

## TABLE OF CONTENTS

### **ITEM**

ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES .....	7
ITEM 2 BUSINESS EXPERIENCE .....	9
ITEM 3 LITIGATION.....	9
ITEM 4 BANKRUPTCY .....	10
ITEM 5 INITIAL FEES .....	11
ITEM 6 OTHER FEES .....	11
ITEM 7 ESTIMATED INITIAL INVESTMENT .....	16
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES .....	18
ITEM 9 FRANCHISEE'S OBLIGATIONS.....	21
ITEM 10 FINANCING.....	23
ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING .....	23
ITEM 12 TERRITORY .....	28
ITEM 13 TRADEMARKS.....	30
ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION .....	31
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS.....	31
ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL .....	32
ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION .....	32
ITEM 18 PUBLIC FIGURES.....	40
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS .....	40
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION.....	40
ITEM 21 FINANCIAL STATEMENTS .....	45
ITEM 22 CONTRACTS .....	46
ITEM 23 RECEIPTS.....	46
ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES .....	9
ITEM 2 BUSINESS EXPERIENCE .....	10
ITEM 3 LITIGATION.....	10
ITEM 4 BANKRUPTCY .....	13
ITEM 5 INITIAL FEES .....	13
ITEM 6 OTHER FEES .....	14
ITEM 7 ESTIMATED INITIAL INVESTMENT .....	19
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES .....	21
ITEM 9 FRANCHISEE'S OBLIGATIONS.....	24
ITEM 10 FINANCING.....	26
ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING .....	27
ITEM 12 TERRITORY .....	31
ITEM 13 TRADEMARKS.....	33
ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION .....	34
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS.....	35
ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL .....	35
ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION .....	36
ITEM 18 PUBLIC FIGURES.....	43
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS .....	43
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION.....	43
ITEM 21 FINANCIAL STATEMENTS .....	49
ITEM 22 CONTRACTS .....	49
ITEM 23 RECEIPTS.....	49

### EXHIBITS

Chief Financial Officer: Aaron Huber

Aaron Huber has been our Chief Financial Officer since October 2024. From March 2023 to September 2024, he was Director of Accounting for Sagemark Ltd. d/b/a The Hungry Hobo in Rock Island, Illinois. From October 2022 to February 2023, he was 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 August 2020 to the present, she has been self-employed as a franchise consultant in Dallas, Texas.

Vice President of Training & Culinary Development: Ashley Balluff

Ashley Balluff has been Vice President of Training & Culinary Development of our affiliate, 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. Prior to 2010, Ms. Balluff worked in corporate-owned HAPPY JOE'S PIZZA locations starting in 1999.~~

Vice President of Purchasing & Supply Chain: Jenny Culp

Jenny Culp has been 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. ~~Prior to 2018, Ms. Culp worked in corporate-owned HAPPY JOE'S PIZZA locations starting in 2007.~~

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.

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.

Director of Special Projects: Phil Pendleton

Phil Pendleton has been Director of Special Projects for our affiliate, Dynamic Restaurant Holdings, LLC since May 2023. Prior to this role, he has held various roles for Dynamic Restaurants Holdings, LLC. ~~From November 2019 to March 2020, he was an Amusement Tech. Beginning in March 2020, his role expanded to a multi-role position, including Website Administrator, since November 2019.~~ Beginning in April 2023, his role expanded into Special Projects for the Chief Executive Officer. Beginning in February 2024, his role with Dynamic Restaurants expanded to include Menu Coordinator for all locations.

Vice President of Marketing: Abigail "Abby" Rock

Abigail Rock has been Vice President of Marketing for our affiliate, Dynamic Restaurants Holdings, LLC since August 2025. From May 2013 to April 2024, she served as Director of Marketing for Necker's Jewelers in DeWitt and Davenport, Iowa. From March 2016 to August 2025, she has also been self-employed as a marketing consultant for B.A.M. Consulting in the Quad Cities area of Iowa and Illinois.

