law.
5. Section ~~XXIX~~21.B. of the Franchise Agreement on consent to jurisdiction is deleted in its entirety.
6. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
7. ~~Paragraph 7 of the Recitals and~~ Subsections A., C., F., and G of Section ~~XXXIII~~22 are deleted.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed, sealed and delivered this Agreement in duplicate the day and year first above written.

HAPPY JOE'S FRANCHISING, INC.:

By: \_\_\_\_\_

Title: \_\_\_\_\_

FRANCHISEE:

By: \_\_\_\_\_

Title: \_\_\_\_\_

**HAPPY JOE'S FRANCHISING, INC.**  
**ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT**  
**FOR THE STATE OF NORTH DAKOTA**

This Addendum is to an Area Development Agreement dated, \_\_\_\_\_, 20\_ between Happy Joe's Franchising, Inc. and (Area Developer) to amend said Agreement as follows:

1. Section VII.D. of the Area Development Agreement is amended by the deletion of any reference to the obligations of the franchisee to pay liquidated damages or consent to termination.
2. Section VIII.E. of the Area Development Agreement on "Transferability" is amended by the addition of the following language to the original language that appears therein:  

"The execution of a general release upon renewal shall be inapplicable to franchises operating under the North Dakota Franchise Investment Law."
3. Section IX. of the Area Development Agreement on "Covenants" is amended by the addition of the following language to the original language that appears therein:  

"Covenants not to compete such as those mentioned above are generally unenforceable in the State of North Dakota."
4. Section XVII.A. of the Area Development Agreement is amended by deletion of consent to being governed by Texas law.
5. Section XVII.B. of the Area Development Agreement on consent to jurisdiction is deleted in its entirety.
6. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
7. Paragraph 6 of the Recitals and Subsections A., C., F., and G of Section XX are deleted.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Agreement in duplicate on the day and year first above written.

If Developer is an individual:

HAPPY JOE'S FRANCHISING, INC.:

By: \_\_\_\_\_

Title: \_\_\_\_\_

FRANCHISEE:

By: \_\_\_\_\_

Title: \_\_\_\_\_

**HAPPY JOE'S FRANCHISING, INC.**  
**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**FOR THE STATE OF SOUTH DAKOTA**

The Franchise Disclosure Document of Happy Joe's Franchising, Inc. for use in the State of South Dakota is modified in accordance with the following:

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

**HAPPY JOE'S FRANCHISING, INC.**  
**ADDENDUM TO THE FRANCHISE AGREEMENT**  
**FOR THE STATE OF SOUTH DAKOTA**

This Addendum is to a Franchise Agreement dated \_\_\_\_\_, ~~20~~ between Happy Joe's Franchising, Inc. and (Franchisee) to amend said Agreement by including the following language:

The South Dakota Franchise Investment Law, Chapter 37-5B of the South Dakota Codified Laws supersedes any provisions of the Franchise Contract or Agreement if such provisions are in conflict with that law.

**In witness whereof**, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

HAPPY JOE'S FRANCHISING, INC.:

By: \_\_\_\_\_

Title: \_\_\_\_\_

FRANCHISEE:

By: \_\_\_\_\_

Title: \_\_\_\_\_

**HAPPY JOE'S FRANCHISING, INC.**  
**ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT**  
**FOR THE STATE OF SOUTH DAKOTA**

This Addendum is to an Area Development Agreement dated, \_\_\_\_\_, 20\_\_ -between Happy Joe's Franchising, Inc. and (Developer) to amend said Agreement by including the following language:

The South Dakota Franchise Investment Law, Chapter 37-5B of the South Dakota Codified Laws supersedes any provisions of the Franchise Contract or Agreement if such provisions are in conflict with that law.

**In witness whereof**, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

HAPPY JOE'S FRANCHISING, INC.:

By: \_\_\_\_\_

Title: \_\_\_\_\_

FRANCHISEE:

By: \_\_\_\_\_

Title: \_\_\_\_\_

**HAPPY JOE'S FRANCHISING, INC.**  
**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**FOR THE STATE OF WISCONSIN**

The Franchise Disclosure Document of Happy Joe's Franchising, Inc. for use in the State of Wisconsin is modified in accordance with the following:

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

**HAPPY JOE'S FRANCHISING, INC.**  
**ADDENDUM TO THE FRANCHISE AGREEMENT**  
**FOR THE STATE OF WISCONSIN**

This Addendum is to a Franchise Agreement dated, \_\_\_\_\_, 20\_\_ between Happy Joe's Franchising, Inc. and (Franchisee) to amend said Agreement by including the following language:

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provisions of the Franchise Contract or Agreement if such provisions are in conflict with that law.

