**FRANCHISE DISCLOSURE DOCUMENT**

Frios Franchising Company, LLC
A Delaware limited liability company
1201 West I-65 Service Road North
Mobile, Alabama 36618
Tel: (817) 675-6882
franchising@friospops.com
www.friospops.com

The franchise that we offer is for Frios gourmet pops, a mobile business featuring a menu of specialty gourmet ice pops and other menu items.

The total investment necessary to begin operation of the franchised business under a franchise agreement within a single territory and from a Sweet Ride Van is $76,615 to $99,154. This includes $43,000 to $44,000 that must be paid to the franchisor or its affiliates. The total investment necessary to begin operation of the franchised business under a franchise agreement within a single territory and from a Happiness Hauler Trailer is $64,548 to $109,917. This includes $43,000 to $44,000 that must be paid to the franchisor or its affiliates. The total investment necessary to begin operation of the franchised business under a franchise agreement within a single territory and from three Nelson Carts is $77,500 to $100,000. This includes $43,000 to $44,000 that must be paid to the franchisor or its affiliates. The total investment necessary to begin operation of the franchised business under a franchise agreement within multiple territories is $92,048 to $219,917. This includes $70,500 to $154,000 that must be paid to the franchisor or its affiliates.

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 government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another form that is more convenient for you. To discuss the availability of disclosures in different forms, contact Cliff Kennedy, Frios Franchising Company, LLC, at 1201 West I-65 Service Road North, Mobile, Alabama 36618, and (817) 675-6882.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read your entire 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. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov 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 29, 2026

## How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

| QUESTION | WHERE TO FIND INFORMATION |
|---|---|
| **How much can I earn?** | Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits F and G. |
| **How much will I need to invest?** | Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use. |
| **Does the franchisor have the financial ability to provide support to my business?** | Item 21 or Exhibit D includes financial statements. Review these statements carefully. |
| **Is the franchise system stable, growing, or shrinking?** | Item 20 summarizes the recent history of the number of company-owned and franchised outlets. |
| **Will my business be the only Frios business in my area?** | Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you. |
| **Does the franchisor have a troubled legal history?** | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings. |
| **What's it like to be a Frios franchisee?** | Item 20 or Exhibits F and G list current and former franchisees. You can contact them to ask about their experiences. |
| **What else should I know?** | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents. |

## What You Need to Know About Franchising *Generally*

**Continuing responsibility to pay fees**. You may have to pay royalties and other fees even if you are losing money.

**Business model can change**. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

**Supplier restrictions**. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

**Operating restrictions**. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

**Competition from franchisor**. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

**Renewal**. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

**When your franchise ends**. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

## Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit A.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration, and/or litigation only in Alabama. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Alabama than in your own state.

2. **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even if your spouse has no ownership interest in the franchise. This guarantee will place both you and your spouse's marital and personal assets (perhaps including your house) at risk if your franchise fails.

3. **Financial Condition**. The franchisor's financial condition as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

NOTICE REQUIRED BY THE STATE OF MICHIGAN

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

The Michigan Franchise Law states in Sec. 445.1527, Sec. 27 that each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
CONSUMER PROTECTION DIVISION
Attention: Antitrust & Franchise
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48909
Telephone Number: (517) 373-7117

Frios
Franchise Disclosure Document

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EXHIBITS


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

Frios Franchising Company, LLC, the franchisor of the Frios franchise, is referred to in this franchise disclosure document (the "Disclosure Document") as "we", "us" or "our" as the context requires. A franchisee is referred to in this Disclosure Document as "you" and "your" as the context requires. If you are a corporation, partnership or other legal entity (a "Corporate Entity"), our franchise agreement will also apply to your individual owners, shareholders, members, officers, directors, other principals, and their respective spouses.

### The Franchisor

We are a Delaware limited liability company established on December 19, 2018. Our principal place of business is 1201 West I-65 Service Road North, Mobile, Alabama 36618. We commenced business under the FGP Franchising, LLC name and later changed our corporate name to Frios Franchising Company, LLC. We conduct business under our corporate name Frios Franchising Company, LLC and under the Frios trade name. Our business is operating the Frios franchise system and granting franchises to third parties like you to develop and operate franchised businesses. We began offering franchises on December 21, 2018. Other than as discussed above, we are not in any other business, we have not conducted business in any other line of business, we do not conduct or operate a Franchised Business of the type to be operated by a franchisee, and we have not offered or sold franchises in any other line of business. Our registered agents for service of process are disclosed in Exhibit B of this Disclosure Document.

### The Franchised Business

We license a system (the "System") for the operation of a Frios van (the "Sweet Ride Van"), trailer (the "Happiness Hauler Trailer"), or mobile carts (the "Nelson Carts") that serve a menu of specialty gourmet ice pops and other menu items (the "Approved Services and Products"), with the option to sell Frios gourmet pops on a wholesale basis to businesses for retail sale to customers (collectively referred to as a "Franchised Business" or "Frios Business"). The System includes Approved Services and Products that we currently designate and that we may modify, add to or discontinue from time to time, and our specifications, methods and procedures for the preparation, service, marketing and sale of Approved Services and Products by the Franchised Business. The System also features and requires, as designated by us, your exclusive use of certain food ingredients including raw, partially prepared, and prepared mixes, sauces, beverages, and food products used to prepare Approved Services and Products, supplies and equipment designated by us (collectively, the "System Supplies"). The System is identified by the Frios trademark and such other trademarks, logos, and trade dress that as we may designate, modify and adopt from time to time for use in the System and as same may or may not be registered with the United States Patent and Trademark Office (collectively the "Licensed Marks"). You must develop and operate your Frios Business in conformity with the specifications, procedures, criteria and requirements that we designate in our confidential operations manual and other proprietary manuals that we designate and as we may supplement and modify from time to time (collectively, the "Manuals"). From time to time, we may modify, add to or discontinue our designated Approved Services and Products, System Supplies, and/or our specifications, methods, and procedures for the service, marketing, and sale of Approved Services and Products. You may only offer and provide the Approved Services and Products within your designated operating territory (your "Operating Territory").

### Franchise Agreement

You may enter into a franchise agreement in the form attached to this Disclosure Document as Exhibit E (the "Franchise Agreement") to develop and operate a Frios Business within your Operating Territory in conformity with the requirements of our System. You will be required to develop and operate the Franchised Business and, thereby, your Sweet Ride Van, Happiness Hauler Trailer, and/or Nelson Carts, in conformity with the requirements of our System. Your rights in the System will be limited to the establishment and

operation of either: (a) a single Sweet Ride Van; (b) a single Happiness Hauler Trailer; or (c) three Nelson Carts serving only our Approved Services and Products from your Sweet Ride Van, Happiness Hauler Trailer, or Nelson Carts and within your agreed upon Operating Territory. You may commence operations of the Franchised Business with the sale of Frios pops on a wholesale basis to businesses for retail sale to customers located within your Operating Territory, provided that no later than six months following the opening of the Franchised Business, you secure an approved Sweet Ride Van, Happiness Hauler Trailer, or three Nelson Carts. Your Sweet Ride Van, Happiness Hauler Trailer, and Nelson Carts and the operation of the Franchise Business must conform to the requirements of our System. If your Operating Territory is comprised of a second Territory, you will not be required to obtain additional assets for the Franchised Business. However, if your Operating Territory is comprised of a third Territory, you will be required to have at least one additional Sweet Ride Van, or one additional Happiness Hauler Trailer, or three additional Nelson Carts within your Operating Territory.

## Our Parents, Predecessors, and Affiliates

FGP Holding, LLC

Our parent company is FGP Holding, LLC (our "Parent Company"), a Delaware limited liability company established on November 30, 2018. Our Parent Company maintains a principal business address at 1201 West I-65 Service Road North, Mobile, Alabama 36618. Our Parent Company is the owner of the Licensed Marks. Our Parent Company has not in the past and does not now offer franchises in any lines of business.

FRIOS Gourmet Pops LLC

Our predecessor is FRIOS Gourmet Pops LLC, an Alabama limited liability company with a principal business address of 103 Windsor Lane, Rainbow City, Alabama 35906 (the "Prior Franchisor"). On December 21, 2018, we acquired the assets of the Prior Franchisor related to the System and also assumed the role as franchisor of the System.

FGP Manufacturing, LLC

Our affiliate FGP Manufacturing, LLC is a Delaware limited liability company established on December 19, 2019. This affiliate maintains a principal business address at 1201 West I-65 Service Road North, Mobile, Alabama 36618. This affiliate is the supplier of Frios pops to franchisees. This affiliate has not in the past and does not now offer franchises in any lines of business.

Gulf Coast Treats, LLC

Our affiliate Gulf Coast Treats, LLC is an Alabama limited liability company established on April 25, 2018. This affiliate maintains a principal business address at 1201 West I-65 Service Road North, Mobile, Alabama 36618. This affiliate operates a Frios business similar to the Franchised Business in Mobile, Alabama. This affiliate has not in the past and does not now offer franchises in any lines of business.

## Market and Competition

The marketplace for the menu items, products, and services offered by the Franchised Business is well developed and competitive. You will be competing with numerous food trucks, mobile kiosks, restaurants, and stores that offer a wide range of ice pops, ice cream, frozen yogurt, Italian ices, and dessert items in a wide variety of service formats. Competition will include food trucks, mobile kiosks, restaurants, and stores that operate independently and others that operate as a part of a regional or national chain. The market for the menu items, products, and services offered by the Franchised Business is highly seasonal.

## Industry Specific Laws

Many states and local jurisdictions have laws, rules, and regulations that may apply to your Franchised Business, including rules and regulations related to the licensing, ownership and operation of food trucks including motor vehicle laws, and federal, state and local rules and regulations related to the operation of

food trucks, employee health and safety and emergency preparedness, use, storage and disposal of waste, menu labeling, nutrition labeling, and federal, state and local health and safety rules and regulations that govern the locations and venues in which you may operate a food truck. You should investigate and evaluate how these regulations and requirements and other regulations and requirements apply in the geographic area in which you are authorized by us to operate your Franchised Business. You should consult with your lawyer concerning these and other local laws, rules, and regulations that may affect the operation of your Franchised Business.

## ITEM 2
## BUSINESS EXPERIENCE

Clifford L. "Cliff" Kennedy III, Chief Executive Officer
Cliff Kennedy is our Chief Executive Officer and he has served in this role since January 2021 and prior to this, from December 2018 to November 2021, Mr. Kennedy was our President. Since December 2019 and continuing to date, Mr. Kennedy has served as the Chief Executive Officer of our Parent Company, FGP Holding, LLC, located in Mobile, Alabama. Since December 2019 and continuing to date, Mr. Kennedy has served as the Chief Executive Officer of our affiliate, FGP Manufacturing, LLC, located in Mobile, Alabama. Since April 2018 and continuing to date, Mr. Kennedy has served as the Chief Executive Officer of our affiliate, Gulf Coast Treats, LLC, located in Mobile, Alabama.

Jennifer Rogers, Brand President and Chief Marketing Officer
Jennifer Rogers is our Brand President and she has served in this role since November 2024, and our Chief Marketing Officer and she has served in this role since March 2023 in Mobile, Alabama. From March 2022 to March 2023, Ms. Rogers was the Vice President of Marketing at Snapology in Fort Worth, Texas. From November 2021 to April 2022, Ms. Rogers was the Director of Sales and Marketing of Pittsburgh CLO in Pittsburgh, Pennsylvania. From October 2018 to November 2021, Ms. Rogers was the Director of Marketing at Snapology in Pittsburgh, Pennsylvania.

Alison Groom, Vice President of Operations
Alison Groom is our Vice President of Operations and has served in this role since August 2025 in Mobile, Alabama. Prior to this position, Ms. Groom was our Director of Franchise Operations from November 2024 to August 2025. From January 2023 to November 2024, Ms. Groom was our Director of Franchise Support and Development. From October 2018 to August 2022, Ms. Groom was the owner of the Frios Business located in Keller, Texas. From September 2021 to January 2023, Ms. Groom was the Sales Manager at Adooring Designs in Grapevine, Texas. From October 2019 to September 2021, Ms. Groom was our Director of Franchise Development in Mobile, Alabama.

## ITEM 3
## LITIGATION

No litigation is required to be disclosed in this Item.

## ITEM 4
## BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

## ITEM 5
## INITIAL FEES

When you sign a Franchise Agreement you must pay to us a non-refundable initial franchise fee (the "Initial Franchise Fee"). The Initial Franchise Fee is $37,500 for a geographic area that operates as a single territory with a population of up to 150,000 people (each a "Territory"). The Initial Franchise Fee is fully earned by us upon payment. In our last fiscal year ending December 31, 2025, we offered an incentive to existing franchisees to add an additional territory for $17,000.We reserve the right, in our sole discretion, to reduce or waive the Initial Franchise Fee on a case by case basis based on factors such as franchisee tenure, performance, market conditions or other circumstances we deem relevant.

**Military and/or Veteran's Discount**

For qualified individuals who are active members of any branch of the United States Military or were honorably discharged from any branch of the United States Military we offer a 10% discount off of the Initial Franchise Fee for your first Franchise Agreement. This discount must be requested at the time of your initial franchise application and requires documented military service.

**Multi-Territory and Multi-Franchise Discounts**

Subject to market type, availability, and our discretion, at the time of signing your Franchise Agreement, you may request the right to purchase additional territories (each referred to as an "Additional Territory") to be added to your Operating Territory and operated under one Franchise Agreement. Each Additional Territory will be comprised of a population of approximately 150,000 people. Your first Territory and, if applicable, each Additional Territory is collectively referred to collectively as your "Territories" and, individually, as a "Territory." When purchasing Additional Territories, the following initial franchise fees shall apply:

| Total Territories Purchased | Additional Initial Franchise Fee per Additional Territory | Cumulative Fee (Includes First Territory) |
|---|---|---|
| 1 | $37,500 | $37,500 |
| 2 | $27,500 | $65,000 |
| 3 | $27,500 | $92,500 |
| 4 | $27,500 | $120,000 |
| 5 | $27,500 | $147,500 |

Subject to market type, availability, and our discretion, if you elect to enter multiple Franchise Agreements, we will apply the same Territory discounts as set forth in the above table. The discounts are only applicable for Franchise Agreements signed at the same time, except as set forth below.

If within the 90 day period following the time you sign your first Frios Franchise Agreement you elect to and we approve you adding Additional Territories to your Operating Territory, we will honor the Multi-Territory discounts set forth in this Item 5. Prior to adding any Additional Territories to your Operating Territory, you must be in compliance with the terms of your Franchise Agreement and all of your other agreements with us and you must obtain our approval. This discount is subject to the franchisee's satisfaction of our qualifications for this discount.

**Initial Starter Pack**

You must purchase an initial starter pack of your initial supply of pops, marketing materials, and other System Supplies from us or our affiliate (the "Initial Starter Pack"). We estimate that the Initial Starter Pack that you must purchase from us or our affiliates will cost between $5,500 to $6,500. Your Initial Starter Pack fee will be fully earned by us upon payment and are non-refundable.

## ITEM 6
## OTHER FEES

| Type of Fee (Note 1) | Amount | Due Date | Remarks |
|---|---|---|---|
| Royalty Fee (Notes 2 and 3) | Varies by number of year of operation in accordance with the schedule set forth in Note 2 | Monthly on the 1st of the month | Will be debited automatically from your bank account by ACH or other means designated by us. The Royalty fee will commence on the sooner of: (i) first full month following the completion of training; or (ii) upon the placement of your first pop order. |
| Brand Development Fund (Note 4) | Up to 2% of Gross Sales, currently not assessed | Monthly as designated by us | Will be debited automatically from your bank account by ACH or other means designated by us. |
| Franchisee Directed Local Marketing (Note 5) | Not less than $4,000 per year | Annually as incurred by you | Must be spent by you annually on pre-approved marketing within your Operating Territory. |
| Advertising Cooperatives (Note 6) | Not exceeding the local marketing requirement, currently not assessed | As established by cooperative members | If we authorize an Advertising Cooperative, fees that you pay to the cooperative will count to the satisfaction of your local marketing requirements but will not exceed the local marketing requirement. |
| Technology and Marketing Fee (Note 7) | Currently $250 per month for a single Territory; you will also pay an additional $50 per month for each additional Territory | Monthly on the first of the month | Will be debited automatically from your bank account by ACH or other means designated by us. We may raise this fee for a single Territory up to $350 per month. |
| Additional Email Address Fee | $216 per email address per year (or $18 per email address month) | As invoiced | We will provide you with access to one friospops.com email at no cost. The email address fee is a fee for each additional friospops.com email you request for your Franchised Business over and above the first complementary email address we provide. |
| Annual Conference (Note 8) | Our then current conference fee, not greater than $1,000 per attendee | When invoiced | Required attendance fee for an annual System conference. |
| Additional Employee Initial Training | Our then current training fee, currently $150 per person per day | When invoiced, prior to training | Our initial pre-opening training is provided at no additional cost for you or your Managing Owner and one designated manager. This fee applies to |

| | | | |
|---|---|---|---|
| | | | additional individuals that we authorize to attend initial training. |
| Supplemental Training | Our then current trainer fee, currently $500 per day plus our expenses | When invoiced, prior to training | If you request or we require additional training, you must pay our then current trainer fee plus, if applicable, our expenses related to travel and accommodations. |
| Reporting Non-Compliance | $150 per occurrence | 14 days of invoice | Payable for failure to timely submit Royalty and Activity Reports, and other reports and financial statements as required under Franchise Agreement. |
| Operations Non-Compliance | $450 to $1,000 per occurrence | 14 days of invoice | Payable for failure to comply with operational standards as required under Franchise Agreement, plus inspection and re-inspection costs incurred by us. |
| Payment Non-Compliance | $150 per occurrence | 14 days of invoice | Payable for failure to timely pay, when due, a fee or payment due to us under the Franchise Agreement, plus interest, costs and legal fees. |
| Territory Infringement Fee | $1,000 per incident for the first violation plus all Gross Revenue as defined in herein, that you invoiced while infringing; $5,000 per incident for the second or subsequent violation plus all Gross Revenue as defined in herein, that you invoiced while infringing | On demand | Payable if you infringe on another franchisee's Territory. "Gross Revenue" as used to access the Territory Infringement Fee shall mean your Gross Sales minus Cost of Goods Sold. |
| Interest | 18% per annum from due date | On demand | Payable on all overdue amounts, fees, charges, and payments due to us under the Franchise Agreement. Interest rate cannot exceed legal rate allowed by law and may be adjusted to reflect same. |
| NSF Check Fee or Failed Electronic Fund Transfer | 5% of amount or $50, whichever is greater, or maximum fee allowed by law | On demand | Payable if your bank account possesses insufficient funds and/or fails to process a payment or transfer related to a fee due from you to us. |
| Audit | Cost of audit | On demand | For costs incurred by us for each financial audit, provided the audit determines underreporting of 2% or greater during any designated period. Includes expenses incurred by us including audit, legal, travel and reasonable accommodations. |

| | | | |
|---|---|---|---|
| Quality Assurance Audit | Actual costs incurred by us | As invoiced | Payable to us if we elect to perform or designate a third party to perform periodic quality assurance audits, including mystery shopper type inspections and programs. Includes costs and expenses of re-inspections. |
| Collections | Actual fees, costs, and expenses | On demand | For costs and expenses incurred by us in collecting fees due to us or to enforce the terms of the Franchise Agreement or a termination of the Franchise Agreement. |
| Supplier Review | Actual fees, costs, and expenses | Within 14 days of invoice | For costs incurred by us to review and evaluate a potential supplier, product, or service that you submit to us for approval. |
| Management Service | Actual costs incurred by us | As invoiced | Payable if we elect to manage the Franchised Business due to a failure by you to have the Franchised Business managed by an authorized Managing Owner or Manager. |
| Transfer | $5,000 if the Frios Business is transferred to an existing franchisee; or $7,500 if the Frios Business is transferred to an unrelated third-party (collectively the "Transfer Fee"). You may also pay the Lead Procurement Fee of $5,000 | On demand | Payable if we approve your transfer request and upon signing our then current Franchise Agreement. If we provide the lead for your transfer, you will also pay us a lead procurement fee of $5,000 (the "Lead Procurement Fee"). |
| Renewal | $10,000 | Prior to renewal | Payable if we approve your renewal request and upon signing our then current Franchise Agreement. |
| Operating Territory Relocation Fee | $1,500 | Prior to relocation | We may, subject to availability and our approval, allow you to relocate your Operating Territory |

Explanatory Notes to Item 6

Note 1: Type of Fee – The above table describes fees and payments that you must pay to us, our affiliates, or that our affiliates may impose or collect on behalf of a third party. Except as otherwise specified, all fees are uniformly imposed for all franchises offered under this Disclosure Document, are not refundable, and are payable to us. Payment is subject to our specification and instruction, including, our election to have all fees automatically drafted from your business bank account or automatically debited or charged to your business bank account. You will be required to sign an ACH Authorization Form (Franchise Agreement, Exhibit 4) permitting us to electronically debit your designated bank account for payment of all fees payable to us and/or our affiliates. You must deposit the Gross Sales of your Frios Business into the designated bank accounts that are subject to our ACH authorization. You must install and use, at your expense, the pre-authorized payment, point of sale, credit card processing, automatic payment, automated banking, electronic debit and/or electronic funds transfer systems that we designate and require in the operation of

your Franchised Business. You must pay all service charges and fees charged to you by your bank so that we may electronically debit your bank account.

Note 2: Royalty Fees – You must pay to us a continuing royalty fee (the "Royalty Fee") for each Territory you operate. The continuing Royalty Fee is a fee that is equal to the amount set forth in the following schedule:

| Period | Years | Annual Royalty Fee | Monthly Royalty Fee Amount |
|---|---|---|---|
| Tier 1 | Years 1-2 | $6,500 | $541.67 |
| Tier 2 | Years 3-4 | $7,500 | $625.00 |
| Tier 3 | Years 5-10 | $8,500 | $708.33 |

The rates for each year will automatically change at the start of the year without any notice or amendment required. We offer two payment schedules for the Royalty Fee as follows:

- Option one: Twelve equal monthly payments from January to December; or
- Option two: Six equal monthly payments from April to September.

As an example, for Year 1 if you choose option one, you will make twelve monthly payments of $541.67. If you choose option two, you will make six payments of $1,083.33 from April to September. The payments will be made via ACH on the first of the month. If the first of the month is on the weekend, the payment will be deducted on the Friday immediately prior to the first.

Note 3: Gross Sales – "Gross Sales" means the total dollar sales from all business and customers of your Frios Business and includes the total gross amount of revenues, receipts, and sales from whatever source derived, whether in form of cash, credit, agreements to pay or other consideration including the actual retail value of any goods or services traded, borrowed, or received by you in exchange for any form of non-money consideration (whether or not payment is received at the time of the sale), from or derived by you or any other person or Corporate Entity from business conducted or which started in, on, from or through your Sweet Ride Van(s), Happiness Hauler Trailer(s), Nelson Cart(s), and/or Frios Business, whether such business is conducted in compliance with or in violation of the terms of the Franchise Agreement. Gross Sales include the total gross amount of revenues, receipts, and sales from whatever source derived from and/or derived by you (including any person and/or Corporate Entity acting on your behalf) from business conducted within and/or outside your Operating Territory that is related to your Sweet Ride Van(s), Happiness Hauler Trailer(s), Nelson Cart(s), the Frios Business, and/or a competitive business located and/or operated within your Operating Territory, outside your Operating Territory, and/or otherwise. Gross Sales do not include (a) sales taxes that you collect and remit to the proper taxing authority, and (b) authorized promotional discounts that you provide to customers.

Note 4: Brand Development Fund – The brand development fund fee is a continuing monthly fee equal to an amount of up to 2% of your monthly Gross Sales (the "Brand Development Fund Fee"). Currently we do not collect a Brand Development Fund Fee but we reserve the right to do so in the future.

Note 5: Franchisee Directed Local Marketing – On an on-going annual basis you must spend not less than $4,000 per year on the local marketing of your Franchised Business within your Operating Territory and in accordance with our standards and specifications.

Note 6: Advertising Cooperatives – If two or more Frios Businesses are operating within a geographic area, region, or market designated by us (a "designated market"), we reserve the right to establish and require your participation in a local or regional advertising cooperative within the designated market. If established,

you will be required to participate in the cooperative and make on-going payments to the cooperative in such amounts and subject to such caps as established by the cooperative members. We anticipate that each Frios Franchised Business franchisee will have one vote for each Frios Business located within the cooperative market and those cooperative decisions shall be made based on approval of a simple majority vote with a quorum of not less than 25% of the designated cooperative members. Contributions to a local or regional cooperative that we designate will count toward satisfaction of your minimum local marketing requirements but shall not exceed your local marketing requirement.

Note 7: Technology and Marketing Fee – The continuing monthly technology and marketing fee is an administrative fee and is not associated with any particular service but is used, at our discretion, to defray some of our costs related to system website, intranet, customer relationship management, and marketing (the "Technology and Marketing Fee"). Currently, the monthly Technology and Marketing Fee for a single Territory is $250 but we reserve the right to increase the single Territory Technology and Marketing Fee to up to $350 per month. You will also pay an additional $50 per month for each additional Territory.

Note 8: Annual Conference Attendance Fee – If we offer a franchisee annual conference in a given year you will be required to attend the conference on the dates and at the location that we designate. You will be responsible for all travel and lodging expenses. We may charge you an annual conference fee in an amount not exceeding $1,000 per attendee (the "Annual Conference Attendance Fee"). We reserve the right to charge the Annual Conference Attendance Fee to those franchisees that do not attend. We will not require your attendance at an annual conference for more than five days during any calendar year.

## ITEM 7
## ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

**A. Single Territory – Frios Sweet Ride Van**

| Type of Expenditure | Amount | Method of Payment | When Due | To Whom Payment is Made |
|---|---|---|---|---|
| Initial Franchise Fee (Note 1) | $37,500 | Lump sum | When Franchise Agreement is signed | Us |
| Sweet Ride Van, Wrap, and Equipment (Note 2) | $15,115 – $16,654 | As arranged | As incurred | Suppliers |
| Rent/ Storage – Three Months (Note 3) | $0 – $4,500 | As arranged | As incurred | Suppliers |
| Computer, Software, and Point of Sale System (Note 4) | $300 – $1,500 | As arranged | As incurred | Suppliers |
| Grand Opening Marketing (Note 5) | $6,000 | As arranged | As incurred | Suppliers |
| Initial Starter Pack (Note 6) | $5,500 – $6,500 | As arranged | As incurred | Us, suppliers |

| | | | | |
|---|---|---|---|---|
| Insurance Deposits – Three Months (Note 7) | $1,000 – $2,000 | As arranged | As incurred | Insurers |
| Travel for Initial Training (Note 8) | $750 – $1,500 | As arranged | As incurred | Airlines, hotels, restaurants |
| Professional Fees (Note 9) | $250 – $2,500 | As arranged | As incurred | Attorneys, accountants, advisors |
| Licenses and Permits (Note 10) | $200 – $500 | As arranged | As incurred | Government |
| Additional Funds – Three Months (Note 11) | $10,000 – $20,000 | As arranged | As incurred | Us, employees, suppliers, landlord, utility suppliers |
| Total Estimate (Note 12) | $76,615 – $99,154 | | | |

Explanatory Notes to Item 7 for Sweet Ride Van Operating in a Single Territory

Note 1: Initial Franchise Fee – The Initial Franchise Fee is $37,500 for a Frios Business operated in a single Territory. All fees are non-refundable. We do not finance any portion of your initial fees.

Note 2: Sweet Ride Van, Wrap, and Equipment – This estimate is for the vehicle that you will use and operate as your Sweet Ride Van. The Sweet Ride Van must be a new van that meets our specifications as to quality, condition, and type of vehicle. This estimate assumes that you are purchasing a new fully configured Sweet Ride Van from a suppler that we designate and includes your down payment of $10,000 and your first three months of financing installment payments, which range from $1,705 to $1,718 per month. The high end of this estimate also assumes that you incur a fee of $1,500 for the delivery of your Sweet Ride Van. We may, in our discretion, require that you operate more than one Sweet Ride Van within your Operating Territory depending on the number of Territories comprising your Operating Territory.

Note 3: Rent/Storage – You have the option to obtain storage for your Frios Business equipment and supplies. The low end of the estimate assumes you do not obtain storage while the high end of the estimate assumes rent/storage costs for three months.

Note 4: Computer, Software, and Point of Sale System – You will be required to purchase, license and use the point of sale systems, ordering systems, and applications that we designate. Information about the point of sale and computer systems are disclosed in Item 11 of this Disclosure Document.

Note 5: Grand Opening Marketing Expense – You must spend a minimum of $6,000 within the first six months after opening your Frios Business to promote your grand opening. You must submit your grand opening marketing plan to us for our pre-approval. This is in addition to your local marketing requirement.

Note 6: Initial Starter Pack – Your Initial Starter Pack comprised of pops, marketing materials, and supplies and your on-going inventory and supplies (including System Supplies) must be purchased from us, our affiliate, or our designated suppliers.

Note 7: Insurance Deposits – Three Months – You are required to maintain minimum insurance coverage as designated by us. This estimate is for the cost of an initial deposit to obtain the minimum required insurance the initial three months of monthly insurance installment premium payments. We recommend that you consult with your insurance agent before signing a Franchise Agreement.

Note 8: Travel for Initial Training – You must complete our pre-opening training program before opening your Frios Business. We do not charge a fee for our pre-opening initial training. This estimate is for estimated travel and lodging expenses that you will incur to attend our pre-opening initial training program.

Note 9: Professional Fees – This estimate is for costs associated with the engagement of professionals such as attorneys and accountants for advisories consistent with the start-up of a Frios Business. We recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity, this Disclosure Document, and the Franchise Agreement. It is also advisable to consult these professionals to review any lease and other contracts that you will enter into as part of the development and operation of your Frios Business.

Note 10: Licenses and Permits – You must apply for, obtain, and maintain all required permits and licenses necessary to operate a Frios Business and Sweet Ride Van. The licenses will vary depending on local, municipal, county, and state regulations.

Note 11: Additional Funds – This is an estimate of the minimum recommended levels of additional funds that may be required to cover operating expenses such as employee salaries, inventory, Sweet Ride Van payments, and utilities only for the initial three month period following the opening of your Frios Business. This estimate does not include compensation to you or your owners and does not include interest, finance charges, or payments that may be incurred by you if you financed your Sweet Ride Van. In making this estimate, we have relied on the experiences of our affiliate and franchisees in developing and operating a Frios Business and Sweet Ride Van. This is only an estimate for your initial three months of operations and more working capital and additional funds may be required depending on the sales and performance of your Frios Business.

Note 12: About Your Estimated Initial Investment – This is an estimate of the initial start-up expenses for a Frios Business operating with a Sweet Ride Van. We have based these estimates on the experiences of our affiliate and franchisees in developing a Frios Business and Sweet Ride Van. These are only estimates and your costs and the range of those costs may vary. These estimates do not include interest and financing charges that you may incur and they do not include management level compensation payable to you or your owners. If you increase the geographic size of your Operating Territory by adding Additional Territories your costs will be higher.

**B. Single Territory – Frios Happiness Hauler Trailer**

| Type of Expenditure | Amount | Method of Payment | When Due | To Whom Payment is Made |
|---|---|---|---|---|
| Initial Franchise Fee (Note 1) | $37,500 | Lump sum | When Franchise Agreement is signed | Us |
| Happiness Hauler Trailer, Tow Vehicle, Wrap, and Equipment (Note 2) | $3,048 –$27,417 | As arranged | As incurred | Suppliers |

| | | | | |
|---|---|---|---|---|
| Rent/ Storage – Three Months (Note 3) | $0 – $4,500 | As arranged | As incurred | Suppliers |
| Computer, Software, and Point of Sale System (Note 4) | $300 – $1,500 | As arranged | As incurred | Suppliers |
| Grand Opening Marketing (Note 5) | $6,000 | As arranged | As incurred | Suppliers |
| Initial Starter Pack (Note 6) | $5,500 – $6,500 | As arranged | As incurred | Us, suppliers |
| Insurance Deposits – Three Months (Note 7) | $1,000 – $2,000 | As arranged | As incurred | Insurers |
| Travel for Initial Training (Note 8) | $750 – $1,500 | As arranged | As incurred | Airlines, hotels, restaurants |
| Professional Fees (Note 9) | $250 – $2,500 | As arranged | As incurred | Attorneys, accountants, advisors |
| Licenses and Permits (Note 10) | $200 – $500 | As arranged | As incurred | Government |
| Additional Funds – Three Months (Note 11) | $10,000 – $20,000 | As arranged | As incurred | Us, employees, suppliers, landlord, utility suppliers |
| Total Estimate (Note 12) | $64,548 – $109,917 | | | |

Explanatory Notes to Item 7 for Happiness Hauler Trailer Operating in a Single Territory

Note 1: Initial Franchise Fee – The Initial Franchise Fee is $37,500 for a Frios Business operated in a single Territory. All fees are non-refundable. We do not finance any portion of your initial fees.

Note 2: Happiness Hauler Trailer, Wrap, and Equipment – This estimate is for the trailer and tow vehicle that you will use and operate as your Happiness Hauler Trailer. The Happiness Hauler Trailer must be a new trailer that meets our specifications as to quality, condition, and type of trailer. This estimate assumes that you are purchasing a new fully configured Happiness Hauler Trailer from a suppler that we designate. The low end of this estimate assumes that you finance your Happiness Hauler Trailer for a 60 month term with $0 down and includes your first three months of financing installment payments of $1,016 per month. The low end of this estimate also assumes you already own a tow vehicle that is clean, in professional condition, dent-free, free of any logos or branding, and approved by us. The tow vehicle must be capable of towing a minimum of 1,700 to 2,200 pounds. The high end of this estimate assumes that you finance your Happiness Hauler Trailer for a 24 month term with $21,500 down and includes your first three months of financing installment payments of $1,089 per month. The high end of this estimate also includes three months of lease installment payments for a tow vehicle approved by us, as well as a fee of $1,500 for the delivery of your Happiness Hauler Trailer. We may, in our discretion, require that you operate more than

one Happiness Hauler Trailer within your Operating Territory depending on the number of Territories comprising your Operating Territory.

Note 3: Rent/Storage – You have the option to obtain storage for your Frios Business equipment and supplies. The low end of the estimate assumes you do not obtain storage while the high end of the estimate assumes rent/storage costs for three months.

Note 4: Computer, Software, and Point of Sale System – You will be required to purchase, license and use the point of sale systems, ordering systems, and applications that we designate. Information about the point of sale and computer systems are disclosed in Item 11 of this Disclosure Document.

Note 5: Grand Opening Marketing Expense – You must spend a minimum of $6,000 within the first six months after opening your Frios Business to promote your grand opening. You must submit your grand opening marketing plan to us for our pre-approval. This is in addition to your local marketing requirement.

Note 6: Initial Starter Pack – Your Initial Starter Pack comprised of pops, marketing materials, and supplies and your on-going inventory and supplies (including System Supplies) must be purchased from us, our affiliate, or our designated suppliers.

Note 7: Insurance Deposits – Three Months – You are required to maintain minimum insurance coverage as designated by us. This estimate is for the cost of an initial deposit to obtain the minimum required insurance the initial three months of monthly insurance installment premium payments. We recommend that you consult with your insurance agent before signing a Franchise Agreement.

Note 8: Travel for Initial Training – You must complete our pre-opening training program before opening your Frios Business. We do not charge a fee for our pre-opening initial training. This estimate is for estimated travel and lodging expenses that you will incur to attend our pre-opening initial training program.

Note 9: Professional Fees – This estimate is for costs associated with the engagement of professionals such as attorneys and accountants for advisories consistent with the start-up of a Frios Business. We recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity, this Disclosure Document, and the Franchise Agreement. It is also advisable to consult these professionals to review any lease and other contracts that you will enter into as part of the development and operation of your Frios Business.

Note 10: Licenses and Permits – You must apply for, obtain, and maintain all required permits and licenses necessary to operate a Frios Business and Happiness Hauler Trailer. The licenses will vary depending on local, municipal, county, and state regulations.

Note 11: Additional Funds – This is an estimate of the minimum recommended levels of additional funds that may be required to cover operating expenses such as employee salaries, inventory, Happiness Hauler Trailer payments, and utilities only for the initial three month period following the opening of your Frios Business. This estimate does not include compensation to you or your owners and does not include interest, finance charges, or payments that may be incurred by you if you financed your Happiness Hauler Trailer. In making this estimate, we have relied on the experiences of our affiliate and franchisees in developing and operating a Frios Business and Happiness Hauler Trailer. This is only an estimate for your initial three months of operations and more working capital and additional funds may be required depending on the sales and performance of your Frios Business.

Note 12: About Your Estimated Initial Investment – This is an estimate of the initial start-up expenses for a Frios Business operating with a Happiness Hauler Trailer. We have based these estimates on the

experiences of our affiliate and franchisees in developing a Frios Business and Happiness Hauler Trailer. These are only estimates and your costs and the range of those costs may vary. These estimates do not include interest and financing charges that you may incur and they do not include management level compensation payable to you or your owners. If you increase the geographic size of your Operating Territory by adding Additional Territories your costs will be higher.

**C. Single Territory – Frios Nelson Carts**

| Type of Expenditure | Amount | Method of Payment | When Due | To Whom Payment is Made |
|---|---|---|---|---|
| Initial Franchise Fee (Note 1) | $37,500 | Lump sum | When Franchise Agreement is signed | Us |
| Nelson Carts and Equipment (Note 2) | $16,000 – $17,500 | As arranged | As incurred | Suppliers |
| Rent/ Storage – Three Months (Note 3) | $0 – $4,500 | As arranged | As incurred | Suppliers |
| Computer, Software, and Point of Sale System (Note 4) | $300 – $1,500 | As arranged | As incurred | Suppliers |
| Grand Opening Marketing (Note 5) | $6,000 | As arranged | As incurred | Suppliers |
| Initial Starter Pack (Note 6) | $5,500 – $6,500 | As arranged | As incurred | Us, suppliers |
| Insurance Deposits – Three Months (Note 7) | $1,000 – $2,000 | As arranged | As incurred | Insurers |
| Travel for Initial Training (Note 8) | $750 – $1,500 | As arranged | As incurred | Airlines, hotels, restaurants |
| Professional Fees (Note 9) | $250 – $2,500 | As arranged | As incurred | Attorneys, accountants, advisors |
| Licenses and Permits (Note 10) | $200 – $500 | As arranged | As incurred | Government |
| Additional Funds – Three Months (Note 11) | $10,000 – $20,000 | As arranged | As incurred | Us, employees, suppliers, landlord, utility suppliers |
| Total Estimate (Note 12) | $77,500 – $100,000 | | | |

Explanatory Notes to Item 7 for Nelson Carts Operating in a Single Territory

Note 1: Initial Franchise Fee – The Initial Franchise Fee is $37,500 for a Frios Business operated in a single Territory. All fees are non-refundable. We do not finance any portion of your initial fees.

Note 2: Nelson Carts and Equipment – This estimate is for the cost of three Nelson Carts that meet our standards and specifications as to quality and condition. This estimate also includes the cost to buy a small flatbed trailer. This estimate assumes that you are purchasing three new fully configured Nelson Carts from a suppler that we designate. The high end of this estimate also assumes that you incur a fee of $1,500 for the delivery of your Nelson Carts.

Note 3: Rent/Storage – You have the option to obtain storage for your Frios Business equipment and supplies. The low end of the estimate assumes you do not obtain storage while the high end of the estimate assumes rent/storage costs for three months.

Note 4: Computer, Software, and Point of Sale System – You will be required to purchase, license and use the point of sale systems, ordering systems, and applications that we designate. Information about the point of sale and computer systems are disclosed in Item 11 of this Disclosure Document.

Note 5: Grand Opening Marketing Expense – You must spend a minimum of $6,000 within the first six months after opening your Frios Business to promote your grand opening. You must submit your grand opening marketing plan to us for our pre-approval. This is in addition to your local marketing requirement.

Note 6: Initial Starter Pack – Your Initial Starter Pack comprised of pops, marketing materials, and supplies and your on-going inventory and supplies (including System Supplies) must be purchased from us, our affiliate, or our designated suppliers.

Note 7: Insurance Deposits – Three Months – You are required to maintain minimum insurance coverage as designated by us. This estimate is for the cost of an initial deposit to obtain the minimum required insurance the initial three months of monthly insurance installment premium payments. We recommend that you consult with your insurance agent before signing a Franchise Agreement.

Note 8: Travel for Initial Training – You must complete our pre-opening training program before opening your Frios Business. We do not charge a fee for our pre-opening initial training. This estimate is for estimated travel and lodging expenses that you will incur to attend our pre-opening initial training program.

Note 9: Professional Fees – This estimate is for costs associated with the engagement of professionals such as attorneys and accountants for advisories consistent with the start-up of a Frios Business. We recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity, this Disclosure Document, and the Franchise Agreement. It is also advisable to consult these professionals to review any lease and other contracts that you will enter into as part of the development and operation of your Frios Business.

Note 10: Licenses and Permits – You must apply for, obtain, and maintain all required permits and licenses necessary to operate a Frios Business and Nelson Carts. The licenses will vary depending on local, municipal, county, and state regulations.

Note 11: Additional Funds – This is an estimate of the minimum recommended levels of additional funds that may be required to cover operating expenses such as employee salaries, inventory, and other monthly payments only for the initial three month period following the opening of your Frios Business. This estimate does not include compensation to you or your owners and does not include interest, finance charges, or

payments that may be incurred by you if you financed your Nelson Carts. In making this estimate, we have relied on the experiences of our affiliate and franchisees in developing and operating a Frios Business and Nelson Carts. This is only an estimate for your initial three months of operations and more working capital and additional funds may be required depending on the sales and performance of your Frios Business.

Note 12: About Your Estimated Initial Investment – This is an estimate of the initial start-up expenses for a Frios Business operating with a Nelson Carts. We have based these estimates on the experiences of our affiliate and franchisees in developing a Frios Business and Nelson Carts. These are only estimates and your costs and the range of those costs may vary. These estimates do not include interest and financing charges that you may incur and they do not include management level compensation payable to you or your owners. If you increase the geographic size of your Operating Territory by adding Additional Territories your costs will be higher.

**D. Multiple Territories**

**YOUR ESTIMATED INITIAL INVESTMENT**

| Type of Expenditure | Amount | Method of Payment | When Due | To Whom Payment is Made |
|---|---|---|---|---|
| Initial Franchise Fee (Note 1) | $65,000 – $147,500 | Lump sum | When Franchise Agreement is signed | Us |
| Estimated Initial Investment to Open Single Territory | $27,048 – $72,417 | Estimated Initial Investment is based on estimate contained in Tables A, B, and C of this Item 7 for a single Territory, less the Initial Franchise Fee reported in Tables A, B, and C. | | |
| Total Estimate (Note 2) | $92,048 – $219,917 | | | |

Explanatory Notes to Item 7 for Multiple Territories

Note 1: Initial Franchise Fee – The Initial Franchise Fee for an Operating Territory comprised of a single Territory is $37,500. If you elect to increase the size of your Operating Territory by adding Additional Territories, the total Initial Franchise Fee will range from a low of $65,000 for a total of two Territories to $147,500 for a total of five Territories.

Note 2: Total Estimate – This is the total estimated investment for the development of an Operating Territory comprising multiple Territories ranging from two Territories to five Territories. This estimate includes the operation of a single Sweet Ride Van, a single Happiness Hauler Trailer, or three Nelson Carts for the first two Territories. If your Operating Territory is comprised of a third Territory, you will be required to have at least one additional Sweet Ride Van, one additional Happiness Hauler Trailer, or three additional Nelson Carts, and your costs will be higher. Depending on the number of Territories and the growth of your Franchised Business, we may, in our discretion, require the operation of additional Sweet Ride Vans, Happiness Hauler Trailers, and/or Nelson Carts.

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

You may only offer and sell the Approved Services and Products that we designate and you may only use those products, supplies, equipment, technology systems, and services that we authorize and designate in writing. To ensure that our standards and specifications of quality, service and System development are maintained, you must operate your Frios Business in strict conformity with the Franchise Agreement and the methods, standards, specifications and sources of supply that we designate and prescribe in the Manuals.