**ITEM 3  
LITIGATION**

**ITEM 21  
FINANCIAL STATEMENTS**

Also Attached as Exhibit A are our ~~audited~~:

1. Unaudited balance sheets as of October 31, 2025, November 30, 2025, and December 31, 2025.
2. Audited balance sheets as of September 30, 2025, 2024 and 2023 and the related statements of operations, stockholder's equity, and cash flows for the years ended September 30, 2025, 2024 and 2023. 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**

# Profit & Loss - Location Side by Side - Period

Period Ending 10/31/2025

	Bettendorf	Locust	W 50th	Total
<b>REVENUES</b>				
Food Sales	142,357	96,382	119,068	372,806
Tap Room Sales	698		1,783	2,480
Other Operating Revenue	6,440	2,970	10,274	19,684
<b>Total REVENUES</b>	<b>149,495</b>	<b>99,352</b>	<b>131,124</b>	<b>394,971</b>
<b>DISCOUNTS</b>				
Sales Discounts	-12,794	-12,484	-10,931	-51,209
<b>Total DISCOUNTS</b>	<b>-12,794</b>	<b>-12,484</b>	<b>-10,931</b>	<b>-51,209</b>
<b>Net Sales After Discounts</b>	<b>136,700</b>	<b>86,868</b>	<b>120,194</b>	<b>343,762</b>
<b>COST OF SALES</b>				
Food Cost	39,014	23,237	34,568	96,819
Tap Room Cost	1,107		1,831	2,938
Other Cost of Sales	8,146	5,943	6,911	15,057
<b>Total COST OF SALES</b>	<b>48,267</b>	<b>29,181</b>	<b>43,310</b>	<b>120,758</b>
<b>GROSS PROFIT</b>	<b>88,433</b>	<b>57,687</b>	<b>76,884</b>	<b>223,004</b>
<b>Payroll Expense</b>				
Payroll - Controllable	36,567	22,117	33,955	92,639
Other Payroll	9,569	6,081	9,616	25,265
<b>Total Payroll Expense</b>	<b>46,136</b>	<b>28,197</b>	<b>43,570</b>	<b>117,904</b>
<b>Expense</b>				
VARIABLE EXPENSES	22,152	13,638	20,193	17
Fixed Expense	15,800	6,926	10,150	41,880
<b>Total Expense</b>	<b>37,952</b>	<b>20,564</b>	<b>30,343</b>	<b>88,859</b>
<b>Total Operating Income</b>	<b>4,345</b>	<b>8,926</b>	<b>2,971</b>	<b>16,242</b>
<b>FUN CENTER</b>				
Sales Redemption Games			3,843	3,843
Jungle Admission			3,120	3,120
C/S Redemption Game Prizes	-1,976		-5,123	-7,099
Non-redemption, Non-owned Game Inc	2,022		6,321	8,343
<b>Total FUN CENTER</b>	<b>46</b>	<b>0</b>	<b>8,162</b>	<b>8,208</b>
<b>SHIPPED PIZZAS</b>				
Shipping & Handling Income		-5,580		-5,580
Shipping & Handling Labor		1,823		1,823
Shipping & Handling Expense		5,335		5,335
<b>Total SHIPPED PIZZAS</b>	<b>0</b>	<b>1,577</b>	<b>0</b>	<b>1,577</b>
<b>OTHER INCOME/EXPENSE</b>				
Cost of Sales - Concession	-138			-138
Other Income	-11,557	-5,454	-9,796	-26,807
Delivery Income	5,678	5,050	5,100	15,828

**Total OTHER INCOME/EXPENSE**

<b>-6,017</b>	<b>-404</b>	<b>-4,696</b>	<b>-11,117</b>
<b>10,408</b>	<b>7,753</b>	<b>15,829</b>	<b>33,990</b>

