

2024–2025  
**FRANCHISE DISCLOSURE DOCUMENT  
FOR PROSPECTIVE FRANCHISEES**

Smoothie King Franchises, Inc.  
A Texas Corporation  
9797 Rombauer Road  
Coppell, Texas 75019  
(214) 935-8900  
Website: [www.smoothieking.com](http://www.smoothieking.com)  
Email: [franchise@smoothieking.com](mailto:franchise@smoothieking.com)



The franchise is for the establishment and operation of a Smoothie King® unit offering guests a variety of custom smoothies and smoothie bowls blended to support healthy and active lifestyles. Each proprietary blend is made with select whole fruits and organic vegetables without any artificial preservatives, flavors and colors. Smoothie King offers other nutritional drinks and general nutritional products under the name **Smoothie King®**. The Smoothie King mission is to inspire people to live a healthy and active lifestyle and to be an integral part of every health and fitness journey.

The total investment necessary to begin operation of a traditional Smoothie King® Business ranges from (i) for an end-cap or in-line location, \$320,600 to \$648,465, and (ii) for a free-standing drive-thru location, \$649,400 to \$1,266,650. This includes \$27,500 to \$32,500 that must be paid to us. Smoothie King also offers Area Development rights to develop multiple Smoothie King Businesses. If you sign an Area Development Agreement, you also must pay us a development fee of \$12,500 for each Smoothie King® franchise you commit to develop after the first franchise. You must develop a minimum of 3 Smoothie King® Businesses under the Area Development 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 the Smoothie King franchise sales office at 9797 Rombauer Road, Coppell, TX 75019, or (214) 935-8900.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “[A Consumer’s Guide to Buying a Franchise](#),” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission (the “FTC”). You can contact the FTC at 1-877-FTC-HELP (1-877-382-4357) 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 also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: April 6, 2024, [as amended August 30, 2024](#)

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protection, including all applicable state laws, and any privacy policies or data protection and breach response policies we periodically may establish.

Various federal agencies, including the U.S. Food and Drug Administration (“FDA”), U.S. Department of Agriculture, and Federal Trade Commission (“FTC”) have certain laws and regulations that apply directly to how you market, sell and label your vitamins, supplements, smoothies and smoothie bowls, and how you present nutritional information for your products. Food service, health and sanitation laws and regulations will also directly apply to the preparation of your smoothies, smoothie bowls and handling of other food products. In addition, certain general laws will apply to a Smoothie King Business. For example, you must comply with laws and local ordinances concerning permits, occupational licensing and the construction and operation of a Unit. There may be other general laws that apply to a Smoothie King Business, and you should make inquiries to find out about these regulations.

## **Item 2**

### **BUSINESS EXPERIENCE**

Unless otherwise noted, all personnel listed below are based at our corporate headquarters in Coppell, Texas.

#### **Chairman of the Board and Chief Executive Officer: Sung-Wan Kim**

Sung-Wan Kim has been Smoothie King’s Chairman of the Board since July 2012 and Chief Executive Officer since January 2013. In addition, Mr. Kim has been Director and Chief Executive Officer of SK USA, Inc. since its inception.

#### **Chief Operating Officer: Camille Hymes**

Ms. Hymes has been Smoothie King’s Chief Operating Officer since June 2023. From February 2021 through June 2023, Camille served as Vice President, Public Affairs for Starbucks Coffee Company in Seattle, Washington. From February 2014 through February 2021, Camille held the position as Vice President, Regional Operations for Starbucks Coffee Company.

#### **Chief Development Officer: Chris Bremer**

Mr. Bremer has been Smoothie King’s Chief Development Officer since July 2022. From December 2017 through June 2022, Chris served as Chief Development Officer for Nothing Bundt Cakes in Dallas, Texas.

#### **Chief Financial Officer: Gavin Felder**

Mr. Felder has been Smoothie King’s Chief Financial Officer since May 2024. From November 2019 through May 2024, Gavin served as Chief Strategy Officer for Yum! Brands, Inc. in Dallas, Texas. From January 2014 through November 2019, Gavin was Chief Financial Officer for KFC Global, Yum! Brands, Inc. in Dallas, Texas.

#### **Vice President, Franchise Sales: Shawn Caric**

Based in North Huntingdon, Pennsylvania, Shawn Caric has been Smoothie King’s Vice President of Franchise Sales since November 2021. From May 2021 through November 2021, Shawn was the Vice President of Franchise Development for Qdoba Restaurant Corp in San Diego, California.

Between March 2010 through April 2021, Shawn held various roles at Dunkin' Brands, Inc. out of Canton, Massachusetts, most recently serving as Director, Retail Development.

**Chief Marketing Officer: Marianne Radley**

~~Marianne has been Smoothie King's Chief Marketing Officer since late September 2022. From June 2020 until September 2022, Ms. Radley served as the CEO for Boys & Girls Clubs of Collin County based in Frisco, Texas. Between February 2018 and January 2020, Ms. Radley was employed by YUM! Restaurants Corp. and served as the Chief Brand Officer for Pizza Hut US, based in Plano, Texas.~~

**Chief Legal Officer and Corporate Secretary: Joshua Nicosia**

Joshua has been Smoothie King's Chief Legal Officer and Corporate Secretary since March 2021. From February 2019 to March 2021, Mr. Nicosia was the North American General Counsel for IWG, PLC in Dallas, Texas.

**Vice-President of Operations, West Region: Matt Kafka**

Matt has been our Vice-President of Operations, West Region since June 2018 and was our Interim Chief Operating Officer from February 2023 to June 2023.

**Vice President, Operation Services, Training, and Education: Katherine Meariman**

Katherine Meariman has been Smoothie King's Vice President, Operation Services, Training and Education, since January 2018.

**Director, Franchise Development: Steve Osler**

Steve Osler has been Smoothie King's Director, Franchise Development since June 2018.

**Director, Franchise Development: Chad Tramuta**

Based in Metairie, Louisiana, Chad Tramuta has been Smoothie King's Director, Franchise Development since February 2014 ~~-serving the East and Southeast markets.~~

**Director, Franchise Development: Cindy Savieh**

**Vice President of Real Estate: Brian Olson**

Based in ~~White Lake, Michigan, Cindy Savieh~~Bolingbrook, Illinois, Brian Olson has been Smoothie King's ~~Director, Franchise Development~~Vice President of Real Estate since ~~April 2022~~May 2024. Prior to joining Smoothie King, ~~Cindy served as Development Manager for Little Caesars Enterprise in Detroit, Michigan, from November 2020 to April 2022. Between August 2018 and November 2020, Cindy served as Business Development with Syseo Detroit.~~Brian was Senior Director of Franchise Sales/Real Estate Development for CKE Restaurants, from June, 2021 to May, 2024. Brian was also Director of National Leasing for Highland Ventures in Glenview, Illinois from June, 2020 to June, 2021; Director of Real Estate for Aspen Dental in Chicago, Illinois from October, 2019 to August, 2020; and Director of Development/Real Estate for Dominos in Ann Arbor, Michigan from August, 2014 to July, 2019.

**Director of Real Estate: Chris de Wolff**

Based in Atlanta, Georgia, Chris de Wolff has been Smoothie King’s Director of Real Estate supporting the eastern US since July 2018.

**Director of Real Estate: Andrea Witt**

Andrea Witt has been Smoothie King’s Director of Real Estate since April 2017.

**Item 3**

**LITIGATION**

*Smoothie King Franchises, Inc. v. Best Smoothie Inc. and Jean Victome, et al.*, Civil Action No. 1:21-CV-04402-WMR, U.S. District Court (Dist. Ct. N.D. Ga, filed October 22, 2021). We brought an action for violation of a consent judgment and unfair competition against the purchaser of a former franchisee’s assets. We allege that the purchaser was a continuation of the former franchisee’s business and allege that the purchaser is using our proprietary materials and trade secrets (including recipes), Smoothie King® marks and trade dress. We are seeking damages and injunctive relief. A trial date ~~has~~had been set for April 29, 2024, but the court postponed the trial date and has not yet set a new one.