**Source Restricted Purchases and Leases – Generally**

We require that you purchase or lease certain source restricted goods and services for the development and operation of your Frios Business. Source restricted goods and services are goods and services that must meet our specifications and/or must be purchased from an approved or designated supplier. We may designate a supplier (which may include us or our affiliates) as the exclusive supplier for the System. Our specifications and list of approved and designated suppliers is contained in our Manuals. We will notify you of any changes to our specifications or list of approved or designated suppliers. We may notify you of these changes in various ways, including written or electronic correspondence, amendments and updates to our Manuals, verbal and other forms of communication. We formulate and modify our standards and specifications for products and services based on our industry experience and our management decisions as to the overall operation and expansion of the System or as we may otherwise designate and approve in writing. If we have previously approved a supplier, and their standards fall below our designated standards, we will revoke our approval. We will notify you in writing of us revoking our approval.

**Suppliers and Supplier Criteria**

We may designate ourselves and our affiliates as exclusive suppliers of source restricted goods and services. We may designate ourselves or a third party as the exclusive supplier irrespective of the existence of competing suppliers. If, in the Manuals, we do not designate a supplier for a particular item, you will purchase all such products, supplies and services from suppliers who meet our specifications and standards.

Our affiliate, FGP Manufacturing, LLC is currently designated as an approved supplier of Frios pops. Except for FGP Manufacturing, LLC, currently, we are not and our affiliates are not approved suppliers of the source restricted goods and services identified below. Except as to Cliff Kennedy, no officer of ours currently owns an interest in any of our designated suppliers. During the fiscal year ending December 31, 2025, FGP Manufacturing, LLC earned $2,015,655.89 in revenue from franchisee purchases of Frios pops.

If you want to purchase or lease a source restricted item from a supplier that has not been previously approved or designated by us in writing, you must send us a written request for approval and submit additional information that we may request. We may charge you a supplier review and testing fee and we may request that you send us samples from the supplier for testing and documentation from the supplier for evaluation. We may also require, subject to our discretion, that we be allowed to inspect the supplier's facilities. We will notify you of our approval or disapproval within a reasonable time, not to exceed 60 days, after we receive your written request for approval and all additional information and samples that we may request. We may, in our discretion, withhold our approval. When evaluating the approval of a particular supplier, among other things, we consider: whether the supplier can demonstrate to our reasonable satisfaction the ability to meet our standards, specifications and production requirements, the supplier's quality control, whether or not we are the exclusive supplier of the particular item, whether or not our affiliate or affiliates are the exclusive supplier of the particular item, and whether or not the supplier's approval, in our sole determination, will allow us to advance the overall interests of the System.

We estimate that your purchase of goods and services from suppliers according to our specifications, including your purchase of goods or services from our designated exclusive suppliers, to represent

approximately 75% of your total purchases and leases in establishing the Franchised Business and approximately 90% of the on-going operating expenses of the Franchised Business. We currently require that you purchase or lease the following source restricted goods and services from either us or our designated supplier:

1. System Supplies – You must maintain an initial and ongoing inventory of System Supplies, including on-going inventory of menu items, menu supplies, packaging, cups, and merchandise that we designate. You must purchase the System Supplies, as designated by us, from us, our affiliates, and/or our designated suppliers.

2. Sweet Ride Van, Happiness Hauler Trailer, Nelson Carts, and Equipment – Your Sweet Ride Van or Happiness Hauler Trailer must be equipped with branded and unbranded equipment that we designate and that meet our standards and specifications. Your Frios branded vehicle wrap, signage, displays, and equipment, must meet our standards and specifications and be purchased from suppliers that we designate and approve. If you operate Nelson Carts within your Operating Territory, the Nelson Carts must meet our standards and specifications.

3. Point of Sale System and Computer Equipment – Currently you are required to purchase, license and utilize a Square point of sale system with one configured hardware terminal. Additionally, you must purchase and maintain an iPad on-site at your Sweet Ride Van, Happiness Hauler Trailer, or Nelson Carts. In general, you will be required to obtain a computer system that will consist of certain hardware, software, and peripheral devices as designated by us. You will be required to meet our requirements involving point of sale systems, security systems, back-up systems, and high-speed internet access.

4. Credit Card Processing – You must use our designated supplier and vendor for credit card processing which may be integrated with the point of sale system that we designate. Credit card processing fees will, generally, be based on a percentage of all credit card processed Gross Sales.

5. Online Ordering, Customer Rewards, and Gift Cards – You must use our designated supplier and vendor for the ability to access and use online, point of sale integrated, web based, and/or app based, ordering, customer rewards, and/or gift card systems. Currently our designated vendor for these systems is Square. As you access and utilize these systems you will pay usage fees based on a percentage of your processed Gross Sales.

6. Branded Items and Marketing Materials – All materials bearing the Licensed Marks including, but not limited to, stationary, business cards, brochures, apparel, signs and displays, must meet our standards and specifications and must be purchased from us directly or our designated suppliers. All of your marketing materials must comply with our standards and specifications and must be approved by us before you use them. You may market your Frios Business through approved digital media and social media platforms provided that you do so in accordance with our digital media and social media policies. You must purchase all branded marketing materials from either us or our designated exclusive supplier. We may require that you exclusively use, at your cost, our designated supplier for social and digital media marketing services and exclusively use, at your cost, our social media platforms, vendors and marketing channels.

7. Insurance – You must obtain the insurance coverage that we require from time to time as presently disclosed in the Manuals and as we may modify. All insurance policies required under your Franchise Agreement and as set forth in the Franchise Agreement must be written by a responsible carrier, reasonably acceptable to us and all insurance (excluding workers' compensation) must name us, our officers, directors, shareholders, partners, agents, representatives and independent contractors as additional insureds. The insurance policies must include a provision that the insurance carrier must provide us with no less than 30 days' prior written notice in the event of a material alteration to, or cancellation of, any insurance policy. A certificate of insurance must be furnished by you to use at the earlier of 90 days after the Effective Date

of the Franchise Agreement or prior to the commencement of our initial training program. Insurance coverage must be at least as comprehensive as the minimum requirements set forth below and in the Franchise Agreement (Franchise Agreement, Article 8). You must consult your carrier representative to determine the level of coverage necessary for the Franchised Business. Higher exposures may require higher limits.

Insurance Requirements

a) Coverage against direct physical loss or damage to real and personal property, including improvements and betterments, written on a special form peril basis, including flood and earthquake, if the relevant property is situated in a flood or earthquake zone, in an amount equal to 100% of the Franchised Business' property value and with a deductible not more than $5,000;

b) Comprehensive general liability insurance, written on an occurrence basis, extended to include contractual liability, products and completed operations, and personal and advertising injury, with a combined bodily injury and property damage limit of at least $1,000,000 per occurrence and $2,000,000 in the aggregate;

c) Statutory workers' compensation insurance as required by the law of the state in which the Franchised Business is located, with a limit of at least $1,000,000;

d) Employer's liability insurance as required by the law of the state in which the Franchised Business is located, with a limit for bodily injury by accident of at least $500,000 and a limit for bodily injury by disease of at least $500,000, and an aggregate limit of at least $1,000,000;

e) Business automobile insurance, including liability insurance coverage for hired and non-owned automobiles, with a combined single bodily injury and property damage limit of at least $1,000,000 per occurrence;

f) Business interruption insurance equal to 12 months of your net income and continuing expenses including Royalty Fees;

g) Commercial umbrella liability insurance with total liability limit of at least $1,000,000;

h) Employment practices liability insurance with a limit of at least $1,000,000 including actions of a third party and a minimum limit of $100,000 for wage and hour disputes; and

i) All other insurance that we require in the Manuals or that is required by law or by the lease or sublease for the Franchised Business.

**Purchase Agreements and Cooperatives**

We may, in our discretion, negotiate purchase agreements, including price terms, with designated suppliers for source restricted goods and services on behalf of the System. We may establish preferred vendor programs with suppliers on behalf of some or all of the Frios Businesses under the System and, in doing so, we may limit the number of approved vendors and/or suppliers that you may purchase from and we may designate one vendor as your sole supplier. We currently have arrangements with suppliers for our vans and trailers. Presently there are purchasing or distribution cooperatives that you must join. You will not receive any material benefits for using our designated or approved suppliers.

**Our Right to Receive Compensation and Our Revenue from Source Restricted Purchases**

We and/or our affiliates may receive rebates, payments and other material benefits from suppliers based on franchisee purchases and we reserve the right to institute and expand rebate programs in the future. During the fiscal year ending December 31, 2025, we derived $5,000 in rebates from suppliers due to franchisee purchases. We do not provide our franchisees with any material benefits based on a franchisee's purchase of particular products or services or use of particular suppliers.

## ITEM 9
## FRANCHISEE'S OBLIGATIONS

**This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.**

| Obligation | Articles in Agreement | Disclosure Document Item |
|---|---|---|
| a. Site selection and acquisition | 2.A. and 3 | 7 and 11 |
| b. Pre-opening purchases | 3 and 8 | 7 and 8 |
| c. Site development and other pre-opening requirements | 3, 4, 7.F., 7.G., 7.I., 7.J., 8 and 9 | 6, 7 and 11 |
| d. Initial and ongoing training | 4, 7.J., 14.C. and 14.D. | 11 |
| e. Opening | 2, 3, 4 and 9 | 11 |
| f. Fees | 3, 4.A., 5, 7.F., 8, 9, 10, 12, 13, 14, 15, 16 and 18.N. | 5, 6 and 7 |
| g. Compliance with standards and policies/manual | 3, 4, 5, 7, 8, 9, 10, 11, 12 and 13 | 8 and 11 |
| h. Trademarks and proprietary information | 6 and 11 | 13 and 14 |
| i. Restrictions on products and services offered | 3, 4.C. and 7 | 8, 11 and 16 |
| j. Warranty and customer service requirements | 7 | 16 |
| k. Territorial development and sales quotas | 2, 3, and 7.L. | 12 |
| l. Ongoing product and service purchases | 3, 4.C., 5 and 7 | 8 |
| m. Maintenance, appearance and remodeling requirements | 3 and 7 | 7 and 17 |
| n. Insurance | 8 | 7 and 8 |
| o. Advertising | 3.G., 4.B., 7, 9 and 11 | 6, 8 and 11 |
| p. Indemnification | 10 and 11.E. | 6 and 13 |
| q. Owner's participation, management, and staffing | 4, 6 and 7 | 11 and 15 |
| r. Records and reports | 5, 9, 12 and 13 | 6 |
| s. Inspections and audits | 5, 7.K. and 13 | 6 and 11 |
| t. Transfer | 14 | 17 |
| u. Renewal | 15 | 17 |
| v. Post-termination obligations | 6, 10, 11, 17 and 18 | 17 |
| w. Non-competition covenants | 6, 17 and 18 | 17 |
| x. Dispute resolution | 18.F. and 18.G. | 17 |

| Obligation | Articles in Agreement | Disclosure Document Item |
|---|---|---|
| y. Individual guarantee of franchisee obligations | 2.C., 4, 6, 7.J., 14.C., 14D., 14.E. 16.D. and 17.C. | 9 |

## ITEM 10
## FINANCING

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

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

**Except as listed below, we are not required to provide you with any assistance.**

**Pre-Opening Obligations**

1. Grant of Franchise – We will grant to you the right to operate the Franchised Business within a designated Operating Territory. (Franchise Agreement, Article 2);

2. Approval of Operating Territory – At the time of signing your Franchise Agreement you will have selected and we will have approved of the Operating Territory within which you will operate the Franchised Business and your Sweet Ride Van or Happiness Hauler Trailer, and/or Nelson Carts. (Franchise Agreement, Article 2);

3. Manuals – We will provide you with access to our confidential and proprietary Manuals. You must operate the Franchised Business in accordance with the Manuals and all applicable laws, rules and regulations. At all times, we reserve the right to supplement, modify and update the Manuals. (Franchise Agreement, Article 4.C.). As of the Issuance Date of this Disclosure Document, the operations manual consists of 52 pages and the table of contents to the operations manual is attached as Exhibit C to this Disclosure Document (Franchise Agreement, Article 4). Major subjects contained in the operations manual consists of establishing, developing, marketing and operating the Franchised Business;

4. Approved Suppliers and Distributors – We will provide you with a list of our approved suppliers and distributors, to the extent that we have designated them, either as part of the Manuals or otherwise in writing. (Franchise Agreement, Articles 3 and 4);

5. Signs, Equipment, and Fixtures – We will provide you with a list of our approved signage, equipment, and fixtures, to the extent that we have designated them, either as part of the Manuals or otherwise in writing and we will review and approve, in our discretion, your proposed signage, equipment, and fixtures. We do not provide assistance in delivering or installing signs, equipment, or fixtures. (Franchise Agreement, Articles 3 and 4);

6. Website and Digital Media – We will identify and locate your Frios Business on our website. We strictly control how you may or may not use websites and digital media and you must assign all website media and digital media accounts to us. (Franchise Agreement, Articles 3.G. and 9); and

7. Initial Training – Not more than 30 days prior to the opening of your Frios Business you or your Managing Owner and one management level employee or Owner must attend and complete our initial

training program. We will provide you, and up to one of your designated managers, with training in accordance with our initial training program. (Franchise Agreement, Article 4). Our current training program is to be attended by you, or if you are a Corporate Entity, your Managing Owner and one Operating Manager at our training facility located in Pittsburgh, Pennsylvania or Fort Worth, Texas or virtually as designated by us. The training program takes place over an approximate one week period and is described below in this Item 11 in more detail.

**Sweet Ride Van or Happiness Hauler Trailer, and/or Nelson Carts**

You may commence operations of the Franchised Business with the sale of Frios pops on a wholesale basis to businesses for retail sale to customers located within your Operating Territory, provided that, within six months of signing your Franchise Agreement, you must obtain at least one Sweet Ride Van, at least one Happiness Hauler Trailer, or at least three Nelson Carts that we approve. (Franchise Agreement, Article 3.A.). If you do not meet this requirement for any reason, including our disapproval of a proposed Sweet Ride Van, Happiness Hauler Trailer, or Nelson Carts and/or your failure to find a suitable Sweet Ride Van, Happiness Hauler Trailer, or Nelson Carts that we approve during the six month period, we may terminate your Franchise Agreement without refunding any fees to you if you do not cure this default within 30 days of notice from us. It is your obligation to consult with government agencies, and legal professionals to evaluate and determine that your Operating Territory permits the establishment and operation of the Franchised Business and that you possess the necessary licenses and authority to operate a Sweet Ride Van, Happiness Hauler Trailer, or Nelson Carts that offer and provide the Approved Services and Products. (Franchise Agreement, Articles 2, 3, 7 and 16).

If you have a second Territory, you will not be required to obtain additional assets for your Franchised Business. However, if you have a third Territory, you will be required to have at least one additional Sweet Ride Van, one additional Happiness Hauler Trailer, or three additional Nelson Carts within your Operating Territory.

**Time to Open**

You may not open your Frios Business until you have completed our initial training requirements, obtained the necessary licensing and authorization from state and regulatory agencies within your Operating Territory, and obtained and provided us with written proof of the required insurance. Within 90 days from the signing of your Franchise Agreement you must open and offer services and products of your Frios Business to the customers within your Operating Territory. We estimate that the length of time between the signing of your Franchise Agreement and opening your Frios Business to be approximately 30 to 90 days. Factors that may affect this estimated time period include the length of time undertaken by you to satisfactorily complete our initial training program, obtaining third party lender financing, if necessary, obtaining the necessary licenses, training staff, and leasing and wrapping a Sweet Ride Van or Happiness Hauler Trailer that meets our standards and specifications.

**Post-Opening Obligations**

1. Supplemental Training – We may require that you and your Operating Manager participate in supplemental on-site training that we may designate and require in our discretion. We may provide, in our discretion, supplemental training on-site at your Frios Business. You will be required to pay our then current supplemental training fee, currently $500 per on-site trainer per day, plus travel expenses, meals and accommodation expenses incurred by us. (Franchise Agreement, Article 4.A.);

2. Initial Training for Replacement Operating Manager(s) – Your Operating Manager must complete, to our satisfaction, our initial training program. We will offer and make available to your replacement Operating Manager our initial training program which must be complete to our satisfaction. The initial training program will be provided by us at the facilities that we designate that, presently, is comprised of

our headquarters located in Pittsburgh, Pennsylvania or Fort Worth, Texas and at the certified training facility that we designate in Pittsburgh, Pennsylvania or Fort Worth, Texas or virtually as designated by us. You will be required to pay our then current supplemental training fee for your replacement Operating Manager, currently $150 per manager per day for each replacement manager attending our initial training. You will also be responsible for all costs incurred by your managers in attending our initial training. (Franchise Agreement, Articles 4.A. and 7.J.);

3. Communication of Operating Standards – We may establish, update and provide you with consultations and communications as to the standards, procedures and System requirements as to the operation of your Frios Business including, but not limited to, Approved Services and Products, System Supplies, marketing and promotion standards, and as we may, in our discretion, designate, modify, supplement and amend from time to time and, as set forth in the Manuals. (Franchise Agreement, Articles 4.B. and 4.C.);

4. Marketing Standards and Approval – We will establish, update and communicate to you our standards for the marketing and promotion of the Franchised Business including, but not limited to, the marketing media that you may use. We will respond to your request respecting the communication of our approval or disapproval of marketing media that may be requested by you for use in the marketing and promotion of the Franchised Business. We maintain full discretion as to the marketing standards and the marketing media that may be used in the marketing and promotion of your Frios Business. (Franchise Agreement, Article 4.B.);

5. Approved Vendors – We will provide the names and addresses of approved vendors and suppliers for the Approved Services and Products and the System Supplies. (Franchise Agreement, Articles 4.B. and 4.C.);

6. Annual System Conference – We may, in our discretion, coordinate an annual conference to be attended by franchisees of the System that are in good standing. (Franchise Agreement, Articles 4.B. and 5.C.);

7. Administration of Marketing Funds – We may administer and manage System-wide marketing funds comprised of a Brand Development Fund and/or Advertising Cooperative. (Franchise Agreement, Articles 9.A. and 9.F.);

8. Hiring and Training of Employees – We do not provide assistance with the hiring and training of your employees. You will be directly responsible for the management and supervision of your employees. For the protection of the System, you must ensure that all employees wear and maintain the proper uniforms with our approved System branded apparel and uniforms including, but not limited to, the apparel and uniforms comprising System Supplies. You must monitor and ensure that all System Supplies and Approved Services and Products are prepared, maintained, and served in accordance with the System standards and Manuals; and

9. Pricing – Except as to national, regional and corporate accounts that we may negotiate, you will exclusively determine the prices that you charge for the Approved Services and Products served and sold by your Frios Business. However, we may suggest pricing levels that we recommend.

**Advertising**

1. Generally – All advertising, marketing, marketing materials and all marketing mediums used by you in the marketing and promotion of the Franchised Business must be pre-approved by us in writing and conform to our standards and specifications. You may only use those advertising and marketing materials and mediums that we designate and approve in writing. In our discretion, we may make available to you approved marketing templates comprised of pre-approved ads, ad copy and digital media that you may

utilize at your own expense. If you wish to utilize marketing materials and/or marketing mediums that are not currently approved by us in writing, you may submit a written request requesting permission and we will approve or disapprove of your request within 15 days of your submission of the written request and sample marketing materials. We are not required to conduct any advertising or spend any amount on your behalf on advertising in your Operating Territory. (Franchise Agreement, Article 9);

2. Franchisee Directed Local Marketing – You are not authorized to engage in any marketing unless it is pre-approved by us, in our discretion. (Franchise Agreement, Article 9.B.). You are required to engage in local marketing and you are required to commit specific minimum amount of funds to your local marketing efforts. We will make available to you and provide you with access, in the form of a source document, to our approved marketing campaigns, media, and messaging that may be used by you. In those instances where we provide you with access to our marketing campaigns, we provide you with the source designs, copy, and design specifications. However, you will incur the direct costs associated with customizing, duplicating and using such marketing campaigns and having them printed, distributed and placed with media sources. (Franchise Agreement, Article 9);

3. Digital Media and Website – All digital media and marketing must be approved by us. We will designate for your Operating Territory information about your Frios Business on the www.friospops.com webpage or such other websites as we may designate for the System. (Franchise Agreement, Article 9);

4. Brand Development Fund – We may control and administer a brand development fund (the "Brand Development Fund") (Franchise Agreement, Article 9.A.). As disclosed in Item 6 of this Disclosure Document, you must contribute a monthly sum not to exceed 2% of monthly Gross Sales to the Brand Development Fund. We may use the Brand Development Fund for market studies, research, service development, product development, testing, research studies, technology development, advertising and public relations studies or services, creative production and printing of advertising and marketing materials, advertising copy and commercials, tracking costs, agency fees, advertising councils, franchisee advisory councils, administrative costs, which may include reimbursement for direct administrative and personnel costs associated with advertising and public relations, and any other costs associated with the development, marketing and testing of advertising, marketing and public relations materials, and the purchase of media placement, advertising time and public relations materials in national, regional or other advertising and public relations media in a manner determined by us, in our discretion, to be in the best interest of the franchisees and the System. Our company and/or affiliate owned Frios Businesses may but are not required to contribute to the Brand Development Fund. The Brand Development Fund will be required to maintain unaudited financial records detailing its expenditures and will make available to you, no more frequently than one time in any 12 month period, an unaudited accounting of how the monies contributed to the Brand Development Fund were spent each year. We are not required to segregate the Brand Development Fund from our general operating funds and we are not a fiduciary or trustee of the Brand Development Fund. The Brand Development Fund will not be used to directly promote your Frios Business or the marketing area in which your Frios Business will be located. (Franchise Agreement, Article 9.A.). We may utilize the Brand Development Fund to develop and test various media and technologies for potential utilization and/or improvement of the operations of Frios Businesses and the marketing of Frios Businesses. These technology developments and/or improvements may relate, among other things, to our website and to the interaction and potential enhancement of web offerings that may or may not be implemented on behalf of Frios Businesses. You may or may not benefit from these technology developments and improvements. (Franchise Agreement, Article 9.A.).

We may use the Brand Development Fund to compensate ourselves for administrative fees associated with managing the Brand Development Fund and for our internal employee salaries, expenses and overhead associated with or reasonably allocated to managing the activities of the Brand Development Fund and performing services on behalf of the Brand Development Fund including, but not limited to, directing,

developing and managing media of the Brand Development Fund. We will not use the Brand Development Fund to directly market the sale of Frios Business franchises; however, the advertising, marketing and brand development materials developed, including the System website, may contain information as to the availability of Frios Business franchises for sale and contact information for franchise inquiries.

We have not established and do not currently require any contribution to a Brand Development Fund. During the fiscal year ending December 31, 2025, we did not collect any Brand Development Fund Fees;

5. Advertising Cooperative – We possess the right to authorize, establish, designate and de-authorize a local or regional advertising cooperative within markets that we designate. We will exclusively determine the geographic and other boundaries constituting each cooperative and factors that we will consider include media markets and distribution channels including print, broadcast, and digital. If we establish a cooperative within a market that includes your Frios Business, you must contribute to the cooperative in such amounts and frequency as determined by the cooperative. Members of the cooperative will be responsible for administering the cooperative, including determining the amount of contributions, marketing expenditures and allocations. We may require that cooperative decisions be made based on approval of a simple majority of franchisee members based on one vote per Frios Business and with a quorum constituting not less than 25% of the designated franchisee cooperative members. If a cooperative exceeds nine franchisee members, we may require that the cooperative establish formal governing documents. Each cooperative must prepare annual unaudited financial statements that must be provided to each cooperative member for review. We reserve the right to form, change, dissolve, or merge any advertising cooperative. If we elect to form a local or regional cooperative or if a cooperative already exists as to the area of your Frios Business, you will be required to participate in the cooperative in accordance with the provisions of our operations manual which we may supplement and modify from time to time. You will not be required to make contributions to an Advertising Cooperative in amounts exceeding the local marketing requirements.

As of the Issuance Date of this Disclosure Document we have not established any local or regional advertising cooperatives but reserve the right to do so in the future; and

6. Advertising Council – We have not established an advertising council but reserve the right to do so in the future. (Franchise Agreement, Article 9.A).

**Computer System**

You must purchase, license and use the computer, point of sale, customer relationship management software, business management, and ordering systems that we designate. Currently, the designated point of sale system that you must license and use is Square, and as may be otherwise designated by us in the Manuals. You must use our designated vendor for your customer relationship management software, currently Thryv. You are required to purchase and operate one configured and licensed point of sale hardware terminal. Additionally, you must purchase and maintain an iPad on-site at your Sweet Ride Van, Happiness Hauler Trailer, or Nelson Carts. You are responsible for maintaining updated and current versions of all software systems designated by us. You are responsible for the maintenance and repair of all computer equipment and computer systems that we designate and require. Estimated costs for the maintenance, repair and update of the designated computer systems ranges from $1,000 to $2,000 per year. There are no contractual obligations imposed on us to maintain, repair, update, or upgrade your computer systems. You are required to provide us with independent access to all of the information and data that is transacted, collected, and stored by the Franchised Business on the Business Management Systems, your computer systems, and otherwise.

**Initial Training**

If this is your first Frios Business, we will provide initial training for you or, if you are a Corporate Entity, your Managing Owner, plus one designated manager. Either you or your Managing Owner, plus your

general manager, must successfully complete the initial training program to our satisfaction no earlier than 30 days prior to the scheduled opening of your Frios Business. The initial training program takes place over an approximate one week period at our training facility and, prior to attendance of in-person training, you or your Managing Owner, plus your general manager, must successfully complete our online training. If more than two individuals attend initial training, you will be charged an additional fee per additional persons attending initial training. Although we provide you or, if you are a Corporate Entity, your Managing Owner, plus your general manager, with initial training at no additional fee or charge, you will be responsible for all travel expenses and employee wages related to your attendance and completion of training. (Franchise Agreement, Article 4). Currently, we provide our initial training program no less frequently than quarterly and on an as-needed basis.

**TRAINING PROGRAM**

The following table summarizes the subjects covered in our initial training program:

| Subject | Hours of Classroom Training | Hours of On-the-Job Training | Location |
|---|---|---|---|
| Advertising and Promotional Strategies; Purchasing Procedures; Inventory; Revenue Streams; and Customer Service | 10 | 0 | Pittsburgh, Pennsylvania or Fort Worth, Texas |
| Sweet Ride Van Operations and Procedures | 2 | 2 | Pittsburgh, Pennsylvania or Fort Worth, Texas |
| Subtotal Hours | 12 | 2 | |
| Total Hours | 14 | | |

Instructional materials that will be used in the initial training process includes our Manuals, live instruction, and handouts. Initial training will be conducted under the direction and supervision of our Brand President and Chief Marketing Officer, Jennifer Rogers, and our Vice President of Operations, Alison Groom. Ms. Rodgers has been involved with Frios since March 2023 and Ms. Groom has been involved with Frios since October 2019. The level of experience of our trainers will, at a minimum, include each trainer's satisfactory completion of our initial training program. In addition to initial training, you will also be required to participate in and satisfy all other training programs that we may designate respecting the Franchised Business. (Franchise Agreement, Articles 4 and 7.J.).

After the opening of your Frios Business, we reserve the right to require that you (or your Managing Owner if you are a Corporate Entity) attend a system-wide training program (the "System-Wide Training Program") that we may establish in our discretion. If we establish a System-Wide Training Program, the program will be offered from our headquarters in Mobile, Alabama or our training facility in Pittsburgh, Pennsylvania or Fort Worth, Texas and you will be responsible for all travel and expenses, lodging, food, automobile rental expenses, and employee wages that you incur in connection with your attendance. We will not require your attendance at a System-Wide Training Program for more than a total of five days in any calendar year.

## ITEM 12
## TERRITORY

Your Location
Under the Franchise Agreement, we will grant to you the right to develop and operate one Frios Business within a designated Operating Territory.

Grant of Territory
The scope of your Operating Territory will vary from the scope and size of the operating territories of other franchisees in our System depending on local factors, market conditions, and the number of Territories that you purchase at the time of signing your Franchise Agreement. A Territory, generally, will consist of a geographic area that includes a population of up to 150,000 people. Subject to availability, our approval, and payment of additional Initial Franchise Fees identified in Item 5 of this Disclosure Document, you may add Additional Territories. Each Additional Territory will consist of a geographic area that includes a population of approximately 150,000 people. Population is determined in the aggregate and will be calculated based on raw data and without regard to demographics or age. Your Royalty Fee and local marketing expenditure will increase if you add Additional Territories.

Relocation
Your right to relocate your Frios Business and, thereby, your Operating Territory is not guaranteed and approval of a request by you to relocate your Operating Territory is completely at our discretion. We evaluate relocation requests on a case-by-case basis and consider factors such as operational history, the location of other Frios Business operating territories, our expansion plans, and other factors that, at the time of a relocation request, are relevant to us. If we approve your relocation request, you must pay us an Operating Territory Relocation Fee of $1,500 prior to the relocation.

Establishment of Additional Franchised Businesses
You do not have the right to establish additional Frios Businesses.

Options and Rights of First Refusal to Acquire Additional Franchises
You are not granted any options, rights of first refusal, or similar rights to acquire additional franchises.

Territory Rights
You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. However, during the term of the Franchise Agreement, provided that you are not in default of your obligations to us or our affiliates and except as to our Reserved Rights set forth below, we will not open and operate and we will not grant another franchisee the right to open and operate a Frios Business, Sweet Ride Van, Happiness Hauler Trailer, or Nelson Cart within your Operating Territory.

We and our affiliates reserve to ourselves the exclusive right on any and all terms and conditions that we deem advisable and, without any compensation or consideration to you (Franchise Agreement, Article 2.D.), to engage in the following activities (our "Reserved Rights"): (a) operate and grant to others the right to develop and operate Frios Businesses using the System and Licensed Marks at locations outside your Operating Territory, as we deem appropriate and irrespective of the proximity to your Operating Territory; (b) acquire, be acquired, merge with or otherwise affiliate with one or more businesses of any kind, including businesses that offer and sell products and services that are the same as or similar to your Frios Business, and after such acquisition, merger or affiliation, to own and operate and to franchise or license others to own and operate and to continue to own and operate such businesses of any kind, even if such businesses offer and sell products and services that are the same as or similar to the Franchised Business (but not utilizing the Licensed Marks) within your Operating Territory; (c) operate, and grant to others the

right to develop and operate Sweet Ride Vans, Happiness Hauler Trailers, Nelson Carts, and Franchised Businesses using the System and Licensed Marks within your Operating Territory at captive market locations including, but not limited to, airports, transportation stations, factories, government facilities, military bases, hospitals, amusement parks, recreational parks or facilities, sports facilities, convention centers, travel centers, schools, colleges and other academic facilities, seasonal facilities, shopping malls, theaters, workplace cafeterias, hotels, venues where food service is administered or provided as a concession by a master concessionaire, and traditional food truck captive markets including events at public facilities and/or privately owned facilities that are organized by a third party, government entity, and/or the facility including, but not limited to, farmers markets, carnivals, food truck events, expos, and festivals, both within and outside your Operating Territory; (d) use the Licensed Marks and System to distribute the Approved Services and Products offered and sold by the Franchised Business or products and services similar to the Approved Services and Products offered and sold by the Franchised Business including, but not limited to, merchandise, sauces, seasonings, flavorings, frozen menu items, prepackaged menu items, and prepared menu items, offered and sold through alternative channels of distribution including, e-commerce and/or internet based sales channels, within or outside your Operating Territory; (e) use the Licensed Marks and System to offer, sell, and provide the Approved Services and Products offered and sold by the Franchised Business or products and services similar to the Approved Services and Products offered and sold by the Franchised Business on behalf of customers of local, regional, and/or national corporate accounts such as big box retail stores and outlets and other nationwide accounts (referred to as "Corporate Accounts") within or outside your Operating Territory; (f) use the Licensed Marks and System to sell, distribute, and deliver the Approved Services and Products or products and services similar to the Approved Services and Products to and through retail stores, supermarkets, restaurants, and other outlets located within and/or outside your Operating Territory provided that such stores and outlets do not use the Licensed Marks in the tradename of the store or outlet; and (g) use the Licensed Marks and System and to license others to use the Licensed Marks and System, to engage in all other activities not expressly prohibited by the Franchise Agreement.

Corporate Accounts Program

If we establish a Corporate Accounts Program where we engage in a contract or service agreement with a Corporate Account, we will offer you the opportunity to participate in the program under the guidelines and rules that we develop from time to time and subject to the pricing criteria and requirements that we establish. You will have an option to refuse to participate in Corporate Accounts Programs, but if you do, you agree that we can service the Corporate Accounts in your territory or authorize others, including other franchisees, to perform work for the Corporate Accounts. All pricing and fees charged in connection with Corporate Accounts will be at rates negotiated and determined by us. We or our designee are not obligated to pay you for servicing Corporate Account customers that you have elected not to service under our Corporate Accounts Program.

Soliciting by You Outside Your Territory and Territory Rules

You must operate your Frios Business and provide the Approved Services and Products exclusively within your Operating Territory. The marketing of your Frios Business must be targeted to your Operating Territory and you are not permitted to directly solicit customers outside of your Operating Territory. Provided that you do not engage in any Direct Solicitation of customers outside of your Operating Territory or within the Operating Territory of another Frios Business, you may provide, subject to our written approval, Approved Services and Products within an Open Area, subject to the following definitions, rules, and limited circumstances:

(a) You cannot engage in any Direct Solicitations outside of your Operating Territory. The term "Direct Solicitation" refers to and means "communications and/or contacts occurring through in person contact, telephone, mail, e-mail, direct mail, distributed print media, digital media and/or other forms of marketing directed toward customers, potential customers or referral sources of a

Frios Business";

(b) You cannot provide Approved Services and Products in the operating territory of another Frios Business (an "Assigned Area");

(c) An "Open Area" is a geographic area that (i) is not an Assigned Area; and (ii) is located within a 10 mile radius of your Operating Territory;

(d) Unless otherwise directed by us at any time, from time to time, and in our sole direction, you may provide Approved Services and Products to a customer (an "Out of Territory Customer") in an Open Area; and

(e) Once an Open Area becomes an Assigned Area you will no longer be authorized or eligible to provide Approved Services and Products to any customers within the Open Area and you must turn over to us, for the benefit of another Frios Business franchisee, all information and records related to customers in the Open Area.

Restrictions on Us from Soliciting or Accepting Orders in Your Territory

Except as otherwise noted above, there are no restrictions on us from soliciting or accepting orders from customers inside your territory. We reserve the right to use other channels of distribution, such as the internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory using our principal trademarks or using trademarks different from the ones you will use under the Franchise Agreement. We do not pay any compensation to you for soliciting or accepting orders from inside your territory.

Soliciting by You Outside Your Territory

You are required to target and direct the marketing of your Frios Business to customers located within your territory. You may only offer and sell Approved Services and Products from your Sweet Ride Van or Happiness Hauler Trailer located within your Operating Territory, approved Nelson Carts located within your Operating Territory, and on a wholesale basis to businesses for retail sale to customers located within your Operating Territory.

Competition by Us Under Different Trademarks

We do not have plans to operate or franchise a business under trademarks different from the Licensed Marks that sells or will sell goods or services similar to those that will be offered by you through the Franchised Business.

Minimum Performance Standard

You are required to maintain a minimum performance standard. You must order at least 24 cases of Frios pops per quarter (the "Minimum Performance Standard"). If at any point during the term of your Franchise Agreement, you do not meet the Minimum Performance Standard, we reserve the right to require additional/supplemental training, as we require and pay all related fees and costs to do so. If, at any time, you do not achieve the Minimum Performance Standard, and do not satisfy the additional/supplemental training, or do not meet the Minimum Performance Standard in any two measurement time periods, then we may either: (a) reduce the scope of the geographic area of your Territory, or (b) terminate the Franchise Agreement upon notice.

## ITEM 13
## TRADEMARKS

Under the terms of the Franchise Agreement, you will be granted a license to use the "Frios" trademark and those other marks identified in the table below in connection with the operations of the Franchised Business. Our affiliate FGP Holding, LLC is the owner of the Licensed Marks and has granted to us a license to use the Licensed Marks and to license our franchisees to use the Licensed Marks (the "License Agreement"). Although the License Agreement may be terminated as a result of a breach of the License Agreement, in the event of any termination of the License Agreement, our franchisees will continue to maintain the right to use the Marks pursuant to the terms of their Franchise Agreement. Termination of the License Agreement does not terminate use of the Marks by our authorized franchisees. We reserve the right to supplement and modify the marks that you may or may not use in connection with the operations of your Frios Business. You may only use the Licensed Marks as authorized by us in writing and under the terms of your Franchise Agreement. You may not use the Licensed Marks in the name of any Corporate Entity that you establish.

Principal Trademarks Registered with the United States Patent and Trademark Office

The principal trademarks identified in the schedule below are a part of the Licensed Marks, our System, are registered with the United States Patent and Trademark Office (the "USPTO") and, unless otherwise designated by us, will be used by you in the operations of the Franchised Business. As to these marks all required affidavits have been filed with the USPTO.

| Mark | USPTO Registration Number | Registration Type | Registration Date |
|---|---|---|---|
| FRIOS GOURMET POPS | 7166662 | Principal | September 19, 2023 |
| HAPPINESS HUSTLERS | 7124221 | Principal | August 1, 2023 |
|  | 7110095 | Principal | July 18, 2023 |
|  | 4950073 | Principal | May 3, 2016 |

Principal Trademarks Not Registered with the United States Patent and Trademark Office

The following principal trademarks identified in the schedule below are a part of the Licensed Marks, our System, and will be used by you in the operations of the Franchised Business but are not registered with the USPTO. As to each of these principal trademarks:

We do not have a federal registration for each of these principal trademarks. Therefore, the trademarks identified below do not have many legal benefits and rights that are afforded to federally registered trademarks. If our right to use the trademarks (identified below) is challenged, you may have to change to an alternative trademark, which may increase your expenses.

| Mark | Serial Number for Registration Application Filed with USPTO Application | Application Type | Application Date |
|---|---|---|---|
| Vanchise | 98447531 | 1(b) | March 13, 2024 |

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board and/or the trademark administrator in any state or any court; no pending infringement, opposition or cancellation proceedings; and no pending litigation involving the Licensed Marks. We know of no superior rights or infringing uses that could materially affect your use of the Licensed Marks or other related rights in any state.

You are required to provide us with written notice of any claims that you may become aware of respecting the Licensed Marks including your use of the Licensed Marks and/or any claim associated with a third party's use of a trademark that is identical or confusingly similar to the Licensed Marks. We maintain the exclusive discretion to take any and all actions, or to refrain from any action, that we believe to be appropriate in response to any trademark infringement, challenge or claim. As between us, we possess the sole right to exclusively control any and all litigation, legal proceedings, administrative proceedings and/or settlement(s) involving any actual or alleged infringement, challenge or claim relating to the Licensed Marks. You must sign all documents, instruments and agreements and undertake the actions that we, with the advice of our legal counsel, determine to be necessary or advisable for the protection and/or maintenance of our interests in the Licensed Marks in any legal proceeding, administrative proceeding or as may be otherwise determined by us. As to the foregoing, we will reimburse you for the reasonable out-of-pocket administrative expenses that you incur and pay in complying with our written instructions.

We will protect your right to use the Licensed Marks and other related rights and protect you against claims of infringement and unfair competition related to the Licensed Marks, provided that you use the Licensed Marks in accordance with the terms of your Franchise Agreement, as designated by us in the Manuals, and otherwise, as we instruct you. We will indemnify you against direct damages for trademark infringement in a proceeding arising out of your use of the Licensed Marks, provided your use of the Licensed Marks comply with the terms of your Franchise Agreement, the Manuals, our written instructions and that you have timely notified us of the claim, have given us sole control of the defense and settlement of the claim, and you are in compliance with your Franchise Agreement. If we defend the claim, we have no obligation to indemnify or reimburse you with respect to any fees or disbursements of any attorney that you retain.

If any third party establishes, to our satisfaction and in our sole discretion, that its rights to the marks are, for any legal reason, superior to any of our rights, then we will modify and/or replace the Licensed Marks and you must use the variances or other service marks, trademarks or trade names required by and as determined by us. Our sole liability and obligation in such event is to reimburse you for the direct out-of-pocket costs of complying with this obligation, which you must document to our satisfaction, including, by way of example, alterations in signage and replacement of marketing materials. There are no agreements currently in effect that significantly limit our rights to use or license the use of the Licensed Marks in any manner material to you.

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

We do not own any rights to, or licenses in any patent or copyrights material to the franchise System. We may copyright advertising materials and design specifications, our Manuals and other written materials and items. We have not applied to the USPTO for the issuance of any patents.

You must keep as confidential our Manuals and any supplements to the Manuals. Our Manuals may take the form of written materials and/or digitally distributed and stored materials and made available to you for use in connection with the Franchised Business. The Manuals contain information about our System, Approved Services and Products, System Supplies, proprietary products, marketing systems, training, and confidential methods of operation. You must use all reasonable and prudent means to maintain the Manuals and the information maintained in the Manuals as confidential and prevent any unauthorized copies,

recordings, reproduction, or distribution of the Manuals or the information contained in the Manuals. You must restrict access to the Manuals to management level employees who sign a confidentiality agreement with you and are required by you to maintain the confidentiality of the Manuals and refrain from distributing or disclosing the Manuals and the information contained in the Manuals. You must provide us with immediate notice if you learn of any unauthorized use of the Manuals or of the information contained in the Manuals, or any infringement or challenge to the proprietary or confidentiality of the information contained in the Manuals. We will take any and all action(s), or refrain from taking action, that we determine, in our discretion, to be appropriate. We may control any action or legal proceeding we choose to bring. We need not participate in your defense or indemnify you for damages or expenses in a proceeding involving a copyright or patent. If any third party establishes to our satisfaction, in our discretion, that it possesses rights superior to ours, then you must modify or discontinue your use of these materials in accordance with our written instructions.

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

The Franchise Agreement requires that you or, if you are a Corporate Entity, that your managing shareholder or partner be personally responsible for the daily management and supervision of the Franchised Business (the "Managing Owner"). We must approve your Managing Owner and your Managing Owner must dedicate his or her full time efforts to the management and operation of the franchise. Your Managing Owner must have satisfactorily completed our initial training and must have obtained all required licenses and permits necessary to operate a Frios Business within your Operating Territory.

You may hire a manager to assume responsibility for the daily management and supervision of the Franchised Business, only if: (a) the manager meets all of our minimum standards and criteria for managers; (b) the manager completes our initial training program; (c) the manager signs our confidentiality and non-competition agreements; and (d) the manager agrees, in writing, to assume responsibility for the on-site management and supervision of the Franchised Business (an "Operating Manager"). All of your employees and other agents and representatives who may have access to our confidential information must sign a confidentiality agreement. We do not require that the Operating Manager own any equity interest in the franchise.

You, and if you are a partnership or Corporate Entity, each of your members, shareholders and/or partners (collectively, "Owners"), must personally guarantee all of your obligations to us under the Franchise Agreement. Each Owner and Owner's spouse must personally guarantee your obligations to us under the Franchise Agreement. You must also promise in writing that, among other things, during the term of the Franchise Agreement you will not participate in any business that in any way competes with a Frios Business, and that for 24 months after the expiration or termination of the Franchise Agreement with said period being tolled during any periods of non-compliance, you will not participate in any competitive business located within and/or servicing customers located within your Operating Territory and a 25 mile radius surrounding your Operating Territory. Further you will not participate in any competitive business located within and/or servicing customers located within the operating territory of any other Frios Business. Your managers will be required by us to sign a confidentiality agreement.

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

You may only sell the products and services specified or approved by us in writing. You must sell the products and services required by us. We can change the products and services that you must offer. There

is no limitation on our right to change the products and services offered by Franchised Business. You are not limited to whom you may sell your products and services, provided you do so exclusively from within your Operating Territory and to/on behalf of customers that are located within your Operating Territory and in compliance with the standards we have determined for the System.