**Net Profit**

# Profit & Loss - Location Side by Side - Period

Period Ending 11/30/2025

	Bettendorf	Locust	W 50th	Total
<b>REVENUES</b>				
Food Sales	122,892	77,756	109,697	310,344
Tap Room Sales	958		2,245	3,203
Other Operating Revenue	5,377	2,413	10,563	18,353
<b>Total REVENUES</b>	<b>129,226</b>	<b>80,169</b>	<b>122,505</b>	<b>331,900</b>
<b>DISCOUNTS</b>				
Sales Discounts	-11,432	-12,679	-8,193	-32,304
<b>Total DISCOUNTS</b>	<b>-11,432</b>	<b>-12,679</b>	<b>-8,193</b>	<b>-32,304</b>
<b>Net Sales After Discounts</b>	<b>117,794</b>	<b>67,490</b>	<b>114,312</b>	<b>299,595</b>
<b>COST OF SALES</b>				
Food Cost	30,523	17,248	27,669	75,440
Tap Room Cost	-592		292	-300
Other Cost of Sales	-1,459	-3,353	-2,746	-7,559
<b>Total COST OF SALES</b>	<b>28,471</b>	<b>13,895</b>	<b>25,215</b>	<b>67,581</b>
<b>GROSS PROFIT</b>	<b>89,323</b>	<b>53,595</b>	<b>89,096</b>	<b>232,014</b>
<b>Payroll Expense</b>				
Payroll - Controllable	32,606	18,451	33,255	84,312
Other Payroll	8,829	6,926	10,150	25,905
<b>Total Payroll Expense</b>	<b>41,435</b>	<b>25,377</b>	<b>43,405</b>	<b>110,217</b>
<b>Expense</b>				
VARIABLE EXPENSES	11,620	7,719	14,493	33,832
Fixed Expense	21,331	14,199	19,775	55,305
<b>Total Expense</b>	<b>32,951</b>	<b>21,918</b>	<b>34,268</b>	<b>89,136</b>
<b>Total Operating Income</b>	<b>14,937</b>	<b>6,300</b>	<b>11,423</b>	<b>32,661</b>
<b>FUN CENTER</b>				
Sales Redemption Games			2,814	2,814
Jungle Admission			2,754	2,754
C/S Redemption Game Prizes	1,414		4,813	6,228
C/S Redemption Game Supplies			-153	-153
Redemption Game Maintenance	-29		-133	-162
Fun Center Wages			-1,218	-1,218
Fixed Expense Allocation			-7,000	-7,000
Non-redemption, Non-owned Game Inc	-248		4,243	3,995
<b>Total FUN CENTER</b>	<b>1,138</b>	<b>0</b>	<b>6,119</b>	<b>7,257</b>
<b>SHIPPED PIZZAS</b>				
Shipping & Handling Income		-1,705		-1,705
Shipping & Handling Labor		1,114		1,114
Shipping & Handling Expense		-897		-897
<b>Total SHIPPED PIZZAS</b>	<b>0</b>	<b>-1,488</b>	<b>0</b>	<b>-1,488</b>

**OTHER INCOME/EXPENSE**

Other Income	-9,480	-4,293	-8,633	-22,406
Supervisory Managment	-1,885	-1,465	-1,651	-5,000
Delivery Income	4,776	4,482	4,609	13,867
<b>Total OTHER INCOME/EXPENSE</b>	<b>-6,589</b>	<b>-1,276</b>	<b>-5,674</b>	<b>-13,539</b>
<b>Net Profit</b>	<b>9,486</b>	<b>6,512</b>	<b>11,868</b>	<b>27,866</b>