*Thomas O’Keefe, Kenneth, (Bret) Cunningham, Joseph Lewis, Brian Judge, Byoungsoon (Paul) Ahn, Dione Heusel, Betsy Riggs, Chris Miller, And Thomas (Bradley) West v. Smoothie King Franchises, Inc. & SK USA, Inc.*, Civil Action No. 2:24-cv-2094, United States District Court for the Eastern District of Louisiana, filed August 26, 2024. Nine of our former employees who left the company in or before 2019 brought this action against us and our affiliate alleging that stock options that they were awarded during their employment are still in effect and that we have improperly determined that they are not in effect. They allege breach of contract, breach of the implied covenant of good faith and fair dealing, negligent misrepresentation, violation of Louisiana Civil Code Article 1953, and violation of the Louisiana Unfair Trade Practices Act. They request a declaratory judgment that their stock options remain in effect, and in the alternative money damages. We are still reviewing the complaint and have not yet filed a formal response, which is due by September 18, 2024.

Other than the above, no litigation is required to be disclosed in this Item.

**Item 4**

**BANKRUPTCY**

No bankruptcies are required to be disclosed in this Item.

**Item 5**

**INITIAL FEES**

**INITIAL FRANCHISE FEES—TRADITIONAL AND NON-TRADITIONAL LOCATIONS**

When you sign a Franchise Agreement, you must pay an initial franchise fee (the “**Initial Franchise Fee**”). For each Traditional Store, you must pay us an Initial Franchise Fee of \$30,000. For each Non-Traditional Store, you must pay us an Initial Franchise Fee of \$15,000.

<b>Texas</b>	2021	4
	2022	27
	2023	17
<b>Virginia</b>	2023	5
<b>Wisconsin</b>	2021	0
	2022	0
	2023	1
<b>TOTAL</b>	2021	43
	2022	72
	2023	86

**TABLE NUMBER 3  
Status of Franchised Units  
For Years 2021 to 2023<sup>(1)(2)</sup>**

State	Year	Units at the Start of the Year	Units Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Units at the End of the Year
<b>Alabama</b>	2021	27	1	0	0	0	1	27
	2022	27	3	0	0	0	0	30
	2023	30	1	<del>20</del>	0	0	<del>02</del>	29
<b>Arizona</b>	2021	8	1	0	0	0	0	9
	2022	9	1	0	0	0	0	10
	2023	10	0	<del>10</del>	0	0	<del>01</del>	9
<b>Arkansas</b>	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	0	7
	2023	7	0	<del>10</del>	0	0	<del>01</del>	6
<b>Colorado</b>	2021	7	1	0	0	0	0	8
	2022	8	0	0	0	0	0	8
	2023	8	5	0	0	0	0	13
<b>Connecticut</b>	2021	4	1	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	<del>10</del>	0	0	<del>01</del>	4
<b>District of Columbia</b>	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
<b>Florida</b>	2021	103	9	2	0	0	1	109
	2022	109	6	1	0	0	0	114
	2023	114	5	<del>40</del>	0	3	<del>04</del>	112
<b>Georgia</b>	2021	87	6	0	0	0	2	91
	2022	91	4	0	0	0	1	94
	2023	94	9	<del>10</del>	0	0	<del>01</del>	102
<b>Illinois</b>	2021	31	11	0	0	0	0	42
	2022	42	6	0	0	0	1	47
	2023	47	4	<del>10</del>	0	0	<del>01</del>	50
<b>Indiana</b>	2021	18	0	0	0	0	0	18
	2022	18	4	0	0	0	0	22
	2023	22	2	0	0	0	0	24

<b>Iowa</b>	2021	3	0	0	0	0	0	3
	2022	3	2	0	0	0	0	5
	2023	5	0	0	0	0	0	5
<b>Kansas</b>	2021	13	1	0	0	4	0	10
	2022	10	0	0	0	0	0	10
	2023	10	1	0	0	0	0	11
<b>Kentucky</b>	2021	9	0	0	0	0	1	8
	2022	8	1	0	0	0	0	9
	2023	9	0	+0	0	0	01	8
<b>Louisiana</b>	2021	107	2	1	0	0	3	105
	2022	105	3	0	0	0	4	104
	2023	104	2	20	0	0	02	104
<b>Maryland</b>	2021	33	2	0	0	0	4	31
	2022	31	3	1	0	0	2	31
	2023	31	3	01	0	0	+0	33
<b>Massachusetts</b>	2023	0	1	0	0	0	0	1
<b>Michigan</b>	2021	12	2	0	0	0	0	14
	2022	14	0	0	0	0	1	13
	2023	13	2	0	0	0	0	15
<b>Mississippi</b>	2021	25	1	0	0	0	0	26
	2022	26	0	0	0	0	0	26
	2023	26	0	20	0	0	02	24
<b>Missouri</b>	2021	44	2	0	0	0	1	45
	2022	45	2	0	0	0	2	45
	2023	45	6	+0	0	0	01	50
<b>Nebraska</b>	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
<b>Nevada</b>	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	0	3
	2023	3	0	0	0	0	0	3
<b>New Jersey</b>	2021	19	1	0	0	0	0	20
	2022	20	2	1	0	0	0	21
	2023	21	2	20	0	0	02	21
<b>New Mexico</b>	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
<b>New York</b>	2021	6	2	0	0	0	0	8
	2022	8	4	0	0	0	0	12
	2023	12	5	0	0	0	0	17
<b>North Carolina</b>	2021	50	0	0	0	0	1	49
	2022	49	1	0	0	0	1	49
	2023	49	0	0	0	0	0	49
<b>Ohio</b>	2021	26	3	0	0	0	0	29
	2022	29	3	0	0	0	1	31
	2023	31	4	+0	0	0	01	34
<b>Oklahoma</b>	2021	4	1	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
<b>Pennsylvania</b>	2021	8	3	0	0	0	0	11
	2022	11	4	0	0	0	0	15
	2023	15	1	+0	0	0	01	15

<b>South Carolina</b>	2021	19	1	0	0	0	0	20
	2022	20	2	0	0	0	0	22
	2023	22	3	0	0	0	0	25
<b>South Dakota</b>	2023	0	1	0	0	0	0	1
<b>Tennessee</b>	2021	49	1	0	0	13	1	36
	2022	36	2	0	0	0	0	38
	2023	38	2	0	0	0	0	40
<b>Texas</b>	2021	221	15	1	0	1	1	233
	2022	233	18	0	0	0	5	246
	2023	246	20	43	0	0	34	259
<b>Virginia</b>	2021	12	1	1	0	0	1	11
	2022	11	2	0	0	0	1	12
	2023	12	0	20	0	1	02	9
<b>West Virginia</b>	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
<b>Wisconsin</b>	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	1	2
	2023	2	1	0	0	0	0	3
<b>TOTAL</b>	2021	968	67	5	0	18	17	995
	2022	995	76	3	0	0	20	1048
	2023	1048	80	274	0	4	427	1093

(1) 2021 numbers are as of December 27th, 2022 numbers are as of December 26th and 2023 numbers are as of December 25th.

(2) The total number of Businesses operating at year end includes Non-Traditional locations ("NT's"). There were 46 NT locations operating in 2021, 48 NT locations operating in 2022 and 47 NT locations operating in 2023.