## ITEM 17
## RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

### THE FRANCHISE RELATIONSHIP

**This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.**

| Provision | Article in Franchise Agreement | Summary |
|---|---|---|
| a. Length of the franchise term | 2.B. | The term of your Franchise Agreement is 10 years. |
| b. Renewal or extension of the term | 15 | If you meet our conditions for renewal, you may renew your franchise for one additional 10 year term. |
| c. Requirements for franchisee to renew or extend | 15 | To renew your franchise you must be in compliance with the terms of your Franchise Agreement, provide us with 180 days prior written notice of your request to renew, sign our then current form of Franchise Agreement and related agreements for the renewal term, sign a general release in our favor, pay a renewal fee, remodel and upgrade your Sweet Ride Van, Happiness Hauler Trailer, and/or Nelson Carts to meet our standards and specifications, secure and possess the legal right to continue to operate your Sweet Ride Van, Happiness Hauler Trailer, and/or Nelson Carts, and meet all other renewal requirements contained in the Franchise Agreement. Your Owners must be in compliance with their agreements with us, including the Owner and Spouse Agreement and Guaranty, and they must personally guarantee the terms of your renewal Franchise Agreement which may contain terms materially different from your current Franchise Agreement. |
| d. Termination by franchisee | 16.B. | You may terminate the Franchise Agreement if you are in compliance with its terms, we are in material breach of the Franchise Agreement, and we fail to cure the material breach within 30 days of receiving written notice or, if the breach cannot be cured within 30 days, such period of time that is reasonable to cure the material breach. |
| e. Termination by franchisor without cause | Not applicable | Not applicable. |
| f. Termination by franchisor with "cause" | 7.L. and 16.A. | We can terminate if you are in default of the terms of the Franchise Agreement, including if you fail to satisfy the |

| | | |
|---|---|---|
| | | Minimum Performance Standard as described in Item 12 and Franchise Agreement Article 7.L. |
| g. "Cause" defined-curable defaults | 16.A.(3), 16.A.(4) | You have 10 days to cure a default where you fail to pay any fees and/or obligations due to us and/or to an affiliate of ours, or if you fail to pay a supplier without, as determined by us, a legal justification, provided that the foregoing defaults were not intentionally and knowingly in violation of the Franchise Agreement.<br><br>You will have 30 days to cure a default where you fail to: timely develop and open your Frios Business; operate your Frios Business in accordance with the specifications, standards, and requirements set forth in our Manuals; develop or operate your Frios Business in compliance with all federal, state, and local laws, rules, and regulations, unless, such violation poses a threat to public health or safety; maintain insurance coverage that we require; comply with our standards, systems or specifications as we may designate or as otherwise designated in the operations manual; fail to operate your Frios Business in conformity with our System or otherwise violate the Franchise Agreement, except as to events of default that are not curable. |
| h. "Cause" defined-non-curable defaults | 16.A(1), 16.A(2) | The following are defaults that cannot be cured: three or more instances where you commit a curable default, whether or not you timely cured such default in each instance; you intentionally and knowingly refuse to comply with the terms of the Franchise Agreement, and/or the standards specifications, and/or requirements set forth in the operations manual and/or as communicated to you by us from time to time; you intentionally, knowingly, or negligently operate the Franchised Business in violation of applicable laws, rules, and regulations and, in doing so, create a foreseeable, imminent, and/or immediate threat to the health and safety of others; you abandon the Franchised Business or fail to maintain the required leasehold and/or ownership interests in your Sweet Ride Vans, Happiness Hauler Trailers, and/or Nelson Carts; you or your Owners intentionally made a material statement or omission in questionnaires submitted to us; the data, information, and/or records that you record and/or submit to us are intentionally misleading or false; you transfer or attempt to transfer the Franchised Business or the ownership interests in your franchise company without our approval; you disclose or permit the disclosure of information contained in the operations manual and/or of confidential information; you or your Owners engage in intentionally dishonest or unethical conduct that impacts our System; you and/or your Owners breach and, if such breach is capable of a cure, fail to timely cure another agreement with us including the Owner and Spouse Agreement and Guaranty; you and your |

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|---|---|---|
| | | Owners and managers fail to complete, to our satisfaction, our initial and on-going training programs; you fail to notify us of the misuse of confidential information and you fail to protect same; you misappropriate or misuse the Licensed Marks; you are deemed insolvent, make an assignment for the benefit of creditors, admit in writing your inability to pay debts; are adjudicated bankrupt, file a voluntary bankruptcy petition or have one filed against you, and/or you acquiesce to the appointment of a trustee or receiver, or a court orders one; execution is levied against the Franchised Business; a final judgment is entered against the Franchised Business and is not satisfied within 30 days; you are dissolved; a lawsuit or action is commenced against the Franchised Business to foreclose on a lien on equipment of the Franchised Business and such action is not dismissed after 60 days; real or personal property used by the Franchised Business is sold or levied by a sheriff or other law enforcement officer; and/or you abandon or fail to continuously own and operate the Franchised Business. |
| i. Franchisee's obligations on termination/non-renewal | 6, 17 | You must: pay all sums that you owe to us under the Franchise Agreement and all other agreements with us; cease owning and operating the Franchised Business; cease representing yourself as a franchisee of ours; permanently cease using and/or accessing the System, the Licensed Marks, our confidential information, the Manuals, the Business Management System, the Business Management System Data, and the System Supplies; return the Manuals and all confidential information to us in the original form provided to you and document the destruction of all electronic files related to same; completely de-identify the location and/or facility associated with the Franchised Business; as requested by us, transfer to us all data, telephone listings, digital media, accounts, web listings and websites associated with the Franchised Business; and abide by the post-termination non-competition covenants and restrictions. |
| j. Assignment of the contract by franchisor | 14.A. | No restriction on our right to assign. |
| k. "Transfer" by franchisee-definition | 14.B. | A transfer means and includes, whether voluntary or involuntary, conditional or unconditional, direct or indirect: (a) an assignment, sale, gift, transfer, pledge or sub-franchise; (b) the grant of a mortgage, charge, lien or security interest, including, without limitation, the grant of a collateral assignment; (c) a merger, consolidation, exchange of shares or other ownership interests, issuance of additional ownership interests or securities representing or potentially representing ownership interests, or redemption of ownership interests; and (d) a sale or exchange of voting interests or securities convertible to voting interests, or an agreement granting the right to exercise or control the |

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|---|---|---|
| | | exercise of the voting rights of any holder of ownership interests or to control the operations or affairs of Franchisee. |
| l. Franchisor's approval of transfer by franchisee | 14.B. | Transfers require our prior written consent, which may be granted or withheld in our discretion. |
| m. Conditions for franchisor's approval of transfer | 14.C. | For approval of your transfer, you must provide us with 30 days prior written notice of the proposed transfer; you and your Owners must not have defaulted in your obligations under the Franchise Agreement and all other agreements with us; you and your Owners must be in compliance with your obligations under the Franchise Agreement and all other agreements with us; the transferee must agree to be bound by all of the terms and provisions of the Franchise Agreement; the transferee's owners and their spouses must personally guarantee all of the terms and provisions of the Franchise Agreement; you and your Owners and their spouses must sign a general release in favor of us; the transfer must provide for the assignment and/or ownership of the approved location for the Franchised Business, and the transferee's continued use and occupancy of such location throughout the term of the Franchise Agreement; the assets of the Franchised Business must be transferred to the transferee; the transferee and the transferee's owners and managers, at the transferee's expense must complete our training programs; we waive our right of first refusal; we approve of the transfer and transferee in writing and subject to our discretion; and you pay the Transfer Fee and if applicable the Lead Procurement Fee (subject to applicable state laws). |
| n. Franchisor's right of first refusal to acquire franchisee's business | 14.F. | We have the right to match any offer to purchase your Frios Business, Sweet Ride Van, Happiness Hauler Trailer, and/or Nelson Carts or the Corporate Entity operating your Frios Business, Sweet Ride Van, Happiness Hauler Trailer, and/or Nelson Carts. |
| o. Franchisor's option to purchase franchisee's business | Not applicable | Not applicable. |
| p. Death or disability of franchisee | 14.D. | If you are an individual, within 30 days of your death or permanent disability, your executor and/or legal representative must appoint an Operating Manager approved by us and within 60 days of such appointment the Operating Manager must complete, to our satisfaction, our initial training program. Within 12 months of the date of death or disability, the Franchise Agreement must be transferred to a transferee approved by us and otherwise transferred in accordance with the terms of the Franchise Agreement. If the franchisee is a Corporate Entity, within 30 days of the death or permanent disability of your Managing Owner, if there are other Owners, you must appoint a replacement Operating Manager approved by us |

| | | |
|---|---|---|
| | | and within 60 days of such appointment the replacement Operating Manager must complete, to our satisfaction, our initial training program. |
| q. Non-competition covenants during the term of the franchise | 6 | No involvement in any competitive business and must comply with confidentiality, non-disclosure and non-solicitation covenants. |
| r. Non-competition covenants after the franchise is terminated or expires | 6, 17 | No involvement, ownership or interest whatsoever for 24 months in any competing business in: your Operating Territory; a 25 mile radius of your Operating Territory; the Operating Territory of any other Frios Business; and you must comply with confidentiality, non-disclosure and non-solicitation covenants. |
| s. Modification of the agreement | 2.E., 4.C., 6.F., and 18.L. | Requires writing signed by you and us, except for unilateral changes that we may make to the Manuals or our unilateral reduction of the scope of a restrictive covenant that we may make in our discretion. |
| t. Integration/merger clauses | 18.M. | Only the terms of the Franchise Agreement and schedules to the Franchise Agreement and the respective signed exhibits to the Franchise Agreement are binding, subject to state law. Nothing in any agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments. |
| u. Dispute resolution by arbitration or mediation | 18.G. | Except for certain claims for injunctive relief, all disputes must first be submitted to non-binding mediation in Mobile County, Alabama and, if mediation is unsuccessful, then to binding arbitration in Mobile County, Alabama. This provision is subject to applicable state law. |
| v. Choice of forum | 18.G. | All mediation, arbitration and, if applicable, litigation proceedings must be conducted in Mobile County, Alabama or, if a suitable forum is not available in Mobile County, Alabama, in the county closest to Mobile County, Alabama. This provision is subject to applicable state law. |
| w. Choice of law | 18.F. | Alabama law will govern. However, this provision is subject to state law and as otherwise disclosed in Exhibit H to this Disclosure Document. |

## ITEM 18
## PUBLIC FIGURES

We do not currently use any public figure to promote our franchise. No public figure is currently involved in our management.

## ITEM 19
## FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets if there is a reasonable basis for the information and if the information is included in the Disclosure Document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

### DEFINITIONS

(a) Average – means the sum of all data points in a set, divided by the number of data points in that set.

(b) Franchise Outlet – refers to a Frios Outlet operated under a Franchise Agreement that is not an outlet that is owned directly or indirectly by us, our affiliate or any person identified in Item 2 of this Disclosure Document.

(c) Full Year – refers to a Frios Outlet that is open and operating every month or nearly every month of the year, maintaining a consistent sales activity regardless of season.

(d) Gross Sales – means the total revenue derived by each Frios Outlet less sales tax, discounts, allowances, and returns.

(e) Median – means the data point that is in the center of all data points used. That number is found by examining the total number of data points and finding the middle number in that set. In the event the number of data points is an odd number, the median will be the center number. If the dataset contains an even number of data points, the median is reached by taking the two numbers in the middle, adding them together, and dividing by two.

(f) New Franchise Outlet – means a Franchise Outlet that for the first time opened and commenced operations during the 2025 calendar year. For example, if a Franchise Outlet first opened for business in February 2025, the Franchise Outlet would qualify as a New Franchise Outlet and not as an Operational Franchise Outlet, see definition below.

(g) Operational Franchise Outlet – means a Franchise Outlet that has been open and in operation for 12 months as of December 31, 2025.

(h) Seasonal – refers to a Frios Outlet that operates during the peak season of April through September and generate little to no revenue during the off season (fall and winter).

(i) Part Time Outlet – refers to a Frios Outlet that is being operated alongside other employment or obligations and, whether seasonal or full-time, operates at a reduced volume and frequency compared to full-time Frios Outlets.

### BASES AND ASSUMPTIONS

The financial information was not prepared on a basis consistent with generally accepted accounting principles. Data for our Operational Franchise Outlets is based on information reported to us by our franchisees. The information in this analysis has not been audited, is based on historical financial data, and

is not a forecast or projection of future financial performance.

## OPERATIONAL FRANCHISE OUTLETS

As of December 31, 2025, we had a total of 113 Franchise Outlets. Of the 113 Franchise Outlets, 56 Outlets constitute Operational Franchise Outlets, 18 Outlets constitute New Franchise Outlets, and 39 Outlets were excluded from this Item 19 because they either left the Frios system, did not operate for full year of 2025 or ceased operating their Frios Business during the 2025 calendar year but did not officially terminate their Franchise Agreement. In this Item 19, we exclude data for our New Franchise Outlets.

During the 2025 Calendar Year our Operational Franchise Outlets operated in Operating Territories ranging from approximately 150,000 people to approximately 700,000 people, which is the equivalent of one to four Territories. Some Operational Franchise Outlets disclosed in this Item 19 operate under a Franchise Agreement that includes a different territory structure than currently offered in this Disclosure Document, however, the information presented is representative of the Franchised Business.

Table I below details the high, low, average and median Gross Sales of Operational Franchise Outlets based on the years the Franchise Outlet has been in operation.

**Table I**

| Operational Franchise Outlets<br>Gross Sales Based on Years in Operations for the 2025 Calendar Year | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Number of Franchise Outlets** | **High** | **Low** | **Average** | **Median** | **Above Average** | **Below Average** |
| **Franchise Outlets with Three or More Years of Operations** | 20 | $290,715 | $4,274 | $118,832 | $100,414 | 8 of 20 | 12 of 20 |
| **Franchise Outlets with One to Three Years of Operations** | 36 | $271,497 | $7,097 | $77, 832 | $63,996 | 15 of 36 | 21 of 36 |

Table II below details the high, low, average and median Gross Sales of Operational Franchise Outlets based on whether the Franchise Outlet is operating full-time, seasonally or part-time.

**Table II**

| Operational Franchise Outlets<br>Gross Sales Based on Operational Status for the 2025 Calendar Year | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Number of Franchise Outlets** | **High** | **Low** | **Average** | **Median** | **Above Average** | **Below Average** |
| **Franchise Outlets Operating Full-Time** | 18 | $290,715 | $51,246 | $127,785 | $94,034 | 6 of 18 | 12 of 18 |
| **Franchise Outlets Operating Seasonally** | 18 | $180,720 | $50,659 | $107,199 | $93,200 | 7 of 18 | 11 of 18 |
| **Franchise Outlets Operating Part-Time** | 20 | $118,719 | $4,274 | $47,445 | $43,260 | 9 of 20 | 11 of 20 |

Table III below details the high, low, average and median single-day Gross Sales of Operational Franchise Outlets for each month in 2025. Some Operational Franchise Outlets report no sales and due to this the low for each month is $0.

| Operational Franchise Outlets<br>Single Day Gross Sales for Each Month for the 2025 Calendar Year | | | | | |
|---|---|---|---|---|---|
| **Month** | **Number of Franchise Outlets** | **Low** | **Average** | **Median** | **High** |
| **January** | 56 | $0 | $507 | $180 | $5,000 |
| **February** | 56 | $0 | $598 | $392 | $3,960 |
| **March** | 56 | $0 | $1,351 | $962 | $8,064 |
| **April** | 56 | $0 | $1,662 | $1,378 | $5,885 |
| **May** | 56 | $0 | $2,494 | $1,741 | $21,000 |
| **June** | 56 | $0 | $2,399 | $1,664 | $14,348 |
| **July** | 56 | $0 | $2,535 | $1,800 | $8,460 |
| **August** | 56 | $0 | $3,843 | $2,075 | $55,480 |
| **September** | 56 | $0 | $2,202 | $1,726 | $7,008 |
| **October** | 56 | $0 | $1,926 | $1,320 | $10,270 |
| **November** | 56 | $0 | $786 | $480 | $6,520 |
| **December** | 56 | $0 | $456 | $213 | $4,113 |

**Some Outlets have achieved these Gross Sales. Your individual results may differ. There is no assurance that you'll achieve as much.**

Written substantiation of the data used in preparing these Gross Sales figures will be made available to you upon reasonable request.

Other than the preceding financial performance representation, Frios Franchising Company, LLC does not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Cliff Kennedy, Frios Franchising Company, LLC, 1201 West I-65 Service Road North, Mobile, Alabama 36618, and (817) 675-6882, the Federal Trade Commission, and the appropriate state regulatory agencies.

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## ITEM 20
## OUTLETS AND FRANCHISEE INFORMATION

### TABLE NO. 1
### SYSTEMWIDE OUTLET SUMMARY
### FOR YEARS 2023 to 2025

| Outlet Type | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---|---|---|---|---|
| Franchised | 2023 | 59 | 89 | +30 |
| | 2024 | 89 | 106 | +17 |
| | 2025 | 106 | 113 | +7 |
| Company Owned | 2023 | 1 | 1 | 0 |
| | 2024 | 1 | 1 | 0 |
| | 2025 | 1 | 1 | 0 |
| Total Outlets | 2023 | 60 | 90 | +30 |
| | 2024 | 90 | 107 | +17 |
| | 2025 | 107 | 114 | +7 |

### TABLE NO. 2
### TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
### (OTHER THAN THE FRANCHISOR)
### FOR YEARS 2023 to 2025

| State | Year | Number of Transfers |
|---|---|---|
| Alabama | 2023 | 1 |
| | 2024 | 0 |
| | 2025 | 0 |
| Arizona | 2023 | 0 |
| | 2024 | 1 |
| | 2025 | 0 |
| Florida | 2023 | 1 |
| | 2024 | 1 |
| | 2025 | 0 |
| North Carolina | 2023 | 0 |
| | 2024 | 2 |
| | 2025 | 0 |
| Oklahoma | 2023 | 1 |
| | 2024 | 0 |
| | 2025 | 0 |

| | | |
|---|---|---|
| Texas | 2023 | 4 |
| | 2024 | 2 |
| | 2025 | 1 |
| Totals | 2023 | 7 |
| | 2024 | 6 |
| | 2025 | 1 |

**TABLE NO. 3**
**STATUS OF FRANCHISED OWNED OUTLETS**
**FOR YEARS 2023 to 2025**

| State | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations for Other Reasons | Outlets at End of Year |
|---|---|---|---|---|---|---|---|---|
| Alabama | 2023 | 7 | 1 | 0 | 0 | 0 | 0 | 8 |
| | 2024 | 8 | 0 | 0 | 1 | 0 | 0 | 7 |
| | 2025 | 7 | 0 | 0 | 0 | 0 | 0 | 7 |
| Arkansas | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2025 | 1 | 0 | 1 | 0 | 0 | 0 | 0 |
| Arizona | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 2 | 0 | 0 | 0 | 0 | 3 |
| | 2025 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Colorado | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 2 | 0 | 0 | 0 | 1 | 1 |
| | 2025 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Delaware | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2025 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Florida | 2023 | 8 | 7 | 1 | 0 | 0 | 0 | 14 |
| | 2024 | 14 | 3 | 4 | 1 | 0 | 0 | 12 |
| | 2025 | 12 | 3 | 6 | 0 | 0 | 0 | 9 |
| Georgia | 2023 | 5 | 2 | 0 | 0 | 0 | 0 | 7 |
| | 2024 | 7 | 3 | 0 | 0 | 0 | 0 | 10 |
| | 2025 | 10 | 0 | 0 | 0 | 0 | 0 | 10 |
| Illinois | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 2 | 2 | 0 | 0 | 0 | 0 |
| | 2025 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Louisiana | 2023 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2025 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Massachusetts | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2025 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| Michigan | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2025 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Minnesota | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2025 | 2 | 2 | 0 | 0 | 0 | 0 | 2 |
| Missouri | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 1 | 1 | 0 | 0 | 0 | 1 |
| | 2025 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Mississippi | 2023 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2025 | 1 | 3 | 0 | 0 | 0 | 0 | 4 |
| Nebraska | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2025 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| New Jersey | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2025 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| New Mexico | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2025 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| New York | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2025 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| North Carolina | 2023 | 1 | 3 | 0 | 0 | 0 | 0 | 4 |
| | 2024 | 4 | 5 | 0 | 0 | 0 | 0 | 9 |
| | 2025 | 9 | 0 | 0 | 0 | 0 | 0 | 9 |
| Ohio | 2023 | 4 | 2 | 0 | 0 | 0 | 0 | 6 |
| | 2024 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| | 2025 | 6 | 1 | 3 | 0 | 0 | 0 | 4 |
| Oklahoma | 2023 | 3 | 1 | 0 | 0 | 0 | 0 | 4 |
| | 2024 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2025 | 4 | 1 | 0 | 0 | 0 | 0 | 5 |
| Pennsylvania | 2023 | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2024 | 2 | 3 | 0 | 0 | 0 | 0 | 5 |
| | 2025 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| South Carolina | 2023 | 3 | 1 | 0 | 0 | 0 | 0 | 4 |
| | 2024 | 4 | 1 | 0 | 0 | 0 | 1 | 4 |
| | 2025 | 4 | 3 | 0 | 0 | 0 | 0 | 7 |
| Tennessee | 2023 | 2 | 2 | 0 | 0 | 0 | 0 | 4 |
| | 2024 | 4 | 1 | 1 | 0 | 0 | 0 | 4 |
| | 2025 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Texas | 2023 | 21 | 6 | 1 | 0 | 0 | 0 | 26 |
| | 2024 | 26 | 0 | 1 | 1 | 0 | 0 | 24 |
| | 2025 | 24 | 2 | 0 | 1 | 0 | 0 | 25 |
| West Virginia | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2025 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Wisconsin | 2023 | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2024 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2025 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Totals | 2023 | 59 | 32 | 2 | 0 | 0 | 0 | 89 |
| | 2024 | 89 | 31 | 9 | 3 | 0 | 2 | 106 |
| | 2025 | 106 | 18 | 10 | 1 | 0 | 0 | 113 |

**TABLE NO. 4**
**STATUS OF COMPANY OWNED OUTLETS**
**FOR YEARS 2023 to 2025**

| State | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired by Franchisor | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of Year |
|---|---|---|---|---|---|---|---|
| Alabama | 2022 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2025 | 1 | 0 | 0 | 0 | 0 | 1 |
| Totals | 2023 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2025 | 1 | 0 | 0 | 0 | 0 | 1 |

**TABLE NO. 5**
**PROJECTED OPENINGS**
**AS OF DECEMBER 31, 2025**

| State | Franchise Agreement Signed but Outlet Not Opened | Projected New Franchised Outlets in the Next Fiscal Year | Projected New Company Owned Outlets in the Next Fiscal Year |
|---|---|---|---|
| Alabama | 0 | 1 | 0 |
| Florida | 0 | 4 | 0 |
| Massachusetts | 0 | 2 | 0 |
| Mississippi | 0 | 3 | 0 |
| New York | 0 | 2 | 0 |
| South Carolina | 0 | 2 | 0 |
| Tennessee | 0 | 3 | 0 |
| Texas | 0 | 3 | 0 |
| Totals | 0 | 20 | 0 |

Notes to Tables:

**If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

During the last three fiscal years, some current or former franchisees have signed confidentiality clauses with us that restrict them from discussing with you their experiences as a franchisee in our franchise system. There are no trademark-specific franchisee organizations associated with the franchise system being offered in this Disclosure Document.

Exhibit F to this Disclosure Document contains a list, as of the Issuance Date of this Disclosure Document, of current Frios Franchising Company, LLC franchisees.

Exhibit G to this Disclosure Document contains a list of every franchisee who had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the Issuance Date of this Disclosure Document.

## ITEM 21
## FINANCIAL STATEMENTS

Attached as Exhibit D are our audited financial statements for 2023, 2024, and 2025 dated April 14, 2026. We were established on December 19, 2018, and our fiscal year ends on December 31.

## ITEM 22
## CONTRACTS

Attached to this Disclosure Document or to the Exhibits attached to and comprising the Franchise Agreement attached to this Disclosure Document are copies of the following franchise and other contracts and agreements in use or proposed for use:

**Exhibits to this Disclosure Document**

| | |
|---|---|
| Exhibit E | Franchise Agreement |
| Exhibit H | State Specific Addenda |

**Schedules and Exhibits to the Franchise Agreement**

| | |
|---|---|
| Schedule 1 | Operating Territory Acknowledgment |
| Schedule 2 | Franchise Fee Acknowledgement |
| Schedule 3 | Statement of Franchise Owners |
| Exhibit 1 | Owner and Spouse Agreement and Guaranty |
| Exhibit 2 | Confidentiality Agreement |
| Exhibit 3 | Assignment of Telephone Numbers and Digital Media Accounts |
| Exhibit 4 | ACH Authorization Form |
| Exhibit 5 | General Release |

Individual state law may supersede the provisions contained in your Franchise Agreement respecting the requirement that you execute a general release as a condition to assignment, sale or transfer. See, the state specific addendums contained in Exhibit H of this Disclosure Document and the state specific addendums attached to the Franchise Agreement and forming a part of Exhibit E.

## ITEM 23
## RECEIPTS

Two copies of a detachable receipt in Exhibit J are located at the very end of this Disclosure Document. Please sign one copy of the receipt and return it to us at the following address Cliff Kennedy, Frios Franchising Company, LLC, 1201 West I-65 Service Road North, Mobile, Alabama 36618. The duplicate is for your records.

[THE DISCLOSURE DOCUMENT ENDS HERE]

FRANCHISE DISCLOSURE DOCUMENT
**EXHIBIT A**
STATE ADMINISTRATORS

# List of State Administrators

**California**
Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, CA 90013

651 Bannon Street, Suite 300
Sacramento, CA 95811
866-275-2677

**Connecticut**
Connecticut Banking Commissioner
Department of Banking
Securities & Business Investments Division
260 Constitution Plaza
Hartford, CT 06103

**Florida**
Division of Consumer Services
Attn: Business Opportunities
2005 Apalachee Parkway
Tallahassee, FL 32399

**Hawaii**
Commissioner of Securities
Department of Commerce & Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813

**Illinois**
Office of the Attorney General
Franchise Bureau
500 South Second Street
Springfield, IL 62706

**Indiana**
Indiana Secretary of State
Indiana Securities Division
Franchise Section
302 W. Washington Street, Room E-111
Indianapolis, IN 46204

**Kentucky**
Office of the Attorney General
Consumer Protection Division
Attn: Business Opportunity
1024 Capital Center Drive
Frankfort, KY 40601

**Maine**
Department of Professional and Financial Regulations
Bureau of Banking
Securities Division
121 Statehouse Station
Augusta, ME 04333

**Maryland**
Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, MD 21202

**Michigan**
Michigan Department of the Attorney General
Consumer Protection Division
Antitrust and Franchise Unit
670 Law Building
P.O. Box 30213
Lansing, MI 48909

**Minnesota**
Minnesota Department of Commerce
Securities Division
85 7th Place East, Suite 280
St. Paul, MN 55101

**Nebraska**
Nebraska Department of Banking and Finance
Commerce Court
1230 O Street, Suite 400
Lincoln, NE 68509

**New York**
NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, NY 10005
212-416-8222

**North Carolina**
Secretary of State
Securities Division
300 North Salisbury Street, Suite 100
Raleigh, NC 27603

**North Dakota**
Securities Department
600 East Boulevard Avenue, State Capitol
Fourteenth Floor, Department 414
Bismarck, ND 58505
701-328-4712

List of State Administrators (continued)

**Rhode Island**
Department of Business Registration
Division of Securities
233 Richmond Street, Suite 232
Providence, RI 02903

**South Carolina**
Office of the Secretary of State
1205 Pendleton Street
Edgar Brown Building, Suite 525
Columbia, SC 29201

**South Dakota**
Franchise Office
Division of Securities
910 E. Sioux Avenue
Pierre, SD 57501

**Texas**
Office of the Secretary of State
Statutory Document Section
1019 Brazos Street
Austin, TX 78701

**Utah**
Utah Department of Commerce
Division of Consumer Protection
160 East Three Hundred South
P.O. Box 146704
Salt Lake City, UT 84114

**Virginia**
State Corporation Commission
Division of Securities and Retail Franchising
1300 E. Main Street, 9th Floor
Richmond, VA 23219

**Washington**
Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, WA 98507
360-902-8700

**Wisconsin**
Franchise Office
Wisconsin Securities Commission
P.O. Box 1768
Madison, WI 53701

FRANCHISE DISCLOSURE DOCUMENT
**EXHIBIT B**
AGENTS FOR SERVICE OF PROCESS

# Agents for Service of Process

Frios Franchising Company, LLC,
1201 West I-65 Service Road North
Mobile, Alabama 36618
Attn: Cliff Kennedy, CEO

**California**
Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, CA 90013

651 Bannon Street, Suite 300
Sacramento, CA 95811
866-275-2677

**Connecticut**
Banking Commissioner
Department of Banking
Securities and Business Investment Division
260 Constitution Plaza
Hartford, CT 06103

**Hawaii**
Commissioner of Securities
Department of Commerce & Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813

**Illinois**
Illinois Attorney General
500 South Second Street
Springfield, IL 62706

**Maryland**
Maryland Securities Commissioner
200 St. Paul Place
Baltimore, MD 21202

**Michigan**
Michigan Department of Commerce
Corporation and Securities Bureau
6546 Mercantile Way
Lansing, MI 48910

**Minnesota**
Commissioner of Commerce of Minnesota
Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101

**New York**
Secretary of the State of New York
99 Washington Avenue
Albany, NY 12231

**North Dakota**
North Dakota Securities Department
Securities Commissioner
600 East Boulevard Avenue, State Capitol
Fifth Floor, Department 414
Bismarck, ND 58505
701-328-4712

**Rhode Island**
Director of Department of Business Regulation
233 Richmond Street, Suite 232
Providence, RI 02903

**South Dakota**
Director, Division of Securities
Department of Commerce and Regulation
445 East Capitol Avenue
Pierre, SD 57501

**Virginia**
Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, VA 23219

**Washington**
Securities Administrator
Washington Department of Financial Institutions
150 Israel Road SW
Tumwater, WA 98501

**Wisconsin**
Wisconsin Commissioner of Securities
345 W Washington Avenue
Madison, WI 53703

FRANCHISE DISCLOSURE DOCUMENT
**EXHIBIT C**
OPERATIONS MANUAL TABLE OF CONTENTS

FRIOS FRANCHISING COMPANY, LLC
Operations Manual for Frios

Section Page

**Section 1: Culture & Guidelines**
- Introduction and History
- Mission and Core Values
- Brand Standards & Guidelines
- Culture & Happiness Hustler Standards
  - Culture and Happiness Hustler Standards
  - Selecting & Managing Happiness Hustlers
  - Happiness Hustler Code of Conduct
  - The Frios Look
  - Job Description
  - Job Posting Example
  - What Your Employees Expect of You
- Marketing
- Social Media Guidelines and Policies

**Section 2: Training**
- "Sweet Ride" Ops Guide
- Nelson Cart
- Wholesale
- Tablet/Square
- Event/Catering Order Form
- Guest Experience
  - Driving the Guest Experience
  - HEARD
- The hustle!
  - Giving Back in Your Community
  - Partnerships and Relational Sales
  - Fundraisers and Non-Profit Events
  - Booking Events
  - Networking
- Pops
  - Integrity/Best Practices
  - Stabilizer
  - Inventory Management & PAR Levels
  - Ordering & Receiving
  - Temperature Log Tracking
  - Pop Variances

    - Returning Pops/Pop Credit
        - Frios Claim Form
- Financial Responsibility
    - QuickBooks
    - P&L's
    - Accuracy of Billing and Account Information
    - Delinquent Account Process

**Section 3: Technical Details**

- Legal
    - Human Resources
    - Trademark Usage
- Required, Approved, and Suggested Vendors
- Permitting and Licensing
- Additional Insurance
- Pricing
- Flavors and Nutrition
- BIG STORE
- Merch

Management Team and Franchise Contacts

**Total Pages:** **52**

FRANCHISE DISCLOSURE DOCUMENT
**EXHIBIT D**
FINANCIAL STATEMENTS

# FRIOS FRANCHISING COMPANY, LLC

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2025, 2024 (RESTATED), AND 2023 (RESTATED)

KEZOS & DUNLAVY
Certified Public Accountants
& Business Advisors

# FRIOS FRANCHISING COMPANY, LLC

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|---|---|
| Independent auditor's report | 3 |
| Balance sheets | 5 |
| Statements of operations | 6 |
| Statements of member's equity | 7 |
| Statements of cash flows | 8 |
| Notes to the financial statements | 9 |

KEZOS & DUNLAVY
Certified Public Accountants
& Business Advisors

***Independent Auditor's Report***

To the Member
Frios Franchising Company, LLC
Mobile, Alabama

***Opinion***

We have audited the accompanying financial statements of Frios Franchising Company, LLC, which comprise the balance sheet as of December 31, 2025, and the related statements of operations, member's equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Frios Franchising Company, LLC as of December 31, 2025 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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.

***Emphasis of Matter – Restatement of Previously Issued Financial Statements***

As discussed in Note 2 to the financial statements, the Company has restated its financial statements for the years ended December 31, 2024 and 2023 to correct an error related to the application of Accounting Standards Codification Topic 952-606, *Franchisors—Revenue from Contracts with Customers*. The Company had previously applied this guidance prospectively; however, management has determined that retrospective application was required. Accordingly, amounts previously reported for 2024 and 2023 have been adjusted. Our opinion is not modified with respect to this matter.

***Other Matter – Prior Period Financial Statements Audited by Other Auditors***

The financial statements of the Company as of and for the years ended December 31, 2024 and 2023 (prior to the restatement described above for 2024 and 2023) were audited by other auditors, whose report dated April 26, 2025, expressed an unmodified opinion on those financial statements.

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

Management is responsible for the preparation and fair presentation of the 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 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 within one year after the date that the financial statements are available to be issued.

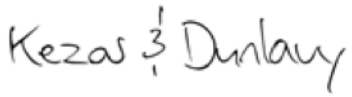
***Auditor's Responsibilities for the Audit of the Financial Statements***

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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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.



St. George, Utah
April 14, 2026

# FRIOS FRANCHISING COMPANY, LLC

## BALANCE SHEETS

As of December 31, 2025, 2024 (Restated), and 2023 (Restated)

| | 2025 | 2024* | 2023* |
|---|---|---|---|
| **Assets** | | | |
| Current assets | | | |
| Cash and cash equivalents | $ 5,913 | $ 167 | $ 10,294 |
| Accounts receivable, net | 1,602 | 15,538 | 14,605 |
| Total current assets | 7,515 | 15,705 | 24,899 |
| Non-current assets | | | |
| Goodwill | 400,000 | 400,000 | 400,000 |
| Total non-current assets | 400,000 | 400,000 | 400,000 |
| Total assets | $ 407,515 | $ 415,705 | $ 424,899 |
| **Liabilities and Member's Equity** | | | |
| Current liabilities | | | |
| Accounts payable and accrued expenses | $ 30,516 | $ 34,345 | $ 83,214 |
| Total current liabilities | 30,516 | 34,345 | 83,214 |
| Total liabilities | 30,516 | 34,345 | 83,214 |
| Member's equity | | | |
| Member contributions | 450,000 | 450,000 | 450,000 |
| Retained earnings | 1,285,352 | 826,903 | 345,639 |
| Due from related parties | (1,358,353) | (895,543) | (453,954) |
| Total member's equity | 376,999 | 381,360 | 341,685 |
| Total liabilities and member's equity | $ 407,515 | $ 415,705 | $ 424,899 |

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

* These balances have been restated due to error. See Note 2 to the Financial Statements.

# FRIOS FRANCHISING COMPANY, LLC

## STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2025, 2024 (Restated), and 2023 (Restated)

| | 2025 | 2024* | 2023* |
|---|---|---|---|
| Operating revenue | | | |
| Initial franchise fees | $ 617,727 | $ 427,059 | $ 441,016 |
| Royalty and marketing fees | 638,626 | 399,166 | 339,438 |
| Other operating revenue | 59,523 | 144,921 | 34,585 |
| Total operating revenue | 1,315,876 | 971,146 | 815,039 |
| Operating expenses | | | |
| General and administrative | 528,262 | 277,522 | 346,890 |
| Commissions | 178,777 | 62,500 | 125,000 |
| Professional fees | 63,950 | 66,591 | 92,345 |
| Advertising and marketing | 57,270 | 43,948 | 25,403 |
| Total operating expenses | 828,259 | 450,561 | 589,638 |
| Income from operations | 487,617 | 520,585 | 225,401 |
| Non-operating expense | | | |
| Interest expense | 25,192 | 38,862 | 974 |
| Total non-operating expense | 25,192 | 38,862 | 974 |
| Net income | $ 462,425 | $ 481,723 | $ 224,427 |

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

* These balances have been restated due to error. See Note 2 to the Financial Statements.

# FRIOS FRANCHISING COMPANY, LLC

## STATEMENT OF MEMBERS' EQUITY (DEFICIT)

For the Years Ended December 31, 2025, 2024 (Restated), and 2023 (Restated)

| | Member's Contributions | Retained Earnings | Total |
|---|---|---|---|
| *Balances as of January 1, 2023 | $ 450,000 | $ 121,212 | $ 571,212 |
| *Net income | - | 224,427 | 224,427 |
| *Balances as of December 31, 2023 | 450,000 | 345,639 | 795,639 |
| Member distributions | - | (459) | (459) |
| *Net income | - | 481,723 | 481,723 |
| *Balances as of December 31, 2024 | 450,000 | 826,903 | 1,276,903 |
| Member distributions | - | (3,976) | (3,976) |
| Net income | - | 462,425 | 462,425 |
| Balances as of December 31, 2025 | $ 450,000 | $ 1,285,352 | $ 1,735,352 |

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

* These balances have been restated due to error. See Note 2 to the Financial Statements.

# FRIOS FRANCHISING COMPANY, LLC

## STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2025, 2024 (Restated), and 2023 (Restated)

| | 2025 | 2024* | 2023* |
|---|---|---|---|
| Cash flow from operating activities: | | | |
| Net income | $ 462,425 | $ 481,723 | $ 224,427 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | 13,936 | (933) | (5,635) |
| Accounts payable and accrued expenses | (3,829) | (48,869) | (7,523) |
| Net cash used in operating activities | 472,532 | 431,921 | 211,269 |
| Cash flows from financing activities: | | | |
| Net change in due from related party | (462,810) | (441,589) | (201,167) |
| Member distributions | (3,976) | (459) | - |
| Net cash used in financing activities | (466,786) | (442,048) | (201,167) |
| Net change in cash and cash equivalents | 5,746 | (10,127) | 10,102 |
| Cash at the beginning of the year | 167 | 10,294 | 192 |
| Cash at the end of the year | $ 5,913 | $ 167 | $ 10,294 |
| Supplementary disclosures of cash flows | | | |
| Cash paid for interest | $ 25,192 | $ 38,862 | $ 974 |
| Cash paid for taxes | $ - | $ - | $ - |

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

* These balances have been restated due to error. See Note 2 to the Financial Statements.

(1) Nature of Business and Summary of Significant Accounting Policies

*(a) Nature of Business*

Frios Franchising Company, LLC (the “Company") was formed on December 19, 2018 in the state of Delaware for the primary purpose of conducting franchise sales, marketing, and management. The Company grants qualified franchisees the right to own and operate a Frios Gourmet Pops franchise in the United States.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

*(b) Accounting Standards Codification*

The Financial Accounting Standards Board (“FASB”) has issued the FASB Accounting Standards Codification (“ASC”) that became the single official source of authoritative U.S. generally accepted accounting principles (“GAAP”), other than guidance issued by the Securities and Exchange Commission (“SEC”), superseding existing FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

*(c) Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

*(d) Cash and Cash Equivalents*

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase.

*(e) Accounts Receivable*

Accounts receivable are recorded for amounts due based on the terms of executed franchise agreements for royalty fees. These receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of outstanding amounts. When determining the allowance for doubtful receivable, the Company has adopted ASC 326, *Financial Instruments—Credit Losses*. This standard requires that management utilize the Current Expected Credit Losses (“CECL”) model to recognize the appropriate allowance for doubtful receivables. This model requires entities to estimate and recognize expected credit losses over the life of the financial instrument. For trade receivables, management has elected to apply a simplified approach, based on historical loss experience and adjustments for current and forecasted economic conditions. Management regularly evaluates individual customer receivables, considering their financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. As of December 31, 2025, the allowance for doubtful accounts was $4,184. As of December 31, 2024 and 2023, the Company had no allowance for doubtful accounts.

*(f) Goodwill*

The Company has adopted ASC 350, *Intangibles – Goodwill and Other* that requires that goodwill and intangible assets with indefinite lives no longer be amortized to earnings but be tested for impairment at least annually. Intangible assets with finite lives are amortized over their estimated useful lives. The useful life of an intangible asset is the period over which it is expected to contribute directly or indirectly to future cash flows. Intangible assets with infinite lives are reviewed for impairment if events or changes in circumstances indicate that the carrying value might not be recoverable.

The Company's goodwill was allocated from its member, which acquired the Frios franchising system in 2019. The Company has evaluated the goodwill for impairment and has concluded no impairment to the value of the asset has occurred during the years ended as of December 31, 2025, 2024, and 2023. The value on the accompanying balance sheet is $400,000.

*(g) Long-Lived Assets*

Long-lived assets will be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Any impairment loss will be measured by the difference between the fair value of an asset and its carrying amount, and will be recognized in the period that the recognition criteria are first applied and met.

*(h) Revenue Recognition*

The Company has adopted ASC 606, *Revenue from Contracts with Customers*. ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. In implementing ASC 606, the Company evaluated all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue. For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the various components of the transaction price and the Company's performance obligations.

The Company's revenues consist of initial franchise fees and royalties and marketing fees based on a percentage of gross revenues.

*Royalty and marketing fee revenue*

Upon evaluation of the five-step process, the Company has determined that royalty and marketing fees are to be recognized in the same period as the underlying sales, in accordance with the sales-based royalty exception.

*Initial franchise fees*

The Company is required to allocate the transaction price associated with initial franchise fees between the franchise license and associated performance obligations. In identifying the associated performance obligations, the Company has elected to adopt the practical expedient for private company franchisors outlined in ASC 952-606, *Franchisors—Revenue from Contracts with Customers*. In addition, the practical expedient allows franchisors to account for pre-opening services as a single distinct performance obligation, which the Company has elected to adopt. These pre-opening services include the following (which the Company may or may not provide all of):

- Assistance in the selection of a site
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services, and lease negotiation
- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping

- Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes about local regulations affecting the franchisee's business
- Inspection, testing, and other quality control programs

In determining the allocation of transaction price (the initial franchise fee) to either the license or to the pre-opening services, the Company has determined that the standalone selling price of its pre-opening services exceeds the initial franchise fee received; as such, the Company allocates the entire initial franchise fees to those pre-opening services. The franchise fees are then recognized as revenue when those pre-opening services have been completed (which generally occurs upon commencement of the associated franchised location's operations).

*(i) Income Taxes*

The Company is structured as a limited liability company under the laws of the state of Delaware. Accordingly, the income or loss of the Company will be included in the income tax returns of the members. Therefore, there is no provision for federal and state income taxes.

The Company follows the guidance under ASC 740, *Accounting for Uncertainty in Income Taxes*. ASC 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the members rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2025, the 2024, 2023, and 2022 tax years are subject to examination.

*(j) Leasing*

The Company adopted ASC 842, *Leases*. The Company has made an accounting policy election not to recognize right-of-use assets and lease liabilities that arise from any of its short-term leases. All leases with a term of 12 months or less at commencement, for which the Company is not reasonably certain to exercise available renewal options that would extend the lease term past 12 months, will be recognized on a straight-line basis over the lease term.

*(k) Advertising Costs*

The Company expenses advertising costs as incurred. Advertising expenses for the years ended December 31, 2025, 2024, and 2023 were $57,270, $43,948, and $25,403, respectively.

*(l) Financial Instruments*

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, and accounts payable the carrying amounts approximate fair value due to their short maturities.

*(m) Concentration of Risk*

The Company maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

(2) Restatement of Prior Year Financial Statements

The Company previously adopted ASC 952-606, *Franchisors—Revenue from Contracts with Customers*, effective January 1, 2024. In connection with this adoption, management initially applied the guidance on a prospective basis. Upon further evaluation, management determined that the adoption should have been applied on a retrospective basis, consistent with the transition requirements outlined in ASC 952-606.

Accordingly, the accompanying 2024 and 2023 financial statements have been restated to reflect the retrospective application of ASC 952-606. The restatement primarily impacted the timing of revenue recognition related to initial franchise fees, resulting in adjustments to deferred revenue, retained earnings, and related accounts on the statement of operations.