# Profit & Loss - Location Side by Side - Period

## Period Ending 12/31/2025

	Bettendorf	Locust	W 50th	Total
<b>REVENUES</b>				
Food Sales	142,357	96,382	119,068	372,806
Tap Room Sales	698		1,783	2,480
Other Operating Revenue	6,440	2,970	10,274	19,684
<b>Total REVENUES</b>	<b>149,495</b>	<b>99,352</b>	<b>131,124</b>	<b>394,971</b>
<b>DISCOUNTS</b>				
Sales Discounts	-12,794	-12,484	-10,931	-51,209
<b>Total DISCOUNTS</b>	<b>-12,794</b>	<b>-12,484</b>	<b>-10,931</b>	<b>-51,209</b>
<b>Net Sales After Discounts</b>	<b>136,700</b>	<b>86,868</b>	<b>120,194</b>	<b>343,762</b>
<b>COST OF SALES</b>				
Food Cost	39,014	23,237	34,568	96,819
Tap Room Cost	1,107		1,831	2,938
Other Cost of Sales	8,146	5,943	6,911	15,057
<b>Total COST OF SALES</b>	<b>48,267</b>	<b>29,181</b>	<b>43,310</b>	<b>120,758</b>
<b>GROSS PROFIT</b>	<b>88,433</b>	<b>57,687</b>	<b>76,884</b>	<b>223,004</b>
<b>Payroll Expense</b>				
Payroll - Controllable	36,567	22,117	33,955	92,639
Other Payroll	9,569	6,081	9,616	25,265
<b>Total Payroll Expense</b>	<b>46,136</b>	<b>28,197</b>	<b>43,570</b>	<b>117,904</b>
<b>Expense</b>				
VARIABLE EXPENSES	22,152	13,638	20,193	17
Fixed Expense	15,800	6,926	10,150	41,880
<b>Total Expense</b>	<b>37,952</b>	<b>20,564</b>	<b>30,343</b>	<b>88,859</b>
<b>Total Operating Income</b>	<b>4,345</b>	<b>8,926</b>	<b>2,971</b>	<b>16,242</b>
<b>FUN CENTER</b>				
Sales Redemption Games			3,843	3,843
Jungle Admission			3,120	3,120
C/S Redemption Game Prizes	-1,976		-5,123	-7,099
Non-redemption, Non-owned Game Inc	2,022		6,321	8,343
<b>Total FUN CENTER</b>	<b>46</b>	<b>0</b>	<b>8,162</b>	<b>8,208</b>
<b>SHIPPED PIZZAS</b>				
Shipping & Handling Income		-5,580		-5,580
Shipping & Handling Labor		1,823		1,823
Shipping & Handling Expense		5,335		5,335
<b>Total SHIPPED PIZZAS</b>	<b>0</b>	<b>1,577</b>	<b>0</b>	<b>1,577</b>
<b>OTHER INCOME/EXPENSE</b>				
Cost of Sales - Concession	-138			-138
Other Income	-11,557	-5,454	-9,796	-26,807
Delivery Income	5,678	5,050	5,100	15,828

**Total OTHER INCOME/EXPENSE**

<b>-6,017</b>	<b>-404</b>	<b>-4,696</b>	<b>-11,117</b>
<b>10,408</b>	<b>7,753</b>	<b>15,829</b>	<b>33,990</b>

**Net Profit**

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

**AUDITED FINANCIAL STATEMENTS**

**Years Ended September 30, 2025, 2024, and 2023**

# HAPPY JOE'S FRANCHISING, INC.

## TABLE OF CONTENTS

	<b>Page</b>
<b>Independent Auditor's Report</b>	1
<b>Financial Statements</b>	
Balance Sheets	3
Statements of Operations	4
Statements of Stockholder's Equity	5
Statements of Cash Flows	6
Notes to Financial Statements	7



## **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, 2025, 2024 and 2023, 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, 2025, 2024 and 2023, 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 image shows a handwritten signature in black ink that reads "UHY LLP". The letters are stylized and cursive.

West Des Moines, Iowa  
January 27, 2026

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

	September 30,		
	2025	2024	2023
<b>Assets (Note 3)</b>			
Current assets:			
Cash	\$ 15,591	\$ 366,800	\$ 9,691
Accounts receivable, net	60,605	71,431	98,967
Inventory	19,684	22,908	31,506
Prepaid expenses	266,077	285,568	138,469
Due from affiliates	571,198	374,913	357,587
Total current assets	<u>933,155</u>	<u>1,121,620</u>	<u>636,220</u>
Intangible assets, net	730,123	1,088,293	1,446,463
Property and equipment	162,385	-	-
Total assets	<u>\$ 1,825,663</u>	<u>\$ 2,209,913</u>	<u>\$ 2,082,683</u>
<b>Liabilities and stockholder's equity</b>			
Current liabilities:			
Accounts payable	\$ 18,818	\$ 13,598	\$ 32,738
Income tax payable	9,735	-	-
Deferred revenue	907,816	1,019,046	486,045
Total current liabilities	<u>936,369</u>	<u>1,032,644</u>	<u>518,783</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	(2,351,706)	(2,063,731)	(1,677,100)
Total stockholder's equity	<u>889,294</u>	<u>1,177,269</u>	<u>1,563,900</u>
Total liabilities and stockholder's equity	<u>\$ 1,825,663</u>	<u>\$ 2,209,913</u>	<u>\$ 2,082,683</u>