**TABLE NUMBER 4**  
**Status of Company Affiliate-Owned Units**  
**For Years 2021 to 2023**

State	Year	Units at the Start of the Year	Units Opened	Units Reacquired From Franchisees	Units Closed	Units Sold to Franchisees	Units at the End of the Year
<b>District of Columbia</b>	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
	2023	3	0	0	0	0	3
<b>Florida</b>	2021	13	0	0	0	0	13
	2022	13	0	0	0	0	13
	2023	13	0	3	0	0	16
<b>Kansas</b>	2021	0	0	4	0	0	4
	2022	4	1	0	0	0	5
	2023	5	0	0	0	0	5
<b>Louisiana</b>	2021	4	0	0	0	0	4
	2022	4	0	0	0	0	4

**Item 21**

**FINANCIAL STATEMENTS**

Smoothie King’s [unaudited financial statements from January 1 through June 24, 2024](#), audited financial statements for the period ending December 25, 2023, December 26, 2022, and December 27, 2021 are attached to this disclosure document as [Exhibit C](#), together with the related auditors’ report.

**Item 22**

**CONTRACTS**

The following agreements are attached as exhibits to this disclosure document.

- |           |   |
|-----------|---|
| Exhibit D | Form of Franchise Agreement                           |
|           | Attachment A: Protected Territory                     |
|           | Attachment B: Commencement Date                       |
|           | Attachment C: Automatic Bank Draft                    |
|           | Attachment D: Guaranty Agreement                      |
|           | Attachment E: Gift Card Participation Agreement       |
|           | Attachment F: Lease Rider                             |
| Exhibit E | Franchise Agreement Addendum—Non-Traditional Location |
| Exhibit F | Area Development Agreement                            |
| Exhibit H | Form Release of Claims                                |
| Exhibit I | State Specific Addenda                                |

**Item 23**

**RECEIPTS**

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

# **Smoothie King Franchises, Inc.**

(A wholly owned subsidiary of SK USA Inc.)

## **Financial Statements**

**As of December 25, 2023 and December 26, 2022 and  
for the years ended December 25, 2023,  
December 26, 2022, and December 27, 2021**

**Smoothie King Franchises, Inc.**

(A wholly owned subsidiary of Smoothie King Holdings, Inc.)

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**As of December 25, 2023 and December 26, 2022 and for the years ended  
December 25, 2023, December 26, 2022, and December 27, 2021**

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Ernst & Young LLP  
One Victory Park  
Suite 2000  
2323 Victory Avenue  
Dallas, TX 75219

Tel: +1 214 969 8000  
ey.com

## **Report of Independent Auditors**

To the Board of Directors of Smoothie King Franchises, Inc.

### **Opinion**

We have audited the financial statements of Smoothie King Franchises, Inc. (the Company), which comprise the balance sheet as of December 25, 2023, and the related income statement, statement of stockholder's equity and statement of cash flows for the fiscal year then ended, and the related notes (collectively referred to as "the financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 25, 2023, and the results of its operations and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Report of Other Auditors on 2022 and 2021 Financial Statements**

The financial statements of the Company for the fiscal years ended December 26, 2022 and December 27, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 10, 2023.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 available to be issued.

### **Auditor's Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements are free of 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.
- Obtaining 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 entity'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.

*Ernst + Young LLP*

April 1, 2024

**Smoothie King Franchises, Inc.**  
(A wholly owned subsidiary of SK USA Holdings, Inc.)  
**Balance Sheets**  
**December 25, 2023 and December 26, 2022**  
*(amounts in thousands, except share data)*

<b>Assets</b>	<b>2023</b>	<b>2022</b>
Current assets:		
Cash and cash equivalents	\$ 8,855	\$ 16,797
Restricted cash	5,341	4,277
Receivables, net of allowance for credit losses of \$547 and \$181 at December 25, 2023 and December 26, 2022, respectively	8,515	6,056
Due from affiliates	388	562
Prepaid and other current assets	792	471
Total current assets	<u>23,891</u>	<u>28,163</u>
Property and equipment, net	4,080	2,249
Goodwill	18,739	18,739
Trademark	28,700	28,700
Franchise agreements, net	2,148	2,476
Right of use assets	1,321	1,472
Other assets	2,183	1,436
Total assets	<u>81,062</u>	<u>83,235</u>
<b>Liabilities and stockholder's equity</b>		
Current liabilities:		
Accounts payable	661	1,003
Accrued expenses	12,357	7,464
Other current liabilities	4,040	3,808
Income taxes payable	128	480
Total current liabilities	<u>17,186</u>	<u>12,755</u>
Long-term liabilities:		
Deferred franchise revenue long term	17,996	17,532
Operating lease liabilities	1,599	1,866
Deferred income taxes, net	4,069	4,542
Total liabilities	<u>40,850</u>	<u>36,695</u>
Commitments and contingencies ( <i>Note 6</i> )		
Stockholder's equity:		
Additional paid-in capital	49,015	49,015
Receivables from affiliates, net	(92,491)	(69,215)
Retained earnings	83,688	66,740
Total stockholder's equity	<u>40,212</u>	<u>46,540</u>
Total liabilities and stockholder's equity	<u>81,062</u>	<u>83,235</u>

*The accompanying notes are an integral part of these financial statements.*

# Smoothie King Franchises, Inc.

(A wholly owned subsidiary of SK USA Holdings, Inc.)

## Income Statements

Years ended December 25, 2023, December 26, 2022, and December 27, 2021

(amounts in thousands)

	2023	2022	2021
<b>Revenues</b>			
Franchise fees and royalties	\$ 57,602	\$ 48,917	\$ 46,751
<b>Operating costs and expenses</b>			
Depreciation and amortization	987	1,315	1,089
General and administrative	35,055	26,776	27,022
Total operating costs and expenses	<u>36,042</u>	<u>28,091</u>	<u>28,111</u>
Operating income	<u>21,560</u>	<u>20,826</u>	<u>18,640</u>
Interest income	222	-	-
Other income	1,452	18	7
Income before income taxes	<u>23,234</u>	<u>20,844</u>	<u>18,647</u>
Income tax expense	<u>6,286</u>	<u>5,704</u>	<u>4,930</u>
Net income	<u>16,948</u>	<u>15,140</u>	<u>13,717</u>

*The accompanying notes are an integral part of these financial statements.*

## Smoothie King Franchises, Inc.

(A wholly owned subsidiary of SK USA Holdings, Inc.)

### Statements of Stockholder's Equity

Years ended December 25, 2023, December 26, 2022, and December 27, 2021

(amounts in thousands)

	Additional Paid-In Capital	Receivables from Affiliates, net	Retained Earnings (Loss)	Total
<b>Balances at December 28, 2020</b>	\$ 49,015	\$ (46,107)	\$ 37,882	\$ 40,790
Stock compensation expense	—	343	—	343
Increase in affiliate receivables	—	(18,741)	—	(18,741)
Net income	—	—	13,718	13,718
<b>Balances at December 27, 2021</b>	49,015	(64,505)	51,600	36,110
Stock compensation expense	—	254	—	254
Increase in affiliate receivables	—	(4,963)	—	(4,963)
Net income	—	—	15,140	15,140
<b>Balances at December 26, 2022</b>	49,015	(69,214)	66,740	46,541
Stock compensation expense	—	122	—	122
Increase in affiliate receivables	—	(23,399)	—	(23,399)
Net income	—	—	16,948	16,948
<b>Balances at December 25, 2023</b>	49,015	(92,491)	83,688	40,212

The accompanying notes are an integral part of these financial statements.

# Smoothie King Franchises, Inc.

(A wholly owned subsidiary of SK USA Holdings, Inc.)