The following table summarizes the effects of the restatement on the Company's previously issued financial statements as of and for the year ended December 31, 2024:

| | As Previously Reported | Adjustment | As Restated |
|---|---|---|---|
| Deferred commissions | $ 151,102 | $ (151,102) | $ - |
| Deferred revenue | 752,465 | (752,465) | - |
| Retained earnings | 225,540 | 1,059,812 | 1,285,352 |
| Initial franchise fees | 592,227 | (165,168) | 427,059 |
| Commissions | 72,539 | (10,039) | 62,500 |
| Net income | $ 636,852 | $ 155,129 | $ 481,723 |

The following table summarizes the effects of the restatement on the Company's previously issued financial statements as of and for the year ended December 31, 2023:

| | As Previously Reported | Adjustment | As Restated |
|---|---|---|---|
| Deferred commissions | $ 103,000 | $ (103,000) | $ - |
| Deferred revenue | 859,492 | (859,492) | - |
| Retained earnings (accumulated deficit) | (410,853) | 756,492 | 345,639 |
| Initial franchise fees | 140,553 | 300,463 | 441,016 |
| Commissions | 65,114 | 59,886 | 125,000 |
| Net income (loss) | $ (16,150) | $ 240,577 | $ 224,427 |

(3) Franchise Agreements

The Company's franchise agreements generally provide for payment of initial fees as well as continuing royalty and marketing fees to the Company based on a percentage of sales. Under the franchise agreement, franchisees are granted the right to operate a location using the Frios Gourmet Pops system for a period of ten years. Under the Company's revenue recognition policy, franchise fees and any corresponding commissions are recognized when the pre-opening services are provided to franchisees (generally upon commencement of operations). For any franchisees that have not yet begun operations as of year-end, the Company defers both the revenues and commissions. All locations that are expected to begin operations within the following year are categorized as current, while all others are classified as non-current. As of December 31, 2025, 2024, and 2023, the Company had no deferred commissions or revenue.

(4) Commitments and Contingencies

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC 450, *Contingencies*, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is "probable" and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is "probable" but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is "reasonably possible," disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are "remote" are neither accounted for nor disclosed.

In the opinion of management, all matters are of such kind, or involving such amounts of unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

(5) Subsequent Events

Management has reviewed and evaluated subsequent events through April 14, 2026, the date on which the financial statements were issued.

FRANCHISE DISCLOSURE DOCUMENT
**EXHIBIT E**
FRANCHISE AGREEMENT

FRIOS

# FRANCHISE AGREEMENT

| FRANCHISEE: |
| --- |
| |

**Frios Franchise Agreement**

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# FRANCHISE AGREEMENT

This Franchise Agreement (the "Agreement") is entered into on _____ ("Effective Date"), by and between Frios Franchising Company, LLC, a Delaware limited liability company with a principal place of business located at 1201 West I-65 Service Road North, Mobile, Alabama 36618 (the "Franchisor") and _____(the "Franchisee").

## RECITALS

WHEREAS, Franchisor has developed a distinctive and proprietary system (the "System") for the establishment, development and operation of a Frios van (the "Sweet Ride Van"), trailer (the "Happiness Hauler Trailer"), or mobile carts (the "Nelson Carts") featuring specialty gourmet ice pops and other menu items that Franchisor designates and authorizes from time to time (the "Approved Services and Products") for sale directly to consumers from a System authorized van, trailer, or carts under the Licensed Marks (defined below), with the option to sell Frios pops on a wholesale basis to businesses for retail sale to customers (each business referred to as a "Franchised Business" or "Franchisee's Frios Business");

WHEREAS, the System is identified by the Licensed Marks and trade dress, required service and product offerings, required operating processes and procedures, required equipment and supplies, and required marketing, advertising, and business development obligations and brand standards, all of which are part of the System and may be modified by Franchisor from time to time; and

WHEREAS, Franchisee desires to obtain the license to develop and operate a Franchised Business in conformity with the System and within a designated operating territory pursuant to the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties do hereby agree, as follows:

## ARTICLE 1
## DEFINITIONS

Supplementing the terms and definitions contained in the foregoing "Recitals," the terms listed below have the following additional meanings:

"**Accounting Period**" means the period of time selected and determined by Franchisor for the required measurement and reporting of financial information and payment of financial obligations by Franchisee. The applicable measurement period will be determined by Franchisor from time to time with respect to Franchisee's obligations to report financial information and data to Franchisor and Franchisee's payment of all fees and other obligations under this Agreement. The respective "Accounting Period" shall be those Franchisor designated times, whether, weekly, monthly, or otherwise, as designated by Franchisor, with all such Accounting Periods automatically commencing on the earlier of the (a) Scheduled Opening Date, or (b) the Actual Opening Date of the Franchised

Business and, continuing, throughout the Term of this Agreement. Unless otherwise designated by Franchisor at any time, unless otherwise specified in this Agreement, the Accounting Period shall be a monthly period for each and every month throughout the Term of this Agreement.

"**Actual Opening Date**" refers to and means the first day of the week immediately following Franchisee's satisfactory completion of Franchisor's initial Training Program as said Training Program is designated and determined by Franchisor.

"**Additional Initial Training Fee**" shall have the meaning defined and set forth in Article 4.A. of this Agreement.

"**Additional Territory**" refers to each and every Territory, if any, over and above the first Territory, and, together, constituting and comprising Franchisee's Operating Territory as specified in this Agreement.

"**Advertising Contributions**" means any and all obligations of Franchisee to contribute to and/or pay fees to Franchisor or Franchisor's affiliate or designees as set forth in this Agreement including, but not limited to, the Brand Development Fund Fees set forth in Article 9.A. of this Agreement and Advertising Cooperative contributions and contributions set forth in Article 9.F. of this Agreement.

"**Advertising Cooperative**" shall have the meaning defined and set forth in Article 9.F. of this Agreement.

"**Alternative Channels of Distribution**" means E-Commerce marketplaces, E-Commerce channels of distribution, internet based direct sales channels, and other outlets that do not include Sweet Ride Vans, Happiness Hauler Trailers, and/or Nelson Carts. Alternative Channels of Distribution do not include sales on a wholesale basis to businesses for retail sale to customers located within Franchisee's Operating Territory.

"**Ancillary Agreements**" means, individually and collectively, each and every agreement between: (a) Franchisor and Franchisee, but not including this Agreement; (b) Franchisor and each of Franchisee's Owners, whether individually and/or collectively; and (c) Franchisor and each Spouse of Franchisee's Owners, whether individually and/or collectively. Without limitation to the foregoing, the term Ancillary Agreements includes the Owner and Spouse Agreement and Guaranty, and the Assignment of Telephone Numbers and Digital Media Accounts, as said agreements, individually and/or collectively, may have been entered into between the foregoing parties.

"**Annual Conference Attendance Fee**" means an annual conference attendance fee to be paid by Franchisee to Franchisor in an amount determined by Franchisor in an amount not exceeding $1,000 per attendee per year.

"**Annual System Conference**" refers to and means a conference that may be established and organized by Franchisor for the purpose of facilitating networking among Frios Business franchisees, and general education. Franchisor shall designate and determine whether or not an Annual System Conference shall occur and, if one is established in any particular year, the dates, content and location of the Annual System Conference. The Annual System Conference shall be for a duration of not more than five consecutive days per calendar year. Franchisee is responsible for all costs and expenses associated with Franchisee's travel to and attendance at the Annual System Conference.

"**Approved Services and Products**" shall have the meaning defined in the "Recitals" section of this Agreement and shall further refer to and mean those products and services that Franchisor authorizes

for sale by Frios Businesses. Franchisor shall exclusively designate and determine the Approved Services and Products and Franchisor, in Franchisor's Reasonable Business Judgment, may change, modify, reduce or supplement the Approved Services and Products that must be offered and sold by the Franchised Business and those products and services that may not be sold by the Franchised Business. The Operations Manual, subject to changes that Franchisor may make from time to time and Franchisor's right to change and modify the Approved Services and Products, shall designate the Approved Services and Products that must be offered and sold by the Franchised Business. The Franchised Business may only offer and sell the Approved Services and Products.

"**Assigned Area**" means the operating area, designated area and/or territory of current and future Frios Businesses other than the Operating Territory of Franchisee's Frios Business. Franchisor shall exclusively determine Assigned Areas.

"**Assignee Corporate Entity**" shall have the meaning defined and set forth in Article 14.E. of this Agreement.

"**Assignment of Telephone Numbers and Digital Media Accounts**" means the form of "Assignment of Telephone Numbers and Digital Media Accounts" agreement attached to this Agreement as Exhibit 3.

"**Brand Development Fund**" shall have the meaning defined and set forth in Article 9.A. of this Agreement.

"**Brand Development Fund Fee**" shall have the meaning defined and set forth in Article 9.A. of this Agreement.

"**Business Management System**" means the software, internet, web based and/or cloud based system or systems, customer relationship management system or software, point of sale system or systems and customer relationship management system or systems as same may be individually or collectively designated by Franchisor, in Franchisor's Reasonable Business Judgment, as being required for use by the Franchised Business, including, but not limited to, the day-to-day sales, ordering, operations, and management of the Franchised Business. Franchisor reserves the right to modify and designate alternative Business Management Systems as Franchisor determines in Franchisor's Reasonable Business Judgment. At all times, Franchisor shall possess direct live access and storage based access to the Business Management System for the Franchised Business and to Franchisee's Business Management System Data.

"**Business Management System Data**" means the forms, data, tools, customer information and sales information that: (a) is pre-populated or entered into the Business Management System utilized by Franchisee; (b) is entered (whether by Franchisor or Franchisee) into the Business Management System utilized by Franchisee; and/or (c) is recorded, stored and/or maintained by the Business Management System in connection with the management and operations of Franchisee's Frios Business.

"**Captive Market**" refers to and means any and all facilities, venues, locations, and/or institutions with captive audiences or consumers, workers, members and/or participants. Without limitation to the foregoing, the term Captive Market shall further refer to and include, among other things: airports, transportation stations, factories, government facilities, military bases, hospitals, amusement parks, recreational parks or facilities, sports facilities, convention centers, travel centers, schools, colleges and other academic facilities, seasonal facilities, shopping malls, theaters, workplace cafeterias, hotels, venues where food service is administered or provided as a concession by a master concessionaire, and traditional food truck Captive Markets including events at public facilities and/or privately owned

facilities that are organized by a third party, government entity, and/or the facility including, but not limited to, farmers markets, carnivals, food truck events, expos, and festivals.

"**Closed Market**" refers to and means any and all Captive Markets and Corporate Account customers that that presently, or in the future, are located within Franchisee's Operating Territory.

"**Competitive Business**" means any business that (i) is the same as or similar to a Frios Business, Sweet Ride Van, Happiness Hauler Trailer, and/or Nelson Cart(s) (including traditional restaurants and outlets, mobile kiosks, food trucks, and/or non-traditional outlets); and/or (ii) offers, sells, and/or provides ice pops and/or frozen ice desserts that, individually or in aggregate, comprise 25% or more of the menu items offered by the business and/or comprise 25% or more of the aggregate Gross Sales of the menu items sold by the business during any period of time.

"**Confidential Information**" means all of Franchisor's and Franchisor's affiliates trade secrets, methods, standards, techniques, procedures, data and information, as same may exist as of the Effective Date of this Agreement and as same may be developed, modified and supplemented in the future, constituting and comprising: (a) methods, specifications, standards, policies, procedures, information, concepts, recipes, programs and systems relating to the development, establishment, marketing, promotion and operation of Frios Businesses, Frios Sweet Ride Vans, Frios Happiness Hauler Trailers, and/or Frios Nelson Cart(s); (b) information concerning consumer preferences for services, products, materials and supplies used or sold by, and specifications for and knowledge of suppliers of certain materials, equipment, products, supplies and procedures used or sold by Frios Businesses, Frios Sweet Ride Vans, Frios Happiness Hauler Trailers, and/or Frios Nelson Cart(s); (c) information concerning customers, customer lists, email lists, database lists, product sales, operating results, financial performance and other financial data of Frios Businesses; (d) customer lists and information related to the Franchised Business; (e) Business Management System Data; (f) recipes (g) current and future information contained in the Operations Manual; and (h) Know-How.

"**Confidentiality Agreement**" means the sample form of "Confidentiality Agreement" attached to this Agreement as Exhibit 2.

"**Controlling Interest**" shall exist for the following individuals, Owners, partners and/or entities: (a) (If Franchisee is a corporation) a controlling interest shall exist for such shareholders and Owners of the voting shares of stock of Franchisee as (i) shall permit voting control of Franchisee on any issue, and/or (ii) shall prevent any other person, group, combination, or entity from blocking voting control on any issue or exercising any veto power; (b) (If Franchisee is a general partnership) a controlling interest shall exist for such partners and Owners that possess a managing partnership interest or such percentage of the general partnership interests in Franchisee as (i) shall permit determination of the outcome on any issue, and (ii) shall prevent any other person, group, combination, or entity from blocking voting control on any issue or exercising any veto power; (c) (If Franchisee is a limited partnership) a controlling interest shall exist for such partners and Owners that possess a general partnership interest; and (d) (If Franchisee is a limited liability company) a controlling interest shall exist for such members and Owners that possess a percentage of the membership interests as (i) shall permit determination of the outcome on any issue, and (ii) shall prevent any other person, group, combination or entity from blocking voting control on any issue or exercising any veto power.

"**Copyrights**" means all works and materials for which Franchisor or any affiliate of Franchisor has secured common law or registered copyright protection and Franchisor uses and/or allows Frios Business franchisees to use in the operation of a Frios Business, Frios Sweet Ride Van, Frios Happiness Hauler Trailer, and/or Frios Nelson Cart(s), whether as of the Effective Date of this Agreement or any time in the future.

"**Corporate Accounts**" means local, regional, and/or national agreements that Franchisor and/or Franchisor's affiliates enter into with local, regional, and/or national corporate accounts such as big box retailers and/or outlets and/or other nationwide accounts that, directly or indirectly, offer, provide, and/or subcontract on behalf of their end-user customers services and products that compete with or that are similar to the Approved Services and Products.

"**Corporate Entity**" means a corporation, limited liability company, partnership or other corporate legal entity that is not an individual person.

"**Digital Media**" means any interactive or static digital document, listing, directory, application, advertisement, link, metadata, or media that is transmitted within a closed or private network, or that is connected to, in communication with, and/or networked with computers, applications, or other devices linked by communications systems, data systems, a part of the world wide web including, traditional websites, web based applications, distributed databases, including, blockchain, software applications, smart phone applications, or social media platforms such as Facebook, LinkedIn, X, Pinterest, Instagram, SnapChat, TikTok, and YouTube, that refers, references, identifies, reviews, promotes and/or relates, in any way, to the Franchised Business, the Licensed Marks, the System and/or Franchisor. Digital Media includes the System Website, and all other media and/or publications relating to the System that is displayed and/or transmitted digitally.

"**Direct Solicitation**" means communications and/or contacts occurring through in person contact, telephone, mail, electronic mail, direct mail, distributed print media, Digital Media, Marketing Media, media distribution and/or marketing directed toward customers, potential customers or referral sources of the Franchised Business.

"**Due Date**" shall have the meaning defined and set forth in Article 5.B. of this Agreement.

"**E-Commerce**" means the sale, distribution, and/or delivery of menu items, services and/or products including, but not limited to, the Approved Services and Products, merchandise, and other products and services designated by Franchisor, through channels of distribution that originate from and include among other things, the System Website, websites, web based portals, e-commerce platforms, online marketplaces, and other platforms related to the marketing, sale, and/or distribution of menu items, Approved Services and Products, and/or other products and services.

"**Effective Date**" shall be the date set forth, defined and referred to in the first paragraph of this Agreement.

"**First Territory**" means the initial/first designated Territory comprising Franchisee's Operating Territory.

"**Franchisee's Frios Business**" means the Frios Business that Franchisee shall operate within the Operating Territory pursuant to the terms, conditions and obligations set forth in this Agreement. Franchisee's Frios Business have the same meaning as Franchised Business. Franchisee's Frios Business shall be comprised of one Frios Sweet Ride Van or Happiness Hauler Trailer or three Frios Nelson Carts.

"**Franchisee's Happiness Hauler Trailer**" shall have the meaning defined and set forth in Article 2 of this Agreement.

"**Franchisee's Nelson Cart**" shall have the meaning defined and set forth in Article 2 of this Agreement.

"**Franchisee's Sweet Ride Van**" shall have the meaning defined and set forth in Article 2 of this Agreement.

"**Franchised Business**" means the Frios Business that Franchisee shall develop and is required to establish, maintain and operate as part of the System and in accordance with the terms, conditions and obligations set forth in this Agreement and the Operations Manual. Without limitation to the foregoing, the Franchised Business shall be exclusively established, maintained, owned and operated by Franchisee within Franchisee's designated Operating Territory and in accordance with the terms of this Agreement. Franchised Business have the same meaning as Franchisee's Frios Business.

"**Franchisor's Reasonable Business Judgment**" means and relates to any and all decisions, actions and choices made by Franchisor concerning or relating to this Agreement, the System generally, the Franchised Business, the Frios Sweet Ride Van, the Frios Happiness Hauler Trailer, and/or the Frios Nelson Cart(s) where Franchisor undertakes or makes such decision with the intention of benefitting or acting in a way that could benefit the System. When making decisions and/or taking actions in Franchisor's Reasonable Business Judgment, Franchisor may, in addition to all other rights afforded to Franchisor under this Agreement, consider factors, in whole or in part, that include: Franchisor's profits; enhancing the value of the Licensed Marks; increasing customer satisfaction; minimizing potential customer confusion as to the Licensed Marks; determining Operating Territory markets; minimizing potential customer confusion as to the location of Frios Businesses; expanding brand awareness of the Licensed Marks; implementing marketing and accounting control systems; and approving products, services, supplies and equipment. Franchisee agrees that when a decision, determination, action and/or choice is made by Franchisor in Franchisor's Reasonable Business Judgment that such decision, determination, action or choice shall take precedence and prevail, even if other alternatives, determinations, actions and/or choices are reasonable or arguably available and/or preferable. Franchisee agrees that in connection with any decision, determination, action and/or choice made by Franchisor in Franchisor's Reasonable Business Judgment that: (a) Franchisor possesses a legitimate interest in seeking to maximize Franchisor's profits; (b) Franchisor shall not be required to consider Franchisee's individual economic or business interests as compared to the overall System; and (c) should Franchisor economically benefit from such decision, determination, action and/or choice that such economic benefit to Franchisor shall not be relevant to demonstrating that Franchisor did not exercise reasonable business judgment with regard to Franchisor's obligations under this Agreement and/or with regard to the System. Franchisee agrees that neither Franchisee and/or any third party, including, but not limited to, any third party acting as a trier of fact, shall substitute Franchisee's or such third party's judgment for Franchisor's Reasonable Business Judgment. Franchisee further agrees that should Franchisee challenge Franchisor's Reasonable Business Judgment in any legal proceeding that Franchisee possesses the burden of demonstrating, by clear and convincing evidence, that Franchisor failed to exercise Franchisor's Reasonable Business Judgment.

"**Frios Business(es)**" means any business or businesses owned and/or operated by Franchisor, Franchisor's affiliates or an authorized franchisee that utilizes or is required to utilize the System and Licensed Marks.

"**Frios Happiness Hauler Trailer(s)**" shall have the meaning defined in the Recitals section of this Agreement and the Recitals section definition of "Frios Happiness Hauler Trailers."

"**Frios Nelson Cart(s)**" shall have the meaning defined in the Recitals section of this Agreement and the Recitals section definition of "Frios Nelson Carts."

"**Frios Sweet Ride Van(s)**" shall have the meaning defined in the Recitals section of this Agreement and the Recitals section definition of "Frios Sweet Ride Vans."

"**GAAP**" refers to and means United States Generally Accepted Accounting Principles.

"**Gift Cards**" refers to and means any and all gift cards, vouchers, receipts, cards and other evidence of a pre-paid purchase transaction or credit that Franchisor authorizes concerning a Frios Business.

"**Gross Sales**" means the total dollar sales from all business and customers of the Franchised Business and includes the total gross amount of revenues, receipts, and sales from whatever source derived, whether in form of cash, credit, agreements to pay or other consideration including the actual retail value of any goods or services traded, borrowed, or received by Franchisee in exchange for any form of non-money consideration (whether or not payment is received at the time of the sale), from or derived by Franchisee or any other person or Corporate Entity from business conducted or which started in, on, from or through the Franchised Business and/or Operating Territory whether such business is/was conducted in compliance with or in violation of the terms of this Agreement. Supplementing the foregoing, Gross Sales further includes the total gross amount of revenues, receipts, and sales from whatever source derived from and/or derived by Franchisee (including any person and/or Corporate Entity acting on behalf of Franchisee) from business conducted within and/or outside the Operating Territory that is related to the Franchised Business and/or a Competitive Business located and/or operated within the Operating Territory, outside the Operating Territory, and/or otherwise (the foregoing does not constitute approval for Franchisee's operation of a Competitive Business and/or the operation of a Frios Business outside of the Operating Territory). Gross Sales do not include sales or use taxes collected by Franchisee and authorized promotional discounts that Franchisee provides to customers.

"**Happiness Hauler Trailer**" refers to and means a mobile food trailer (*i.e.*, a mobile food trailer that requires towing by a separate vehicle and where the mobile food trailer and separate tow vehicle are approved by Franchisor and are branded, wrapped, and configured in accordance with Franchisor's standards and specifications). A Happiness Hauler Trailer will operate on a mobile basis exclusively within an operating territory or as otherwise designated by Franchisor.

"**Immediate Family Member**" means the spouse of a person and any other member of the household of such person, including, without limitation, children, and grandchildren of such person. Immediate Family Member shall further refer to and mean the spouse, children, grandchildren, and other members of the household of each Franchisee, if Franchisee is an individual, or each Owner of Franchisee if Franchisee is a Corporate Entity.

"**IP Claim**" shall have the meaning defined and set forth in Article 11.E. of this Agreement.

"**Know-How**" means all of Franchisor's trade secrets and proprietary information relating to the development, establishment, marketing, promotion and/or operation of a Frios Business including, but not limited to, methods, techniques, recipes, specifications, food preparation, procedures, policies, marketing strategies and information reflected in, included in, comprising and/or constituting a part of the System. Without limitation to the foregoing, Know-How shall further include information contained in the Operations Manual and the Confidential Information.

"**Licensed Marks**" means the trademarks, service marks, emblems and indicia of origin, including the "Frios" trademark, Frios logo, Trade Dress, and other trade names, service marks, trademarks, logos, slogans and designs authorized by Franchisor in connection with the identification of Frios Businesses

and the Approved Services and Products, provided that such trade names, trademarks, service marks, logos and designs are subject to modification, replacement and discontinuance by Franchisor in Franchisor's Reasonable Business Judgment.

"**Managers**" means the Managing Owners plus all assistant managers of the Franchised Business and all other employees, independent contractors, consultants, directors and board members who may possess access to the Confidential Information.

"**Managing Owner**" means, if Franchisee is a partnership or corporation, the owner responsible for the day-to-day oversight, management and operation of the Franchised Business. Said individual must possess and maintain an ownership and/or equity interest in the Franchise such that said individual owns, holds and controls no less than 25% of the equity and ownership interests in the Franchisee. The Managing Owner, at all times, must participate (on a full time basis) in the day-to-day operations of the Franchised Business.

"**Marketing Media**" means all communications, whether written, oral, digital, or otherwise utilized for and/or designed for the purpose of marketing, advertising and/or promoting the Franchised Business including, but not limited to, Direct Solicitations, Digital Media, social media, print publications, print mailers, email communications and public relations.

"**Media Distribution**" shall have the meaning defined and set forth in Article 9.G. of this Agreement.

"**Open Area**" means a geographic territory and area that (a) is not an Assigned Area; and (b) is located within a 10 mile radius of Franchisee's Operating Territory.

"**Operating Manager**" means the Manager designated by Franchisee or Franchisee's Managing Owner, that is charged with the obligation and responsibility to supervise and manage the day-to-day operations of the Franchised Business. At all times, the Operating Manager must: (a) meet all of Franchisor's minimum training and brand quality control standards and criteria for managers as may be set forth in the Operations Manual; (b) successfully complete Franchisor's Training Program; (c) sign the Confidentiality Agreement; and (d) agree, in writing, to assume responsibility for the on-site management and supervision of the Franchised Business.

"**Operating Territory**" shall have the meaning defined and set forth in Article 2.A. of this Agreement.

"**Operations Manual**" means, individually and collectively, the manual(s) designated by Franchisor and relating to the development and/or operations of Frios Businesses including, but not limited to, the policies, procedures and requirements for the development and operation of Frios Businesses. The Operations Manual may consist of one or more volumes, handbooks, manuals, written materials, videos, electronic media files, cloud/internet based list-service, intranet, internet based and accessed databases, computer media, email, webinars and other materials as may be modified, added to, replaced or supplemented by Franchisor from time to time in Franchisor's Reasonable Business Judgment, whether by way of supplements, replacement pages, franchise bulletins, or other official pronouncements or means. Subject to Franchisor's modification from time to time and based on Franchisor's Reasonable Business Judgment, the Operations Manual shall, among other things, designate the Approved Services and Products that must be offered and provided by the Franchised Business and the System Supplies that must be exclusively utilized by the Frios Business. Only Approved Services and Products may be offered and sold by the Franchised Business. Only System Supplies may be utilized by Franchisee in the operations of the Franchised Business.

"**Operations Non-Compliance Fee**" shall have the meaning defined and set forth in Article 7.K. of this Agreement.

"**Operations Violation**" shall have the meaning defined and set forth in Article 7.K. of this Agreement.

"**Out of Territory Customer**" means a customer or potential customer of a Frios Business where the customer and the location of the services and products to be provided on behalf of such customer are located outside Franchisee's Operating Territory and in an Open Area.

"**Out of Territory Rules**" shall have the meaning defined and set forth in Article 3.I. of this Agreement.

"**Owner**" means collectively, individually and jointly: (a) the officers and directors of Franchisee (including the officers and directors of any general partner of Franchisee) who hold an ownership interest in Franchisee; (b) the managing member or manager of Franchisee, if franchisee is a limited liability company; (c) all holders of a 5% or more direct or indirect ownership interest in Franchisee and/or of any entity directly or indirectly controlling Franchisee; and (d) the Managing Owner(s). Franchisee's Owners are identified in Schedule 3 to this Agreement.

"**Owner and Spouse Agreement and Guaranty**" means the form of agreement attached to this Agreement as Exhibit 1. The Owner and Spouse Agreement and Guaranty is an agreement and guarantee made by the Owners and Spouses of Franchisee and is entered into in their respective individual and personal capacities.

"**Payment Non-Compliance Fee**" shall have the meaning defined and set forth in Article 5.D. of this Agreement.

"**Post-Term Restricted Period**" means the 24 month period after the earliest to occur of the following: (a) the expiration or termination of this Agreement for any reason; or (b) the date on which Franchisee assigns the Franchise Agreement to another person and/or Corporate Entity. Provided however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the "Post-Term Restricted Period" means the 18 month period after the earliest to occur of the following: (i) the expiration or termination of this Agreement for any reason; or (ii) the date on which Franchisee assigns the Franchise Agreement to another person and/or Corporate Entity.

"**Prohibited Activities**" shall have the meaning defined and set forth in Article 6.D. of this Agreement.

"**Published Content**" means any and all information, data, articles, press releases, digital content, special offers, product information, service information, web posts, videos and other information relating to and/or concerning the Franchised Business, the System, and/or the Licensed Marks that is or was made available by Franchisee and/or Franchisee's agents to the public in print and/or electronic format and/or published, listed, made available, uploaded on, downloaded to and/or posted to Digital Media.

"**Renewal Ancillary Agreements**" means Franchisor's then current individual guaranty agreement and other agreements ancillary to the Renewal Franchise Agreement that Franchisee's Owners and their Spouses, respectively, must agree to, sign and deliver to Franchisor within 30 days of the date of delivery by Franchisor to Franchisee.

"**Renewal Fee**" refers to and means a fixed sum of $10,000.

"**Renewal Franchise Agreement**" means Franchisor's then current form Franchise Agreement for the

Renewal Term that Franchisee must agree to, sign, and deliver to Franchisor within 30 days of the date of delivery by Franchisor to Franchisee, along with payment of the Renewal Fee.

"**Renewal Notice**" shall have the meaning defined and set forth in Article 15.B. of this Agreement.

"**Renewal Term**" shall have the meaning defined and set forth in Article 15.A. of this Agreement.

"**Reporting Non-Compliance Fee**" shall have the meaning defined and set forth in Article 12.C. of this Agreement.

"**Reporting Violation**" shall have the meaning defined and set forth in Article 12.C. of this Agreement.

**"Reputation Management Services**" means the customer review, customer review monitoring and/or reporting services and/or reputation management services designated by Franchisor. Franchisor, in Franchisor's Reasonable Business Judgement, shall exclusively select the Reputation Management Services to be used by Franchisee and to determine and select the websites, social media sites, reporting services, surveys, and service platforms to be included in any evaluation and/or determination of Franchisee's monthly customer satisfaction and approval ratings.

"**Restricted Territory**" means the entire geographic area within and comprising: (a) Franchisee's Operating Territory; (b) a 25 mile radius surrounding Franchisee's Operating Territory; and (c) all other operating territories for Frios Businesses that are operated and/or under development by Franchisor or other Frios Business franchisees as of the Effective Date of this Agreement and those that are in operation during all or any part of the Post-Term Restricted Period. However, if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the "Restricted Territory" means the geographic area within and comprising Franchisee's Operating Territory plus a 25 mile radius surrounding Franchisee's Operating Territory.

"**Royalty and Activity Report**" shall have the meaning defined and set forth in Article 5.B. of this Agreement.

"**Royalty Fee**" shall have the meaning defined and set forth in Article 5.B. of this Agreement.

"**Scheduled Opening Date**" refers to and means the date that occurs on the 90 day anniversary of the Effective Date of this Agreement.

**"Special Events"** refers third party promoted, captive market, and/or other events occurring at public facilities and/or privately owned facilities that are organized by a third party, government entity, and/or the facility including, but not limited to, farmers markets, festivals, carnivals, food truck events, expos, and festivals that may grant other System franchisees the right to operate a Sweet Ride Van, Happiness Hauler Trailer, and/or Nelson Carts within the Franchisee's Operating Territory.

"**Spouse**" means the legal spouse of an Owner.

"**Supplemental Training**" shall have the meaning defined and set forth in Article 4.A. of this Agreement.

"**Supplemental Training Fee"** shall have the meaning defined and set forth in Article 4.A. of this Agreement.

"**Sweet Ride Van**" refers to and means a Frios van that is established and operated exclusively as a mobile van (*i.e.*, a mobile ice cream truck that contains its own engine and drivetrain, that is approved by Franchisor and that is branded, wrapped, and configured in accordance with Franchisor's standards and specifications). A Sweet Ride Van will operate on a mobile basis exclusively within an operating territory or as otherwise designated by Franchisor.

"**System**" shall have the meaning defined in the "Recitals" section of this Agreement and is further supplemented, as follows: (a) the Approved Services and Products, System Supplies and the services, procedures and systems that are designated by Franchisor, whether presently or in the future, for use in connection with the development, establishment, marketing, promotion and operation of a Frios Business; (b) the Licensed Marks; (c) the Trade Dress; (d) Copyrights; (e) other trade names, service marks, signs, and logos, copyrights and trade dress that is designated by Franchisor, whether presently or in the future, for use in connection with the development, establishment, marketing, promotion and operation of a Frios Business; (f) Operations Manual; (g) Business Management System Data; (h) Know-How; (i) Confidential Information; and (j) Digital Media. All determinations as to the system including components to the system and modifications and replacements thereto shall be determined by Franchisor in Franchisor's Reasonable Business Judgment.

"**System Supplies**" refers to and means those food, ingredients (including raw, partially prepared, and prepared mixes, sauces, beverages, and food products used to prepare the Approved Services and Products). Without limitation to the foregoing, the System Supplies shall include System branded, non-branded and third party branded equipment and supplies designated by Franchisor for use in the day-to-day operations of Franchisee's Frios Business including, among other things pops, packaging, paper goods, materials, uniforms, displays, menu boards and merchandise, designated by Franchisor in the Operations Manual and/or otherwise in writing and, as may be modified and supplemented by Franchisor from time to time in Franchisor's Reasonable Business Judgment. System Supplies shall further include those products that Franchisor authorizes for sale to customers of Franchisee's Frios Business.

"**System Website**" means the web page and pages located on the world wide web at the www.friospops.com domain and shall further include all webpages and subdomains including, those that are franchisee and/or geography specific, that are a part of www.friospops.com, or as designated by Franchisor being associated with the URL of www.friospops.com and/or Frios Businesses.

"**Technology and Marketing Fee**" shall have the meaning defined and set forth in Article 5.C. of this Agreement.

"**Term**" refers to and means the period of time set forth and defined in Article 2.B. of this Agreement and, the Renewal Term if Franchisee invokes Franchisee's renewal rights in accordance with the terms of this Agreement.

"**Territory**" means a geographic area, as determined and designated by Franchisor in Franchisor's Reasonable Business Judgment.

"**Trade Dress**" means the Frios Business designs, images, marketing materials, packaging, branding and/or branding images which Franchisor authorizes and requires Franchisee to use in connection with the operation of the Franchised Business and as may be revised and further developed by Franchisor from time to time.

"**Training Program**" shall have the meaning defined and set forth in Article 4.A. of this Agreement.

"**Transfer**" means and shall include, without limitation, the following, whether voluntary or involuntary, conditional or unconditional, and/or direct or indirect: (a) an assignment, sale, gift, transfer, pledge or sub-franchise; (b) the grant of a mortgage, charge, lien or security interest, including, without limitation, the grant of a collateral assignment; (c) a merger, consolidation, exchange of shares or other ownership interests, issuance of additional ownership interests or securities representing or potentially representing ownership interests, or redemption of ownership interests; (d) a sale or exchange of voting interests or securities convertible to voting interests, or an agreement granting the right to exercise or control the exercise of the voting rights of any holder of ownership interests or to control the operations or affairs of Franchisee; and/or (e) the legal and/or equitable transfer and/or sale of an Owner's interests and/or voting rights in Franchisee.

"**Transfer Fee**" refers to and means a fixed sum that is either: (i) $5,000 if the Frios Business is transferred to an existing franchisee; or (ii) $7,500 if the Frios Business is transferred to an unrelated third-party.

## ARTICLE 2
## GRANT OF FRANCHISE

### 2.A. GRANT OF FRANCHISE

Franchisee has requested that Franchisor grant to Franchisee the non-exclusive license and right to develop, own and operate a Frios Business within a specified territory. In reliance on the representations made by Franchisee and/or Franchisee's Owners in any submitted application and during the application process and subject to the terms and conditions of this Agreement, Franchisee's request has been approved by Franchisor, subject to the following terms and conditions:

(1) During the Term of this Agreement and subject to the rights of Franchisor including, but not limited to, the Reserved Rights, Franchisor grants to Franchisee and Franchisee accepts, the non-exclusive license, right and obligation to develop and operate a Frios Business and Frios Sweet Ride Van, Happiness Hauler Trailer and/or Nelson Carts, within the operating territory designated and set forth in Schedule 1 of this Agreement (the "Operating Territory"). If Schedule 1 does not specifically identify and designate an operating Territory, and/or if Schedule 1 is not signed by Franchisor, the Operating Territory shall be determined by Franchisor in Franchisor's Reasonable Business Judgment;

(2) The Operating Territory shall be comprised of a Territory and if, at the time of signing this Agreement, Franchisor and Franchisee agree to supplement the size of Franchisee's Operating Territory by adding an Additional Territory or Additional Territories, the Additional Territory or Additional Territories shall be included within the Operating Territory identified in Schedule 1 and shall be quantified in Schedule 2 for purposes of calculating the Initial Franchise Fee and other obligations under this Agreement;

(3) Franchisee must operate Franchisee's Sweet Ride Van, Franchisee's Happiness Hauler Trailer, and/or Franchisee's Nelson Cart(s) as a mobile business exclusively within the Operating Territory;

(4) Franchisee may only operate the Franchised Business within Franchisee's Operating Territory and, without limitation to the foregoing, Franchisee may only offer and sell the Approved Services and Products within Franchisee's Operating Territory from Franchisee's Sweet Ride Van, Franchisee's Happiness Hauler Trailer, and/or Franchisee's Nelson Cart(s) which must be located in and exclusively operating in Franchisee's Operating Territory in accordance with the requirements set forth in the Operations Manual and only to: (a) retail customers for direct consumption at the site of Franchisee's Sweet Ride Van, Franchisee's Happiness Hauler Trailer, and/or Franchisee's Nelson Cart(s); (b) personal carry-away from Franchisee's Sweet Ride Van, Franchisee's Happiness Hauler Trailer, and/or

Franchisee's Nelson Cart(s); and (c) delivery to retail businesses and/or customers located within the Operating Territory; and

(5) The foregoing rights granted in this Article 2.A. are subject to and contingent upon each and every, term and condition of this Agreement, the rights of any prior user, and are non-exclusive and subordinate to the Reserved Rights.

**2.B. TERM**

Unless sooner terminated pursuant to the terms of this Agreement, the term of this Agreement will be for a period of 10 consecutive years, commencing from the Effective Date (the "Term").

**2.C. GUARANTY, CONFIDENTIALITY, AND RESTRICTIVE COVENANTS**

If Franchisee is, at any time, a Corporate Entity, Franchisee agrees that each Owner and their respective Spouse shall execute, sign and deliver to Franchisor the Owner and Spouse Agreement and Guaranty attached to this Agreement as Exhibit 1 and, in doing so, among other things, will individually, jointly, and severally, guarantee Franchisee's obligations under this Agreement and personally bind themselves to confidentiality and non-competition covenants and restrictions.

**2.D. RESERVATION OF RIGHTS**

Franchisor on behalf of itself, its affiliates and its assigns retains all rights, on any and all terms and conditions that Franchisor deems advisable and without any compensation or consideration to Franchisee to engage in the following activities (the "Reserved Rights"): (a) operate and grant to others the right to operate a Franchised Business, Frios Sweet Ride Van, Frios Happiness Hauler Trailer, and Frios Nelson Cart using the System and Licensed Marks at locations outside Franchisee's Operating Territory; (b) acquire, be acquired, or merge with or otherwise affiliate with one or more businesses of any kind, including businesses that are Competitive Businesses and/or the same as or similar to the Franchised Business, and after such acquisition, merger, and/or affiliation to own and operate and to franchise or license others the right to own and operate and to continue to own and operate such businesses, including Competitive Businesses and businesses that are the same as or similar to the Franchised Business within Franchisee's Operating Territory, but not using the Licensed Marks; (c) operate and grant to others the right to develop and operate a Frios Business, Frios Sweet Ride Van, Frios Happiness Hauler Trailer, and/or Frios Nelson Cart at Captive Market locations within and/or outside Franchisee's Operating Territory; (d) use the Licensed Marks and System to distribute the Approved Services and Products or products and services similar to the Approved Services and Products including, but not limited to, merchandise, sauces, seasonings, flavorings, frozen menu items, prepackaged menu items, and prepared menu items, in and through Alternative Channels of Distribution within and/or outside Franchisee's Operating Territory; (e) use the Licensed Marks and System to offer, sell, and provide Approved Services and Products or products and services similar to the Approved Services and Products offered and sold by the Franchised Business on behalf of customers of Corporate Accounts within or outside Franchisee's Operating Territory; (f) use the Licensed Marks and System to sell, distribute, and deliver the Approved Services and Products or products and services similar to the Approved Services and Products to and through retail stores, supermarkets, restaurants, and other outlets located within and/or outside Franchisee's Operating Territory provided that such stores, restaurants, and outlets do not use the Licensed Marks in the tradename of the store, restaurant, or outlet; and (g) use the Licensed Marks and System and to license others to use the Licensed Marks and System to engage in all other activities not expressly prohibited by this Agreement.

**2.E. MODIFICATION OF SYSTEM**

Franchisor, in Franchisor's Reasonable Business Judgment, reserves the right at all times to supplement, modify, alter and/or amend the System including any and/or all components of the System. Franchisee shall promptly comply with all such modifications to the System whether such modification(s) results in the addition, subtraction, modification and/or enhancement to any and/or all components of the System.

Franchisor shall provide Franchisee with a reasonable time period to comply with any change or modification to the System which shall be communicated to Franchisee by Franchisor including, but not limited to, communication through Operations Manual. Franchisor's modifications to the System shall not materially alter Franchisee's fundamental rights under this Agreement.

### 2.F. CORPORATE ENTITY OWNERSHIP

If Franchisee is a Corporate Entity, Franchisee represents that: (a) the information contained in Schedule 3 of this Agreement is and shall remain complete, true and accurate throughout the Term of this Agreement; (b) Franchisee has been duly organized and validly exists under the law of the state where Franchisee was formed; (c) Franchisee is duly qualified and authorized to conduct business within the jurisdiction comprising Franchisee's Operating Territory and in each jurisdiction where Franchisee is or will be conducting business; and (d) the execution of this Agreement and the consummation of the transactions contemplated by this Agreement are within Franchisee's corporate power and are authorized.

## ARTICLE 3
## SWEET RIDE VAN, HAPPINESS HAULER TRAILER, DEVELOPMENT, AND OPERATIONS

### 3.A. DEVELOPMENT OF THE FRANCHISED BUSINESS

Franchisee must develop and open the Franchised Business on or before the Scheduled Opening Date. Notwithstanding the foregoing, prior to opening and commencing the operations of the Franchised Business, Franchisee must, as determined by Franchisor: (a) be in compliance with the terms and conditions of this Agreement; (b) have satisfied the pre-opening obligations designated by Franchisor in the Operations Manual; (c) have completed and satisfied the training obligations designated by Franchisor; (d) have obtained the necessary licenses and permits to operate the Franchised Business; and (e) have obtained Franchisor's written consent to open the Franchised Business. In addition, on or before the six month anniversary following the Scheduled Opening Date, Franchisee must, as determined by Franchisor, have secured one Sweet Ride Van, one Happiness Hauler Trailer, or three Nelson Carts in conformity with Franchisor's standards and specifications and as otherwise required by Franchisor in the Operations Manual. Franchisee may commence operations of the Frios Business by selling Frios pops on a wholesale basis to businesses for retail sale to customers within the Operating Territory, however, Franchisee shall operate the Frios Business out of an approved Sweet Ride Van, one Happiness Hauler Trailer, or three Nelson Carts on or before the six month anniversary following the Scheduled Opening Date. Failure to secure an approved Sweet Ride Van, one Happiness Hauler Trailer, or three Nelson Carts on or before the six month anniversary following the Scheduled Opening Date shall be grounds for default of this Agreement.

### 3.B. OPERATIONS OF THE FRANCHISED BUSINESS

At all times the Franchised Business shall: (a) be operated within Franchisee's Operating Territory, excluding Closed Markets; (b) be operated from an approved Sweet Ride Van, Happiness Hauler Trailer, or Nelson Cart(s) located within the Operating Territory; (c) exclusively offer, sell and provide the Approved Services and Products in accordance with Franchisor's standards, specifications, and requirements; (d) ensure that the Approved Services and Products are only offered and provided by Franchisee through employees and/or Owners that have, to Franchisor's satisfaction, completed the training requirements and Training Programs required by Franchisor; (e) exclusively use, maintain, and, stock in inventory, the System Supplies in such quantities as designated by Franchisor; (f) exclusively purchase the System Supplies from the supplier and/or suppliers, vendor and/or vendors approved by Franchisor and designated by Franchisor, in Franchisor's Reasonable Business Judgment; (g) be exclusively managed and operated by Franchisee or, if Franchisee is a Corporate Entity, Franchisee's Managing Owner; (h) maintain the necessary licenses and permits and, those licenses and permits required, and/or recommended by Franchisor, for Franchisee's development, ownership, and operation of the Franchised Business; (i) exclusively provide the Approved Services and Products on-site at customer locations and using an

approved Frios Sweet Ride Van, Frios Happiness Hauler Trailer, and/or Frios Nelson Cart(s); and (j) be operated in conformity with Franchisor's standards, specifications, criteria and requirements as set forth by Franchisor in the Operations Manual as such Operations Manual exists as of the Effective Date of this Agreement and as the Operations Manual may be modified and supplemented from time to time in the future by Franchisor, in Franchisor's Reasonable Business Judgment.

### 3.C. SWEET RIDE VAN, HAPPINESS HAULER TRAILER, OR NELSON CART DEVELOPMENT

Franchisee shall acquire and purchase a fully configured and ready to operate Sweet Ride Van or Happiness Hauler Trailer in accordance with Franchisor's standards and specifications and using only those types of vehicles, materials, fixtures, equipment, trade dress signs, suppliers, advisors and contractors that Franchisor has approved in the Operations Manual, in supplements to the Operations Manual or as Franchisor otherwise designates and approves of in a writing specifically directed to Franchisee. If Franchisee's Operating Territory is comprised of a second Territory, Franchisee will not be required to obtain additional assets for the Franchised Business. However, if Franchisee's Operating Territory is comprised of a third Territory, Franchisee will be required to have at least one additional Sweet Ride Van, one additional Happiness Hauler Trailer, or three additional Nelson Carts within the Operating Territory.