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

	<b>Years Ended September 30,</b>		
	<b>2025</b>	<b>2024</b>	<b>2023</b>
Revenues:			
Royalties and franchise fees	\$ 1,403,017	\$ 1,330,679	\$ 1,357,335
Commissary sales	10,893	12,981	20,736
Total revenues	<u>1,413,910</u>	<u>1,343,660</u>	<u>1,378,071</u>
Costs and expenses:			
Cost of commissary sales and commissions	27,089	39,199	23,321
Payroll and related costs	531,003	539,651	462,424
Operating expenses	775,888	805,665	702,586
Amortization	358,170	358,170	356,028
Total costs and expenses	<u>1,692,150</u>	<u>1,742,685</u>	<u>1,544,359</u>
Other income	-	12,394	54,857
Loss before income tax	<u>(278,240)</u>	<u>(386,631)</u>	<u>(111,431)</u>
Income tax expense	(9,735)	-	-
Net loss	<u>\$ (287,975)</u>	<u>\$ (386,631)</u>	<u>\$ (111,431)</u>

**HAPPY JOE'S FRANCHISING, INC.**  
**STATEMENTS OF STOCKHOLDER'S EQUITY**  
**Years Ended September 30, 2025, 2024 and 2023**

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance at September 30, 2022	\$ 50,000	\$ 3,191,000	\$ (1,565,667)	\$ 1,675,333
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>
Net loss	-	-	(287,975)	(287,975)
Balance at September 30, 2025	<u>\$ 50,000</u>	<u>\$ 3,191,000</u>	<u>\$ (2,351,706)</u>	<u>\$ 889,294</u>

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

	<b>Years Ended September 30,</b>		
	<b>2025</b>	<b>2024</b>	<b>2023</b>
<b>Operating activities</b>			
Net loss	\$ (287,975)	\$ (386,631)	\$ (111,433)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Amortization	358,170	358,170	356,028
Changes in working capital components:			
Accounts receivable	10,826	27,536	18,243
Inventory	3,224	8,598	(5,701)
Prepaid expenses	19,491	(147,099)	(14,869)
Accounts payable	5,220	(19,140)	11,218
Income tax payable	9,735	-	-
Deferred revenue	(111,230)	533,001	(18,938)
Due from affiliates	(196,285)	(17,326)	(245,715)
Net cash provided by (used in) operating activities	<u>(188,824)</u>	<u>357,109</u>	<u>(11,167)</u>
<b>Investing activities</b>			
Purchase of intangible assets	-	-	(14,364)
Purchase of property and equipment	(162,385)	-	-
Net cash used in investing activities	<u>(162,385)</u>	<u>-</u>	<u>(14,364)</u>
Net increase (decrease) in cash	<u>(351,209)</u>	<u>357,109</u>	<u>(25,531)</u>
Cash at beginning of year	366,800	9,691	35,222
Cash at end of year	<u>\$ 15,591</u>	<u>\$ 366,800</u>	<u>\$ 9,691</u>

See accompanying notes to financial statements.

**HAPPY JOE'S FRANCHISING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2025, 2024 and 2023**

**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 34 (as of September 30, 2025) 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>2025</u>	<u>2024</u>	<u>2023</u>
Beginning Balance	\$ 5,686	\$ 7,636	\$ 4,700
Write-offs	(4,963)	(2,950)	-
Provision	-	1,000	2,936
Ending Balance	<u>\$ 723</u>	<u>\$ 5,686</u>	<u>\$ 7,636</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.