## Statements of Cash Flows (continued)

Years ended December 25, 2023, December 26, 2022, and December 27, 2021

(amounts in thousands)

	2023	2022	2021
<b>Operating activities</b>			
Net income	\$ 16,948	\$ 15,140	\$ 13,717
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	987	1,315	1,089
Deferred income taxes	(473)	(241)	(549)
Stock compensation expense	122	254	343
Changes in:			
Receivables	(2,457)	(1,462)	(942)
Prepaid and other current assets	(894)	372	(556)
Income tax receivable / (payable)	(352)	2,027	(499)
Right of use assets	151	(1,472)	-
Accounts payable and other liabilities	5,248	40	5,259
Lease liability	(267)	2,196	-
Deferred rent and lease incentive liability	-	(731)	(173)
Net cash provided by operating activities	19,013	17,438	17,689
<b>Investing activities</b>			
Capital expenditures	(2,490)	(516)	(641)
Net cash used in investing activities	(2,490)	(516)	(641)
<b>Financing activities</b>			
Equity receivable payments to affiliates, net	(23,398)	(4,963)	(18,741)
Net cash used in financing activities	(23,398)	(4,963)	(18,741)
(Decrease) increase in cash, cash equivalents, and restricted cash	(6,875)	11,959	(1,693)
<b>Cash, cash equivalents, and restricted cash</b>			
Beginning of year	21,074	9,116	10,810
End of year	14,199	21,074	9,116

The accompanying notes are an integral part of these financial statements.

# Smoothie King Franchises, Inc.

(A wholly owned subsidiary of SK USA Holdings, Inc.)

## Statements of Cash Flows (continued)

Years ended December 25, 2023, December 26, 2022, and December 27, 2021

(amounts in thousands)

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	2023	2022	2021
<b>Supplemental cash flow disclosures</b>			
Income taxes paid	\$ 5,310	\$ 3,351	\$ 4,463
Operating cash flows used in operating leases	373	406	—
<b>Noncash activities</b>			
Right-of-use assets obtained in exchange for operating lease liabilities	61	1,693	—

*The accompanying notes are an integral part of these financial statements.*

# Smoothie King Franchises, Inc.

(A wholly owned subsidiary of SK USA Holdings, Inc.)

## Notes to Financial Statements

As of December 25, 2023 and December 26, 2022 and for the years ended

December 25, 2023, December 26, 2022, and December 27, 2021

(amounts in thousands, except share data)

### 1. Description of Business and Organization

Smoothie King Franchises, Inc. (the “Company”) is a wholly owned subsidiary of SK USA Holdings, Inc., and is engaged in the franchising of the Smoothie King™ brand. Smoothie King™ locations specialize in the preparation and sale of nutritional drinks and products. The Company maintained the following operating franchises in the United States, South Korea, Grand Cayman, and Trinidad & Tobago during fiscal years 2023 and 2022:

	Franchised Locations		Total
	Domestic	International	
<b>Balances at December 27, 2021</b>	995	304	1,299
Openings	76	2	78
Closures	(23)	(30)	(53)
<b>Balances at December 26, 2022</b>	1,048	276	1,324
Openings	80	-	80
Closures	(31)	(107)	(138)
Transfers	(4)	-	(4)
<b>Balances at December 25, 2023</b>	1,093	169	1,262

### 2. Summary of Significant Accounting Policies

#### Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America (“US GAAP”) requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. These estimates are based on information available through the date of the issuance of the financial statements, based on historical experience.

#### Fair Value of Financial Instruments

Management believes the carrying amounts of financial instruments as of December 25, 2023 and December 26, 2022, including cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities, approximate fair value due to their short maturities.

#### Fiscal Year

The Company’s fiscal calendar year is on a 5-4-4 basis. Under this 5-4-4 Fiscal Calendar, the Company operates using four 91-day quarters. Each quarter is divided into three periods. The first period of each quarter consists of 5 weeks (35 days) and the two subsequent periods consist of 4 weeks (28 days). Fiscal year 2023 began on December 27, 2022 and ended on December 25, 2023.

#### Revenue Recognition

The Company records revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers. The core principle of ASC Topic 606 is that an entity should recognize revenue for the transfer of goods or services equal to the amount of consideration that it expects to be entitled to

# Smoothie King Franchises, Inc.

(A wholly owned subsidiary of SK USA Holdings, Inc.)

## Notes to Financial Statements

As of December 25, 2023 and December 26, 2022 and for the years ended

December 25, 2023, December 26, 2022, and December 27, 2021

*(amounts in thousands, except share data)*

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receive for those goods or services. This principle is achieved through applying a five-step process for customer contract revenue recognition.

The Company recognizes revenues in the form of royalties, initial and other fees associated with franchise and development rights, and vendor contributions. The franchise agreements for Smoothie King™ provide for an initial franchise fee and continuing royalty payments based upon net sales. Additionally, there are nonrefundable fees for granting exclusive development rights to specific geographic areas. The Company provides site selection review and advice on construction cost and administration, training, and other administrative support to franchisees related to each anticipated future opening. Vendor contributions pertain to volume incentives paid to the Company for achieving certain targets as negotiated with the Company's vendors. Vendor contribution revenues are recognized over time as the Company fulfills its obligation to direct franchisees to use certain suppliers.

Initial and other fees associated with franchise and development rights are allocated to their associated performance obligation. The primary performance obligation in the franchise agreement is the franchise right, which is recognized when performance obligations are satisfied. Revenue from licenses of symbolic intellectual property is recognized over time using a measure of progress that reflects the franchisor's pattern of performance.

Royalty revenue is recognized as sales occur through the application of the sales and usage-based royalty exception noted in ASC 606.

Breakage revenue for the years ended December 25, 2023, December 26, 2022, and December 27, 2021 was \$0.7 million, \$0, \$0.4 million, respectively. Revenues were recognized in a manner consistent with redemption patterns. Breakage revenues are included in franchise fees & royalties in the Consolidated Income Statement.

### **Cash and Cash Equivalents**

The Company considers cash on hand, deposits in banks and short-term investments with an original maturity of three months or less to be cash equivalents.

### **Restricted Cash**

The Company holds restricted cash on behalf of the centralized gift card and stored value programs. The total restricted cash related to this program on December 25, 2023, and December 26, 2022 was \$5.3 million and \$4.3 million, respectively.

### **Receivables**

Receivables at December 25, 2023 and December 26, 2022 are \$4.0 million and \$4.1 million due from franchisees of the Company that bear income statement collection risk. This amount relates to royalties and technology support fees earned by the Company. Also included in trade accounts receivable at December 25, 2023 and December 26, 2022 are \$1.7 million and \$1.9 million, respectively, due from vendors for vendor contribution incentives.

# Smoothie King Franchises, Inc.

(A wholly owned subsidiary of SK USA Holdings, Inc.)

## Notes to Financial Statements

As of December 25, 2023 and December 26, 2022 and for the years ended

December 25, 2023, December 26, 2022, and December 27, 2021

*(amounts in thousands, except share data)*

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Management provides for uncollectible amounts through a charge to earnings and a credit to an allowance for doubtful accounts based on evaluating the allowance for credit losses using a loss-rate method based on current experience and market conditions. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to trade accounts receivable.

### ***Due from Affiliates***

Amounts due from affiliates are any amounts borrowed by other subsidiaries of SK USA Holdings, Inc. (Note 8). The counterparty possesses the intent and ability to repay these amounts to the Company.

### ***Equity Receivables from Affiliates, Net***

The Company will remit excess cash flows from operations to its parent entity or to other affiliates of SK USA Holdings, Inc. to finance ongoing cash flow requirements (dividends, debt repayments, capital projects, etc.). When either the lack of intent or ability to repay exists between the Company's affiliates, the Company records these amounts as an equity receivable or payable, and any related cash flows are reflected within cash flows from financing activities.

### **Property and Equipment**

Property and equipment is stated at cost less accumulated depreciation and impairments. Depreciation is calculated on the straight-line method, based on the estimated useful lives disclosed in footnote 3.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the Company's income statement for the period. The costs of maintenance and repairs are charged to operations as incurred. Significant renewals and betterments are capitalized.