Franchisor shall provide Franchisee with Franchisor's generalized prototype plans and specifications for Sweet Ride Vans or Happiness Hauler Trailers, including designated suppliers and configurations. Franchisee will not lease, purchase or otherwise acquire a proposed Sweet Ride Van or Happiness Hauler Trailer until such information as Franchisor may require as to the proposed Sweet Ride Van or Happiness Hauler Trailer has been provided to Franchisor by Franchisee and, Franchisor has, in writing, approved the Sweet Ride Van or Happiness Hauler Trailer. Franchisor shall respond to Franchisee's request for approval of a proposed Sweet Ride Van or Happiness Hauler Trailer within a reasonable time period but not exceeding 30 days following Franchisor's receipt, from Franchisee, of complete written information about Franchisee's proposed Sweet Ride Van or Happiness Hauler Trailer.

At all times, in the construction, development and operation of Franchisee's Sweet Ride Van or Franchisee's or Happiness Hauler Trailer and the Franchised Business, Franchisee shall exclusively install, use, attach, maintain, replenish and replace only those types of construction and decorating materials, fixtures, equipment, and signs that Franchisor has approved or designated in the Operations Manual for Sweet Ride Vans or Happiness Hauler Trailers as meeting Franchisor's specifications and standards for appearance, function and performance. Franchisee only may purchase approved or designated types of vehicles, construction and decorating materials, fixtures, equipment, and signs from any supplier approved or designated by Franchisor, which may include Franchisor and Franchisor's affiliates. At all times, it is Franchisee's obligation to ensure that Franchisee's Sweet Ride Van or Franchisee's Happiness Hauler Trailer meets the health, sanitation and safety standards and other rules and regulations applicable to Franchisee's operation of Franchisee's Sweet Ride Van or Franchisee's Happiness Hauler Trailer within Franchisee's Operating Territory.

Notwithstanding the foregoing, if Franchisee operates the Frios Business using only Nelson Carts, Franchisee shall be required to obtain a minimum of three Nelson Carts and Franchisee shall utilize only those Nelson Carts approved by Franchisor and that meet Franchisor's standards and specifications for the Franchised Business and Nelson Carts, as determined by Franchisor in Franchisor's sole discretion.

### 3.D. SWEET RIDE VAN, HAPPINESS HAULER TRAILER, OR NELSON CART OPERATIONS

Franchisee agrees that, at all times, the Franchised Business shall: (a) be exclusively operated from a Sweet Ride Van, Happiness Hauler Trailer, or Nelson Carts approved by Franchisor except, during the first six months of operation, Franchisee may operate the Franchised Business on a wholesale basis only, in

accordance with Franchisor's standards and specifications, as set forth in the Operations Manual; (b) be exclusively operated within Franchisee's Operating Territory; (c) exclusively offer and sell the Approved Services and Products as designated by Franchisor, in Franchisor's Reasonable Business Judgment, and as modified by Franchisor from time to time; (d) ensure that the Approved Services and Products are only offered and provided by Franchisee through employees and/or Owners that have, to Franchisor's satisfaction, completed the training requirements and Training Programs required by Franchisor, in Franchisor's Reasonable Business Judgment and as may be modified and supplemented by Franchisor from time to time; (e) exclusively utilize, maintain and stock in inventory the System Supplies in such quantities and as designated by Franchisor, in Franchisor's Reasonable Business Judgment, and as modified by Franchisor from time to time; (f) exclusively purchase the System Supplies from the suppliers and vendor(s) approved by Franchisor and designated by Franchisor, in Franchisor's Reasonable Business Judgment, and as modified by Franchisor from time to time; and (g) be operated in conformity with the Operations Manual as such Operations Manual exists as of the Effective Date of this Agreement and as the Operations Manual may be modified and supplemented from time to time in the future by Franchisor, in Franchisor's Reasonable Business Judgment. At all times Franchisee must maintain the necessary licenses and permits and those licenses and permits recommended and/or required by Franchisor in connection with Franchisee's ownership and operation of the Franchised Business.

Franchisee agrees that control over the nature, quality, branding and source of the System Supplies is critical to the System and that irrespective of the availability of substitute products, supplies, inventory, apparel and/or accessories, Franchisee shall only utilize the System Supplies as designated by Franchisor and only from those suppliers approved by Franchisor. Franchisee agrees that in many instances Franchisor and/or Franchisor's affiliates may be or may become the exclusive supplier of System Supplies.

### 3.E. SYSTEM SUPPLIES

Franchisee shall exclusively purchase and use the System Supplies in the operations of the Franchised Business. Franchisee shall exclusively purchase the System Supplies from the supplier and/or suppliers and vendor and/or vendors designated by Franchisor from time to time. Franchisee agrees that control over the nature, quality, branding and source of the System Supplies is critical to the System and that irrespective of the availability of substitute products, supplies, equipment and/or sources of supply, Franchisee shall only purchase and use the System Supplies as designated by Franchisor and only from those suppliers designated and approved by Franchisor. Franchisee agrees that in many instances Franchisor and/or Franchisor's affiliates may be and/or may become the sole and exclusive supplier of the System Supplies.

### 3.F. BUSINESS MANAGEMENT SYSTEM

Franchisee shall exclusively use the Business Management System or systems designated by Franchisor, in Franchisor's Reasonable Business Judgment, and as may be modified, supplemented or replaced by Franchisor from time to time. Franchisee shall purchase, license and maintain such Business Management System and/or systems from Franchisor and/or such third party suppliers designated by Franchisor. Franchisor, in Franchisor's Reasonable Business Judgment, may require that Franchisee's license, and use of the Business Management System occur through accounts registered to Franchisor, controlled by Franchisor, or licensed through Franchisor. Franchisee shall provide and grant Franchisor with unlimited and uninterrupted direct internet based and/or remote access to the Business Management Systems of the Franchised Business. Franchisee shall pay and be responsible for all fees associated with the Business Management Systems including, but not limited to, initial and on-going license fees. Supplementing and, without limitation to the foregoing, Franchisee agrees that:

(1) The Business Management System will contain proprietary and Confidential Information owned by Franchisor and related to the System;

(2) The Business Management System shall be exclusively used by Franchisee in the operations of the Franchised Business, in accordance with the terms of this Agreement, and the standards and specifications set forth by Franchisor in the Operations Manual;

(3) As between Franchisee and Franchisor, Franchisor is and shall be the exclusive owner of the Business Management System Data, except that Franchisee shall store and maintain such data in accordance with all applicable local, state and federal privacy, data collection and solicitation laws. Upon expiration or termination of this Agreement for any reason, Franchisee shall preserve and maintain the Business Management System Data for the purpose of transferring such data to Franchisor;

(4) At all times, Franchisee shall provide and permit Franchisor to maintain direct and independent access to the Business Management System and the Business Management System Data and to duplicate and evaluate the data;

(5) Franchisee shall upgrade, replace and modify the Business Management System at the request of Franchisor and in accordance with Franchisor's written instructions;

(6) Other than permitting access to employees of the Franchised Business for the purpose of conducting the authorized operations of the Franchised Business, Franchisee shall not permit or allow any third party to access, use or duplicate the Business Management System or the Business Management System Data;

(7) Franchisee shall keep and maintain the Business Management System and the Business Management System Data as secret and confidential and, Franchisee shall maintain security precautions to maintain the confidentiality of the Business Management System and the Business Management System Data; and

(8) In no event shall Franchisor be liable to Franchisee for any damages, including any lost profits, lost savings, or other incidental or consequential damages, relating to Franchisee's use, or Franchisee's inability to use, the Business Management System even if Franchisor has been advised of the possibility of such damages, or for any claim by any other party including the software manufacturer. The foregoing limitations of liability are intended to apply without regard to whether other provisions of the Agreement have been breached or proven ineffective.

**3.G. DIGITAL MEDIA, SYSTEM WEBSITE AND TELEPHONE NUMBERS**

As between Franchisor and Franchisee, Franchisor is the absolute owner of the Digital Media. Franchisee shall not utilize, access or open accounts regarding or related to Digital Media unless expressly approved by Franchisor in writing which approval Franchisor may withhold, condition, limit, modify, or withdraw as determined by Franchisor in Franchisor's Reasonable Business Judgment and which approval, if given, shall be limited to the marketing and promotion of the Franchised Business in accordance with Franchisor's standards and specifications. Upon expiration or termination of this Agreement for any reason, all prior authorizations respecting Franchisee's right to use the Digital Media and/or otherwise as to any rights of Franchisee in or to the Digital Media shall be automatically terminate and, at Franchisor's election, the right to any and all accounts and/or sites (if any) associated with Digital Media utilized by Franchisee shall be transferred by Franchisee to Franchisor. Franchisee shall not utilize the Digital Media for purposes of or with the effect of libeling or disparaging another party and Franchisee shall not violate any copyrights or the legal rights of any other party or person. Franchisee is exclusively responsible for disparagement, libel and/or copyright or intellectual property infringement as to all information, data, materials, and Published Content issued, posted, and/or made available by Franchisee.

Franchisee agrees that Digital Media and/or Published Content, if permitted by Franchisor, must be approved by Franchisor prior to publication or use in any form. Digital Media and Published Content that is approved by Franchisor or that otherwise is acceptable to Franchisor as meeting Franchisor's standards shall, at Franchisor's discretion, be owned by Franchisor. As between Franchisor and Franchisee, any and all interest and right in or to the Digital Media and/or Published Content shall, at all times, be and is the exclusive property of Franchisor both during the Term of this Agreement and upon the expiration or termination of this Agreement. The System Website and all improvements and modifications made to the System Website, Digital Media, and Published Content is and shall be the exclusive property of Franchisor. During the Term of this Agreement and subject to Franchisee's compliance with this Agreement, the System Website shall include information related to the Franchised Business as shall be determined and designated by Franchisor in Franchisor's Reasonable Business Judgment. All rights in and to telephone numbers associated with the Franchised Business, shall, at Franchisor's election, be transferred to Franchisor.

Without limitation to the foregoing, Franchisee shall, upon the request of Franchisor, execute and deliver to Franchisor the Assignment of Telephone Numbers and Digital Media Accounts attached to this Agreement as Exhibit 3. Upon the request of Franchisor, Franchisee shall execute, update, and/or re-execute the Assignment of Telephone Numbers and Digital Media Accounts agreement upon the request of Franchisor. As between Franchisor and all third parties, Franchisee represents and acknowledges that such third party is authorized to rely on the Assignment of Telephone Numbers and Digital Media Accounts agreement, irrespective of any dispute and/or controversy between Franchisor and Franchisee and irrespective of any contrary instructions of Franchisee.

### 3.H. FRIOS BUSINESS RELOCATION

Franchisee shall not relocate the Franchised Business to a new operating territory without Franchisor's prior written approval. Franchisor may, subject to availability and Franchisor's approval, allow Franchisee to relocate the Operating Territory. Franchisee agrees that Franchisor possesses sole discretion as to whether or not Franchisor approves of Franchisee's relocation request. If Franchisor approves Franchisee's relocation request, Franchisee shall pay to Franchisor an Operating Territory Relocation Fee of $1,500 prior to relocation.

### 3.I. OUT OF TERRITORY CUSTOMERS

The license and rights granted to Franchisee in this Agreement are limited to, among other things, the Operating Territory, the grant of franchise rights set forth in Article 2.A. of this Agreement, and the reservation of rights set forth in Article 2.D. of this Agreement. Subject to the existence of an Open Area and Franchisee's compliance with following rules and requirements ("Out of Territory Rules"), Franchisee may provide the Approved Services and Products on behalf of customers located within an Open Area:

Out of Territory Rules

(1) Franchisee must conduct the operations of the Franchised Business from within Franchisee's Operating Territory and Franchisee must provide the Approved Services and Products on behalf of customers located within Franchisee's Operating Territory. The marketing of the Franchised Business must be targeted to Franchisee's Operating Territory and, at all times, must conform and comply with, among other things, the restrictions set forth in Article 9.G. of this Agreement;

(2) Provided that Franchisee: (i) does not engage in any Direct Solicitation of customers or potential customers outside of Franchisee's Operating Territory or, within the Operating Territory of another Frios Business, (ii) Franchisee does not otherwise violate the restrictions set forth in Article 9 of this Agreement, and (iii) unless otherwise directed by Franchisor at any time, from time to time, and in

Franchisor's sole direction, Franchisee may provide Approved Services and Products to a customer in an Open Area surrounding Franchisee's Operating Territory. Upon written notice from Franchisor for any reason or no reason at all, Franchisee must discontinue from providing Approved Services and Products in an Open Area; and

(3) Once an Open Area becomes an Assigned Area, Franchisee shall cease communicating with customers previously serviced by Franchisee in the Open Area and Franchisee shall turnover to Franchisor, for the benefit of Franchisor or, another Frios Business, all information and records related to the Approved Services and Products provided within the Open Area.

Nothing contained in this Article 3.I. shall expand either the non-exclusive franchise rights granted to franchisee in Article 2 of this Agreement or, Franchisee's Operating Territory and, in the event of any inconsistency or conflict between the terms of this Article 3.I. and Article 2, Article 2 shall take precedence and govern.

**3.J. CORPORATE ACCOUNTS**

The license and rights granted to Franchisee in this Agreement are limited to, among other things, the Operating Territory, the grant of franchise rights set forth in Article 2.A. of this Agreement, and the reservation of rights set forth in Article 2.D. of this Agreement. Subject to the following terms and conditions and, Franchisee's compliance with same (hereinafter the "Corporate Account Rules"), Franchisee may provide Approved Services and Products on behalf of a Corporate Account location within Franchisee's Operating Territory:

Corporate Account Rules

(1) Franchisee must be in compliance with the terms and conditions of this Agreement;

(2) If Franchisor, in Franchisor's Reasonable Business Judgment, determines that Franchisee possesses the operational capacity and experience sufficient for providing Approved Services and Products on behalf of the Corporate Account, Franchisor shall submit to Franchisee a proposed order (the "Order") to Franchisee disclosing that portion of the Approved Services and Products designated by Franchisor to be provided by Franchisee, the pricing related thereto, timing requirements, and other information determined to be relevant by Franchisor;

(3) Franchisee shall have 10 days to evaluate the Order and determine whether or not Franchisee wishes to accept same and provide, on an on-going basis as designated by the Order, the Approved Services and Products on behalf of designated Corporate Account customers; and

(4) If Franchisee elects to accept the Order, Franchisee shall perform and comply with same. If Franchisee elects to reject the Order, Franchisee is under no obligation to perform same. If Franchisee fails to respond in writing within 10 days where Franchisee either accepts or rejects the Order, Franchisee shall be deemed to have rejected the Order.

Franchisee agrees that if Franchisor, in Franchisor's Reasonable Business Judgment, determines that Franchisee does not possess the requisite capacity, skills and/or resources to provide Approved Services and Products in connection with the Corporate Account, that Franchisor may elect to not submit an Order to Franchisee and either Franchisor, Franchisor's affiliates, and/or other System franchisees may be selected to provide Approved Services and Products on behalf of a Corporate Account located within Franchisee's Operating Territory.

## ARTICLE 4
## TRAINING AND OPERATING ASSISTANCE

**4.A. INITIAL TRAINING, SUPPLEMENTAL TRAINING AND SYSTEM-WIDE TRAINING**

(1) Within 30 days of the earlier of the Scheduled Opening Date or the Actual Opening Date, Franchisee's Managing Owner and one manager must complete, to Franchisor's satisfaction, Franchisor's initial training program (the "Training Program"). Franchisor will provide Franchisee, comprised of Franchisee's Managing Owner, and one designated manager, with Franchisor's Training Program. If Franchisee would like more than two individuals to attend the initial Training Program, subject to Franchisor's approval, Franchisee shall pay to Franchisor an additional fee of $150 per additional person per day attending the Training Program (the "Additional Initial Training Fee"). Additional Initial Training Fees shall be pre-paid in advance of training and upon submission of invoice by Franchisor to Franchisee.

Prior to opening and commencing the operations of the Franchised Business, the Managing Owner and other personnel as designated or determined by Franchisor, must attend and successfully complete the Training Program designated by Franchisor. The training may include classroom and on-the-job instruction at a location or facility designated by Franchisor, and/or, at the election of Franchisor and as determined by Franchisor, in Franchisor's Reasonable Business Judgment, may be conducted remotely through online web based conferencing. Following completion of the Training Program, Franchisee shall be responsible for the ongoing training of Franchisee's employees, staff and all other employees of the Franchised Business. Said on-going training must conform to Franchisor's standards and specifications. The Training Program shall be structured, configured and established by Franchisor from time to time. The Training Program may be structured so that it is offered and completed by Franchisee in various phases.

(2) Franchisee or, if Franchisee is a Corporate Entity, Franchisee's Managing Owner and Manager, at Franchisee's sole cost and expense, must attend and successfully complete all refresher training courses or system-wide training courses, additional training programs and seminars as Franchisor periodically may designate or offer in Franchisor's Reasonable Business Judgment. Franchisor provides instructors and training materials for those programs and seminars, but Franchisor reserves the right to assess Franchisee reasonable charges for such training. Franchisee is responsible for all expenses Franchisee and Franchisee's employee incurs in connection with attendance and participation in these programs and seminars, including, without limitation, the cost of transportation, lodging, meals and any salaries and other wages.

(3) Franchisee shall pay all costs and expenses incurred by Franchisee and, those attending training on behalf of Franchisee, in connection with Franchisee's participation in all Training Programs and, satisfaction of Franchisee's Training Program obligations as designated by Franchisor.

(4) Subject to Franchisor's approval and agreement, Franchisor may offer supplemental training within Franchisee's Operating Territory or, as elected by Franchisor, remotely through online web based conferencing (hereinafter referred to as "Supplemental Training"). Franchisor, in Franchisor's Reasonable Business Judgment, reserves the right to reject or approve of any request by Franchisee for Supplemental Training. If Franchisor does agree to offer and provide Supplemental Training, Franchisee shall pay to Franchisor a supplemental training fee at the rate of $500 per trainer per day plus, if applicable, reimbursement of travel and hotel accommodation expenses incurred by Franchisor (the "Supplemental Training Fee"). Franchisee agrees that in each instance where Franchisee hires a new Operating Manager, and/or Franchisor, in Franchisor's Reasonable Business Judgment, determines that Franchisee is not satisfying and/or meeting Franchisor's operational standards, then, Franchisor may require that Franchisee, and/or, as

applicable, Franchisee's Operating Manager participate in and, successfully complete, Supplemental Training pay the Supplemental Training Fees designated by Franchisor. Supplemental Training Fees shall be pre-paid in advance of training and upon submission of invoice by Franchisor to Franchisee.

(5) Franchisor, in Franchisor's Reasonable Business Judgment must approve of all individuals attending and participating in the Training Program and all Supplemental Training programs. All participants in the Training Program must qualify as either an Owner or Operating Manager and, prior to training, among other things, must have executed the Owner and Spouse Agreement and Guaranty or the Confidentiality Agreement, respectively.

**4.B. OPERATING ASSISTANCE**

From time to time and as determined by Franchisor, in Franchisor's Reasonable Business Judgment, Franchisor shall advise Franchisee of those applicable standards, procedures and System requirements concerning the Franchised Business. Operating assistance may, as determined by Franchisor, in Franchisor's sole discretion, consist of:

(1) Establishing and communicating systems and procedures related to the development and operation of the Franchised Business;

(2) Establishing and communicating Approved Services and Products and, as applicable and as determined by Franchisor, modifications, if any, to the Approved Services and Products including, but not limited to, additions, deletions, and/or changes to the Approved Services and Products;

(3) Designating and communicating System Supplies and, as applicable and as determined by Franchisor, modifications, if any, to the System Supplies including, but not limited to, additions, deletions, and/or changes to the System Supplies;

(4) Designating and communicating approved and designated suppliers of the Franchised Business and, as applicable and as determined by Franchisor, modifications, if any, to approved and designated suppliers including, but not limited to, additions, deletions, and/or changes to the approved and designated suppliers;

(5) Establishing and communicating marketing and brand standards related to the promotion of the Franchised Business;

(6) Approving or disapproving of Franchisee requests related to marketing materials and Digital Media that may be used to market the Franchised Business; and

(7) Establishing and communicating System standards and requirements in the form of the Operations Manual and, as Franchisor, in Franchisor's sole discretion.

**4.C. OPERATIONS MANUAL**

Franchisor shall provide Franchisee with access to the Operations Manual. The Operations Manual contains, as designated and determined by Franchisor, mandatory and, as applicable, suggested specifications, standards and operating procedures that Franchisor prescribes for Frios Businesses. Franchisee shall operate the Franchised Business in strict accordance with the standards, specifications, and requirements set forth in the Operations Manual as, such standards, specifications, and requirements including, but not limited to, the Approved Services and Products, System Supplies, and, authorized and designated suppliers, as of the Effective Date of this Agreement, and, as they may be supplemented, modified, changed, and/or replaced in the future and, from time to time, by Franchisor, in Franchisor's

Reasonable Business Judgment. Franchisee shall keep and maintain the confidentiality of the Operations Manual and, shall keep and maintain all files, data and information contained in the Operations Manual in a secure location and/or in a protected confidential state and, as otherwise directed by Franchisor. The master copy and official version of the Operations Manual is and shall be the copy and/or version maintained and designated by Franchisor in Franchisor's ordinary course of business.

Franchisor shall provide Franchisee with reasonable notice of modifications and changes made to the Operations Manual and, such notice may take form of electronic communications including emails and, if the Operations Manual is maintained on an online web based platform, notifications within said platform. Franchisor shall provide Franchisee with a reasonable period of time, as determined by Franchisor, in Franchisor's Reasonable Business Judgment, to implement change and modifications to the as set forth in the Operations Manual. Without limitation to the foregoing, Franchisee may only offer and sell the Approved Services and Products and utilize the System Supplies as designated by Franchisor, in Franchisor's Reasonable Business Judgment, in the Operations Manual and, in accordance with the terms, specifications and requirements set forth in the Operations Manual and as Franchisor may supplement and modify the Operations Manual from time to time or, as Franchisor may otherwise designate in writing.

## ARTICLE 5
## FEES

### 5.A. INITIAL FRANCHISE FEE

Upon execution of this Agreement Franchisee shall pay to Franchisor a non-recurring initial franchisee fee (the "Initial Franchise Fee") of $37,500 for an Operating Territory comprising a single Territory. If Franchisee's Operating Territory is supplemented with Additional Territories, the Initial Franchise Fee shall be increased and shall be the amount set forth in Schedule 2 of this Agreement. The Initial Franchise Fee is fully earned by Franchisor upon execution of this Agreement and is not refundable. Franchisor reserves the right, in its sole discretion, to reduce or waive the Initial Franchise Fee on a case by case basis based on factors such as franchisee tenure, performance, market conditions or other circumstances Franchisor deems relevant.

### 5.B. ROYALTY FEES

Royalty Fees: Throughout the Term of this Agreement, Franchisee shall pay to Franchisor a continuing monthly non-refundable royalty fee (the "Royalty Fee") for each Territory comprising Franchisee's Operating Territory in an amount as set forth in the following schedule:

| Period | Years | Annual Royalty Fee | Monthly Royalty Fee Amount |
|---|---|---|---|
| Tier 1 | Years 1-2 | $6,500 | $541.67 |
| Tier 2 | Years 3-4 | $7,500 | $625.00 |
| Tier 3 | Years 5-10 | $8,500 | $708.33 |

Commencement: The Royalty Fee will commence on the first day of the first full month following the earlier of: (i) Franchisee's completion of Franchisor's Training Program; or (ii) Franchisee's placement of its first pop order.

Renewal Term – During any applicable renewal term, the Royalty Fee shall be not less than the Royalty Fee applicable during the final year of the initial Term and Franchisor, in Franchisor's Reasonable Business Judgment, may increase the applicable Monthly Royalty Fee by an amount not exceeding 10% per annum.

Payment and Due Date: The Royalty Fee rates for each year will automatically change at the start of the applicable year without any notice or amendment required. Franchisor offers two payment schedules for the Royalty Fee: (a) Option one: twelve equal monthly payments from January to December; or (b) Option two: six equal monthly payments from April to September. As an example, for Tier 1 (Years 1-2), if Franchisee chooses option one, Franchisee will make twelve monthly payments of $541.67; if Franchisee chooses option two, Franchisee will make six payments of $1,083.33 from April to September. Royalty Fee payments shall be paid by Franchisee to Franchisor by ACH, electronic funds transfer, or as otherwise designated by Franchisor and shall be due on the first of each applicable month (the "Due Date"). If the first of the month falls on a weekend, the payment will be deducted on the Friday immediately prior to the first of the month.

Tax Obligations: If any federal, state or local tax, other than an income tax, is imposed on the Royalty Fee paid by Franchisee to Franchisor that, Franchisor cannot directly and, dollar for dollar, offset against taxes required to be paid by Franchisor under any applicable federal or state laws, Franchisee must compensate Franchisor in the manner prescribed by Franchisor so that the net amount or net rate received by Franchisor for the Royalty Fee is not less than that which has been established by this Agreement and which was due to Franchisor on the effective date of this Agreement. If any state imposes a sales or other tax on the Royalty Fees, then Franchisor shall have the right to charge and collect the tax from Franchisee.

Payment Authorization: Upon the request of Franchisor and in no event not later than 30 days prior to the earlier of the Actual Opening Date or the Scheduled Opening Date, Franchisee shall execute Franchisor's designated ACH Authorization Form and such other authorization agreements, in the form proscribed by Franchisor and permitting Franchisor's direct withdrawal and/or electronic transfer of sums from Franchisee's designated business bank account, for the on-going payment of Royalty Fees, and other fees and sums due from Franchisee under this Agreement. As of the Effective Date, Franchisor's current ACH Authorization that must be executed and complied with by Franchisee is attached to this Agreement as Exhibit 4. Franchisor may require Franchisee to pay the Royalty Fees and other amounts due under this Agreement by means other than ACH and/or automatic debit whenever Franchisor deems appropriate, and Franchisee agrees to comply with Franchisor's payment instructions.

Royalty and Activity Reports: On the Due Date each month, Franchisee shall report, transmit, confirm, and/or otherwise make available to Franchisor, as designated by Franchisor, a Royalty and Activity Report containing information as designated by Franchisor and relating to the Gross Sales, financial performance, and operations of the Franchised Business for the preceding monthly Accounting Period (the "Royalty and Activity Report"). Franchisor shall have the right to verify such royalty payments from time to time, as it deems necessary in any reasonable manner.

**5.C. OTHER FEES**

As designated by Franchisor in this Agreement, the Operations Manual, or otherwise, Franchisee shall pay to Franchisor and/or as otherwise directed by Franchisor, each of the following additional fees:

(1) Technology and Marketing Fee – Throughout the Term of this Agreement and any applicable Renewal Term, Franchisee shall pay to Franchisor for its first territory a continuing monthly non-refundable Technology and Marketing Fee. Currently, the monthly Technology and Marketing Fee for a single Territory is $250 but we reserve the right to increase the single Territory Technology and Marketing Fee to up to $350 per month. Franchisee will also pay an additional $50 per month for each additional territory it owns. Franchisee agrees that this Technology and Marketing Fee is a general administrative fee and is not connected to any particular service. The Technology and Marketing Fee shall be paid to Franchisor on the first Due Date for each respective month.

(2) Brand Development Fund Fee – Franchisee shall pay to Franchisor, Franchisor's affiliates, or

Franchisor's designees the Brand Development Fund Fee as set forth in Article 9.A. of this Agreement.

(3) Point of Sale System Fee – Franchisee shall pay to Franchisor, Franchisor's affiliates, or Franchisor's designees on-going weekly, monthly, and/or per use point of sale system fee throughout the Term of this Agreement respecting Franchisee's license and use of the point of sale system as designated and specified by Franchisor, in Franchisor's Reasonable Business Judgment.

(4) Online Ordering, Customer Rewards, and Gift Card System Fees – Franchisee shall pay to Franchisor, Franchisor's affiliates, or Franchisor's designees on-going weekly, monthly, and/or per use fees related to licensing and utilizing the technology systems and platforms used for facilitating, managing, and integrating online ordering, customer rewards and/or gift card processing as designated and specified by Franchisor, in Franchisor's Reasonable Business Judgment.
(5) Quality Assurance Audit Fees – Franchisee shall pay to Franchisor, Franchisor's affiliates, or Franchisor's designees on-going weekly, monthly, and/or per use fees related to quality assurance programs designated by Franchisor related to periodic inspections of Franchisee's Sweet Ride Vans, Franchisee's Happiness Hauler Trailers, or Franchisee's Nelson Carts and secret shopper evaluations.

(6) Annual Conference Fees – Franchisee shall be responsible for all expenses of its personnel attending the Annual System Conference including travel, meals and lodging. Franchisee shall be required to pay to Franchisor an Annual Conference Attendance Fee. Franchisee agrees that if Franchisee fails to attend the Annual System Conference that Franchisor shall, nevertheless, charge and Franchisee shall pay the Annual Conference Attendance Fee – even if Franchisor waives such fee for franchisees who attend the Annual System Conference.

(7) Supplemental Training Fees – Franchisee shall pay to Franchisor all training fees in accordance with the terms of this Agreement including, but not limited to, Additional Initial Training Fees and Supplemental Training Fees.

(8) Non-Compliance Fees – Franchisee shall pay to Franchisor all non-compliance fees in accordance with the terms of this Agreement including, but not limited to, Payment Non-Compliance Fees, Operations Non-Compliance Fees, and Reporting Non-Compliance Fees.

(9) Additional Email Address Fee – Franchisee shall pay to Franchisor an additional email address fee of $216 per email address per year (or $18 per email address per month) for any additional friospops.com email addresses requested by Franchisee for the Franchised Business or any Owners or employees, over and above the first email address that Franchisee shall receive from Franchisor at no cost.

(10) All Other Fees and Obligations Set Forth in this Agreement – Franchisee shall pay to Franchisor, Franchisor's affiliates, or Franchisor's designees such other fees, charges and expenses as set forth in this Agreement and in accordance with the terms of this Agreement or, otherwise, in accordance with the Operations Manual and/or Franchisor's standards and specifications.

(11) Territory Infringement Fee – If Franchisee infringes on another franchisee's Territory by offering or providing Approved Services and Products within another franchisee's Operating Territory without Franchisor's prior written approval, Franchisee shall pay to Franchisor a territory infringement fee (the "Territory Infringement Fee") as follows: (a) for the first violation, $1,000 per incident plus all Gross Revenue invoiced by Franchisee while infringing on another franchisee's Territory; and (b) for any subsequent violation, $5,000 per incident plus all Gross Revenue invoiced

by Franchisee while infringing on another franchisee's Territory. "Gross Revenue" as used to assess the Territory Infringement Fee shall mean Franchisee's Gross Sales minus Cost of Goods Sold. The Territory Infringement Fee shall be payable on demand. The foregoing is in addition to all other rights and remedies available to Franchisor under this Agreement.

**5.D. PAYMENT NON-COMPLIANCE FEES AND CHARGES**

In addition to all other rights afforded to Franchisor under this Agreement, in connection with each and every fee, charge, and/or obligation payable and due from Franchisee to Franchisor under the terms of this Agreement including, but not limited to, this Article 5, within 14 days of Franchisor's invoice, Franchisee shall pay to Franchisor: (a) a payment non-compliance fee in the amount of $150 (the "Payment Non-Compliance Fee") for each and every instance where a fee, charge, and/or obligation payable to Franchisor under this Agreement is not paid in full when due; plus (b) interest on all unpaid fees, sums, and/or obligations payable and due from Franchisee to Franchisor at an interest rate equal to the lesser of either 18% per annum, or the maximum interest rate allowed by applicable law and with interest accruing on the date when such fee, sum, or obligation was due; plus (c) all costs incurred by Franchisor in the collection of such unpaid and past due obligations including, but not limited to, reasonable attorney's fees, costs, and expenses. Additionally, if Franchisee's bank account possesses insufficient funds and/or fails to process a payment related to any fee due to Franchisor, Franchisor may charge the greater of either (i) 5% of the amount; (ii) $50 for each instance; or (iii) the maximum amount allowed by law. The foregoing does not constitute Franchisor's agreement to accept payments after they are due or a commitment by Franchisor to extend credit to, or otherwise finance Franchisee's operation of the Franchised Business. Nothing contained in this Article 5.D. shall be interpreted as interfering with and/or negating Franchisor's rights and remedies as set forth in Article 16, and as otherwise set forth in this Agreement. All rights and remedies of Franchisor are cumulative and shall be interpreted as cumulative to one another.

**5.E. APPLICATION OF PAYMENTS**

Franchisor has sole discretion to apply any payments received from Franchisee or to offset any indebtedness of Franchisor to Franchisee to any past due indebtedness of Franchisee for Royalty Fees, Advertising Contributions, purchases from Franchisor or its affiliates, interest or any other indebtedness of Franchisee to Franchisor or its affiliates.

**5.F. WITHHOLDING PAYMENTS UNLAWFUL**

Franchisee agrees that under no circumstance is Franchisee entitled to withhold payments due to Franchisor under this Agreement. Among other things and without limitation to the foregoing, Franchisee expressly agrees that any claim by Franchisee as to the alleged non-performance of Franchisor's obligations shall not permit and/or entitle Franchisee to withhold payments due Franchisor under this Agreement.

## ARTICLE 6
## RESTRICTIVE COVENANTS AND OBLIGATIONS

**6.A. NECESSITY FOR RESTRICTIVE COVENANTS**

Franchisee agrees that only through the course of entering into this Agreement is Franchisee being provided with access to the System, Franchisor's training, use of the Licensed Marks, and access to the Operations Manual and Confidential Information. Franchisee agrees that competition by Franchisee, Owners, Spouses and/or their immediate family members will jeopardize the System and cause irreparable harm to Franchisor and franchisees of Frios Businesses. Accordingly, Franchisee and Franchisee's Owners and Spouses agree to comply with the restrictive covenants set forth in this Agreement, including this Article 6.

**6.B. RESTRICTIVE COVENANTS: KNOW-HOW**

Franchisee agrees that, at all times, both during the Term of this Agreement and, after its expiration or

termination, Franchisee: (a) shall not use the Know-How in any business or capacity other than the operation of the Franchised Business pursuant to this Agreement and as instructed by Franchisor; (b) shall maintain the confidentiality of the Know-How at all times; (c) shall not make unauthorized copies of documents containing any Know-How; (d) shall take all reasonable steps that Franchisor requires from time to time to prevent unauthorized use or disclosure of the Know-How; and (e) shall stop using the Know-How immediately upon the expiration, termination or Transfer of this Agreement. Franchisee agrees that the foregoing covenants shall also apply to: (a) Franchisee's Owners and Spouses and, that Franchisee's Owners and Spouses shall each execute and deliver to Franchisor the Owner and Spouse Agreement and Guaranty in the form attached to this Agreement as Exhibit 1; and (b) Franchisee's directors, officers, employees and agents where disclosure of the Know-How was necessary for the operations of the Franchised Business and where such director, officer, employee and/or agent previously executed and timely delivered to Franchisor the Confidentiality Agreement in the form attached as Exhibit 2.

**6.C. RESTRICTIVE COVENANTS: CONFIDENTIAL INFORMATION**

Franchisee agrees that, at all times, both during the Term of this Agreement and, after its expiration or termination, Franchisee: (a) shall not use the Confidential Information in any business or capacity other than the Frios Business operated by Franchisee; (b) shall maintain the confidentiality of the Confidential Information at all times; (c) shall not make unauthorized copies of documents containing any Confidential Information; (d) shall take such reasonable steps as Franchisor may ask of Franchisee from time to time to prevent unauthorized use or disclosure of the Confidential Information; and (e) shall stop using the Confidential Information immediately upon the expiration, termination or Transfer of this Agreement. Franchisee agrees that the foregoing covenants and obligations shall also apply to: (a) Franchisee's Owners and Spouses and that Franchisee's Owners and Spouses shall each execute and deliver to Franchisor the Owner and Spouse Agreement and Guaranty in the form attached to this Agreement as Exhibit 1; and (b) Franchisee's directors, officers, employees and agents where disclosure of the Confidential Information was necessary for the operations of the Franchised Business and where such director, officer, employee and/or agent previously executed and timely delivered to Franchisor the Confidentiality Agreement in the form attached as Exhibit 2.

**6.D. RESTRICTIVE COVENANTS: UNFAIR COMPETITION AND IN-TERM NON-COMPETITION OBLIGATIONS**

Franchisee agrees that during the Term of this Agreement, Franchisee shall not engage in the following activities (the "Prohibited Activities"): (a) owning and/or having any legal or equitable interest whether, as an individual proprietor, owner, partner, member or shareholder of a Corporate Entity, or, in any similar capacity, in a Competitive Business other than, owning an interest of 3% or less in a publicly traded company that is a Competitive Business; (b) operating, managing, funding and/or performing services whether, as an employee, officer, director, manager, consultant, representative, agent, and/or creditor or, in any similar capacity, for or benefitting a Competitive Business; (c) diverting or attempting to divert any business or customers from Franchisor or, one of Franchisor's affiliates or franchisees; (d) inducing any customer or client of Franchisor, Franchisor's affiliates, franchisees of the System, or, of Franchisee, to any other person or business that is not a Frios Business; and/or (e) engaging in any actions, inactions, and/or activities in violation of Articles 6.B. and/or 6.C. of this Agreement (all, individually and, collectively, referred to as the "Prohibited Activities"). Franchisee agrees that if Franchisee were to engage in the Prohibited Activities that such actions would be unfair, would constitute unfair competition, and would cause harm to Franchisor, the System and other Frios Business franchisees. Franchisee agrees that the foregoing covenants and obligations shall also apply to Franchisee's Owners and Spouses and that Franchisee's Owners and Spouses shall each execute and deliver to Franchisor the Owner and Spouse Agreement and Guaranty in the form attached to this Agreement as Exhibit 1.

**6.E. RESTRICTIVE COVENANTS: UNFAIR COMPETITION AND POST-TERMINATION NON-COMPETITION OBLIGATIONS**

Franchisee agrees that during the Post-Term Restricted Period, Franchisee shall not engage in any Prohibited Activities provided, however, that the Prohibited Activities relating to Franchisee's having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within a Restricted Territory. If Franchisee is engaged in any Prohibited Activities during the Post-Term Restricted Period, Franchisee agrees that Franchisee's Post-Term Restricted Period will be extended by the period of time during which Franchisee was engaging in the Prohibited Activity and, any such extension of time will not be construed as a waiver of Franchisee's breach or otherwise impair any of Franchisor's rights or remedies relating to Franchisee's breach. Franchisee agrees that the foregoing covenants and restrictions shall also apply to Franchisee's Owners and Spouses and that Franchisee's Owners and Spouses shall each execute and deliver to Franchisor the Owner and Spouse Agreement and Guaranty in the form attached to this Agreement as Exhibit 1. Franchisee agrees that the covenants and restrictions set forth in this Article 6.E. and, otherwise in this Article 6, are fair and reasonable and, that if Franchisee engaged in any Prohibited Activity that such actions would constitute acts of unfair competition, causing irreparable harm to Franchisor and the System.

**6.F. REASONABLENESS OF RESTRICTIVE COVENANTS AND OBLIGATIONS**

Franchisee agrees that: (a) the terms of this Article 6 are reasonable both in time and in scope of geographic area; and (b) Franchisee has sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Article 6. **Franchisee hereby waives any right to challenge the terms of this Article 6 as being overly broad, unreasonable or otherwise unenforceable.** Although Franchisee and Franchisor both believe that the restrictive covenants and obligations of this Article 6 to be reasonable in terms of scope, duration and geographic area, Franchisor may at any time unilaterally modify the terms of this Article 6 (provided that such modification is in writing and signed by Franchisor) by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Post-Term Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon Franchisee under this Article 6 to ensure that the terms and covenants are enforceable under applicable law.

**6.G. BREACH OF RESTRICTIVE COVENANTS AND OBLIGATIONS**

Franchisee agrees that Franchisee's failure and/or Franchisee's Owner(s) failure to comply with the restrictive covenants and obligations set forth in this Article 6 will cause irreparable harm to Franchisor and/or other Frios Business franchisees for which there is no adequate remedy at law. Franchisee agrees that any violation of these Article 6 covenants and obligations by either Franchisee and/or any Owner(s) will entitle Franchisor to injunctive relief. Franchisee agrees that Franchisor may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of Franchisee, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon a hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the Franchisee and Franchisor agree that the amount of the bond shall not exceed $1,000. Franchisor's remedies under this Article 6.G. are not exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages.

**6.H. OWNERSHIP OF INNOVATIONS, IMPROVEMENTS, AND CUSTOMER INFORMATION**

Franchisee agrees that with regard to the Franchised Business all customer lists and their contents and information represent Confidential Information and constitute an asset of Franchisor whether or not such information was supplied by Franchisor. During the Term of this Agreement and in connection with the development, establishment, marketing, promotion and operation of the Franchised Business, Franchisee

shall disclose to Franchisor all of Franchisee's ideas, concepts, methods and products conceived or developed by Franchisee and Franchisee's affiliates, Owners, agents, and employees relating to the development and operation of Frios Businesses. Franchisee hereby assigns to Franchisor and Franchisee agrees to procure from Franchisee's Owners, affiliates and employees, assignment of any such ideas, concepts, methods, and products that Franchisee is required to disclose to Franchisor under this Article 6.H. Franchisor shall have no obligation to make any lump sum or on-going payments to Franchisee or Franchisee's Owners, affiliates or employees with respect to any such idea, concept, method, technique or product. Franchisee agrees that Franchisee will not use nor will Franchisee allow any other person or entity to use any such concept, method or product without obtaining Franchisor's prior written approval.

## ARTICLE 7
## OPERATING STANDARDS

### 7.A. OPERATING REQUIREMENTS

At all times, Franchisee and the Franchised Business shall, as designated by Franchisor in the Operations Manual and/or as otherwise designated by Franchisor in writing and, as may be modified by Franchisor from time to time: (a) exclusively offer and sell the Approved Services and Products; (b) exclusively operate the Sweet Ride Van, Happiness Hauler Trailer, and/or Nelson Cart(s) in accordance with the standards, specifications, and operational requirements as designated by Franchisor in this Agreement, the Operations Manuals, and/or as otherwise designated by Franchisor in writing and as may be modified by Franchisor from time to time; (v) exclusively purchase and use the System Supplies; (c) maintain a complete and updated inventory and supply of System Supplies; (d) maintain, update, replenish and replace Franchisee's System Supplies; (e) maintain Franchisee's Sweet Ride Van, Happiness Hauler Trailer, and/or Nelson Cart(s) in a clean, sanitary, functional and well maintained condition and in compliance with all federal, state, and local laws, rules, regulations, and ordinances; (f) maintain, update and recondition Franchisee's Sweet Ride Van, Happiness Hauler Trailer, and/or Nelson Cart(s) in a clean and safe condition and in conformity with the brand standards related to the Licensed Marks and System; and (g) take all requested corrective measures and actions designated and/or requested, in writing, by Franchisor and/or Franchisor's agents following on-site inspections, reviews, and/or assessments, including secret shopper programs and other announced or unannounced.

### 7.B. MAINTENANCE, UPDATES AND UPGRADES

At all times, Franchisee shall update, upgrade, maintain, replenish, replace and recondition Franchisee's System Supplies, Sweet Ride Van(s), Happiness Hauler Trailers, and, if applicable, Nelson Carts as specified by Franchisor in the Operations Manual and/or otherwise in writing, in Franchisor's Reasonable Business Judgment, and as modified by Franchisor from time to time. Notwithstanding the foregoing, Franchisee expressly agrees that the foregoing obligations relate to brand standards and specifications associated with the Licensed Marks and the Approved Services and Products and that, at all times, Franchisee is and shall exclusively remain responsible for conditions involving the safety of customers and employees in connection with the operations of the Franchised Business.