**Property and Equipment**

Property and equipment consists of a food truck and is recorded at cost, net of accumulated depreciation. Depreciation is computed by the straight-line method over an estimated useful life of five years.

**HAPPY JOE'S FRANCHISING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2025, 2024 and 2023**

**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, 2025, 2024, and 2023.

**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 \$504,983 as of October 1, 2022.

*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, 2025, 2024 and 2023

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

**Income Taxes**

For the years ending September 30, 2025, 2024 and 2023, 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, 2025, 2024 and 2023.

**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.

**NOTE 2 — INTANGIBLE ASSETS**

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Franchise agreements	\$ 3,191,000	\$ 3,191,000	\$ 3,191,000
Prototype	195,349	195,349	195,349
Intangible assets, cost	3,386,349	3,386,349	3,386,349
Accumulated amortization	<u>2,656,226</u>	<u>2,298,056</u>	<u>1,939,886</u>
	<u>\$ 730,123</u>	<u>\$ 1,088,293</u>	<u>\$ 1,446,463</u>

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

Fiscal year ending:	
2026	\$ 358,170
2027	343,220
2028	<u>28,733</u>
	<u>\$ 730,123</u>

**HAPPY JOE'S FRANCHISING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2025, 2024 and 2023**

**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, 2025 and 2024, 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 \$881,245, \$982,217, and \$796,463 for the years ended September 30, 2025, 2024 and 2023, 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 \$3,564, \$4,668, and \$7,945 of commissary items to affiliates for the years ended September 30, 2025, 2024, and 2023, respectively.

**NOTE 4 — INCOME TAX**

Total income taxes for the years ended September 30, 2025, 2024 and 2023, 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>2025</u>	<u>2024</u>	<u>2023</u>
Computed "expected" taxes (benefit)	\$ (58,400)	\$ (81,200)	\$ (23,400)
State income tax effect, net of federal tax benefit	(12,800)	(12,700)	2,600
Other	1,900	(4,100)	(21,200)
Change in valuation allowance	<u>79,000</u>	<u>98,000</u>	<u>42,000</u>
Net income tax expense (benefit)	<u>\$ 9,700</u>	<u>\$ -</u>	<u>\$ -</u>

For the years ending September 30, income tax expense consists of the following:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Current federal income tax expense	\$ 7,900	\$ -	\$ -
Current state income tax expense	<u>1,800</u>	<u>-</u>	<u>-</u>
Income tax expense	<u>\$ 9,700</u>	<u>\$ -</u>	<u>\$ -</u>

The Company applies the provisions of FASB ASC 740, Income Taxes, which requires the Company to assess its tax positions and determine if any positions are uncertain.

The Company has analyzed its filing positions open to review and believes all significant positions have a "more-likely-than-not" likelihood of being upheld based on its technical merits.

**HAPPY JOE'S FRANCHISING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2025, 2024 and 2023**

**NOTE 4 — INCOME TAX (Continued)**

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, 2025, 2024 and 2023 are as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Net operating loss carryforwards	\$ 158,000	\$ 242,000	\$ 174,000
Intangible assets	209,000	172,000	135,000
Deferred revenue	226,000	97,000	100,000
Other	9,000	12,000	16,000
Valuation allowance	<u>(602,000)</u>	<u>(523,000)</u>	<u>(425,000)</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, 2025, the Company had a federal net operating loss carryforward of \$631,000 with an unlimited carryforward period and subject to an 80% utilization against future taxable earnings. State net operating loss carryforwards are approximately \$517,000 as of September 30, 2025.

**NOTE 5 — LIQUIDITY**

The Company has incurred net losses of approximately \$278,000, \$387,000, and \$111,000 for the years ended September 30, 2025, 2024, and 2023, 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 27, 2026, the date which the financial statements were available to be issued.

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).

**10. THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

**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 XVII.A. of the Area Development Agreement is deleted and replaced with the following:

**12.** 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 PagesPage Follows]