### **Impairment of Long-Lived Assets**

Long-lived assets, including identifiable intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Assets held and used are reviewed based on the lowest level at which there are identifiable cash flows for the underlying asset(s). Recoverability of assets to be held and used is initially measured by a comparison of the carrying value of the assets to the future undiscounted net cash flows expected to be generated by the assets. If such assets are determined to be impaired, the impairment to be recognized is measured as the difference between the related carrying amounts and estimated fair values. No impairment charges were recorded for the years ended December 25, 2023, December 26, 2022, and December 27, 2021.

# Smoothie King Franchises, Inc.

(A wholly owned subsidiary of SK USA Holdings, Inc.)

## Notes to Financial Statements

As of December 25, 2023 and December 26, 2022 and for the years ended

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(amounts in thousands, except share data)

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### Goodwill and Other Intangible Assets

Goodwill represents the excess of cost over fair value of net assets of the business acquired. The Company uses the purchase method of accounting for business combinations and recognizes indefinite-lived intangible assets acquired in a purchase method business combination apart from goodwill if certain criteria are met. Goodwill and indefinite-lived intangible assets deemed to possess indefinite lives are not subject to amortization, but are instead tested for impairment at least annually, and the Company is required to record any necessary impairment adjustments. Impairment is measured as the excess of the carrying value over the fair value of the reporting unit (for goodwill) or the related intangible asset (for the Smoothie King™ trademark). Based on the Company's analysis, no impairment charges were recognized on goodwill or the Company's trademark for the years ended December 25, 2023, December 26, 2022, and December 27, 2021.

Intangible assets with finite lives are amortized over their respective useful lives and reviewed for impairment if events and circumstances indicate that the assets might be impaired. The estimated useful lives for separable intangible assets are as follows as of 2023:

	<b>Estimated Useful Life</b>
<b>Intangible assets</b>	
Trademarks	Indefinite
Franchise agreements	1 - 18 years

Trademarks consist primarily of the Smoothie King™ brand name, which has been determined to have an indefinite life and is, therefore, not currently being amortized. Franchise agreements with an estimated useful life of 1 - 18 years are presented net of accumulated amortization of \$3.8 million and \$3.4 million as of December 25, 2023, and December 26, 2022, respectively, with amortization expense of \$0.3 million as of December 25, 2023, December 26, 2022, and December 27, 2021, respectively. No adjustments for impairment of intangible assets were recorded in fiscal year 2023, 2022, or 2021.

As of December 25, 2023, future amortization expense of the franchise agreements is as follows (in thousands):

2024	\$ 328
2025	328
2026	328
2027	328
2028	328
Thereafter	509
	<hr/>
	\$ 2,149

# Smoothie King Franchises, Inc.

(A wholly owned subsidiary of SK USA Holdings, Inc.)

## Notes to Financial Statements

As of December 25, 2023 and December 26, 2022 and for the years ended

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### Deferred Franchise Revenue

Deferred franchise revenue consists of amounts collected from franchisees in the form of initial franchise fees and area development fees. Initial franchise fees are paid by franchisees to the Company for the right to open a Smoothie King™. Area development fees are paid by franchisees to the Company to restrict a specific geographic territory to a specific franchisee over a defined period of time. Generally, area development agreements have a minimum number of stores required to be opened within the defined territory over a defined period of time; if those minimums are not reached by the expiration date, then all unearned fees are recognized by the Company upon expiration. Refer to Note 9 for further details on how the Company recognizes deferred franchise revenues.

### Leases

The Company primarily leases office space, storage units, and billboards from third parties, and determines if a contract is a lease at inception. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The lease term begins on the commencement date, which is the date the Company takes possession of the asset and may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Certain of the Company's leases contain renewal options for varying periods, which can be exercised at the Company's sole discretion. Leases are classified as operating or finance leases based on factors such as the lease term, lease payments, the economic life, fair value and estimated residual value of the asset. Where leases include options to purchase the leased asset at the end of the lease term, this is assessed as a part of the Company's lease classification determination. The Company's leases have remaining lease terms up to 5 years. The Company does not have lease transactions between related parties.

Under ASC 842, the Company recognizes a right-of-use ("ROU") asset and lease liability to account for its leases. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized on the commencement date based on the present value of lease payments over the lease term. ROU assets are based on the lease liability and are increased by prepaid lease payments and decreased by lease incentives received. Lease incentives are amortized through the lease asset as reductions of expense over the lease term. For leases where the Company is reasonably certain to exercise a renewal option, such option periods have been included in the determination of the Company's ROU assets and lease liabilities.

Leases typically contain rent escalations over the lease term. The Company recognizes expense for these leases on a straight-line basis over the lease term. Some leases include rent escalations based on inflation indexes and fair market value adjustments. Operating lease liabilities are calculated using the prevailing index or rate at lease commencement. Subsequent escalations in the index or rate and contingent rental payments are recognized as variable lease expenses. Certain leases require the Company to pay taxes, insurance, maintenance and other operating expenses associated with the leased asset. Such amounts are not included in the measurement of the ROU assets and lease liabilities to the extent they are variable in nature. These variable lease costs are recognized as a variable lease expense when incurred.

The Company does not have any active subleases where the Company acts as either a sublessor or a sublessee.

# Smoothie King Franchises, Inc.

(A wholly owned subsidiary of SK USA Holdings, Inc.)

## Notes to Financial Statements

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*(amounts in thousands, except share data)*

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The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Company's lease agreements do not contain any terms and conditions of residual value guarantees provided by the lessee. The Company's leases do not contain restrictions or covenants imposed by leases, for example, those relating to dividends or incurring additional financial obligations.

As a practical expedient, lease agreements with lease and non-lease components are accounted for as a single lease component for all asset classes. The Company estimates contingent lease incentives when it is probable that the Company is entitled to the incentive at lease commencement. The Company elected the short-term lease recognition exemption for all leases that qualify. Therefore, leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet; instead, lease payments are recognized as lease expense on a straight-line basis over the lease term. The depreciable life of the ROU assets and leasehold improvements are limited by the expected lease term unless the Company is reasonably certain of a transfer of title or purchase option.

The Company uses its incremental borrowing rate to discount future lease payments based on the information available on the commencement date for each lease as the implicit rate in the lease is not known. The determination of the incremental borrowing rate requires judgment and is determined using the Company's current borrowing rate, adjusted for various factors aligned with the lease including total lease payments and lease term.

### Advertising Costs

Advertising costs are expensed as incurred. Advertising costs for the years ended December 25, 2023, December 26, 2022, and December 27, 2021 were \$1.9 million, \$2.3 million and \$2.0 million, respectively, which are recorded as general and administrative expense.

### Stock-Based Compensation

Stock-based compensation in the amounts of \$0.1 million, \$0.3 million and \$0.3 million, relating to common stock options was recorded during the years ended December 25, 2023, December 26, 2022, and December 27, 2021, respectively.

### Income Taxes

Income taxes are accounted for using the liability method, under which deferred taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities using enacted tax rates in effect for the years during which the temporary differences are expected to reverse. The tax basis of assets and liabilities are based on amounts that meet the recognition threshold and are measured pursuant to the measurement requirement in current standards. A valuation allowance is established to reduce tax assets to the amount that, based on available evidence, is more likely than not to be realized. The Company may from time to time be assessed interest or penalties by major tax jurisdictions, although any such assessments historically have been minimal and immaterial to its financial results. In the event the Company has such an assessment from a taxing authority, the Company's accounting policy is to recognize any interest and penalties as a component of income tax expense.

### Recently Adopted Accounting Standards

In June 2016, the FASB issued ASU 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("Topic 326"). The guidance eliminates

# Smoothie King Franchises, Inc.

(A wholly owned subsidiary of SK USA Holdings, Inc.)