### 7.C. FRANCHISOR ENTRY FOR UPDATES, UPGRADES, AND APPEARANCE REQUIREMENTS

If Franchisee fails or refuses to initiate within 30 days after Franchisor's request, and/or fails to continue in good faith and with due diligence, any required improvement, modification, refurbishment, renovation, and/or remodel of Franchisee's Sweet Ride Van, Happiness Hauler Trailer, and/or Nelson Cart(s) then Franchisor has the right, but is not obligated, to enter upon Franchisee's Sweet Ride Van, Happiness Hauler Trailer, and/or Nelson Cart(s) and effect such improvement, modification, refurbishment, renovation, and/or remodel on Franchisee's behalf, and Franchisee must pay the entire cost to Franchisor on demand.

**7.D. DAMAGE CAUSED BY CASUALTY**

If Franchisee's Sweet Ride Van(s), Happiness Hauler Trailer, Nelson Cart(s),, and/or System Supplies is and/or are damaged or destroyed by fire or any other casualty, Franchisee must, as soon as practicable but in no event later than one month after such casualty, initiate repairs or reconstruction, and thereafter, in good faith and with due diligence, continue until completion of the repairs or reconstruction, to their/its original condition before casualty and otherwise in accordance with Franchisor's standards and specifications.

**7.E. ALTERATIONS**

At all times, Franchisee shall maintain Franchisee's System Supplies, Sweet Ride Vans, Happiness Hauler Trailers, and Nelson Cart(s) in accordance with Franchisor's current brand standards and specifications and, Franchisee shall not materially alter or modify same.

**7.F. BRAND STANDARDS AND FRANCHISOR DESIGNATED REQUIREMENTS**

Franchisee shall develop and operate the Franchised Business in strict conformity with the methods, standards, specifications, procedures, and operational requirements as, designated and determined by Franchisor, in Franchisor's Reasonable Business Judgment, and as set forth in the Operations Manual, as prescribed by Franchisor in writing, and, as Franchisor, in Franchisor's Reasonable Business Judgment, may supplement, modify, and amend from time to time. Supplementing, and without limitation to the foregoing, Franchisee, agrees that the foregoing standards, specifications, procedures, and operational requirements shall relate and include, among other things, the Approved Services and Products, the System Supplies, System standards as designated by Franchisor, authorized and mandatory inventory levels and inventory items, authorized and mandatory supplies and inventory supply levels, designated suppliers, standards related to brand uniformity including, brand standards regarding uniforms, marketing materials, marketing media, the appearance and operations of the Franchised Business, customer service and satisfaction standards including, customer rewards programs, refund policies, gift card policies, special promotions and other customer incentive and goodwill programs, brand standards and brand standard requirements as to employee knowledge and implementation of System brand standards but, not related to employment or joint employment policies, secret shopper programs, Franchisor designated secret quality control inspections, payment processing systems, Franchisor access to Business Management Systems, and, the overall operations of the Franchised Business.

**7.G. APPROVED SERVICES, PRODUCTS, EQUIPMENT AND SUPPLIERS**

Franchisee agrees that, among other things, the products and services to be offered and sold by the Franchised Business, the ingredients, supplies, suppliers and equipment utilized by the Franchised Business, the methods for monitoring customer satisfaction and, the methods for marketing and promoting the Franchised Business must conform to Franchisor's System standards and specifications as determined by Franchisor, in Franchisor's Reasonable Business Judgment, and, as designated by Franchisor in the Operations Manual, and/or as otherwise designated by Franchisor in writing and, as may be supplemented, modified, and/or amended by Franchisor from time to time. Without limitation to the foregoing, Franchisee agrees that:

(1) The Franchised Business shall exclusively offer and sell the Approved Services and Products to customers located within Franchisee's Operating Territory;

(2) The Franchised Business shall, in accordance with Franchisor's standards and specifications as, designated and determined by Franchisor from time to time, exclusively: (a) offer and serve the Approved Services and Products; (b) prepare and serve the Approved Services and Products in accordance with the System's standards and specifications; (c) exclusively purchase and use System Supplies from Franchisor or Franchisor's designated suppliers; (d) exclusively purchase and use equipment, supplies, promotional materials, point of sale systems and Business

Management Systems designated by Franchisor and, subject to Franchisor's specifications; (e) purchase displays, point of sale displays, uniforms, supplies, marketing materials and promotional materials including, but not limited to, System Supplies as designated by Franchisor and only from Franchisor or Franchisor's approved supplier(s); and (f) purchase from distributors and other suppliers approved by Franchisor all other materials, ingredients, goods, and supplies including, but not limited to, System Supplies, used in preparing, offering, selling, promoting, and serving the Approved Services and Products;

(3) Franchisor has and will periodically approve suppliers and distributors of the equipment, materials, supplies and products including, but not limited to, System Supplies, Sweet Ride Vans, Happiness Hauler Trailers, and Nelson Carts, that meet Franchisor's standards, specifications, and requirements including, without limitation, standards, specifications, and requirements relating to the equipment and supplies to be used by the Franchised Business and that Franchisee shall abide by same;

(4) Franchisor, in Franchisor's Reasonable Business Judgment, may from time to time modify the list of approved brands, suppliers and distributors of System Supplies, Sweet Ride Vans, Happiness Hauler Trailers, and Nelson Carts and approved equipment, supplies and services to be used by the Franchised Business and that Franchisee shall, after receipt in writing of such modification, abide by same and, among other things, not reorder any brand and/or purchase from any supplier or distributor that is no longer designated or approved by Franchisor;

(5) Franchisor reserves the right to designate from time to time a single supplier and/or distributor for any services, products, equipment, supplies, or materials including, but not limited to, the System Supplies, Sweet Ride Vans, Happiness Hauler Trailers, and Nelson Carts and to require Franchisee to use such a designated supplier exclusively, which exclusive designated supplier and/or distributor may be Franchisor and/or Franchisor's affiliates. Franchisor and its affiliates may receive payments from suppliers and/or distributors on account of such supplier's or distributor's dealings with Franchisee and other franchisees of the System and that Franchisor may use all amounts so received without restriction and for any purpose, including Franchisor's profit; and

(6) If Franchisee proposes or requests that Franchisor consider the approval of products, services, equipment, supplies, suppliers and/or distributors for use in the Franchised Business where such products, services, equipment, supplies, suppliers and/or distributors are not, presently, at the time of Franchisee's request, approved for use in the System, Franchisee: (a) must provide Franchisor with a written request where Franchisee specifies the product, service, equipment, supply, supplier and/or distributor, the reason for Franchisee's request; (b) shall timely submit to Franchisor such information, reports, specifications, and samples as Franchisor, in Franchisor's Reasonable Business Judgment requests; and (c) shall pay to Franchisor a supplier evaluation fee per requested product, service, equipment, supply, supplier and/or distributor to be considered including, but not limited to, the supplier evaluation fees that Franchisor, in Franchisor's Reasonable Business Judgment, establishes and assesses based on, among other things, the administrative costs and time associated with evaluating, assessing and testing the proposed product, service, equipment, supply, supplier and/or distributor including, but not limited to Franchisor's internal employees and independent third parties engaged and/or retained by Franchisor for evaluation and testing. The foregoing fees and payments shall be paid by Franchisee to Franchisor within 14 days of the date of Franchisor's invoice. Upon Franchisee's compliance with the foregoing, within 60 days of the completion of all evaluations, Franchisor shall notify Franchisee of Franchisor's approval or disapproval, which shall be determined by Franchisor in Franchisor's Reasonable Business Judgment. Under no circumstance shall the foregoing be construed as implying that Franchisor is

required to approve alternative suppliers and Franchisor shall exclusively determine, in Franchisor's Reasonable Business Judgment, the level of evaluation to be conducted by Franchisor.

## 7.H. MARKET RESEARCH AND TESTING

Franchisor may conduct market research and testing to evaluate, modify, test and/or sample the services, products, equipment and supplies authorized by Franchisor and to determine consumer trends and the viability of certain services and products. Franchisee agrees to participate in Franchisor's market research programs that may be conducted by Franchisor in its discretion, by test marketing services and/or products from the Franchised Business. Franchisee agrees to provide Franchisor with timely reports and other relevant information regarding such market research. Franchisee agrees to purchase a reasonable quantity of the tested products and effectively promote and make a reasonable effort to sell the products and/or services.

## 7.I. COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES

(1) Franchisee shall, at all times, secure and maintain in full force all required licenses, permits and certificates relating to the operation of the Franchised Business, and Franchisee must operate the Franchised Business in full compliance with all applicable laws, ordinances, codes and regulations.

(2) Franchisee shall, at all times, investigate, review, and comply with all laws applicable to the operation of the Franchised Business, including, without limitation, all labor laws and obligations, wage and hour laws and obligations, employer practices laws and obligations, labor department rules and regulations, workers compensation and unemployment laws and rules, insurance obligations, and health and safety laws, rules and obligations.

(3) Franchisee shall, at all times, investigate, review, and comply with all laws, rules, and regulations related to all laws, rules, and regulations related to customer and employee privacy obligations and protections and, all laws, rules, and regulations, related to the privacy and protection of customer and employee information and data and, all laws, rules, and regulations related to customer and employee solicitations.

(4) Franchisee must, at all times, immediately notify Franchisor in writing of any of the following concerning Franchisee, and/or the Franchised Business: (a) any cause of action, claim, lawsuit, proceeding, and investigation; (b) issuance of any order, writ, injunction, award, and/or decree by any court, agency, or other governmental entity; and (c) any notice of violation of any law, ordinance, code, permit, or regulation.

(5) Franchisee shall, at all times, ensure that all advertising and promotion of the Franchised Business by Franchisee is completely factual and conforms to the highest standards of ethical advertising, and is in conformity with Franchisor's standards and specifications. Franchisee shall refrain from any business practice, advertising practice, or personal conduct that may be injurious to Franchisor, the System, Frios Businesses, and/or the Licensed Marks. Franchisor, in Franchisor's sole discretion, shall possess, among other things, the unilateral right to reject any and all advertising relating to the Franchised Business, Franchisor, the System, Frios Businesses and/or using the Licensed Marks.

(6) Franchisee shall comply with, and cause Franchisee's Owners to comply with and/or to assist Franchisor, to the fullest extent possible, in Franchisor's efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee and each Owner certify, represent, and warrant that Franchisee's or any Owner's property or interests is not subject to being "blocked" under any of the Anti-Terrorism Laws, and Franchisee and each Owner are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee further certifies that Franchisee and

each Owner are not listed on the Annex to Executive Order 13244 (the Annex is available at http://www.treasury.gov) and will not become so listed, hire any person so listed, or have dealings with any person so listed. Franchisee agrees to immediately notify Franchisor if Franchisee or any Owner becomes so listed. "Anti-Terrorism Laws" refers to and means Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority addressing, or in any way relating to, terrorist acts and acts of war. If Franchisee, an Owner, or Franchisee's employees violate any of the Anti-Terrorism Laws and/or become listed on the Annex to Executive Order 13244, then Franchisor may terminate this Agreement immediately without prior notice to Franchisee.

In connection with Franchisee's compliance with the terms of this Article 7.I., if Franchisee discovers, learns of, and/or becomes aware of any conflict and/or discrepancy between Franchisee's obligations under this Article 7.I. with Franchisor's standards and/or specifications as contained in this Agreement, in the Operations Manual, and/or as otherwise designated by Franchisor from time to time, Franchisee shall immediately notify Franchisor in writing of such discrepancy. In the event of any conflict or ambiguity, Franchisor's determination and/or resolution made by Franchisor, in writing, and, specifically with regard to the presented conflict or ambiguity, shall be determinative as between Franchisor and Franchisee and the operations of the Franchised Business.

**7.J. MANAGEMENT OF THE FRANCHISED BUSINESS**

(1) Franchisee agrees that, at all times, that the development and operation of the Franchised Business and the Sweet Ride Van, Happiness Hauler Trailer, or Nelson Carts shall be managed, operated, and maintained under the active, continuing management, substantial personal involvement and hands-on supervision, of Franchisee's Managing Owner. The Managing Owner must at all times be actively involved in the operation of the Franchised Business unless Franchisee delegates management functions to an authorized Operating Manager who, among other things, satisfactorily completes Franchisor's Training Program, and otherwise meets the criteria and conditions for qualification as an Operating Manager as designated and determined by Franchisor from time to time. If the Operating Manager is a family member of Franchisee and/or an Owner then the Operating Manager shall also sign and agree to be bound by the terms of the Owner and Spouse Agreement and Guaranty.

(2) Franchisee must, at all times, faithfully, honestly and diligently perform its obligations hereunder, and continuously exert its best efforts to promote and enhance the business of the Franchised Business and the goodwill of the Licensed Marks and the System.

(3) If, at any time, the Franchised Business is not being managed by a Managing Owner or Operating Manager who satisfactorily completed the Training Program, Franchisor is authorized, but is not required, to immediately appoint a manager to maintain the operations of the Franchised Business for and on behalf of Franchisee. Franchisor's appointment of a manager of the Franchised Business does not relieve Franchisee of its obligations or constitute a waiver of Franchisor's right to terminate the Franchise pursuant to Article 16. Franchisor is not liable for any debts, losses, costs or expenses incurred in the operations of the Franchised Business or to any creditor of Franchisee for any products, materials, supplies or services purchased by the Franchised Business while it is managed by Franchisor's appointed manager.

(4) Franchisee shall at all times maintain sufficient working capital to fulfill its obligations under this Agreement.

### 7.K. REMEDIES FOR NON-COMPLIANCE WITH OPERATIONAL STANDARDS

In addition to all other rights afforded to Franchisor under this Agreement, in connection with any, each, and every violation of any term, provision, and/or operational requirement as set forth in this Article 7 (an "Operations Violation"), within 14 days of Franchisor's invoice, Franchisee shall pay to Franchisor an operations non-compliance fee (the "Operations Non-Compliance Fee") in the amount of: (a) $1,000 for each and every instance / event related to an Operations Violation involving the sale of services and/or products that are not Approved Services and Products; (b) $1,000 for each and every instance / event related to an Operations Violation involving the failure to exclusively use System Supplies, and/or Franchisor designated suppliers; (c) $1,000 for each and every instance / event related to an Operations Violation involving Franchisee offering and providing Approved Services and Products outside of Franchisee's Operating Territory without Franchisor's prior written approval; and (d) $450 for all other Operations Violations. Additionally, in each of the foregoing instances, within 14 days of Franchisor's invoice, Franchisee shall pay to Franchisor all costs and expenses incurred by Franchisor in connection with any inspections, audits, and/or re-inspections directed and/or undertaken by Franchisor for the purpose, as determined by Franchisor in Franchisor's Reasonable Business Judgment, of determining whether or not Franchisee's Operations Violation has been cured in accordance with Franchisor's standards and specifications. The foregoing does not constitute Franchisor's consent to and/or acquiescence to Operations Violations. Nothing contained in this Article 7.K. shall be interpreted as interfering with and/or negating Franchisor's rights and remedies as set forth in Article 16 and, as otherwise set forth in this Agreement. All rights and remedies of Franchisor are cumulative and shall be interpreted as cumulative to one another.

### 7.L. MINIMUM PERFORMANCE STANDARD

You are required to maintain a minimum performance standard. You must order at least 24 cases of Frios pops per quarter (the "Minimum Performance Standard"). If at any point during the term of your Franchise Agreement, you do not meet the Minimum Performance Standard, we reserve the right to require additional/supplemental training, as we require and pay all related fees and costs to do so. If, at any time, you do not achieve the Minimum Performance Standard, and do not satisfy the additional/supplemental training, or do not meet the Minimum Performance Standard in any two measurement time periods, then we may either: (a) reduce the scope of the geographic area of your Territory, or (b) terminate the Franchise Agreement upon notice.

## ARTICLE 8
## INSURANCE

Franchisee, at Franchisee's sole expense, must purchase and maintain in full force at all times during the Term of this Agreement an insurance policy or policies protecting Franchisee as named insured and naming, as additional insureds, Franchisor, Franchisor's affiliates, Franchisor's successors and assigns, and the officers, directors, shareholders, partners, agents, representatives, independent contractors and employees of Franchisor. The policy or policies must be written by a carrier or carriers with an A.M. Best Rating of at least A-, VII and reasonably acceptable to Franchisor. From time to time Franchisor may designate preferred insurance brokers and insurance carriers.

The currently required insurance policies, insurance coverage requirements, and insurance coverage amounts are designated and set forth in the Operations Manual. Franchisor may, in Franchisor's Reasonable Business Judgment, periodically change the amounts of coverage required under such insurance policies and require different or additional kinds of insurance at any time, including business automobile liability for owned, hired, leased, and non-owned vehicles, trailer coverage, inland marine or equipment coverage, food contamination and spoilage coverage, employment practices liability coverage, cyber liability coverage, and excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. Notwithstanding the immediately foregoing sentence, Franchisor shall not increase such minimum coverage more than once

every two years. All public liability and property damages policies must contain a provision that Franchisor is entitled to recover under these policies on any loss occasioned to Franchisor, Franchisor's affiliates, Franchisor's successors and assigns, and the officers, directors, shareholders, members, owners, partners, agents, representatives, independent contractors, and employees of Franchisor by reason of the negligence of Franchisee and/or Franchisee's officers, directors, shareholders, members, owners, partners, agents, representatives, independent contractors, and employees.

By the earlier of 90 days after the Effective Date or prior to the commencement of the Training Program, Franchisee must deliver, or cause to be delivered, to Franchisor a copy of the certificates of insurance demonstrating Franchisee's compliance with this Article 8. All insurance policies required must expressly provide that no less than 30 days' prior written notice shall be given to Franchisor in the event of a material alteration to, or cancellation of, any insurance policy Franchisee is required to maintain in accordance with this Agreement.

In the event Franchisee fails, for any reason, to procure or maintain the insurance required by this Agreement, then Franchisor has the right and authority (but not the obligation) to immediately to procure insurance and charge all costs, fees, and expenses associated with same to Franchisee, which such charges, together with a reasonable administrative fee for Franchisor's expenses in so acting, shall be immediately payable by Franchisee to Franchisor upon demand. The foregoing remedies are in addition to any other remedies Franchisor may have under this Agreement, at law, or in equity.

## ARTICLE 9
## BRAND DEVELOPMENT AND MARKETING

Franchisor is not required to conduct any marketing on behalf of Franchisee or the System.

### 9.A. BRAND DEVELOPMENT FUND

At all times and from time to time, as determined by Franchisor, in Franchisor's Reasonable Business Judgment, Franchisor may institute, implement, maintain, delegate and administer a brand development fund (the "Brand Development Fund"). The following shall apply to the Brand Development Fund at all times throughout the Term:

If Franchisor institutes the Brand Development Fund, Franchisee shall pay, on the Due Date, a mandatory and continuing fee to the Brand Development Fund in an amount equal to a percentage of Gross Sales (as determined and designated by Franchisor in Franchisor's Reasonable Business Judgment) for each monthly Accounting Period (the "Brand Development Fund Fee"), provided, however, Franchisee will not be required to contribute more than 2% of the Gross Sales of the Franchised Business for each monthly Accounting Period;

Franchisor will provide Franchisee with written notice of the percentage of Gross Sales that Franchisee is required to contribute to the Brand Development Fund. Upon such written notice to Franchisee, the percentage of Gross Sales to be paid by Franchisee to the Brand Development Fund will be applicable for each and every monthly Accounting Period thereafter during the Term until otherwise designated by Franchisor in writing. The Brand Development Fund Fee shall be paid to Franchisor on the Due Date and in accordance with the payment terms and method set forth in Article 5.B. for the payment of Royalty Fees or as otherwise designated by Franchisor;

(3) Franchisor, in Franchisor's Reasonable Business Judgment, shall direct all advertising, media placement, marketing and public relations programs and activities financed by the Brand Development Fund, with sole discretion over the strategic direction, creative concepts, materials, and endorsements used by the Brand Development Fund, and the geographic, market, and media

placement and allocation thereof. Without limiting the foregoing, the Brand Development Fund may also be utilized for evaluation and monitoring of the Business Management Systems, maintenance and upgrades to the System Website, and development of Digital Media;

(4) Franchisee agrees that the purpose of the advertising, media, marketing and activities financed by the Brand Development Fund is and shall be for the general enhancement of the System brand as associated with the Licensed Marks and general public brand recognition and awareness of the Licensed Marks. The Brand Development Fund will not be utilized to directly or indirectly market or promote the Franchised Business or, unless otherwise directed by Franchisor, in Franchisor's Reasonable Business Judgment, pay for media placements that may benefit or include any media market that includes Franchisee's Sweet Ride Van, Happiness Hauler Trailer, Nelson Carts, or Operating Territory;

(5) Franchisee agrees that the Brand Development Fund may be used to pay various costs and expenses of Franchisor for such reasonable salaries, wages, administrative costs and overhead as Franchisor may incur in activities reasonably related to the administration, activities and/or the brand awareness goals of the Brand Development Fund including expenses incurred by Franchisor for advertising, advertising councils, franchisee advisory councils, marketing, product and service testing, product and service development, maintenance, evaluation and monitoring of the Business Management Systems, upgrades to the System Website, development of Digital Media and creative development that is internally administered or prepared by Franchisor and other marketing activities made by Franchisor, provided, however, that salary expenses for Franchisor's personnel paid by the Brand Development Fund shall be commensurate with the amount of that time spent by such personnel on Brand Development Fund matters. Franchisor shall not use contributions to the Brand Development Fund to defray any of Franchisor's general operating expenses, except for such reasonable salaries, administrative costs and overhead as Franchisor may incur in activities reasonably related to the administration and activities of the Brand Development Fund and creation or conduct of its marketing programs including, without limitation, conducting market research, preparing advertising and marketing materials and collecting and accounting for contributions to the Brand Development Fund. Franchisor may spend in a fiscal year an amount greater or less than the aggregate contributions of all Frios Businesses to the Brand Development Fund in that year;

(6) Franchisee agrees to participate in all advertising, marketing, promotions, research and public relations programs instituted by the Brand Development Fund;

(7) Frios Businesses owned by Franchisor or Franchisor's affiliates are not required to pay any Brand Development Fund Fee or contribute to or make any contribution to the Brand Development Fund;

(8) Franchisee and Franchisor acknowledge and agree that (a) the Brand Development Fund is not a trust, (b) Franchisor is not a trustee or fiduciary of the Brand Development Fund, and (c) Franchisor may deposit and maintain any and all funds of the Brand Development Fund Fee in Franchisor's general accounts. Brand Development Fund Fees are not required to be segregated from other assets or accounts of Franchisor. The Brand Development Fund is not required to expend Brand Development Fund Fees in the year that they are collected and the Brand Development Fund may borrow from Franchisor or other lenders at standard commercial interest rates to cover deficits of the Brand Development Fund, and Franchisor may cause the Brand Development Fund to invest any surplus for future use by the Brand Development Fund. All interest earned on monies contributed to the Brand Development Fund will be used to pay costs of the Brand Development Fund before other assets of the Brand Development Fund are expended. A summary statement of monies collected and costs incurred by the Brand Development Fund for Franchisor's immediately

preceding fiscal year shall be made available to Franchisee upon Franchisee's written request. Franchisor will have the right to cause the Brand Development Fund to be incorporated or operated through an entity separate from Franchisor at such time as Franchisor deems appropriate, and such successor entity shall have all rights and duties of Franchisor pursuant to this Article 9.A.(8);

(9) Although Franchisor will endeavor to utilize the Brand Development Fund to develop advertising and marketing materials and programs, Franchisor undertakes no obligation to ensure that expenditures by the Brand Development Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Brand Development Fund by Frios Businesses operating in that geographic area or that any Frios Businesses will benefit directly or in proportion to its contribution to the Brand Development Fund from the development of advertising and marketing materials. Franchisor may use the Brand Development Fund to promote or benefit any type of Frios Businesses in the System. Franchisor may use the Brand Development Fund to promote or benefit Frios Businesses located within a particular region of the United States. Franchisee agrees that Franchisee's failure to derive any such benefit will not serve as a basis for a reduction or elimination of its obligation to contribute to the Brand Development Fund. Franchisee agrees that the failure (whether with or without Franchisor's permission) of any other franchisee to make the appropriate amount of contributions to the Brand Development Fund shall not in any way release Franchisee from or reduce Franchisee's obligations under this Article 9, such obligations being separate and independent obligations of Franchisee under this Agreement. Except as expressly provided in this Article 9, Franchisor assumes no direct or indirect liability, responsibility, or obligation to Franchisee with respect to the maintenance, direction, and/or administration of the Brand Development Fund; and

(10) Franchisor, in Franchisor's Reasonable Business Judgment, may establish a council to provide guidance respecting the administration of the Brand Development Fund and marketing matters concerning the Brand Development Fund. The council shall only serve in an advisory capacity and Franchisor shall select members of the council which may be comprised of employees of Franchisor, Franchisor, franchisees of the System and third parties.

**9.B. LOCAL MARKETING**

On an on-going annual basis, Franchisee must spend not less than $4,000 per year on the local marketing of the Franchised Business within and/or targeted to Franchisee's Operating Territory (the "Minimum Annual Local Marketing Requirement"). On or before the 10th day of January, or such other dates as specified by Franchisor, Franchisee shall provide Franchisor with an accurate accounting of Franchisee's local marketing expenditures, placements, activities, and metrics for the immediately preceding yearly period as designated by Franchisor. At the request of Franchisor, Franchisee shall provide Franchisor with on-going access to any and all data and systems that record and/or report information related to Franchisee's local marketing activities and expenditures and to provide Franchisor such other periodic reports and records as may be requested by Franchisor.

If the Franchisee's expenditures in any year do not, in aggregate, equal or exceed the Minimum Annual Local Marketing Requirement for the respective annual period then Franchisor, in Franchisor's discretion and Reasonable Business Judgment, may require that the deficiency be added as additional local marketing expenditures, for future local marketing over and above the Minimum Annual Local Marketing Requirement for any particular month or period of time.

Franchisor reserves the right to reject any and all marketing efforts requested by Franchisee and to prescribe all marketing, marketing media, marketing channels, promotions, copy, creative, and messaging that Franchisee may or may not use in Franchisee's marketing of the Franchised Business. Franchisee further agrees that:

(1) In addition to calendar year annual reports, Franchisee shall provide Franchisor with monthly reports documenting Franchisee's marketing initiatives, expenses incurred, placements secured, and other metrics and financial information as designated by Franchisor;

(2) Prior to opening the Franchised Business, Franchisee shall submit to Franchisor, Franchisee's grand opening marketing plan for review and approval by Franchisor. Franchisee shall use only those portions of its grand opening marketing that is pre-approved by Franchisor and consistent with Franchisor's standards and specifications. Within the first six months after opening the Franchised Business, Franchisee shall spend not less than $6,000 to market and promote the grand opening of the Franchised Business in accordance with Franchisor's standards and specifications. This grand opening marketing expenditure is in addition to Franchisee's local marketing requirement;

(3) Franchisee's marketing efforts and the distribution of each marketing channel and media engaged by Franchisee must be directly targeted to Franchisee's Operating Territory. Franchisee shall not direct or target Franchisee's marketing efforts with the purpose or effect of soliciting or attracting customers outside of Franchisee's Operating Territory. To the extent that Franchisee's marketing efforts involve a marketing medium or distribution channel that is targeted to Franchisee's Operating Territory but reaches outside of and beyond Franchisee's Operating Territory Franchisor, in Franchisor's Reasonable Business Judgment, shall have the right to direct and require Franchisee to discontinue such marketing;

(4) Franchisee grants to Franchisor the right, without compensation to Franchisee, to use Franchisee's name, address, photograph, and biographical information in any publication related to the System, including in relation to the sale of Frios Business franchises; and

(5) Franchisee grants to Franchisor the right to use of Franchisee's financial data and information related to the financial performance of the Franchised Business for reporting purposes within Franchisor's publicly issued and published Franchise Disclosure Document, including in relation to the sale of franchises.

**9.C. REQUIRED FRANCHISOR APPROVAL OF ALL MARKETING**

All marketing and promotion of the Franchised Business and all marketing media, campaigns, marketing channels, and efforts used by Franchisee must conform to Franchisor's standards and specifications as set forth in the Operations Manual or, as may be otherwise directed by Franchisor in writing from time to time. If Franchisee wishes to propose to Franchisor for approval or disapproval marketing or promotional efforts, campaigns, and/or media that are not presently and expressly approved and authorized by Franchisor, Franchisee shall submit a written request, including samples of all proposed marketing materials and a description of the marketing channels and distribution to Franchisor for Franchisor's approval or disapproval, that shall be at the sole discretion of Franchisor, in Franchisor's Reasonable Business Judgment. Provided that Franchisee has satisfied the written notice requirements set forth in this Article 9.C. and provided that Franchisee otherwise timely responds in writing to any and all requests by Franchisor for additional information, if Franchisor does not notify Franchisee that Franchisor disapproves the materials within 15 days from the date Franchisor receives the materials, then Franchisee may commence using the materials. However, Franchisor may still disapprove such materials by notice to Franchisee, and Franchisee must then cease using such materials upon receipt of such notice. Franchisee must not use any advertising or promotional materials that Franchisor has disapproved.

## 9.D. WAIVERS OR DEFERRALS

On written request from Franchisee with reasons supporting such request, Franchisor may, at Franchisor's sole discretion and on conditions Franchisor deems appropriate, temporarily waive or defer the obligations of Franchisee under the Brand Development Fund and/or, if applicable, Advertising Cooperative. In no event shall such waiver or deferral extend beyond six months. However, at the end of any waiver or deferral period, Franchisee may resubmit a request for waiver or deferral of its obligations under the Brand Development Fund and/or, if applicable, Advertising Cooperative. Franchisor shall not be under any obligation to grant any waiver or deferral. Franchisor may reject Franchisee's request for a waiver or deferral based on any reason or no reason at all and, nevertheless grant the request of another system franchisee.

## 9.E. DIGITAL MEDIA AND WEBSITE PROHIBITIONS

Franchisee's use of Digital Media shall be subject to and require Franchisor's express written consent which shall and may be withheld by Franchisor for any or no reason at all. Without limitation to the foregoing, Franchisee possesses no right or authority to utilize Digital Media and Franchisee agrees that Franchisor reserves all rights respecting the marketing, sale and distribution of Approved Services and Products through Digital Media. Franchisee agrees that all Digital Media and Digital Media accounts associated with and/or relating to the Franchised Business and/or the System shall, upon demand of Franchisor, be transferred to Franchisor. Upon execution of this Agreement and any and all future dates demanded by Franchisor, Franchisee shall execute and deliver to Franchisor the Assignment of Telephone Numbers and Digital Media Accounts agreement attached to this Agreement as Exhibit 3. The foregoing shall not be interpreted or construed as permitting Franchisee to establish, designate, utilize and/or otherwise establish accounts as to Digital Media respecting and/or concerning the Franchised Business and/or the System.

## 9.F. ADVERTISING COOPERATIVE

At all times Franchisor, in Franchisor's Reasonable Business Judgment, possesses the right to authorize, establish, designate and de-authorize a local or regional advertising cooperative within those markets that Franchisor designates (the "Advertising Cooperative"). Franchisee agrees that Franchisor possesses the sole and exclusive right to designate any geographic area in which two or more Frios Business franchises are located as a region for the purpose of establishing an Advertising Cooperative. If Franchisee's Frios Business or Operating Territory is located within the geographic area of an Advertising Cooperative, franchisee must participate in and contribute to the Advertising Cooperative. Franchisee agrees to the following:

(1) If Franchisor previously instituted or, in the future, institutes an Advertising Cooperative that includes, in whole or in part, Franchisee's Operating Territory, Franchisee shall participate in and make such on-going financial contributions to the Advertising Cooperative, as determined by the Advertising Cooperative;

(2) Franchisor may establish foundational and organizational requirements of the Advertising Cooperative including voting provisions that allows the Advertising Cooperative to make decisions based on the simple majority vote (one vote per franchisee Frios Business located within the designated area of the Advertising Cooperative) with a quorum constituting 25% of those franchisees within the Advertising Cooperative;

(3) Unless otherwise authorized and approved by Franchisor in writing, each Advertising Cooperative shall be organized for the exclusive purpose of administering marketing programs and the development of media (all subject to the review and approval of Franchisor) for use by members of the Advertising Cooperative in local or regional marketing;

(4) If at the time of execution of this Agreement an Advertising Cooperative has been established for a geographic area that includes, in whole or in part, Franchisee's Operating Territory, or if such Advertising Cooperative is established during the Term of this Agreement, Franchisee shall fully participate in the Advertising Cooperative and Franchisee shall execute, at the request of Franchisor, all documents required by Franchisor and Franchisee shall become a member of the Advertising Cooperative subject to the terms of those documents;

(5) Franchisee shall contribute to the Advertising Cooperative in the amounts as determined and required by the Advertising Cooperative or, otherwise in accordance with those documents governing the operation of the Advertising Cooperative; provided, however, Franchisee's contributions to the Advertising Cooperative shall not exceed Franchisee's local minimum marketing obligations set forth in Article 9.B. of this Agreement and Franchisee's contributions to the Advertising Cooperative shall count toward satisfaction of Franchisee's minimum local marketing obligations set forth in Article 9.B.;

(6) Franchisee shall submit to the Advertising Cooperative and to Franchisor such statements and reports as may be required by the Advertising Cooperative and approved by Franchisor. All contributions to the Advertising Cooperative shall be maintained and administered in accordance with the documents governing the Advertising Cooperative. The Advertising Cooperative shall be operated solely for the purpose of collection and expenditure of the Advertising Cooperative's fees for the purpose set forth in this Article 9.F.;

(7) No marketing materials, plans, or media may be used by the Advertising Cooperative or its members without the prior written approval of Franchisor;

(8) Frios Businesses owned by Franchisor and/or Franchisor's affiliates that are located within the geographic area of the designated Advertising Cooperative are not required to make contributions to the Advertising Cooperative; and

(9) The Advertising Cooperative must comply with the rules and regulations established by Franchisor in the Operations Manual which may be modified by Franchisor from time to time.

### 9.G. NO MARKETING OUTSIDE FRANCHISEE OPERATING TERRITORY

Franchisee agrees that Franchisee's marketing and Marketing Media must be directed toward Franchisee's Operating Territory and that Franchisee shall not cause, authorize or engage in any Media Distribution to customers, potential customers and/or customer referral sources outside of Franchisee's Operating Territory, unless: (a) such Media Distribution is a joint distribution with other Frios Businesses and is authorized by Franchisor in writing; and (b) Franchisor, in Franchisor's Reasonable Business Judgment, otherwise agrees to same in writing.

## ARTICLE 10
## RELATIONSHIP OF THE PARTIES AND INDEMNIFICATION

### 10.A. INDEPENDENT CONTRACTORS AND NO JOINT EMPLOYER RELATIONSHIP

This Agreement does not create a fiduciary relationship between Franchisor and Franchise, Franchisor and Franchisee are independent contractors, and nothing in this Agreement is intended to make either party a general or special agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose. The parties' relationship is strictly a Franchisor and Franchisee relationship. Franchisee is the sole employer of the employees of the Franchised Business. Franchisee has the sole right to select, hire and discharge Franchisee's employees. Franchisee is responsible for all decisions regarding hiring, firing, training, supervising, disciplining, scheduling and paying wages to, and withholding and

paying taxes for Franchisee's employees. Franchisee, each Owner, each Spouse, and Franchisee's officers, directors, manager, agents, representatives, independent contractors and employees shall not be construed, considered, or represented as Franchisor's employees, representatives, or agents. There is no joint employer relationship between Franchisor and Franchisee or Franchisee's employees. Franchisee's compliance with all federal, state and local labor laws rules and regulations shall be exclusively determined and managed by Franchisee. To the extent that the Operations Manual includes information, specifications, procedures, criteria and/or requirements as to employees of the Franchised Business, such requirements shall be interpreted exclusively for the purpose of maintaining brand standards associated with the System, to protect the good will associated with the System, and to ensure System uniformity requirements and standards concerning the Approved Services and Products, and under no circumstance shall same relate to the employer-employee relationship. As to the foregoing issue of "joint employer" and the non-existence thereof, in the event of any inconsistency or conflict between this Agreement and the Operations Manual, the terms of this Agreement shall take precedence and govern.

Franchisee must conspicuously identify itself at the premises of the Franchised Business, Sweet Ride Van(s), Happiness Hauler Trailer(s), and Nelson Cart(s) and in all dealings with customers, lessors, contractors, suppliers, public officials and others as the owner of a Frios Business under a franchise from Franchisor, and Franchisee must place other notices of independent ownership on signs, forms, stationery, advertising and other materials as Franchisor requires.

Franchisee must not employ any Licensed Mark in signing any contract, lease, mortgage, check, purchase agreement, negotiable instrument, or other legal obligation. Franchisee must not employ any Licensed Mark in a manner that is likely to result in liability of Franchisor for any indebtedness, action, inaction, or obligation of Franchisee.

Franchisor and Franchisee shall not make any express or implied agreements, guaranties or representations, or incur any debt, in the name, or on behalf, of the other. Franchisor and Franchisee shall not represent that their relationship is anything other than franchisor and franchisee. Franchisor and Franchisee shall not be obligated by, or have any liability under, any agreements or representations made by the other that are not expressly authorized. Franchisor shall not be obligated for any damages to any person or property directly or indirectly arising out of the operation of the Franchised Business, whether or not caused by Franchisee's negligent, willful act or failure to act.

Franchisor shall have no liability for any sales, use, excise, gross receipts, property or other taxes, whether levied upon Franchisee, the Franchised Business or its assets, or upon Franchisor in connection with sales made, services performed or business conducted by Franchisee.

**10.B. INDEMNIFICATION BY FRANCHISEE**

Franchisee and each Owner shall indemnify, defend through counsel acceptable to Franchisor, and hold Franchisor, Franchisor's affiliates, and their respective officers, directors, shareholders, members, owners, partners, agents, representatives, independent contractors, employees, assigns and successors (the "Franchisor Indemnified Parties") harmless from all losses, expenses, claims, causes of action, lawsuits, liabilities, taxes, costs, demands, proceedings, investigations, hearings, and/or damages arising out of, or relating to, the Franchised Business and Franchisee's Sweet Ride Van, Happiness Hauler Trailer, and/or Nelson Cart(s) (including, without limitation, the ownership and operation of the Franchised Business), unless such loss, expense, claim, cause of action, lawsuit, liability, tax, cost, demand, proceeding, or damage is solely due to Franchisor's gross negligence, and Franchisee shall pay all of the Franchisor Indemnified Parties' reasonable costs, fees and expenses of defending any such claim, cause of action, lawsuit, demand, proceeding, investigation, and/or hearing brought against any of the Franchisor Indemnified Parties or any such claim, cause of action, lawsuit, demand, proceeding, investigation, and/or hearing in which any of the Franchisor Indemnified Parties is named as a party, including, without limitation, reasonable accountant

fees, attorney fees, and expert witness fees, court costs, deposition fees, travel expenses and other litigation expenses. At the expense and risk of Franchisee and each Owner, Franchisor may elect to assume (but is not obligated to undertake) the defense and/or settlement of any action, lawsuit, proceeding, claim, or demand. Such an election by Franchisor to assume its defense shall not diminish the obligation of Franchisee and each Owner to indemnify, defend and hold harmless Franchisor. Franchisee and each Owner acknowledge and agree that the terms of this Article 10.B. shall survive the termination, expiration or Transfer of this Agreement. Franchisor Indemnified Parties are not required or obligated to seek recovery from third parties or otherwise mitigate their respective losses in order to maintain a claim against Franchisee or any Owner. Franchisee and each of the Owners agree that Franchisor's failure to pursue recovery or mitigate loss in no way reduces the amounts recoverable from Franchisee or any Owner.

### 10.C. INDEMNIFICATION BY FRANCHISOR

Franchisor shall indemnify, defend, and hold Franchisee and Franchisee's officers, directors, shareholders, members, owners, partners, agents, representatives, independent contractors, employees, assigns and successors (the "Franchisee Indemnified Parties") harmless from all losses, expenses, claims, causes of action, lawsuits, liabilities, taxes, costs, demands, proceedings, investigations, hearings, and/or damages solely arising out of, or solely relating to, Franchisor's gross negligence in the operation of Franchisee's Frios Business that was the direct cause of any such loss, expense, liability or damage provided Franchisee immediately notifies Franchisor of such claim, cause of action, lawsuit, demand, proceeding, investigation or hearing, and Franchisor shall pay all of the Franchisee Indemnified Parties' reasonable costs, fees and expenses of defending any such claim, cause of action, lawsuit, demand, proceeding, investigation, and/or hearing brought against any of the Franchisee Indemnified Parties or any such claim, cause of action, lawsuit, demand, proceeding, investigation, and/or hearing in which any of the Franchisee Indemnified Parties is named as a party, including, without limitation, reasonable accountant fees, attorney fees, and expert witness fees, court costs, deposition fees, travel expenses and other litigation expenses provided Franchisee immediately notifies Franchisor of such claim, cause of action, lawsuit, demand, proceeding, investigation or hearing. Franchisor agrees that the terms of this Article 10.C. shall survive the termination, expiration or Transfer of this Agreement.

## ARTICLE 11
## LICENSED MARKS AND SYSTEM

### 11.A. OWNERSHIP AND GOODWILL

Franchisee agrees that Franchisor is the owner of all right, title and interest in and to the Licensed Marks, the System, Web Based Media, Published Content and the goodwill associated with the Licensed Marks and the System. Except as otherwise specifically provided in this Agreement, Franchisee agrees that Franchisee possesses no interest or right, whatsoever, in or to the Licensed Marks, the System, Web Based Media, Published Content and the goodwill associated with the Licensed Marks and the System, and Franchisee's right to use the Licensed Marks and the System is derived solely from this Agreement. Any unauthorized use of the Licensed Marks and/or the System by Franchisee or any of Franchisee's affiliates shall constitute an infringement of the rights of Franchisor in and to the Licensed Marks and/or the System. Franchisee agrees that all usage of the Licensed Marks and/or the System by Franchisee, and all goodwill associated with the Licensed Marks and System, shall exclusively benefit Franchisor without granting any goodwill interests or rights to Franchisee except for Franchisee's non-exclusive interest and limited right to use the Licensed Marks and the System in the operation of the Franchised Business, subject to the terms and conditions of this Agreement. Franchisee shall not, at any time during the Term or after the expiration, termination or Transfer of this Agreement, contest the validity or ownership of the Licensed Marks, the System, Web Based Media, Published Content, and/or the goodwill associated with the Licensed Marks and the System, and at no time shall Franchisee assist any other person in contesting the validity or ownership of the Licensed Marks, the System, Web Based Media, Published Content, and/or the goodwill associated with the Licensed Marks and the System. Franchisee and each Owner shall not take any action

that prejudices or interferes with the validity of Franchisor's rights with respect to Licensed Marks, the System, Web Based Media, Published Content, and/or the goodwill associated with the Licensed Marks and the System

**11.B. USE OF THE LICENSED MARKS**

Franchisee agrees that the Licensed Marks shall be the sole identification of the Franchised Business. Franchisee must operate, advertise and market the Franchised Business only under the Licensed Marks as designated and specified by Franchisor in Franchisor's Reasonable Business Judgment. Franchisee shall not use the Licensed Marks as part of its corporate or other legal name, and Franchisee shall not use the Licensed Marks with modifying words, terms, designs, or symbols, or in any modified form. Franchisee shall comply with Franchisor's instructions in filing and maintaining their requisite trade name or fictitious name registrations as may be required by applicable law.

**11.C. NOTIFICATION OF INFRINGEMENT AND CLAIMS**

Franchisee must notify Franchisor immediately in writing of any apparent infringement of or challenge to Franchisee's use of any Licensed Mark, the System, or claim by any person of any rights in any Licensed Mark, System feature or component or any similar trade name, trademark or service mark of which Franchisee becomes aware. Franchisee must not communicate with any person other than Franchisor and its counsel in connection with any infringement, challenge or claim. Franchisor and/or its licensor has sole discretion to take any action it deems appropriate and the right to exclusively control any litigation or administrative proceeding arising out of any infringement, challenge or claim or otherwise relating to any Licensed Mark. Franchisee agrees to execute all documents, render assistance and take all actions as may be necessary or advisable to protect and maintain the interests of Franchisor and/or its licensor in any litigation or other administrative proceeding or to otherwise protect and maintain the interests of Franchisor and/or its licensor in the Licensed Marks. Franchisor will reimburse Franchisee for reasonable direct expenses incurred by Franchisee in assisting Franchisor in any such litigation or administrative proceeding.