**In witness whereof**, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

HAPPY JOE'S FRANCHISING, INC.:

By: \_\_\_\_\_

Title: \_\_\_\_\_

FRANCHISEE:

By: \_\_\_\_\_

Title: \_\_\_\_\_

**HAPPY JOE'S FRANCHISING, INC.**  
**ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT**  
**FOR THE STATE OF WISCONSIN**

This Addendum is to an Area Development Agreement dated, \_\_\_\_\_, 20\_\_—between Happy Joe's Franchising, Inc. and (Developer) to amend said Agreement by including the following language:

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provisions of the Franchise Contract or Agreement if such provisions are in conflict with that law.

**In witness whereof**, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

HAPPY JOE'S FRANCHISING, INC.:

By: \_\_\_\_\_

Title: \_\_\_\_\_

FRANCHISEE:

By: \_\_\_\_\_

Title: \_\_\_\_\_

**HAPPY JOE'S FRANCHISING, INC.**  
**STATE EFFECTIVE DATES PAGE**  
**EXHIBIT M TO THE FRANCHISE DISCLOSURE DOCUMENT**

### **State Effective Dates**

The following states have franchise laws that 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:

<b>State</b>	<b>Effective Date</b>
<del>California</del>	<del>Not Registered</del>
<del>Hawaii</del>	<del>Not Registered</del>
Illinois	<del>Pending</del> <u>PENDING</u>
Indiana	<del>Pending</del> <u>PENDING</u>
<del>Maryland</del>	<del>Not Registered</del>
Michigan	<del>Not Registered</del> <u>PENDING</u>
Minnesota	<del>Pending</del> <u>PENDING</u>
<del>New York</del>	<del>Not Registered</del>
North Dakota	<del>Pending</del> <u>PENDING</u>
<del>Rhode Island</del>	<del>Not Registered</del>
South Dakota	<del>Pending</del> <u>PENDING</u>
<del>Virginia</del>	<del>Not Registered</del>
<del>Washington</del>	<del>Not Registered</del>
Wisconsin	<del>Pending</del> <u>PENDING</u>

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.

**HAPPY JOE'S FRANCHISING, INC.**  
**RECEIPTS**  
**EXHIBIT N TO THE FRANCHISE DISCLOSURE DOCUMENT**

**COPY FOR FRANCHISEE**

**RECEIPT**

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Happy Joe's Franchising, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding Agreement with, or make a payment to us or an affiliate in connection with the proposed franchise sale.

If Happy Joe's Franchising, Inc. 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified in Exhibit D.

The name, principal business address and telephone number of each franchise seller offering the franchise:  
Thomas Sacco, 5239 Grand Avenue, Davenport, Iowa, 52807, (563)332-8811 and Kat Davidson, P O Box 191274, Dallas, TX 75219, 678-485-8413.

**Check and add additional franchise seller(s) as applicable:**

- ~~Hollie Matthys~~Aaron Huber, 5239 Grand Avenue, Davenport, Iowa, 52807, (563)332-8811
- \_\_\_\_\_.

Issuance date: January ~~29, 2024 as amended April 1, 2024~~28, 2025.

See Exhibit D for our registered agents authorized to receive service of process.

I have received the Happy Joe's Franchising, Inc. ~~See Exhibit D for our registered agents authorized to receive service of process.~~

I have received the Happy Joe's Franchising, Inc. Disclosure Document dated January ~~29, 2024 as amended April 1, 2024~~28, 2025 that included the following Exhibits:

- A. Financial Statements
- B. Franchise Agreement (including Authorization for Electronic Transfer of Funds, Guaranty, Collateral Assignment of Lease, Lease Addendum, Conditional Assignment of Telephone Numbers)
- C. Area Development Agreement
- D. List of State Agents for Service of Process and State Administrators
- E. Table of Contents of the Manuals
- F. List of Happy Joe's Restaurants
- G. List of Certain Former Franchisees
- H. Franchisee Acknowledgement Questionnaire
- I. Renewal Addendum
- J. Legacy Franchisee Addendum
- K. Special Incentive Program Addendum
- L. State Addendum (if applicable)

DATED: \_\_\_\_\_

SIGNED: , individually on behalf of

\_\_\_\_\_ *state name of entity and state of organization*

NAME: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

PHONE: \_\_\_\_\_

**COPY FOR FRANCHISOR**

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