## Notes to Financial Statements

As of December 25, 2023 and December 26, 2022 and for the years ended

December 25, 2023, December 26, 2022, and December 27, 2021

(amounts in thousands, except share data)

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the previous incurred credit loss impairment methodology and replaces it with a new forward-looking expected credit loss” model based on historical business results, current market conditions, and reasonable and supportable future forecasts. Subsequent to the original issuance of Topic 326, the FASB issued several updates which provide additional clarity and transition guidance. Topic 326 is effective for the Company beginning periods after December 15, 2022. We evaluated the impact of adopting this new standard in December 2023 and concluded the only impact of this standard was to our analysis for evaluating the allowance for doubtful accounts. The analysis concluded that there was an immaterial impact to the Company’s allowance calculation.

### 3. Property and Equipment

Property and equipment consisted of the following at December 25, 2023 and December 26, 2022 (in thousands):

	Useful Life	2023	2022
<b>Property and equipment</b>			
Furniture, fixtures and equipment	3 -10 years	\$ 1,052	\$ 878
Capitalized Software	3 - 5 years	2,226	2,220
Leasehold improvements	5 - 15 years	1,577	1,577
Automobiles	5 years	586	586
Construction in process		2,310	-
		<u>7,751</u>	<u>5,261</u>
Accumulated depreciation		<u>(3,671)</u>	<u>(3,012)</u>
		<u>\$ 4,080</u>	<u>\$ 2,249</u>

Depreciation expense was \$0.7 million, \$1 million, and \$0.8 million, respectively, for the years ended December 25, 2023, December 26, 2022, and December 27, 2021.

### 4. Stockholder’s Equity

#### Common Stock

At December 25, 2023, the Company is authorized to issue up to 200,000 shares of common stock, with no par value per share. There were 10,274.40 shares of common stock issued and outstanding as of December 25, 2023.

# Smoothie King Franchises, Inc.

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## Notes to Financial Statements

As of December 25, 2023 and December 26, 2022 and for the years ended

December 25, 2023, December 26, 2022, and December 27, 2021

(amounts in thousands, except share data)

### Stock Option Plans

In April 2016, the Board of Directors of SK USA, Inc. adopted and approved the SK USA, Inc. 2016 Stock Option Compensation Plan (the "2016 Plan") under which SK USA, Inc. was authorized to grant a total 860 incentive stock options to employees. The total incentive stock options authorized is 10,858.

The Company issued 1,413 options to employees in June and December 2023 with a weighted-average grant date fair value of \$1,432 and 5,777 options to employees in July, September, and November 2022 with a weighted-average grant date fair value of \$1,109. The options have vesting terms between 3 and 6 years from the grant date. Generally, the options vest over the final four years of the vesting period, with 25% of the options vesting each year.

Category of Options	Options (in Shares)					Options (in Shares)	
	Outstanding December 26, 2022	Shares Granted	Shares Exercised	Shares Canceled	Shares Forfeited	Shares Vested	Outstanding December 25, 2023
Vested	4,034	-	-	(960)	-	438	3,512
Non-vested	7,464	1,413	-	-	(2,993)	(438)	5,446

Category of Options	Options (in \$)					Options (in \$)	
	Outstanding December 26, 2022	Amount Granted	Amount Exercised	Amount Canceled	Amount Forfeited	Amount Vested	Outstanding December 25, 2023
Vested	\$ 764,010	\$ -	\$ -	\$ (202,166)	\$ -	\$ 122,215	\$ 684,059
Non-vested	\$ 2,998,672	\$ 881,080	\$ -	\$ -	\$ (971,613)	\$ (122,215)	\$ 2,785,925

The estimated fair value of each option granted was calculated using the Black-Scholes option-pricing model. Expected volatilities were based on volatilities from publicly traded companies operating in the Company's industry. For grants issued in the years ended December 25, 2023 and December 26, 2022, the expected volatility used was 30%. The Company recognizes forfeiture of options as they occur. The expected life of options granted was calculated using the simplified method per SAB 110. For shares granted in the years ended December 25, 2023 and December 26, 2022 the expected life use was 6.75 years. The risk-free rate for periods within the expected life of the option was based on the U.S. Treasury yield curve in effect at the time of grant. The risk-free rate used for grants in June and December 2023 were 5.46% and 5.31%, respectively. The risk-free rate used for grants in the year ended December 26, 2022 was 3.87%. The expected dividend yield is 0% for all grants.

At December 25, 2023, there are 3,512 options outstanding and exercisable and 5,446 nonvested options outstanding. The weighted-average exercise price of these options is \$925.26 and the weighted-average remaining contractual term is 1.61 years.

## 5. Income Taxes

The Company is subject to taxation in U.S. federal, state, and local jurisdictions.

Management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities, and any valuation allowance recorded against net deferred tax assets. In the event that actual results differ from these estimates or the Company adjusts these estimates in

# Smoothie King Franchises, Inc.

(A wholly owned subsidiary of SK USA Holdings, Inc.)

## Notes to Financial Statements

As of December 25, 2023 and December 26, 2022 and for the years ended

December 25, 2023, December 26, 2022, and December 27, 2021

(amounts in thousands, except share data)

future periods, it may need to change its allowance, which could materially impact the Company's financial condition and results of operations.

Income tax expense (benefit) consisted of the following for the years ended December 25, 2023 and December 26, 2022 (in thousands):

	2023		
	Current	Deferred	Total
Federal	\$ 5,365	\$ (425)	\$ 4,940
State	1,364	(48)	1,316
Foreign	29	-	29
	<u>\$ 6,758</u>	<u>\$ (473)</u>	<u>\$ 6,285</u>

	2022		
	Current	Deferred	Total
Federal	\$ 5,005	\$ (213)	\$ 4,792
State	920	(27)	893
Foreign	20	-	20
	<u>\$ 5,945</u>	<u>\$ (240)</u>	<u>\$ 5,705</u>

	2021		
	Current	Deferred	Total
Federal	\$ 4,292	\$ (465)	\$ 3,827
State	1,144	(84)	1,060
Foreign	43	-	43
	<u>\$ 5,479</u>	<u>\$ (549)</u>	<u>\$ 4,930</u>

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. Significant components of the Company's deferred tax liabilities as of December 25, 2023 and December 26, 2022 were as follows (in thousands):

	2023	2022
<b>Deferred tax assets (liabilities)</b>		
Property and equipment	\$ (297)	\$ (405)
Intangible assets	(7,587)	(7,636)
Net operating losses and carryover items	49	49
Reserves and allowances	(1,080)	(1,299)
Deferred franchise fees	4,846	4,749
Net deferred tax liabilities	<u>\$ (4,069)</u>	<u>\$ (4,542)</u>

# Smoothie King Franchises, Inc.

(A wholly owned subsidiary of SK USA Holdings, Inc.)

## Notes to Financial Statements

As of December 25, 2023 and December 26, 2022 and for the years ended

December 25, 2023, December 26, 2022, and December 27, 2021

*(amounts in thousands, except share data)*

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The December 25, 2023 and December 26, 2022 deferred tax liability was measured using a 21% U.S. federal tax rate.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion of all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

The Company has adopted the guidance on uncertain tax positions in ASC 740, Income Taxes. This guidance prescribes a recognition threshold and measurement attribute for a tax position taken or expected to be taken in a tax return and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company has reviewed its income tax positions and identified tax positions that are not certain.

There were no gross unrecognized tax benefits that, if recognized, would affect the effective tax rate at December 25, 2023 and December 26, 2022, respectively. The Company's policy with respect to potential penalties and interest is to record them as tax expense. The Company had no accrued expense related to the unrecognized tax benefits at December 26, 2022 and December 27, 2021, respectively.

The open years subject to tax audits vary depending on the tax jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state, and local or non-U.S. income tax examinations by tax authorities for tax years before 2015.

The Company joins in the filing of a consolidated tax return with parent company SK USA, Inc. The Company's financial statements are issued separately from the consolidated group and uses the separate company method of determining the current and deferred tax expense for the Company.