**11.D. DISCONTINUANCE OF USE OF LICENSED MARKS**

Franchisee agrees that at any time should Franchisor determine, in Franchisor's sole discretion and based on Franchisor's Reasonable Business Judgment, that it is advisable for Franchisor, the System, and/or Franchisee to replace, modify, substitute, and/or discontinue use of any Licensed Marks, then Franchisee shall comply with Franchisor's determination and instructions as to the replacement, modification, substitution, and/or discontinuance of such Licensed Marks. Franchisee shall comply within the foregoing requirements within a reasonable time period after notice by Franchisor. If Franchisee is required to take action pursuant to instruction by Franchisor pursuant to this Article 11.D. or, if Franchisee is otherwise required to replace, modify, substitute, and/or discontinue use of any Licensed Marks, the sole liability and obligation of Franchisor to Franchisee shall be to reimburse Franchisee for the reasonable and direct costs incurred by Franchisee in complying with this obligation, which Franchisee shall document to the satisfaction of Franchisor. Franchisor maintains the exclusive right, in Franchisor's Reasonable Business Judgment, to, in whole or in part, replace, modify, substitute and/or discontinue any and all features and/or components of the Licensed Marks and/or the System at any time.

**11.E. INDEMNIFICATION OF FRANCHISEE**

If Franchisee is sued in a legal proceeding or is threatened with legal action and/or a notice of infringement by a third party where the claims and/or causes of action directly relate to a third party claiming trademark infringement, unfair competition, and/or trademark dilution as a result of Franchisee's use of the Licensed Marks in accordance with the terms of this Agreement and the System (the "IP Claim"), then Franchisor shall indemnify Franchisee for the reasonable and direct costs incurred by Franchisee and/or a judgment entered against Franchisee, provided: (a) Franchisee immediately notified Franchisor of the IP Claim by a written notice sent to Franchisor via priority overnight courier; (b) Franchisee provided and afforded Franchisor the absolute opportunity and right to defend against the IP Claim and to select and appoint legal

counsel of Franchisor's choosing; and (c) Franchisee utilized the Licensed Marks in accordance with the terms of this Agreement and the System. Franchisee agrees that time is of the essence with respect to notifying Franchisor of the IP Claim in accordance with this Agreement, including this Article 11.E.

### 11.F. OWNERSHIP OF INNOVATIONS, IMPROVEMENTS AND INFORMATION

Franchisee agrees that with regard to the Franchised Business, all customer lists, including the contents and information contained in all customer lists, constitute Confidential Information and an asset of Franchisor whether or not such information was supplied by Franchisor. During the Term, and in connection with the development, establishment, marketing, promotion and operation of the Franchised Business, Franchisee shall disclose to Franchisor all of Franchisee's ideas, concepts, methods, and products conceived or developed by Franchisee, any Owner, and/or Franchisee's affiliates, officers, directors, shareholders, partners, agents, members, representatives, independent contractors, servants and employees relating to the development and operation of Frios Businesses and the System. Franchisee hereby assigns to Franchisor, and Franchisee agrees to procure an assignment of any such ideas, concepts, recipes, methods, and products that Franchisee is required to disclose to Franchisor under this Article 11.F. from each Owner and Franchisee's affiliates, officers, directors, shareholders, partners, agents, members, representatives, independent contractors, servants and employees. Franchisor shall have no obligation to tender any lump sum payment, on-going payments, or any other consideration to Franchisee, any Owner, each Owner and Franchisee's affiliates, officers, directors, shareholders, partners, agents, members, representatives, independent contractors, servants and employees with respect to any such idea, concept, method, technique or product. Franchisee agrees that Franchisee shall not use, or allow any other person or entity to use, any such concept, method, technique, or product without obtaining Franchisor's prior written approval.

## ARTICLE 12
## RECORDS AND REPORTS

### 12.A. MAINTENANCE AND PRESERVATION OF RECORDS

Franchisee shall maintain during the Term and preserve for at least three years from the dates of their preparation, full, complete and accurate books, records, and accounts from the Franchised Business. Such records shall be maintained and preserved in the form and manner by Franchisor in the Operations Manual or otherwise in writing.

### 12.B. REPORTING OBLIGATIONS

In additional to the reporting obligations otherwise set forth in this Agreement, Franchisee agrees to the following additional reporting obligations that shall include all of the data and information requested by Franchisor, in Franchisor's Reasonable Business Judgment, and as may be modified by Franchisor from time to time:

Royalty and Activity Reports – on the Due Date each month, Franchisee shall report, transmit, confirm, and/or otherwise make available to Franchisor, the Royalty and Activity Report as designated by Franchisor and in accordance with the terms of this Agreement;

(2) Monthly Financial Statements and Reports – within 30 days of the end of each calendar month Franchisee shall submit to Franchisor monthly financial statements and other reports related to the operations of the Franchised business including, but not limited to, income statement, statement of cash flows, balance sheet, and other operational reports designated by Franchisor. At all times Franchisee represents that the financial statements, information, and reports submitted to and/or made available to Franchisor shall be and remain true and accurate. The financial statements must be prepared in accordance with GAAP and must also reconcile Gross Sales per GAAP to Gross Sales per this Agreement;

(3) Annual Financial Statements and Reports – within 60 days of the end of each calendar year, Franchisee shall submit to Franchisor Franchisee's annual financial statements and other reports related to the operations of the Franchised business including, but not limited to, income statement, statement of cash flows, balance sheet, and other operational reports designated by Franchisor. The financial statements must be prepared by a licensed CPA and in accordance with GAAP and, additionally, shall reconcile Gross Sales per GAAP to Gross Sales per this Agreement;

(4) Tax Returns – Franchisee shall provide to Franchisor, Franchisee's annual federal, state and local tax returns as same are prepared and submitted to the applicable federal, state and local entities. Said tax returns shall be submitted to Franchisor within 45 days of Franchisee or Franchisee's agent filing such returns with the applicable federal, state and local entities; and

(5) Other Reports – Franchisee shall timely submit to Franchisor, all other forms, reports, records, information, and data as Franchisor may reasonably request in writing or as otherwise set forth in the Operations Manual.

### 12.C. REMEDIES FOR NON-COMPLIANCE WITH RECORDS AND REPORTING

In addition to all other rights afforded to Franchisor under this Agreement, in connection with any, each, and every violation of any term, provision, and/or operational requirement as set forth in this Article 12 (a "Reporting Violation"), within 14 days of Franchisor's invoice, Franchisee shall pay to Franchisor a reporting non-compliance fee (the "Reporting Non-Compliance Fee") in the amount of $150 for each and every failure to timely submit a report and/or record as set forth in this Article 12. The foregoing does not constitute Franchisor's consent to and/or acquiescence to Reporting Violations. Nothing contained in this Article 12.C. shall be interpreted as interfering with and/or negating Franchisor's rights and remedies as set forth in Article 16, and as otherwise set forth in this Agreement. All rights and remedies of Franchisor are cumulative and shall be interpreted as cumulative to one another.

## ARTICLE 13
## INSPECTION AND AUDITS

### 13.A. FRANCHISOR'S RIGHT TO INSPECT

Franchisor has the right at any time during business hours, and without prior notice to Franchisee, to inspect Franchisee's Sweet Ride Van, Happiness Hauler Trailer, Nelson Cart(s), and System Supplies. Franchisee shall fully cooperate with representatives of Franchisor making any inspection and permit such representatives of Franchisor to take photographs, videos, and/or recordings of the Franchised Business, operations of the Franchised Business, interview employees and customers of the Franchised Business, conduct secret-shopper inspections, and other inspections either with or without notice to Franchisee. Franchisor shall undertake reasonable efforts to minimize the impact of any inspection on the operations of the Franchised Business.

### 13.B. FRANCHISOR'S RIGHT TO EXAMINE BOOKS AND RECORDS

Franchisor has the right at any time during business hours, and without prior notice to Franchisee, to examine or audit, or cause to be examined or audited by a third party, the business records, cash control devices, bookkeeping and accounting records, bank statements, sales and income tax records and returns, and other books, statements, and records of the Franchised Business and Franchisee. Franchisee shall maintain complete and accurate copies of all such books, statements, records and supporting documents at all times at Franchisee's Sweet Ride Van, Happiness Hauler Trailer, or Nelson Cart(s). Franchisee must fully cooperate with Franchisor, representatives of Franchisor, and third parties hired by Franchisor to conduct any such examination or audit. In the event Franchisor's examination of Franchisee's records reveals that Franchisee underreported any figure to Franchisor by more than 2%, then Franchisee shall reimburse to Franchisor, all of Franchisor's costs in connection with Franchisor's audit/examination.

## ARTICLE 14
## TRANSFER OF INTEREST

### 14.A. TRANSFER BY FRANCHISOR

At all times, Franchisor possesses and maintains the sole, absolute and unilateral right to Transfer and/or assign this Agreement, Franchisor's rights and obligations under this Agreement, and the Ancillary Agreements, in whole and/or in part (for any purpose and in any form of transaction as may be designated and/or elected by Franchisor, in Franchisor's sole discretion) to any person, entity, Corporate Entity and/or third party without the consent of Franchisee and without the approval of Franchisee or any other party. Nothing contained in this Agreement shall prevent, prohibit, restrict, hinder, enjoin or otherwise restrain Franchisor from selling, transferring, conveying, or assigning this Agreement and the Ancillary Agreements, and/or Franchisor's rights and obligations under this Agreement and the Ancillary Agreements, to any person, entity, Corporate Entity or other third party. Franchisor has an unrestricted and unequivocal right to Transfer and/or assign any of its rights or obligations under this Agreement and the Ancillary Agreements, in whole or in part, in Franchisor's sole discretion. In the event Franchisor Transfers and/or assigns this Agreement and/or the Ancillary Agreements, and/or any or all of Franchisor's rights and obligations set forth in this Agreement and/or the Ancillary Agreements, to a person, an entity, Corporate Entity, or other third party, this Agreement and the Ancillary Agreements, shall survive, remain in full force and effect, and inure to the benefit of the purchaser, transferee, conveyee, and/or assignee of this Agreement and/or the Ancillary Agreements and/or Franchisor's rights and obligations under this Agreement and/or the Ancillary Agreements.

### 14.B. FRANCHISEE MAY NOT TRANSFER WITHOUT FRANCHISOR APPROVAL

Franchisee agrees, and Franchisee represents and warrants that Franchisee's Owners understand and agree, that the rights and duties set forth in this Agreement are personal to Franchisee and each Owner. Therefore, Franchisee agrees that:

(1) No ownership interest of any Owner in Franchisee may be Transferred without the prior written consent of Franchisor;

(2) No obligations, rights or interest of Franchisee in (a) this Agreement, (b) the lease or ownership interests in Franchisee's Sweet Ride Van or Happiness Hauler Trailer, (c) the Franchised Business, or (d) all or substantially all of the assets of the Franchised Business may be Transferred without the prior written consent of Franchisor. This restriction shall not prohibit Franchisee from granting a mortgage, charge, lien, or security interest in the assets of the Franchised Business or this Agreement for the exclusive purpose of securing financing for the initial development (occurring prior to the Actual Opening Date) of the Franchised Business;

(3) Without limitation to the foregoing, any Transfer by Franchisee respecting and/or relating to this Agreement and/or the Franchised Business and/or assets associated with the Franchised Business will require the prior written consent of Franchisor where such Transfer occurs by virtue of: (a) divorce or legal dissolution of marriage; (b) insolvency; (c) dissolution of a Corporate Entity; (d) last will and testament; (e) intestate succession; or (f) declaration of, or transfer in trust;

(4) Any purported Transfer without the written consent of Franchisor, or otherwise in violation of this Agreement including, but not limited to this Article 14.B. shall constitute a breach of this Agreement and shall convey to the transferee no rights or interests in this Agreement; and

(5) In the event of a Transfer of this Agreement that is approved by Franchisor, Franchisee shall not be relieved of Franchisee's obligations under this Agreement whether said obligations accrued

and/or arose prior to and/or after the date of Transfer.

(6) We may but are not obligated to help you locate a lead to purchase your Franchised Business. If we provide the lead for your transfer, in addition to the Transfer Fee, you will also pay us a $5,000 lead procurement fee (the "Lead Procurement Fee"). We are under no obligation to sell your Franchised Business or assist you in the sale of your Franchised Business.

**14.C. CONDITIONS FOR APPROVAL OF TRANSFER**

Provided Franchisee and each Owner and Spouse, respectively, are in substantial compliance with this Agreement and the Ancillary Agreements, and Franchisor does not elect to exercise Franchisor's right of first refusal as set forth in Article 14.F. below, Franchisor shall not unreasonably withhold its approval of a Transfer by Franchisee or an Owner. The proposed transferee (including such assignee's owner(s) and spouse(s) if the proposed transferee is a Corporate Entity) must be of good moral character, have sufficient business experience, aptitude and financial resources to own and operate a Frios Business, and otherwise meet Franchisor's then applicable standards for franchisees as determined by Franchisor in its sole, but reasonable discretion. Furthermore, the proposed transferee and the proposed transferee's owners and spouses may not own or operate, or intend to own or operate, a Competitive Business. Franchisee agrees that Franchisor may condition approval of a Transfer upon Franchisee's satisfaction (either before, or contemporaneously with, the effective date of the Transfer) of the following:

(1) Franchisee must provide written notice to Franchisor of the proposed Transfer of this Agreement at least 30 days prior to the Transfer, and Franchisee must have also satisfied the obligations set forth in Article 14.F. below;

(2) All accrued monetary obligations of Franchisee and all other outstanding obligations to Franchisor and/or Franchisor's affiliates under this Agreement and the Ancillary Agreements must be satisfied in a timely manner, and Franchisee must satisfy all trade, supplier, and vendor accounts and other debts, of whatever nature or kind, in a timely manner;

(3) Franchisee, each Owner, and each Spouse must not be in default or material breach of this Agreement or the Ancillary Agreements;

(4) The transferee shall be bound by all terms and conditions of this Agreement, and each owner of the transferee and their respective spouses shall personally execute the Owner and Spouse Agreement and Guaranty in the form attached to this Agreement as Exhibit 1;

(5) All obligations of Franchisee under this Agreement and the Ancillary Agreements shall be assumed by the transferee, each individual owner of transferee, and their respective spouses in a manner satisfactory to Franchisor;

(6) Franchisee, each Owner, and each Spouse must execute the General Release attached to this Agreement as Exhibit 5 releasing Franchisor, Franchisor's affiliates and Franchisor's past and present officers, directors, shareholders, members, partners, agents, representatives, independent contractors, servants and employees, of any and all claims against Franchisor for matters arising on, or before, the effective date of the Transfer;

(7) If the proposed Transfer includes or entails the Transfer of this Agreement, substantially all of the assets of the Franchised Business, a controlling interest in Franchisee, or is one of a series of Transfers which in the aggregate Transfers substantially all of the assets of the Franchised Business or a controlling interest in Franchisee, then, at the election of Franchisor and upon notice from Franchisor to Franchisee, the transferee may be required to execute (and/or, upon Franchisee's

request, shall cause all interested parties to execute) for a term ending on the expiration date of the original Term of this Agreement, the then current standard form Franchise Agreement offered to new franchisees of Frios Businesses and any other agreements as Franchisor requires. Such agreements shall supersede this Agreement and its associated agreement in all respects, and the terms of Franchisor's then current agreements may differ from the terms in this Agreement, provided that such agreements shall provide for the same Royalty Fee, Advertising Contributions, and all other financial or monetary obligations established in this Agreement;

(8) The transferee, at its expense, must improve, modify, refurbish, renovate, remodel, and/or otherwise upgrade Franchisee's Frios Sweet Ride Van, Frios Happiness Hauler Trailer, or Nelson Carts to conform to the then current standards and specifications of Franchisor, and the transferee must complete such improvements, modifications, refurbishments, renovations, remodeling, and/or upgrading within the time period Franchisor reasonably specifies;

(9) Franchisee, each Owner, and each Spouse shall remain liable for all obligations to Franchisor set forth in this Agreement;

(10) At the transferee's expense, the transferee, and the transferee's Managing Owner, managers and/or any other applicable employees of transferee's Frios Business must complete any training programs then in effect for franchisees of Frios Businesses upon terms and conditions set forth in this Agreement or as Franchisor otherwise reasonably requires;

(11) Franchisee must pay the Transfer Fee to Franchisor;

(12) Franchisor's approval of the material terms and conditions of the Transfer, and Franchisor determines in Franchisor's Reasonable Business Judgment that the price and terms of payment are not so burdensome as to be detrimental to the future operations of the Franchised Business by the transferee;

(13) Transferee's employees, directors, officers, independent contractors, and agents who will have access to Confidential Information shall execute the Confidentiality Agreement attached hereto as Exhibit 2;

(14) Franchisee entering into an agreement with Franchisor agreeing to subordinate any obligations of transferee to make installment payments of the purchase price to Franchisee to the transferee's obligations to Franchisor, including, without limitation, transferee's obligations with respect to Royalty Fees and Advertising Contributions;

(15) Franchisee and transferee acknowledge and agree that Franchisor's approval of the Transfer indicates only that the transferee meets, or Franchisor waived, the criteria established by Franchisor for franchisees as of the time of such transfer, and Franchisor's approval thereof does not constitute a warranty or guaranty by Franchisor, express or implied, of the suitability of the terms of sale, successful operation, or profitability of the Franchised Business;

(16) Franchisee and transferee acknowledge and agree that Franchisor's approval of the Transfer at issue does not constitute Franchisor's approval of future or other Transfers or the waiver of the requirement that Franchisor must approve such future or other Transfers in accordance with this Agreement;

(17) The Transfer must be made in compliance with all applicable laws;

(18) The Transfer of the Franchised Business, the lease for Franchisee's Frios Sweet Ride Van or Frios Happiness Hauler Trailer, and the assets of the Franchised Business shall be made only in conjunction with a Transfer of this Agreement, approved by Franchisor in accordance with and subject to this Article 14 and the terms and conditions of this Agreement; and

(19) Franchisor's consent to a Transfer of any interest that is subject to the restrictions of this Agreement shall not constitute a waiver of any claims it may have against Franchisee or deemed a waiver of Franchisor's right to demand strict and exact compliance with this Agreement by the transferee.

## 14.D. DEATH OR DISABILITY OF FRANCHISEE OR AN OWNER

(1) If Franchisee is an individual and not a Corporate Entity, upon the death or permanent disability of Franchisee, the executor, administrator, conservator or other personal representative of Franchisee, must appoint a manager that meets the equivalent of an Operating Manager within a reasonable time, which shall not exceed 30 days from the date of death or permanent disability. The appointed manager (as applicable) must serve and qualify as an Operating Manager and attend and successfully complete the Training Program within 60 days of the appointment. If Franchisee's Frios Business is not being managed by a Franchisor approved Operating Manager (as applicable) within 30 days after such death or permanent disability, Franchisor is authorized, but is not required, to immediately appoint a manager to maintain the operations of Franchisee's Frios Business for, and on behalf of, Franchisee at Franchisee's sole costs until an approved Operating Manager is able to assume the management and operation of Franchisee's Frios Business. Franchisor's appointment of a manager for Franchisee's Frios Business does not relieve Franchisee of its obligations under this Agreement, including this Article 14.D., or constitute a waiver of Franchisor's right to terminate this Agreement pursuant to Article 16, below. At all times, including while Franchisee's Frios Business may be managed by Franchisor's appointed manager, Franchisor shall not be liable for any debts, losses, costs, or expenses incurred in the operations of Franchisee's Frios Business or to any creditor of Franchisee for any products, materials, supplies or services purchased by Franchisee's Frios Business. Franchisor has the right to charge a reasonable fee (the "Management Service Fees") for such management services and may cease to provide management services at any time.

(2) If Franchisee is a Corporate Entity, upon the death or permanent disability of Franchisee's Managing Owner, the remaining Owners within a reasonable time, which shall not exceed 30 days from the date of death or permanent disability, must appoint a new Managing Owner that is approved by Franchisor. The appointed Managing Owner must attend and successfully complete the Training Program within 60 days of the appointment. If Franchisee's Frios Business is not being managed by a Franchisor approved Managing Owner (as applicable) within 30 days after such death or permanent disability, Franchisor is authorized, but is not required, to immediately appoint a manager to maintain the operations of Franchisee's Frios Business for, and on behalf of, Franchisee at Franchisee's sole costs until an approved Managing Owner is able to assume the management and operation of Franchisee's Frios Business. Franchisor's appointment of a manager for Franchisee's Frios Business does not relieve Franchisee of its obligations under this Agreement, including this Article 14.D., or constitute a waiver of Franchisor's right to terminate this Agreement pursuant to Article 16, below. At all times, including while Franchisee's Frios Business may be managed by Franchisor's appointed manager, Franchisor shall not be liable for any debts, losses, costs, or expenses incurred in the operations of Franchisee's Frios Business or to any creditor of Franchisee for any products, materials, supplies or services purchased by Franchisee's Frios Business. Franchisor has the right to charge a reasonable fee for such management services and may cease to provide management services at any time. Notwithstanding the foregoing, if Franchisee is a Corporate Entity and the Managing Owner is the only Owner of Franchisee, then Article 14.D.(1) shall apply as if the Managing Owner were the sole individual Franchisee.

(3) Upon the death of Franchisee or any Owner, the executor, administrator, conservator or other personal representative of that deceased person must transfer his interest to a person Franchisor approves within a reasonable time, not to exceed 12 months from the date of death.

(4) If Franchisee is an individual, then in the event of the death or permanent disability of Franchisee, this Agreement may be Transferred to any designated person, heir or beneficiary without the payment of the Transfer Fee. Notwithstanding the immediately foregoing sentence, the Transfer of this Agreement to such transferee of Franchisee shall be subject to the applicable terms and conditions of this Article 14, and the Transfer shall not be valid or effective until Franchisor has received the properly executed legal documents, which Franchisor's attorneys deem necessary to properly and legally document such Transfer of this Agreement. Furthermore, said transferee must agree to be unconditionally bound by the terms and conditions of this Agreement, personally guarantee the performance of Franchisee's obligations under this Agreement, and execute the Owner and Spouse Agreement and Guaranty attached to this Agreement as Exhibit 1.

**14.E. TRANSFER TO WHOLLY OWNED CORPORATE ENTITY**

In the event Franchisee is an individual/are individuals, this Agreement may be Transferred by Franchisee to a Corporate Entity (the "Assignee Corporate Entity"), provided that: (a) Franchisee has provided Franchisor with 30 days prior written notice of the proposed Assignment of this Agreement; (b) Franchisee (individually, jointly and severally as to each individual Franchisee) shall sign and be bound by the Owner and Spouse Agreement and Guaranty attached to this Agreement as Exhibit 1; (c) the Spouse of each Franchisee (individually, jointly and severally as to each individual Spouse) sign and be bound by the Owner and Spouse Agreement and Guaranty attached to this Agreement as Exhibit 1; (d) Franchisee has provided Franchisor with true and accurate copies of corporate formation documents related to the Assignee Corporate Entity and the ownership of the Assignee Corporate Entity and has further provided Franchisor with all additional documentation as Franchise may request concerning the proposed assignment and/or Assignee Corporate Entity; and (e) Franchisee is otherwise in compliance with the terms and conditions of this Agreement and any Ancillary Agreements. Franchisee agrees that an assignment to an Assignee Corporate Entity shall not relieve Franchisee of Franchisee's individual obligations under this Agreement as such obligations existed between Franchisee and Franchisor prior to the date of any assignment to the Assignee Corporate Entity.

**14.F. FRANCHISOR'S RIGHT OF FIRST REFUSAL**

If Franchisee or an Owner desire to engage, in whole or in part, in a Transfer of Franchisee, this Agreement, Franchisee's Frios Business, Franchisee's Sweet Ride Van, Happiness Hauler Trailer, and/or Nelson Cart(s), then Franchisee or such Owner (as applicable) must obtain a bona fide, signed written offer from the fully disclosed purchaser (the "Offer") and submit an exact copy of the Offer to Franchisor. Franchisor shall have 30 days after receipt of the Offer to decide whether Franchisor will purchase the interest in Franchisee, Franchisee's Frios Business, Franchisee's Sweet Ride Van, Happiness Hauler Trailer, and/or Nelson Cart(s) for the same price and upon the same terms contained in the Offer (however, Franchisor may substitute cash for any form of payment proposed in the Offer). If Franchisor notifies Franchisee that Franchisor intends to purchase the interest within said 30 day period, Franchisee or Owner (as applicable) must sell the interest to Franchisor. Franchisor will have at least an additional 60 days to prepare for closing. Franchisor shall be entitled to receive from Franchisee or Owner (as applicable) all customary representations and warranties given by Franchisee or Owner (as applicable) as the seller of the assets and/or the ownership interest or, at Franchisor's election, the representations and warranties contained in the offer. If Franchisor does not exercise its right of first refusal, Franchisee or Owner (as applicable) may complete the Transfer to the purchaser pursuant to and in accordance with the terms of the Offer, provided that separate and apart from this Article 14.F. right of first refusal, Franchisee complies with the terms of this Article 14. However, if the sale to the purchaser is not completed within 120 days after delivery of the

Offer to Franchisor, or there is a material change in the terms of the sale, Franchisor will again have the right of first refusal specified in this Article 14.F. Franchisor's right of first refusal in this Article 14.F. shall not apply to any Transfer pursuant to Article 14.E. of this Agreement.

## ARTICLE 15
## RENEWAL OF FRANCHISE

### 15.A. FRANCHISEE'S RIGHT TO RENEW

Subject to Franchisee's satisfaction of the terms of this Agreement, including this Article 15, Franchisee shall possess the option to renew the franchise for Franchisee's continued license and franchised operation of the Franchised Business for one additional 10 year term (the "Renewal Term"). The foregoing Renewal Term shall not be afforded to or available to Franchisee if, prior to the Effective Date of this Agreement, the Franchised Business was previously operated or developed pursuant to a prior Franchise Agreement with Franchisor or Franchisor's predecessors respecting the Franchised Business.

### 15.B. CONDITIONS FOR RENEWAL

Franchisee's renewal rights under this Article 15 are subject to and contingent upon Franchisee's satisfaction of the following conditions and criteria:

(1) Not less than 180 days prior to the expiration of the Term but not greater than 270 days prior to the expiration of the Term, Franchisee shall have provided Franchisor with written notice (the "Renewal Notice") of Franchisee's election to renew;

(2) At the time of delivering the Renewal Notice and at all times thereafter, Franchisee and Franchisee's Owners must be in compliance with the terms of this Agreement and all Ancillary Agreements, and without any default of this Agreement or the Ancillary Agreements;

(3) Franchisee must possess, present, and demonstrate to Franchisor and, subject to Franchisor's reasonable satisfaction, that: (a) Franchisee maintains the ability to continue to operate the Franchised Business within Franchisee's Operating Territory; and (b) Franchisee possesses the right to occupy and maintain Franchisee's Sweet Ride Van, Happiness Hauler Trailer, and Nelson Carts in accordance with Franchisor's then current standards and specifications;

(4) Franchisee must satisfy the maintenance, update, and upgrade obligations as set forth in this Agreement;

(5) Franchisee pays the Renewal Fee and Franchisee agrees to, signs, and delivers to Franchisor, within 30 days of the date of delivery by Franchisor to Franchisee, Franchisor's then current form Franchise Agreement for the Renewal Term (the "Renewal Franchise Agreement");

(6) Franchisee's Owners and their Spouses, respectively, must agree to, sign, and deliver to Franchisor, within 30 days of the date of delivery by Franchisor to Franchisee, Franchisor's then current individual guaranty agreements, and, thereby, among other things, individually and jointly guarantee the full and complete performance of the Renewal Franchise Agreement including, but not limited to, payment obligations, non-compete obligations, and restrictive covenants (the "Renewal Ancillary Agreements");

(7) Franchisee and the Owners must, prior to the Renewal Term, undertake and complete, to Franchisor's satisfaction, such additional training, if any, as designated and determined by Franchisor in Franchisor's Reasonable Business Judgment; and

(8) Franchisee and the Owners must agree to, sign, and deliver to Franchisor, within 30 days of the date of delivery by Franchisor to Franchisee, Franchisor's then current form of general release whereby Franchisee and Franchisee's Owners shall each fully release and discharge Franchisor, Franchisor's affiliates and it's officers, directors, shareholders, partners, agents, representatives, independent contractors, servants, employees, successors and assigns from any and all claims, causes of action, and suits arising from and/or related to this Agreement. If local law precludes Franchisee's issuance of a general release, Franchisor at Franchisor's election, may condition renewal on Franchisee's and each Owner's delivery to Franchisor of an estoppel letter advising and informing Franchisor that the undersigned possesses no legal claim or cause of action against Franchisor and is not aware of any facts of circumstances involving any breach of this Agreement by Franchisor or Franchisor's agents or employees.

Failure by Franchisee, and, as applicable, each Owner and Spouse to timely comply with the foregoing conditions shall be deemed an election by Franchisee to not renew the Franchise Agreement.

### 15.C. RENEWAL FRANCHISE AGREEMENT

Franchisee agrees that the Renewal Franchise Agreement and Renewal Ancillary Agreements, as determined by Franchisor in Franchisor's sole discretion, may contain terms, conditions, requirements, and rights that are materially and substantively different from those granted and contained in this Agreement.

## ARTICLE 16
## DEFAULTS AND REMEDIES

### 16.A. DEFAULTS BY FRANCHISEE AND TERMINATION BY FRANCHISOR

(1) **Defaults and Automatic Termination** – At the election of Franchisor, Franchisee shall be in default of this Agreement and this Agreement shall be automatically and immediately terminated, without notice to Franchisee and without providing Franchisee any opportunity to cure, upon the occurrence of any one or more of the following actions, inactions, omissions, events, and/or circumstances:

(a) Franchisee becomes insolvent, and/or Franchisee makes a general assignment for the benefit of creditors or takes any other similar action for the protection or benefit of creditors;

(b) Franchisee admits in writing Franchisee's inability to pay its debts as they mature, and/or Franchisee gives notice to any governmental body or agency of insolvency, pending insolvency, suspension of operations and/or pending suspension of operations;

(c) Franchisee files a voluntary petition in bankruptcy, Franchisee is adjudicated bankrupt or insolvent, and/or Franchisee files any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or other similar relief under any applicable federal and/or state law relative to bankruptcy, insolvency or similar relief for debtors;

(d) An involuntary petition in bankruptcy is filed against Franchisee and Franchisee fails to have the involuntary petition discharged within 35 days of the petition filing, and/or Franchisee seeks, consents to, or acquiesces in, the appointment of any trustee, receiver, conservator, custodian or liquidator for Franchisee's business or any assets of Franchisee;

(e) A bill in equity or other proceeding for the appointment of any trustee, receiver, conservator, custodian or liquidator of Franchisee for Franchisee's business or any assets of Franchisee is filed and Franchisee consents to same;

(f) A court of competent jurisdiction appoints or orders any trustee, receiver, conservator, custodian or liquidator for Franchisee's business or any assets of Franchisee and such appointment or order remains for an aggregate of 60 days, whether or not consecutive, from the date of entry thereof;

(g) Franchisee initiates proceedings for a composition with creditors under any state or federal law or such a proceeding is initiated against Franchisee;

(h) This Agreement, or any of Franchisee's rights under this Agreement, is levied upon under any attachment or execution, and/or Execution is levied upon or against the Franchised Business or any assets of Franchisee, and/or a final judgment against Franchisee remains of record or unsatisfied for 30 days or more, unless an appeal and/or bond is filed;

(i) Franchisee is dissolved;

(j) A cause of action or lawsuit to foreclose any lien or mortgage against the assets of the Franchised Business;

(k) A cause of action or lawsuit to foreclose any lien against equipment used in the operation of the Franchised Business and/or Franchisee's Sweet Ride Van, Franchisee's Happiness Hauler Trailer, and/or Franchisee's Nelson Cart(s) not dismissed within 60 days after the summons is served on Franchisee;

(l) Real or personal property of Franchisee used in the operation of the Franchised Business is sold after levy thereupon by any sheriff, marshal or other law enforcement officer; and/or

(m) Upon termination by Franchisor pursuant to Article 16.A.(2), Article 16.A.(3), or Article 16.A.(4) of this Agreement.

(2) **Defaults and Automatic Termination upon Written Notice without Cure Period** – Franchisee shall be in default of this Agreement, and, this Agreement may be terminated by Franchisor, at Franchisor's sole discretion, upon written notice from Franchisor to Franchisee and without providing Franchisee any opportunity to cure, upon the occurrence of any one or more of the following actions, inactions, omissions, events, and/or circumstances, with such termination effective on the date of Franchisor's notice:

(a) Franchisee, on three or more instances and/or occasions, engages, commits, and/or suffers an action, inaction, omission, event, and/or circumstance that constitutes or qualifies as a default under Articles 16.A.(3) and/or 16.A.(4) of this Agreement, irrespective of whether or not such action, inaction, omission, event, and/or circumstance is the subject of a notice of default from Franchisor to Franchisee pursuant to Articles 16.A.(3) and/or 16.A.(4) of this Agreement and irrespective of whether or not such default was timely cured and irrespective of whether or not Franchisee paid any penalties or additional fees to Franchisor;

(b) Franchisee, intentionally and knowingly, refuses to comply with and/or breaches any term, condition, provision, and/or requirement of this Agreement with the intent of causing harm to Franchisor, the System, other System franchisee and/or customers of the Franchised Business;

(c) Franchisee intentionally, knowingly, with prior notice, and/or through negligence, at any time, develops, manages, maintains, and/or operates the Franchised Business in violation of

federal, state, and/or local laws, rules, regulations, ordinances, permits, codes and/or conduct resulting in a foreseeable, immediate and/or imminent threat to the health and/or safety of any third party including customers, employees, and/or the public at large;

(d) Franchisee abandons, surrenders and/or fails to continuously and actively operate the Franchised Business, unless prevented from doing so by casualty that is the subject of Article 7.D. of this Agreement and that is cured/remedied in accordance with Article 7.D.;

(e) Franchisee, as to applicable, laws, rules and/or regulations, loses and/or fails to continuously possess, the legal right to operate Franchised Business in accordance with the terms of this Agreement and the standards, specifications, and requirements set forth in the Operations Manual and/or as otherwise communicated by Franchisor from time to time;

(f) As to information, records, statements, and/or data that Franchisee must maintain and/or report to Franchisor pursuant to the terms of this Agreement, the Operations Manual, or as otherwise requested by Franchisor from time to time, the information, records, statements, and/or data maintained by Franchisee and/or reported by Franchisee contains intentional inaccuracies and/or material inaccuracies that are either misleading or false;

(g) Franchisee attempts to Transfer, or purportedly attempts to Transfer, this Agreement or any of Franchisee's rights under this Agreement, without Franchisor's prior approval, written consent, and/or otherwise not in accordance with this Agreement;

(h) If Franchisee is a Corporate Entity, an Owner of Franchisee attempts to Transfer, or purportedly Transfers, the Owners equity interests, ownership interests, and/or rights in Franchisee without Franchisor's prior approval, written consent, and/or otherwise not in accordance with this Agreement;

(i) Franchisee discloses, divulges, provides access to, communicates, and/or permits the communication of the contents, data and/or information contained in the Operations Manual to any third party not otherwise authorized by Franchisor;

(j) Franchisee discloses, divulges, provides access to, communicates, and/or permits the communication of Confidential Information to any third party not otherwise authorized by Franchisor;

(k) Franchisee engages in any activity that injures, harms, damages, or otherwise has a material adverse effect on Franchisor, the System, the Licensed Marks, Frios Businesses, the Franchised Business, and/or the reputation of the Frios brand;

(l) Franchisee, an Owner, and/or a Spouse, as applicable and whether individually or jointly, breaches or is in default of an Ancillary Agreement, and, if the applicable agreement provides for the opportunity to cure, fails to timely cure the breach or default of the Ancillary Agreement, including, without limitation, the Owner and Spouse Agreement and Guaranty;

(m) Franchisee and/or an Owner of Franchisee is convicted of a felony crime, and/or pleads guilty or nolo contendere to a felony crime;

(n) Franchisee and/or an Owner of Franchisee engages in intentionally dishonest and/or unethical conduct that, in Franchisor's Reasonable Business Judgment, results in embarrassment to Franchisor, the System, the Licensed Marks, Frios Businesses, the

Franchised Business, and/or the reputation of the Frios brand;

(o) Franchisee fails to complete, to Franchisor's reasonable satisfaction, the Training Program and/or supplemental training programs designated by Franchisor;

(p) Franchisee fails, upon receiving actual or constructive notice, shall: (1) immediately notify Franchisor of any known breach of the Confidentiality Agreement by any person or entity; (2) immediately notify Franchisor of facts and information that would cause a reasonable person to believe that a person or entity violated the Confidentiality Agreement and/or is in the process of violating the Confidentiality Agreement; and (3) take reasonable steps including ,notice to Franchisor and Franchisee's consultation with Franchisee's legal counsel, to prevent any person or entity from violating the terms of the Confidentiality Agreement and/or otherwise publicly disseminating Confidential Information;

(q) Franchisee misappropriates, misuses, or makes any unauthorized use of the Licensed Marks, the Confidential Information, and/or the System and/or Franchisee materially impairs the goodwill associated with the Licensed Marks, and/or Franchisee applies for registration of the Licensed Marks anywhere in the world; and/or

(r) Franchisee and/or an Owner fails to comply with Anti-Terrorism Laws or becomes listed on the Annex to Executive Order 13244.

(3) **Defaults and Automatic Termination After 10 Day Cure Period** – Franchisee shall be in default of this Agreement and, this Agreement shall be terminated, upon the occurrence of any one or more of the following actions, inactions, omissions, events, and/or circumstances, unless, Franchisee timely cures, to the satisfaction of Franchisor, such default / action, inaction, omission, event, and/or circumstance within 10 calendar days of Franchisor's written notice:

(a) Franchisee fails, refuses, and/or is unable to timely pay and/or satisfy the Royalty Fee, Advertising Contribution, and/or any other payment, fee, financial obligation, charge, and/or monetary obligation payable and/or due to Franchisor pursuant to the terms of this Agreement, under this Agreement, and/or any other agreement between Franchisor and Franchisee;

(b) Franchisee and/or Franchisee's affiliate fails, refuses, and/or is unable to pay and/or satisfy any payment, fee, financial obligation, charge, and/or monetary obligation payable to Franchisor and/or Franchisor's affiliates pursuant to this Agreement and/or any other agreement between or among Franchisor, Franchisor's affiliate, Franchisee and/or Franchisee's affiliate; and/or

(c) Franchisee fails or refuses, at any time, and, without legal justification as may be determined by Franchisor in Franchisor's Reasonable Business Judgment, to pay any third party supplier or vendor for any goods, products, supplies, equipment, materials and/or any other items used by, benefitting, and/or intended to benefit the Franchised Business.

The foregoing events of default set forth in this Article 16.A.(3) shall exclude events of default that are otherwise governed by and/or constitute events of default under Article 16.A.(1) or Article 16.A.(2). In the event of any inconsistency or conflict between the provisions of this Article 16.A.(3) with Article 16.A.(1), Article 16.A.(1) shall take precedence and govern. In the event of any inconsistency or conflict between the provisions of this Article 16.A.(3) with Article 16.A.(2), Article 16.A.(2) shall take precedence and govern.

(4) **Defaults and Automatic Termination After 30 Day Cure Period** – Franchisee shall be in default of this Agreement and, this Agreement shall be terminated, upon the occurrence of any one or more of the following actions, inactions, omissions, events, and/or circumstances, unless, Franchisee timely cures, to the satisfaction of Franchisor, such default / action, inaction, omission, event, and/or circumstance within 30 calendar days of Franchisor's written notice:

(a) Franchisee fails or refuses to comply with and/or breaches any term, condition, provision, and/or requirement of this Agreement that is not otherwise a default under Articles 16.A.(1), 16.A.(2), or 16.A.(3) of this Agreement;

(b) Franchisee fails or refuses to comply with and/or breaches any term, condition, provision, and/or requirement of any agreement, other than this Agreement, between Franchisor and Franchisee, and/or an affiliate of Franchisor and Franchisee;

(c) Franchisee fails or refuses, in accordance with the terms of this Agreement, to obtain and secure a signed lease for a Sweet Ride Van or Happiness Hauler Trailer that is approved by Franchisor, in Franchisor's Reasonable Business Judgment, as Franchisee's Sweet Ride Van or Happiness Hauler Trailer or Franchisee fails or refuses, in accordance with the terms of this Agreement, to obtain and secure three Nelson Carts;

(d) Franchisee fails or refuses to develop and open the Franchised Business on or before the Scheduled Opening Date, in compliance with the terms of this Agreement, as designated or specified in the Operations Manual, and/or in accordance with Franchisor's standards and specifications as communicated to Franchisee from time to time;

(e) Franchisee fails or refuses, at any time, to manage, maintain, and/or operate the Franchised Business in compliance with the terms of this Agreement, as designated or specified in the Operations Manual, and/or in accordance with Franchisor's standards, specifications, and requirements as communicated to Franchisee from time to time;

(f) Franchisee fails or refuses, at any time, to develop, manage, maintain, and/or operate the Franchised Business in compliance with all applicable federal, state, and local laws, rules, regulations, ordinances, permits, and codes;

(g) At any time, an inspection and/or evaluation of the operations of the Franchised Business – whether by mystery shopper programs, third party inspection services, or as otherwise designated by Franchisor, and, whether or not such inspections are on notice or secret – Franchisor, in Franchisor's Reasonable Business Judgment, determines that the operations of the Franchised Business do not meet or are in violation of the operational standards and requirements set forth in this Agreement, the Operations Manual, and/or as communicated to Franchisee from time to time;

(h) Franchisee fails or refuses to timely submit to Franchisor records, reports, stored media, recordings, financial statements, books, accounts, statements, data, documentation and/or other information as required by this Agreement, as set forth in the Operations Manual, and/or as requested by Franchisor;

(i) If any inspection or review of Franchisee's records, reports, books, accounts, statements, data, documentation and/or other information discloses, within any week, month, or Accounting Period selected by Franchisor, the underreporting of Franchisee's Gross Sales, and/or any other metrics or data, resulting in the underpayment, by 5% or more, of the

obligations, payments, and/or fees due by Franchisee to Franchisor under the terms of this Agreement;

(j) Franchisee fails or refuses, at any time, to maintain the required insurance policies and insurance coverage required for the Franchised Business as set forth in this Agreement, and/or in the Operations Manual; and/or

(k) Franchisee fails to timely satisfy and pay all vendors, suppliers and/or contractors in connection with the development, construction, and/or establishment of the Franchised Business.

The foregoing events of default set forth in this Article 16.A.(4) shall exclude events of default that are otherwise governed by and/or constitute events of default under Article 16.A.(1) or Article 16.A.(2). In the event of any inconsistency or conflict between the provisions of this Article 16.A.(4) with Article 16.A.(1), Article 16.A.(1) shall take precedence and govern. In the event of any inconsistency or conflict between the provisions of this Article 16.A.(4) with Article 16.A.(2), Article 16.A.(2) shall take precedence and govern.

**16.B. TERMINATION BY FRANCHISEE**

If Franchisee, each Owner and Spouse (as applicable) are in full compliance with each and every term and provision of this Agreement, any amendment or successor agreement, and any of the Ancillary Agreements, and Franchisor materially breaches Franchisor's substantive and material obligations set forth in this Agreement, Franchisee may terminate this Agreement in the event of the following:

(1) Franchisor does not correct the material breach within 30 days after Franchisor's receipt of Franchisee's written notice of such material breach to Franchisor; or

(2) In a case where Franchisor's material breach cannot reasonably be cured within 30 days, within 30 days of Franchisor's receipt of Franchisee's written notice of Franchisor's material breach, Franchisor shall be provided a reasonable time period to cure such material breach provided that Franchisor provides reasonable evidence to Franchisee of Franchisor's current, continuing and/or planned efforts to correct the material breach within a reasonable time.

In either case, Franchisee's termination of this Agreement shall not take effect until expiration of the 30 day period set forth above and or such reasonable time period as necessary to cure the material breach, and Franchisee delivers to Franchisor a separate written notice of termination. The termination date must be at least 10 days after Franchisor's receipt of Franchisee's notice of termination. Franchisee's termination of this Agreement for any reason other than as set forth in and in compliance with this Article 16.B. shall not constitute the termination of this Agreement and shall constitute a material breach of this Agreement by Franchisee.