## 6. Commitments and Contingencies

The Company leases office and warehouse spaces pursuant to lease agreements which are classified as operating leases. The Company is also party to a contract with New Orleans Pelicans NBA LLC which provides naming rights to the New Orleans Arena and other benefits in exchange for an annual payment (the "Naming Rights Agreement"). The Naming Rights Agreement includes various success fees that are required based on team performance criteria (making the NBA Playoffs, winning the NBA Championship, etc.) and expires in 2024. In November 2023, the Company extended the agreement with the Pelicans through June 30, 2027. The Naming Rights Agreement does not contain a lease under ASC 842 as the Company does not have the right to direct the use of the asset throughout the period of use

# Smoothie King Franchises, Inc.

(A wholly owned subsidiary of SK USA Holdings, Inc.)

## Notes to Financial Statements

As of December 25, 2023 and December 26, 2022 and for the years ended

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(amounts in thousands, except share data)

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On April 29, 2021 the Company entered into contracts with Frisco Management, LLC and Pro Silver Star, LTD that grants certain sponsorship rights and other benefits related to the Dallas Cowboys, the Stadium and the Complex (the "Sponsorship Agreements"). The Sponsorship Agreements include various success fees and expires in 2028. The Sponsorship Agreements does not contain a lease under ASC 842 as the Company does not have the right to direct the use of the asset throughout the period of use.

As of December 25, 2023, future minimum committed payments under the Naming Rights and Sponsorship Agreements are as follows (in thousands):

2024	\$	2,514
2025		2,521
2026		2,530
2027		288
2028		-
Thereafter		-
	\$	<u>7,853</u>

The Company has various purchase commitments for supplies, and services incident to the ordinary conduct of a franchise business and at prevailing market prices. These commitments are designed to assure sources of supply and are not expected to be in excess of normal requirements.

The Company is involved in various legal matters arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position or results of operations.

### 7. 401(k) Plan

The Company's parent maintains the Smoothie King™ 401(k) Plan and Trust ("the 401(k) Plan") covering all employees who have met certain eligibility requirements. Under the 401(k) Plan, employees may elect to contribute up to the lesser of \$0.053 million or 100% of their eligible compensation to the 401(k) Plan, subject to certain limitations. In addition, the Company may allow employees to make additional contributions of any paid cash bonuses made for such employees during the plan year, subject to certain limitations. The Company may make matching contributions during the year equal to a discretionary percentage, as determined by the Company, of the participant's salary reductions. Employer matching contributions vest upon payment. The Company contributed \$0.2 million each in matching contributions to the 401(k) Plan during 2023 and 2022, respectively.

## Smoothie King Franchises, Inc.

(A wholly owned subsidiary of SK USA Holdings, Inc.)

### Notes to Financial Statements

As of December 25, 2023 and December 26, 2022 and for the years ended

December 25, 2023, December 26, 2022, and December 27, 2021

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#### 8. Related Party Transactions

The Company maintained the following balance due from affiliates of SK USA Holdings, Inc. at December 25, 2023 and December 26, 2022 (in thousands).

	2023	2022
Smoothie King National Advertising Fund	\$ 400	\$ 353
Smoothie King Regional Advertising Fund	(12)	2
	<u>\$ 388</u>	<u>\$ 355</u>

In addition, the Company maintained a net receivable of \$92.5 million from other affiliates that do not exhibit either the intent or the ability to repay these amounts or for which the Company does not have the intention to repay these amounts in the foreseeable future, as follows (in thousands):

	2023	2022
SK USA, Inc.	\$ 53,168	\$ 35,023
Smoothie King Systems, Inc.	6,494	6,494
Smoothie King Co., Inc.	30,910	25,531
SK Nutritional Formulas, L.L.C.	(997)	(833)
Other related party affiliates	2,916	3,000
	<u>\$ 92,491</u>	<u>\$ 69,215</u>

Given the expectation that these balances are not expected to be received (paid), the net balance has been classified as a contra-equity item until such time that the intent and ability to repay are exhibited to result in reclassification of the balance to a current receivable or payable at a future date.

The Company incurred related party transactions resulting in a receivable during the years ended December 25, 2023 and December 26, 2022. The receivable from SK USA Holdings, Inc., the parent company of Smoothie King Franchises, Inc. was \$0.1 million as of December 25, 2023 and the payable to Smoothie King Holdings, Inc. was \$0.2 million as of December 26, 2022.

The intercompany receivable at December 25, 2023 resulted from the Company making a payment on the December 27, 2021 balance and SK USA Holdings, Inc. reporting taxable income. The intercompany payable balance at December 27, 2021 was from a net loss at Smoothie King Holdings, Inc.'s 2020 tax returns and thus the Company received an income tax benefit from that loss.

#### 9. Revenue Recognition

The Company records revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*, which utilizes a five-step revenue recognition model.

# Smoothie King Franchises, Inc.

(A wholly owned subsidiary of SK USA Holdings, Inc.)

## Notes to Financial Statements

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The underlying principle of the standard is that an organization will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services.

Initial franchise fees, including master franchisor and development fees for the Company's international business, and renewal and transfer fees are recognized straight-line over the term of the related franchise license for the respective restaurant. Amortization of the fees will begin on the store opening or transfer date.

### Performance Obligations

The Company primarily derives revenue from royalties, initial franchise fees, and upfront fees from development agreements and master franchise agreements. Services in these contracts largely consist of providing franchisees with a franchise license, which includes a license to use its intellectual property and, pre-opening services, such as training and inspections, and ongoing services, such as development of training materials, menu items and inspections. The services the Company provides under franchise agreements are highly interrelated and dependent upon the franchise license, therefore, the Company concluded the services do not represent individually distinct performance obligations. Consequently, the Company bundles the franchise license performance obligation and promises to provide services into a single performance obligation under ASC 606, which the Company satisfies by providing a right to use its intellectual property over the term of each franchise agreement.

Franchise fees and development are paid in conjunction with the signing of the franchise agreement and are not refundable under any circumstances. Royalties and advertising fees are paid monthly based upon gross sales activity.

### Disaggregated Revenue

The following table discloses revenue by stream by timing of recognition (in thousands). Prior period amounts have not been adjusted under the modified retrospective method.

	2023	2022	2021
<b>Revenues recognized over time</b>			
Franchise rights fees	\$ 43,887	\$ 37,660	\$ 36,409
Other revenues	671	5	355
	<u>\$ 44,558</u>	<u>\$ 37,665</u>	<u>\$ 36,764</u>
	2023	2022	2021
<b>Revenues recognized at a point in time</b>			
Other revenues	13,044	11,252	9,988
	<u>\$ 13,044</u>	<u>\$ 11,252</u>	<u>\$ 9,988</u>

### Revenue Recognized Over Time

Franchise rights fees are all fees recognized over time and include fees generated from the initial franchise and development fees, fees for any ownership transfers and royalty fees.

# Smoothie King Franchises, Inc.

(A wholly owned subsidiary of SK USA Holdings, Inc.)

## Notes to Financial Statements

As of December 25, 2023 and December 26, 2022 and for the years ended

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(amounts in thousands, except share data)

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### Revenue Recognized at a Point in Time

Revenues recognized at a point in time include other revenues. Other revenues include design fees, technology fees, and vendor rebates. Design and technology revenues are recognized as revenues at a point in time which is at the point the services are performed. Vendor rebates are recognized as revenues at a point in time which is at the point the goods are delivered to the stores.

## 10. Leases

The Company has a lease arrangement for office space. This lease expires in 2028.

### Components of Lease Expense

#### Year Ending December 25, 2023

##### Lease Cost

Operating lease cost	\$	277
Short-term lease cost		22
Variable lease cost		201
<b>Total lease cost</b>	<b>\$</b>	<b>500</b>

##### Weighted-average remaining lease term (in years):

Finance leases	N/A
Operating leases	4.93 yrs

##### Weighted-average discount rate:

Finance leases	N/A
Operating leases	4.08%

# Smoothie King Franchises, Inc.

(A wholly owned subsidiary of SK USA Holdings, Inc.)

## Notes to Financial Statements

As of December 25, 2023 and December 26, 2022 and for the years ended

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(amounts in thousands, except share data)

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### Supplemental Balance Sheet Information

#### Lease Balances

##### Year ended December 25, 2023

##### Assets

Operating lease assets	\$	1,321
Total lease assets	\$	<u>1,321</u>

##### Liabilities

Current		
Operating lease liabilities	\$	346
Noncurrent		
Operating lease liabilities		<u>1,599</u>
Total lease liabilities	\$	<u>1,945</u>

Future minimum lease payments, including rental payments for lease renewal options we are reasonably certain to exercise, and amounts to be received as lessor or sublessor as of December 25, 2023 were as follows (in thousands):

#### Maturity of Lease Liabilities under ASC 842

Year ended December 25, 2023	Operating Leases	
2024	\$	419
2025		428
2026		437
2027		447
2028		416
Thereafter		<u>-</u>
Total lease payments		2,147
Less: Interest		<u>203</u>
Present value of lease liabilities	\$	<u>1,944</u>

#### 11. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 1, 2024, and determined that no other events occurred that require disclosure.

**THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.**

## Final Balance Sheet

SK Consol

**Smoothie King Franchise Inc.**  
**Consolidated Balance Sheet (Unaudited)**  
**January 1 to June 24, 2024**

	<b>2024</b>
<b>ASSETS</b>	
<b>Current</b>	
Cash and cash equivalents	7,483,448
Restricted cash	5,922,751
Receivables:	
Trade	8,309,116
Allowance for doubtful accounts	(209,175)
Due from affiliate	1,038,016
Other	593,949
Investments in subsidiaries	
Inventories	
Prepaid expenses	778,123
Income tax receivable	(1,075,014)
Deferred income taxes	
<b>Total current assets</b>	<b>22,841,216</b>
<b>Property and equipment</b>	<b>7,499,175</b>
Accum depreciation - property and equipment	(3,663,857)
<b>Property and Equipment, Net</b>	<b>3,835,317</b>
<b>Other</b>	
Goodwill	18,738,620
Trademark	28,700,000
Franchise agreements, net	1,984,273
Investments	
Derivative assets	
Right of use asset	1,241,911
Other assets	1,197,188
<b>Total other assets</b>	<b>51,861,992</b>
<b>Total assets</b>	<b>78,538,526</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	
<b>Current Liabilities</b>	
Accounts payable	3,302,446
Accrued payroll and related expenses	2,454,917
Accrued expenses	4,805,465
Deferred advertising liability	
Short Term Lease Liability	392,106
Other current liabilities	1,067,102
Deferred Revenues	2,498,042
Income tax payable	

## Final Balance Sheet

SK Consol

Note payable	
Notes payable - noncontrolling SH	
<b>Total current liabilities</b>	<b>14,520,078</b>
Note payable	
Note payable - controlling SH	
Note payable - noncontrolling SH	
Deferred Revenues	17,962,317
Deferred rent	
Long term lease liability	1,406,730
Deemed landlord financing liability	
Deferred income taxes	4,069,442
<b>Total liabilities</b>	<b>37,958,567</b>
<b>Stockholders' Equity</b>	
Common stock, \$.01 par value: 1,000,000 shares authorized, 200,792 shares issued and outstanding	20,274
Treasury stock	
Contributions	
Additional paid in capital	48,995,057
Receivables from affiliates, net	(101,718,158)
Accumulated other comprehensive income	
Retained earnings (deficit)	93,282,786
<b>Total SK USA, Inc. stockholders' equity</b>	<b>40,579,959</b>
Noncontrolling interest	
<b>Total SK USA, Inc. stockholders' equity</b>	<b>40,579,959</b>
<b>Total liabilities and stockholders' equity</b>	<b>78,538,526</b>

**Smoothie King Franchises Inc.**  
**Consolidated Income Statements (Unaudited)**  
**For the Fiscal Period January 1 to June 24, 2024**

	<b>2024</b>
<b>Revenues</b>	
Franchise fee and royalties	30,361,741
Store Sales	-
<b>Total revenues</b>	<b>30,361,741</b>
<b>Operating costs and expenses</b>	<b>-</b>
Cost of sales	-
Labor and related costs	-
Operating expenses	-
Depreciation	651,124
Amortization	163,930
General and administrative	16,979,648
Loss on asset impairment	-
<b>Total operating costs and expenses</b>	<b>17,794,702</b>
<b>Operating income</b>	<b>12,567,038</b>
Unreconciled Account	-
Interest expense, net	83,320
Other income (loss), net	126,745
<b>Income before income taxes</b>	<b>12,777,103</b>
Income tax expense	3,182,600
<b>Net income</b>	<b>9,594,503</b>
Net income attributable to noncontrolling interest	-
<b>Net income attributable to parent</b>	<b>9,594,503</b>

## State Effective Dates

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

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

State	Effective Date
California	April 6, 2024, <a href="#">as amended</a>
Hawaii	<del>June 3, 2024</del>
Illinois	April 6, 2024, <a href="#">as amended</a>
Indiana	April 6, 2024, <a href="#">as amended</a>
Maryland	April 10, 2024, <a href="#">as amended</a>
Michigan	April 6, 2024, <a href="#">as amended</a>
Minnesota	<del>April 26, 2024</del>
New York	April 6, 2024, <a href="#">as amended</a>
North Dakota	April 10, 2024, <a href="#">as amended</a>
Rhode Island	April 22, 2024, <a href="#">as amended</a>
South Dakota	April 9, 2024, <a href="#">as amended</a>
Virginia	<del>April 10, 2024</del>
Washington	May 2, 2024, <a href="#">as amended</a>
Wisconsin	<del>April 6, 2024</del>

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

## Receipt

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Smoothie King Franchises, Inc. (“Smoothie King”) offers you a franchise, Smoothie King must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Smoothie King or our affiliate in connection with the proposed franchise sale. Iowa and New York require that Smoothie King gives you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that Smoothie King gives you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Smoothie King does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state administrators listed on Exhibit K.

The franchisor is Smoothie King Franchises, Inc. located at 9797 Rombauer Road, Coppell, TX 75019. Its telephone number is (214) 935-8900.

Issuance Date: April 6, 2024, as amended August 30, 2024

The franchise seller(s) involved in offering and selling the franchise to you is/are circled below. The address and telephone number for each are 9797 Rombauer Road, Coppell, TX 75019, (214) 935-8900.

Shawn Caric	Steve Osler	<del>Cindy Savieh</del>	Chad Tramuta
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Smoothie King authorizes the respective state agencies identified on Exhibit K to receive service of process for us in the particular state.

I have received a disclosure document dated April 6, 2024, as amended August 30, 2024, that included the following Exhibits:

- |   |   |
|---|---|
| A. List of Smoothie King Franchisees                              | F. Area Development Agreement                   |
| B. List of Former Franchisees                                     | G. Smoothie King Manuals—Table of Contents      |
| C. Audited Financial Statements of Smoothie King Franchises, Inc. | H. Form Release of Claims                       |
| D. Franchise Agreement  | I. State Specific Addenda                       |
| E. Franchise Agreement Addendum – Non-Traditional Location        | J. State Agencies/Agents for Service of Process |
|   | K. State Effective Dates and Receipts           |

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

Copy for Franchisee

## Receipt

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|   | K. State Effective Dates and Receipts           |

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

Copy for Smoothie King Franchises, Inc.

Please sign and date both copies of this receipt, keep one copy (the previous page) for your records, and mail one copy (this page) to the address listed on the front page of this disclosure document or send to the Smoothie King Franchise Development Department by email to [franchise@smoothieking.com](mailto:franchise@smoothieking.com) or by fax to (985) 635-6987.