**16.C. FRANCHISOR'S ADDITIONAL RIGHTS, REMEDIES, AND DAMAGES**

Franchisee agrees that Article 16.A. sets forth actions, inactions, omissions, events, and/or circumstances that, among other things, constitute, in each and every instance and subject to any applicable cure period, if any, a default of this Agreement permitting Franchisor to, among other things, terminate this Agreement and/or resulting in the automatic termination of this Agreement. The grounds constituting a default under Article 16.A. are in addition to any and all other grounds for default as may be otherwise set forth in the Franchise Agreement. In the event of an event of default of this Agreement by Franchisee under Article 16.A. or, as otherwise set forth in this Agreement, Franchisee agrees that termination of this Agreement is not the sole or exclusive remedy of Franchisor and that Franchisor's right or remedy of termination shall be in addition to any and all other rights set forth in this Agreement, and as otherwise available to Franchisor

in law or equity.

Without limitation to the foregoing, additionally, in the event of the termination of this Agreement as a result of a default or breach by Franchisee and/or, by Franchisee's Owners and/or affiliates of any Ancillary Agreements, Franchisor, in addition to any and all other rights and remedies available to Franchisor as set forth in this Agreement, and, at law and in equity, shall possess the following rights and remedies, each of which are not exclusive of the other and may be/are in conjunction with one another:

(1) To void and terminate this Agreement, and thereafter to market, sell, transfer, convey and assign the rights granted to Franchisee under this Agreement to any other person or entity in Franchisor's sole discretion and without compensation to Franchisee.

(2) To hold Franchisee and Franchisee's Owners liable for, and recover from each of them, jointly and severally, all payments, fees, monetary obligations, financial obligations, interest, and charges due and owing to Franchisor from Franchisee pursuant to this Agreement, the Ancillary Agreements, and/or any other agreements between Franchisee and Franchisor, including, without limitation, Royalty Fees and Advertising Contributions with each and every payment and obligation to be accelerated and due immediately.

(3) To hold Franchisee and Franchisee's Owners liable for, and recover from each of them, jointly and severally, lost revenues, profits, and fees including, but not limited to Royalty Fees, Brand Development Fund Fee, Advertising Contributions, and all other fees, revenues and/or expenses that would have been paid to Franchisor, under the terms of this Agreement and throughout the Term of this Agreement, had a breach not occurred and had Franchisor not terminated this Agreement. In calculating and determining the foregoing Franchisee agrees that in calculating and in determining such damages that it is fair and reasonable to use Franchisee's most recent calendar year Gross Sales in calculating and determining Franchisor lost revenues and fees and by assuming that such Gross Sales would have been earned in each and every year throughout the remainder of the Term had this Agreement not been terminated. If, however, the Franchised Business has been open and in operation for less than one calendar year, Franchisee agrees that it is fair and reasonable to use an average of Frios Business Gross Sales across the System during the year in which this Agreement was terminated and to use such average Gross Sales for the purpose of calculating and determining Franchisor lost revenues and fees and, in doing so, by assuming that such Gross Sales would have been earned in each and every year throughout the remainder of the Term had this Agreement not been terminated. Franchisee agrees that the foregoing is a form of liquidated damages, and that it is fair and reasonable.

(4) To hold Franchisee and Franchisee's Owners liable for all costs, fees, expenses, and/or damages incurred by Franchisor and/or suffered by Franchisor as a result of a breach or termination including, but not limited to, the recovery of reasonable attorney fees and expenses including court costs, arbitration fees, mediation fees, arbitrator fees, mediator fees, depositions and other related expenses.

(5) To enjoin, restrain, and otherwise prohibit Franchisee from operating the Franchised Business or exercising any rights granted to Franchisee under this Agreement pursuant to a court order restraining order, injunction or other means.

(6) Declaratory judgment that this Agreement and all rights granted to Franchisee under this Agreement are terminated, null and void.

(7) All other remedies and/or rights available to Franchisor as otherwise set forth in the Agreement

and/or as may be otherwise available by law or equity.

In the event of a breach or default of this Agreement, should Franchisor elect, at Franchisor's sole discretion, to not terminate this Agreement, such action shall be without prejudice and without waiver of Franchisor's rights in the future. Further, at all times, and without prejudice to Franchisor's right to declare a default and, among other things, terminate this Agreement, Franchisor may: (i) temporarily or permanently suspend any existing credit arrangements or accommodations previously extended to Franchisee and/or refrain from offering or making available to Franchisee any credit arrangements or accommodations that may be offered or made available to other System franchisees; (ii) modify payment terms for approved products, supplies, or other merchandise purchased by Franchisee which may include, without limitation, requiring cash on delivery; (iii) disqualify Franchisee from being eligible for, or from participating in, special promotion programs, rebates, and/or rebate sharing that may be offered or made available to other System franchisees; and/or (iv) refrain from providing or making available to Franchisee promotional materials or other materials developed by the Brand Development Fund and/or Advertising Cooperative.

If Franchisor does not pursue termination of this Agreement in the event of a default or breach by Franchise, and/or Franchisor accepts any royalties, payments, contributions, funds, or other monetary sums from Franchisee, such actions do not constitute a waiver or acceptance of Franchisee's default or breach, and Franchisor reserves the right to pursue any and all additional remedies set forth in this Agreement, at law, or in equity. Franchisor's rights and remedies are cumulative, and no exercise or enforcement by Franchisor of any such right or remedy precludes the exercise or enforcement by Franchisor of any other right or remedy which Franchisor is entitled by law to enforce.

**16.D. GUARANTY**

The payment of all payments, amounts, fees, charges and other financial obligations payable by Franchisee to Franchisor pursuant to this Agreement, and Franchisee's observance and performance of all terms and conditions of this Agreement, are guaranteed pursuant to The Owner and Spouse Agreement and Guaranty attached to this Agreement as Exhibit 1.

**16.E. NOTICE OF LEGAL PROCEEDINGS AGAINST FRANCHISOR**

Franchisee shall give Franchisor advance written notice of Franchisee's intent to commence or otherwise institute any legal action or proceeding against Franchisor, specifying the basis for such proposed action, and Franchisee shall grant Franchisor 30 days from receipt of said notice to cure the alleged act upon which such legal action is to be based (hereinafter, the "30 Day Cure Notice"). Franchisee agrees that the 30 Day Cure Notice is a strict condition precedent to Franchisee commencing, or otherwise instituting, legal action or proceeding against Franchisor for any reason whatsoever.

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## ARTICLE 17
## OBLIGATIONS UPON TERMINATION OR EXPIRATION

### 17.A. PAYMENT OF AMOUNTS OWED TO FRANCHISOR

Without limitation as to any other Article or provision of this Agreement, upon expiration or termination of this Agreement for any reason, Franchisee shall immediately pay to Franchisor all sums and fees due from Franchisee to Franchisor under the terms of this Agreement including, but not limited to Royalty Fees and Advertising Contributions and all other sums and fees due from Franchisee to Franchisor and/or Franchisor affiliates and/or suppliers for products and services including, but not limited to, System Supplies.

### 17.B. CEASE OPERATIONS AND PROTECTION OF THE SYSTEM

Upon expiration, termination, or Transfer of this Agreement for any reason, Franchisee shall immediately:

(1) Permanently cease to be a franchise owner of the Frios Business that was the subject of this Agreement and cease to operate such Frios Business under the System;

(2) Refrain from directly or indirectly, holding oneself/itself out to any person or entity, or represent themselves/itself as a present or former Frios franchisee;

(3) Permanently cease to use, in any manner: (a) the System including, without limitation, the Confidential Information, the Licensed Marks, the Business Management System Data, and the Operations Manual; (b) any methods, procedures, or techniques associated with the System in which Franchisor possesses proprietary rights or that constitute Franchisor's trade secrets; (c) System Supplies, including communicating with or ordering products from Franchisor's designated suppliers and vendors of System Supplies; (d) the Approved Services and Products; and (e) any other advertising, marketing, media, and any other information, documents or things associated with Franchisor, the System, the Licensed Marks, Frios Businesses, the Franchised Business, and Franchisee's former Frios Business, including, without limitation, any confidential, proprietary methods, procedures, descriptions of products, techniques, trade secrets, recipes, proprietary marks, distinctive forms, slogans, symbols, signs, stationary, advertising material, articles, logos, devices, items and all other things, tangible or intangible, associated with Franchisor, the System, the Licensed Marks, and Frios Businesses;

(4) Return to Franchisor the Operations Manual (including any and all parts, supplements, and copies of the Operations Manual), the Confidential Information (including without limitation the Business Management System Data and all customer lists and information), and all other confidential materials, equipment, software, information, and property owned by Franchisor and all copies thereof provided, however, that Franchisee may retain Franchisee's copies of this Agreement, correspondence between Franchisor and Franchisee, but not including Confidential Information that may be contained in or attached thereto, and other documents that Franchisee needs to retain pursuant to applicable law;

(5) Permanently cease accessing, immediately disconnect from, and discontinue using any and all digital media, intra-nets, cloud based systems, and/or servers that store, maintain, and/or provide access to the Operations Manual, Confidential Information, and all other standards, specifications of Franchisor;

(6) Immediately notify Franchisor, in writing, of any and all locations where Franchisee may have maintained and/or stored digital files and/or media containing all or parts of the Operations Manual, any Confidential Information, and all other standards and specifications of Franchisor, immediately turn over such digital files and media to Franchisor, and follow Franchisor's instructions as to the

destruction of such digital files and media;

(7) (a) modify and alter Franchisee's former Frios Business, Franchisee's former Sweet Ride Van, Franchisee's Sweet Ride Van, Franchisee's former Happiness Hauler Trailer, Franchisee's Happiness Hauler Trailer, and, if applicable, Franchisee's Nelson Cart(s) as reasonably necessary or otherwise required by Franchisor, to ensure that Franchisee's Sweet Ride Van, Franchisee's Happiness Hauler Trailer, and, if applicable, Franchisee's Nelson Cart has been completely de-identified and differentiated from its former appearance to prevent any confusion by the public as to the continued existence of a Frios Business at Franchisee's Sweet Ride Van, Franchisee's Happiness Hauler Trailer, and, if applicable, Franchisee's Nelson Cart ; (b) remove from Franchisee's Sweet Ride Van, Franchisee's Happiness Hauler Trailer, and, if applicable, Franchisee's Nelson Cart, all distinctive physical and structural features identifying a Frios Business and all distinctive signs, trade dress and emblems associated with the System including, without limitation, signs, trade dress, and emblems bearing the Licensed Marks; and (c) make specific additional changes to Franchisee's Sweet Ride Van, Franchisee's Happiness Hauler Trailer, and, if applicable, Franchisee's Nelson Cart as Franchisor reasonably requests for the purpose of completely de-identifying Franchisee's former Frios Business. Franchisee shall immediately initiate the foregoing actions and complete such actions within the period of time designated by Franchisor, and Franchisee agrees that Franchisor and/or Franchisor's designated agents may enter Franchisee's Sweet Ride Van, Franchisee's Happiness Hauler Trailer, and, if applicable, Franchisee's Nelson Cart at any time to make foregoing alterations at Franchisee's sole risk and expense. Franchisee agrees that Franchisee's failure to timely make modifications and alterations to Franchisee's Sweet Ride Van, Franchisee's Happiness Hauler Trailer, and, if applicable, Franchisee's Nelson Cart will cause irreparable injury to Franchisor, and Franchisee consents to the entry, at Franchisee's expense, of any ex-parte order by any court of competent jurisdiction authorizing Franchisor or its agents to take action, if Franchisor seeks such an order;

(8) Take all actions necessary and/or reasonably required to cancel all fictitious or assumed names or equivalent registrations relating to the Licensed Marks;

(9) At no cost to Franchisor, take such action as may be determined by Franchisor to: (a) provide and assign to Franchisor the Business Management System, the Business Management System Data, and all customer lists, customer information, and customer data; and (b) transfer, disconnect, and/or otherwise assign, as directed by Franchisor, all telephone numbers, email addresses, yellow pages telephone directories, telephone directory type listings, Web Based Media listings, accounts and log-in information used in connection with Franchisee's former Frios Business and/or otherwise associated with the System and/or the Licensed Marks, cancel Franchisee's interests in same as such cancellation may be directed by Franchisor, and effectuate, perform, honor, and comply with Franchisee's obligations under the Assignment of Telephone Numbers and Digital Media Accounts attached to this Agreement as Exhibit 3;

(10) Abide by, and comply with, the restrictive covenants and obligations set forth in this Agreement, including, without limitation, the restrictive covenants and obligations set forth in Article 6 of this Agreement; and

(11) Provide Franchisor, within 30 days of the expiration, termination, or Transfer of this Agreement, with written proof demonstrating that Franchisee has complied with the terms of this Article 17 and all other obligations under this Agreement that Franchisee must perform, abide by, and comply with, subsequent to the termination, expiration, or Transfer of this Agreement.

**17.C. CONTINUING OBLIGATIONS**

All obligations under this Agreement that expressly, or by their nature, survive, or are intended to survive,

the expiration, termination, or Transfer of this Agreement shall continue in full force and effect subsequent to, and notwithstanding, this Agreement's termination, expiration, or Transfer until such obligations are satisfied in full or, by the nature and/or terms, such obligation(s) expire.

Franchisee agrees that in the event of a Transfer of this Agreement by Franchisee, whether or not such Transfer is authorized by Franchisor or made in violation of this Agreement, Franchisee shall not be relieved of Franchisee's obligations under this Agreement and no Owner or Spouse shall be relieved of their respective guarantees, agreements, and obligations related to, or associated with, this Agreement, including, without limitation, the guarantees, agreements, and obligations set forth in the Owner and Spouse Agreement and Guaranty attached to this Agreement as Exhibit 1. The immediately foregoing shall not be interpreted or otherwise construed as constituting consent to any Transfer of this Agreement without the express written consent by Franchisor and Franchisee's compliance with this Agreement respecting any such Transfer.

## ARTICLE 18
## ENFORCEMENT AND CONSTRUCTION

### 18.A. SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS

(1) Except as expressly provided to the contrary in this Agreement, each and every term and provision of this Agreement shall be interpreted or otherwise construed to be independent of each other and severable. Although each term and provision of this Agreement is considered by the parties to be reasonable and intended to be enforceable, if any such term or provision of this Agreement is found by a court of competent jurisdiction, agency, or other government agency to be unenforceable as written or otherwise, then such term and condition shall be modified, rewritten, interpreted, or "blue-lined" to include as much of its nature and scope as will render it enforceable. If such term and condition cannot be so modified, rewritten, interpreted, or "blue-lined" in any respect, then it will not be given effect and severed from this Agreement, and the remainder of this Agreement shall be interpreted, construed and enforced as if such term and condition was not included in this Agreement.

(2) If any applicable and binding law or rule requires a greater prior notice of the termination of this Agreement than is required in this Agreement, or the taking of some other action not required by this Agreement, or if under any applicable and binding law or rule, any term and condition of this Agreement, or any specification, standard, or operating procedure Franchisor prescribes is invalid or unenforceable, then the greater prior notice and/or other action required by law or rule shall be substituted for the comparable provisions, and Franchisor has the right, in its sole discretion, to modify the invalid or unenforceable term and condition, specification, standard, or operating procedure to the extent required to be valid and enforceable. Franchisee agrees to be bound by any such substituted and/or modified term and condition of this Agreement imposing the maximum duty permitted by law that is prescribed within the terms of any provision of this Agreement as though it were originally and separately articulated in, and made a part of, this Agreement as of the Effective Date and/or any specification, standard or operating procedure Franchisor prescribes, which may result from striking from any terms and conditions, specifications, standards, or operating procedures, and any portion or portions thereof, a court may hold to be unenforceable or from reducing the scope of any promise or covenant to the extent required to comply with a court order. Modifications to this Agreement shall be effective only in those jurisdictions in which such terms and conditions, specifications, standards, or operating procedures are found to be unenforceable, unless Franchisor elects to give them greater applicability, in which case, this Agreement shall be enforced as originally made in all other jurisdictions.

**18.B. WAIVER OF OBLIGATIONS**

No delay, waiver, omission, or forbearance on the part of Franchisor to enforce any term and condition of this Agreement or exercise any of Franchisor's rights, options, or powers under this Agreement constitutes a waiver by Franchisor to enforce any other term and condition of this Agreement or exercise any of Franchisor's other rights, options, or powers under this Agreement. No such delay, waiver, omission, or forbearance shall constitute a waiver by Franchisor to subsequently enforce such term and condition of this Agreement or subsequently exercise such right, option, or power. Acceptance by Franchisor of any payments, fees, charges, or other amount from Franchisee payable to Franchisor pursuant to this Agreement shall not constitute a waiver or acceptance of Franchisee's default or breach of this Agreement or otherwise a waiver of any term and condition of this Agreement, and Franchisor reserves the right to pursue any and all additional remedies set forth in this Agreement, at law, or in equity. Franchisor shall likewise not be deemed to have waived or impaired any term and condition, right, option or power set forth in this Agreement by virtue of any custom or practice of the parties at variance with the terms and conditions of this Agreement or Franchisor's insistence upon Franchisee's strict compliance with Franchisee's obligations, including any mandatory specification, standard or operating procedure. No waiver by Franchisor of any term and condition of this Agreement shall be valid unless in writing and signed by Franchisor.

**18.C. FORCE MAJEURE**

If either Franchisor or Franchisee is delayed in performing any obligation under this Agreement by any cause reasonably beyond its control when such cause would affect any person or entity similarly situated, including, without limitation, war, civil disorder, catastrophic weather, power outage, acts of God and/or labor strikes unassociated with Franchisee or Franchisor (collectively, "Force Majeure"), then the time period for performing such obligation shall be extended by a period of time equal to the period of delay. Notwithstanding the immediately foregoing sentence, any delay resulting from Force Majeure shall not excuse Franchisee's payment of any fee, charge, amount, and/or any other monetary or financial obligation to Franchisor under this Agreement, including, without limitation, the payment of the Royalty Fee and Advertising Contributions, and the non-performance of any obligation under this Agreement due to Force Majeure shall not be extended or otherwise excused for more than six months.

**18.D. SPECIFIC PERFORMANCE AND INJUNCTIVE RELIEF**

Nothing in this Agreement bars Franchisor's right to obtain specific performance of the provisions of this Agreement and injunctive relief under legal and/or equity rules against threatened conduct that will cause damages or loss to it, the Licensed Marks or the System. Without limitation to the rights set forth in Article 6 of this Agreement, Franchisee agrees that Franchisor may obtain such injunctive relief. Franchisee agrees that Franchisor will not be required to post a bond (other than as set forth in Article 6.G. of this Agreement) to obtain injunctive relief and that Franchisee's only remedy if an injunction is entered against Franchisee will be the dissolution of that injunction, if warranted, upon a hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). The remedies available to Franchisor under Article 6.G. are not exclusive of one another and may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Without limitation to the foregoing Franchisee agrees that in the event of a breach of this Agreement by Franchisee respecting and/or concerning the System and/or the Licensed Marks shall cause irreparable harm to Franchisor, the System and the Licensed Marks. The foregoing shall not be interpreted to invalidate the mediation and arbitration requirements set forth in Article 18.G. of this Agreement and shall be consistent with same.

**18.E. RIGHTS OF PARTIES ARE CUMULATIVE**

The rights under this Agreement are cumulative and no exercise or enforcement by a party of any right or remedy precludes the exercise or enforcement by that party of any other right or remedy which Franchisor or Franchisee is entitled by law to enforce.

**18.F. GOVERNING LAW**

EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. §§ 1051 *ET SEQ.*) OR OTHER FEDERAL LAW, THIS AGREEMENT AND THE RELATIONSHIP BETWEEN THE PARTIES HERETO SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF ALABAMA, EXCEPT THAT ITS CHOICE OF LAW AND CONFLICTS OF LAWS RULES SHALL NOT APPLY AND ANY FRANCHISE REGISTRATION, DISCLOSURE, RELATIONSHIP OR SIMILAR STATUTE WHICH MAY BE ADOPTED BY THE STATE OF ALABAMA SHALL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS PARAGRAPH.

**18.G. NON-BINDING MEDIATION AND BINDING ARBITRATION**

(1) **Non-Binding Mediation** – Franchisee and Franchisor agree that before either party may bring any action, dispute and/or controversy arising from or related to this Agreement and/or the franchise relationship between Franchisor and Franchisee in arbitration, the parties must first mediate the dispute through non-binding mediation. Mediation shall be non-binding and shall be conducted by the American Arbitration Association ("AAA") in accordance with AAA's then current rules for the mediation of commercial disputes. All mediation proceedings shall be conducted in Mobile County, Alabama or, if a mediator is not available in Mobile County, Alabama then at a suitable location selected by the mediator that is located closest to Mobile County, Alabama. Mediation shall be conducted by one mediator and if Franchisor and Franchisee cannot agree on a mediator then the mediator shall be selected by AAA. Mediation shall be conducted within 45 days of AAA's designation and/or acknowledgment of the selected mediator or such longer period as may be agreed to between Franchisor and Franchisee in writing and signed by each respective party. Franchisor and Franchisee shall each be responsible for their own costs associated with mediation and Franchisor and Franchisee shall each be responsible for and shall each pay 50% of the mediator's fee and AAA's mediation fees.

Notwithstanding the preceding paragraph, Franchisor and Franchisee agree this Sub-Article 18.G.(1) and, thereby, the prerequisite requirement of non-binding mediation, shall not, at Franchisor's election, apply to: (a) any claims or disputes related to or concerning a breach of this Agreement by Franchisee that, under the terms of this Agreement, may entitle Franchisor to the award of injunctive relief including, but not limited to, Franchisee's violation or purported violation of Article 6 of this Agreement; and/or (b) claims by either Franchisor or Franchisee under this Agreement that relates to either Franchisor's or Franchisee's failure to pay fees or other monetary obligations due under this Agreement.

(2) **Arbitration** – Subject to the prerequisite requirements of non-binding mediation as set forth in Sub-Article 18.G.(1), and, except, at Franchisor's election, as to any claims or disputes related to or concerning a breach of this Agreement by Franchisee that, under the terms of this Agreement, may entitle Franchisor to the award of injunctive relief including, but not limited to, Franchisee's violation or purported violation of Article 6 of this Agreement, Franchisor and Franchisee agree that all disputes, controversies, and claims, arising from and/or related to this Agreement, the relationship between Franchisor and Franchisee, the System, and/or the validity of this Agreement and/or the Ancillary Agreements, shall be submitted, on demand of either Franchisor or Franchisee, to AAA for binding arbitration. Arbitration shall be conducted by one arbitrator in accordance with AAA's then current rules for commercial disputes, except as may be otherwise required in this Article 18.G. All arbitration proceedings shall be conducted in Mobile County, Alabama or, if suitable AAA facilities are not available in Mobile County, Alabama then at a suitable AAA location selected by the arbitrator that is

located closest to Mobile County, Alabama. In connection with binding arbitration, Franchisor and Franchisee further agree that:

(a) All matters relating to arbitration, will be governed by the United States Federal Arbitration Act, except as expressly or otherwise set forth in this Agreement;

(b) The arbitration hearing shall be conducted within 180 days of the demand for arbitration;

(c) The arbitrator shall render written findings of fact and conclusions of law;

(d) Except as may be otherwise required and/or prohibited by this Agreement including, but not limited to Articles 18.I., 18.J., 18.N., 18.O., 18.R., 18.T., and 18.X. of this Agreement, the arbitrator has the right to award or include in his or her award any relief that he or she determines to be proper, including monetary damages, interest on unpaid sums, specific performance, injunctive relief, attorneys' fees, and costs and expenses as allowable under this Agreement. Notwithstanding the foregoing, under no circumstance shall the Arbitrator be authorized to award or declare the Licensed Marks to be descriptive or invalid;

(e) They shall each be bound to the limitation's periods set forth in Article 18.I. of this Agreement and that, in any arbitration proceeding, Franchisor and Franchisee must each timely submit, within the same arbitration proceeding, any claim that would constitute a compulsory counterclaim as such claims are defined and set forth under Rule 13 of the United States Federal Rules of Civil Procedure. Any claim that is not submitted or filed as required shall be forever barred;

(f) Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction; and

(g) Arbitration and/or any arbitration award must be conducted in accordance with the terms of this Agreement including, but not limited to, the requirements set forth in this Article 18.

(3) **Consent to Jurisdiction and Venue** – Subject to the non-binding mediation and arbitration provisions set forth in this Article 18.G., Franchisor and Franchisee agree that any judicial action or legal proceeding must be brought in a court of competent jurisdiction located within Alabama and within Mobile County or the county closest to Mobile County. Franchisor and Franchisee do hereby irrevocably consent to and waive any objection to such jurisdiction or venue. Without limitation to the foregoing and notwithstanding same, Franchisor and Franchisee agree that Franchisor, at Franchisor's election, may bring any legal action or proceeding seeking a temporary restraining order, preliminary injunction, or any action seeking Franchisor's enforcement of an arbitration award or any judicial decision in the federal or state court located in the county and state where either the Franchised Business was located or where Franchisee resides.

**18.H. VARIANCES AND DIFFERENT FORMS OF AGREEMENT**

FRANCHISEE AGREES THAT FRANCHISOR HAS AND MAY AT DIFFERENT TIMES, IN FRANCHISOR'S ABSOLUTE AND SOLE DISCRETION, APPROVE EXCEPTIONS OR CHANGES FROM THE UNIFORM STANDARDS OF THE SYSTEM, WHICH FRANCHISOR DEEMS DESIRABLE OR NECESSARY UNDER PARTICULAR CIRCUMSTANCES. FRANCHISEE AGREES THAT FRANCHISEE HAS NO RIGHT TO OBJECT TO OR OBTAIN SUCH VARIANCES. FRANCHISEE AGREES THAT EXISTING AND FUTURE FRANCHISEES MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENTS AND THAT THE RIGHTS AND OBLIGATIONS OF EXISTING FRANCHISEES AND FUTURE FRANCHISEES MAY DIFFER MATERIALLY FROM THIS AGREEMENT.

**18.I. LIMITATIONS OF CLAIMS**

EXCEPT FOR CLAIMS BROUGHT BY FRANCHISOR WITH REGARD TO FRANCHISEE'S OBLIGATIONS TO MAKE PAYMENTS TO FRANCHISOR PURSUANT TO THIS AGREEMENT, FRANCHISOR'S ENFORCEMENT OF THE RESTRICTIVE COVENANTS SET FORTH IN ARTICLE 6 OF THIS AGREEMENT, AND FRANCHISEE'S OBLIGATION TO INDEMNIFY FRANCHISOR IN ACCORDANCE WITH THIS AGREEMENT, ANY AND ALL CLAIMS AND/OR CAUSES OF ACTION ARISING OUT OF, OR RELATING TO, THIS AGREEMENT, OR THE RELATIONSHIP BETWEEN FRANCHISEE AND FRANCHISOR RESULTING FROM THIS AGREEMENT, SHALL BE BARRED UNLESS SUCH CLAIM AND/OR CAUSE OF ACTION IS COMMENCED WITHIN TWO YEARS FROM THE DATE ON WHICH THE ACT OR EVENT GIVING RISE TO THE CLAIM OCCURRED OR ONE YEAR FROM THE DATE ON WHICH FRANCHISEE OR FRANCHISOR KNEW, OR SHOULD HAVE KNOWN, IN THE EXERCISE OF REASONABLE DILIGENCE, OF THE FACTS GIVING RISE TO SUCH CLAIM AND/OR CAUSE OF ACTION, WHICHEVER OCCURS FIRST IN TIME.

**18.J. WAIVER OF PUNITIVE DAMAGES AND LIMITATION OF DAMAGES**

FRANCHISOR AND FRANCHISEE HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, CONSEQUENTIAL OR SPECULATIVE DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM, EXCEPT AS OTHERWISE PROVIDED HEREIN, EACH SHALL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY IT, PROVIDED THAT SUCH WAIVER SHALL NOT APPLY TO ANY CLAIM FOR DAMAGES: (A) ALLOWED BY FRANCHISOR OR FRANCHISEE FOR ATTORNEY'S FEES OR COSTS AND EXPENSES UNDER THIS AGREEMENT; AND/OR (B) FOR LOST PROFITS, FEES, AND/OR OTHER PAYMENTS OR OBLIGATIONS THAT OTHERWISE WOULD HAVE BEEN PAYABLE AND DUE UNDER THIS AGREEMENT BY FRANCHISOR OR FRANCHISEE AND/OR THE OWNERS HAD THE BREACH RESULTING IN THE TERMINATION OF THIS AGREEMENT NOT OCCURRED. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, IF ANY OTHER TERM OF THIS AGREEMENT IS FOUND OR DETERMINED TO BE UNCONSCIONABLE OR UNENFORCEABLE FOR ANY REASON, THE FOREGOING PROVISIONS OF WAIVER BY AGREEMENT OF PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL OR OTHER SIMILAR DAMAGES SHALL CONTINUE IN FULL FORCE AND EFFECT.

**18.K. WAIVER OF JURY TRIAL**

FRANCHISOR AND FRANCHISEE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER A LEGAL ACTION, IN MEDIATION, OR IN ARBITRATION.

**18.L. BINDING EFFECT**

This Agreement is binding upon the parties of this Agreement and their respective executors, administrators, heirs, assigns and successors in interest, and shall not be modified except by written agreement signed by both Franchisee and Franchisor.

**18.M. COMPLETE AGREEMENT**

This Agreement, the documents referred to in this Agreement and the Schedules and Exhibits to this Agreement, together with the Operations Manual, constitute the entire, full and complete Agreement between Franchisor and Franchisee concerning the subject matter of this Agreement and supersedes all prior related agreements between Franchisor and Franchisee. The foregoing shall not constitute and does

not constitute any disclaimer as to the express representations made by Franchisor in the Franchise Disclosure Document disclosed to Franchisee in connection with this Franchise Agreement.

**18.N. ATTORNEY FEES AND EXPENSES**

Franchisee agrees that in the event that an arbitrator in any arbitration proceeding and/or, a court of competent jurisdiction shall issue an award, judgment, decision and/or order finding, holding and/or declaring Franchisee's breach of this Agreement than Franchisor shall also be entitled to the recovery of all reasonable attorney fees, costs and expenses associated with and/or related to such arbitration and/or litigation. Said fees, costs and expenses shall include, but not be limited to, attorney fees, arbitration fees, arbitrator fees, deposition expenses, expert witness fees and filing fees.

**18.O. NO CLASS ACTION OR MULTI-PARTY ACTIONS**

FRANCHISOR AND FRANCHISEE AGREE THAT ALL PROCEEDINGS AND/OR LEGAL ACTIONS ARISING OUT OF OR RELATED TO THIS AGREEMENT AND/OR THE OFFER AND SALE OF THE FRIOS FRANCHISE FROM FRANCHISOR TO FRANCHISEE, WILL BE CONDUCTED ON AN INDIVIDUAL BASIS AND NOT A CLASS-WIDE BASIS, AND, THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S OWNERS, SPOUSES AND/OR GUARANTORS AND FRANCHISOR AND/OR FRANCHISOR'S AFFILIATES, OFFICERS, DIRECTORS AND/OR EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

**18.P. ACCEPTANCE BY FRANCHISOR**

This Agreement will not be binding on Franchisor unless and until an authorized officer of Franchisor has signed it.

**18.Q. OPPORTUNITY FOR REVIEW BY FRANCHISEE'S ADVISORS**

Franchisor recommends that Franchisee have this Agreement and the Franchise Disclosure Document reviewed by Franchisee's lawyer, accountant, and other business advisors, prior to signing this Agreement.

**18.R. NO PERSONAL LIABILITY BY FRANCHISOR'S EMPLOYEES, OFFICERS OR AGENTS**

Franchisee agrees that the fulfillment of any of Franchisor's obligations written in this Agreement or based on any oral communications ruled to be binding in a court of law shall be Franchisor's sole obligation and none of Franchisor's employees, officers and/or authorized agents shall be personally liable to Franchisee for any reason. In addition to the foregoing, Franchisor and Franchisee are not joint employers. The foregoing shall not be construed to imply that Franchisor and/or Franchisor's agents have made any oral promises as pursuant to Article 18.M. of this Agreement, this written Agreement represents the sole Agreement between Franchisor and Franchisee.

**18.S. NON-UNIFORM AGREEMENTS**

Franchisee agrees and acknowledges that Franchisor makes no representations or warranties that all other agreements with Frios Franchising Company, LLC franchisees entered into before or after the Effective Date do or will contain terms substantially similar to those contained in this Agreement. Franchisee agrees that Franchisor may waive or modify comparable provisions of other franchise agreements to other System franchisees in a non-uniform manner.

**18.T NO RIGHT TO OFFSET**

Franchisee shall not, on grounds of the alleged nonperformance, material breach, or default by Franchisor of this Agreement, any other agreement between Franchisor and Franchisee, or for any other reason, withhold any payment, fee, or any other amount payable by Franchisee to Franchisor pursuant to this Agreement, including, without limitation, the payment of Royalty Fees and Advertising Contributions, or

any other payment obligation by Franchisee to Franchisor. Franchisee shall not have the right to offset or withhold any liquidated or unliquidated amount allegedly due to Franchisee from Franchisor against any payment, fee, or any other amount payable to Franchisor pursuant to this Agreement or any other payment obligation by Franchisee to Franchisor.

**18.U. HEADINGS**

The headings and subheadings in this Agreement are strictly for convenience and reference only, and they shall not limit, expand, or otherwise affect the interpretation and construction of the terms and conditions of this Agreement.

**18.V. AUTHORITY TO EXECUTE AND BIND**

Each party acknowledges, warrants and represents that it has all requisite power and authority to enter into this Agreement. The execution, delivery, and performance of this Agreement has been duly and lawfully authorized by all necessary actions of each party, and the signatory to this Agreement for each party has been duly and lawfully authorized to execute this Agreement for and on behalf of the party for whom each signatory has signed.

**18.W. COUNTERPARTS, ELECTRONIC SIGNATURES, AND MULTIPLE COPIES**

This Agreement may be executed electronically. This Agreement may be executed in counterparts, all of which counterparts shall be deemed originals and taken together shall constitute a single agreement. Executed electronic or print duplicates of this Agreement, if any, and their respective signatures shall be deemed originals.

**18.X. JOINT AND SEVERAL LIABILITY**

If Franchisee consists of more than one person or entity, then their liability under this Agreement shall be joint and several among each and every individual and/or Corporate Entity franchisee.

**18.Y. RECITALS**

The parties agree that the recitals and representations contained on the first page of this Agreement constitute a part of this Agreement and are hereby fully incorporated into the terms of this Agreement.

## ARTICLE 19
## NOTICES

All written notices and reports permitted or required to be delivered by this Agreement shall be deemed so delivered, at the time delivered by hand, one business day after being placed in the hands of a national commercial courier service for overnight delivery (properly addressed and with tracking confirmation), or three business days after placed in the U.S. mail by registered or certified mail, postage prepaid, and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified. Reports requiring delivery shall be delivered by certified U.S. mail and/or electronically, as designated by Franchisor. The addresses for the parties set forth in the initial paragraph of this Agreement shall be used unless and until a different address has been designated by written notice to the other party. Any notice required under this Agreement shall not be deemed effective or given by Franchisee to Franchisor unless given in strict compliance with this Agreement.

In all cases where Franchisor's prior approval is required and no other method or timing for obtaining such approval is prescribed, Franchisee shall request such approval in writing, and Franchisor shall respond within 10 business days after receiving Franchisee's written request and all supporting documentation, provided if Franchisor does not respond, such request shall be deemed unapproved. Franchisor's consent to, or approval of, any act or request by Franchisee shall be effective only to the extent specifically stated, and Franchisor's consent or approval shall not be deemed to waive, or render unnecessary, consent or

approval of any other subsequent similar act or request.

**IN WITNESS WHEREOF**, the parties have executed, sealed and delivered this Agreement as of the Effective Date set forth in the first paragraph of this Agreement.

| **Franchisor:** | **Franchisee:** |
|---|---|
| Frios Franchising Company, LLC | |
| By: _____ | _____ |
| Signature | Signature |
| _____ | _____ |
| Name and Title (please print) | Name (please print) |
| _____ | _____ |
| Dated | Dated |
| _____ | |
| Signature | |
| _____ | |
| Name (please print) | |
| _____ | |
| Dated | |

**Franchise Agreement – Schedule 1**
Operating Territory Acknowledgment

**Franchisee's Operating Territory** – Franchisee's "Operating Territory", as such term is identified and defined in the Franchise Agreement, including, but not limited to, Article 1 of the Franchise Agreement, is identified, as follows:

[IF LEFT INCOMPLETE THE OPERATING TERRITORY SHALL BE DESIGNATED AND DETERMINED BY FRANCHISOR]

The foregoing Operating Territory has been determined based on negotiations initiated by Franchisee. To the extent that the foregoing description of the Operating Territory includes and/or delineates geographic or political boundaries such determinations will be considered fixed as of the Effective Date of the Franchise Agreement and will not change for the purpose of this Agreement notwithstanding a change or reorganization to such boundaries or regions. All street boundaries, if any, will be deemed to end at the street center lines unless otherwise specified above.

**Franchisor:**
Frios Franchising Company, LLC

By: _____
Signature

_____
Name and Title (please print)

_____
Signature

_____
Name (please print)

**Franchisee:**

_____
Signature

_____
Name (please print)

FRANCHISE AGREEMENT
**Schedule 2**
Franchise Fee Acknowledgment

As of the Effective Date of the Franchise Agreement, Franchisor and Franchisee agree that:

**Initial Franchise Fee**. The Initial Franchise Fee is:

| **$** |
|---|

**Franchisor:**
Frios Franchising Company, LLC

By: _____
Signature

_____
Name and Title (please print)

_____
Signature

_____
Name (please print)

**Franchisee:**

_____
Signature

_____
Name (please print)

FRANCHISE AGREEMENT
**Schedule 3**
Statement of Franchise Owners

Franchisee represents that the following schedule is complete and accurately identifies Franchisee's Owners, Franchisee's Managing Owner, and their respective ownership interests in Franchisee. Defined terms shall have the meanings set forth in the Franchise Agreement between Franchisor and Franchisee.

If Franchisee is a Corporate Entity, Franchisee represents and affirms to Franchisor that the following list identifies each and every Owner of Franchisee and their respective ownership interests.

| **Owner Name** | **Owner Address** | **Ownership Interest Percentage** |
|---|---|---|
| | | |
| | | |
| | | |
| | | |
| Name of designated **Managing Owner:** | | |

**Franchisor:**
Frios Franchising Company, LLC

By: _____
Signature

_____
Name and Title (please print)

_____
Signature

_____
Name (please print)

**Franchisee:**

_____
Signature

_____
Name (please print)

**Franchise Agreement – Exhibit 1**
Owner and Spouse Agreement and Guaranty

# OWNER AND SPOUSE AGREEMENT AND GUARANTY

This Franchise Owner and Spouse Agreement and Individual Guaranty (the "Agreement") is individually entered into by you as either an owner of _____ (hereinafter referred to as "Franchisee"), Franchisee, or the spouse of the owner of franchisee and is given and signed by you in favor of Frios Franchising Company, LLC, franchisor of the Frios franchise system and in favor of Frios Franchising Company, LLC's successors and assigns, upon the terms and conditions set forth in this Agreement. In this Agreement Frios Franchising Company, LLC is referred to as "us", "our" or "we", and each individual that signs this Agreement is referred to as "you".

## Recitals and Representations

WHEREAS, Franchisee has entered into a Frios Franchise Agreement (the "Franchise Agreement") for the development and operation of a Frios van (the "Sweet Ride Van"), trailer (the "Happiness Hauler Trailer"), or mobile carts (the "Nelson Carts") featuring specialty gourmet ice pops and other menu items that Franchisor designates and authorizes from time to time (the "Approved Services and Products") for sale directly to consumers from a System authorized van, trailer, or cart under the Licensed Marks (defined below), with the option to sell Frios pops on a wholesale basis to businesses for retail sale to customers (each, a "Franchised Business" or "Frios Business");

WHEREAS, you represent that you have received and have thoroughly reviewed the completed Franchise Agreement, including schedules and exhibits attached to the Franchise Agreement;

WHEREAS, we have recommended that you thoroughly review the Franchise Agreement, this Agreement and all schedules and exhibits to the Franchise Agreement with a lawyer selected and hired by you;

WHEREAS, you represent to us that you are either: (a) an Owner of Franchisee such that you own or control a legal, equitable or beneficial ownership or equity interest in Franchisee and/or otherwise meet the definition of an "Owner" as set forth in this Agreement; and/or (b) the "Spouse" of an Owner of Franchisee;

WHEREAS, you acknowledge that this Agreement will apply to you individually, jointly and severally with all others who sign this Agreement (including if this Agreement is signed in counterparts or electronically among other Owners and Spouses);

WHEREAS, you acknowledge that this Agreement, among other things, personally obligates you to guarantee Franchisee's obligations to us and obligates you to brand protection, confidentiality and non-competition restrictions and covenants and that you enter into this Agreement to induce us to enter into the Franchise Agreement with Franchisee; and

WHEREAS, you acknowledge that we are relying on this Agreement and that without this Agreement we would not have entered into and/or would not be simultaneously entering into the Franchise Agreement with Franchisee.

NOW THEREFORE, to induce us to enter into the Franchise Agreement and as consideration to us for entering into the Franchisee Agreement with Franchisee and other consideration, the receipt and sufficiency of which you acknowledge, you agree as follows:

**1. Recitals and Representations.**
You agree that the foregoing Recitals and Representations are true and accurate and constitute a material part of this Agreement and are hereby incorporated into the main body of this Agreement.

**2. Definitions.**
Supplementing the terms and definitions contained in the Recitals and Representations:

"**Approved Services and Products**" shall have the meaning defined in the "Recitals and Representations" section of this Agreement and shall further refer to and mean those products and services that we authorize for sale by Frios Businesses. We shall exclusively designate and determine the Approved Services and Products and we, in our Reasonable Business Judgment, may change, modify, reduce or supplement the Approved Services and Products that must be offered and sold by the Franchised Business and those products and services that may not be sold by the Franchised Business. The Franchised Business may only offer and sell the Approved Services and Products.

"**Business Management System**" means the software, internet, web based and/or cloud based system or systems, customer relationship management software or system, point of sale system or systems and customer relationship management system or systems as same may be individually or collectively designated by us, in our Reasonable Business Judgment, as being required for use by the Franchised Business, including, but not limited to, the day-to-day sales, ordering, operations and management of the Franchised Business. We reserve the right to modify and designate alternative Business Management Systems as we determine in our Reasonable Business Judgment. Without limitation to the foregoing, the Business Management System may include: (a) multiple point of sale systems installed and maintained on-site at the Administrative Office; (b) portable tablet and/or computer systems utilized on-site when providing services to customers of the Franchised Business; (c) web based, private server based, network based and/or cloud based customer ordering systems, processing systems, production systems and/or service delivery systems; and (d) customer membership and rewards systems.

"**Business Management System Data**" means the forms, data, tools, customer information, inventory and sales information that: (a) is pre-populated or entered into the Business Management System utilized by Franchisee; (b) is entered (whether by us or Franchisee) into the Business Management System utilized by Franchisee; and/or (c) is recorded, stored and/or maintained by the Business Management System in connection with the management and operations of the Franchised Business.

"**Competitive Business**" means any business that (i) is the same as or similar to a Frios Business, Sweet Ride Van, Happiness Hauler Trailer, and/or Nelson Cart(s) (including traditional restaurants and outlets, mobile kiosks, food trucks, and/or non-traditional outlets); and/or (ii) offers, sells, and/or provides ice pops and/or frozen ice desserts that, individually or in aggregate, comprise 25% or more of the menu items offered by the business and/or comprise 25% or more of the aggregate Gross Sales of the menu items sold by the business during any period of time.

"**Confidential Information**" means all of our and/or our affiliates' trade secrets, methods, standards, techniques, procedures, data and information, as same may exist as of the Effective Date of the Franchise Agreement and as same may be developed, modified and supplemented in the future, constituting and comprising: (a) methods, specifications, recipes, standards, policies, procedures, information, concepts, programs and systems relating to the development, establishment, marketing, promotion and operation of Frios Businesses; (b) information concerning consumer preferences for

services, products, materials and supplies used or sold by, and specifications for and knowledge of suppliers of certain materials, equipment, products, supplies and procedures used or sold by Frios Businesses; (c) information concerning customers, customer lists, email lists, database lists, product sales, operating results, financial performance and other financial data of Frios Businesses; (d) customer lists and information related to Frios Businesses and the Franchised Business; (e) Business Management System Data; (f) recipes (g) current and future information contained in the Operations Manual; and (h) Know-How.

"**Copyrights**" means all works and materials for which we or any affiliate of ours has secured common law or registered copyright protection and we utilize and/or allow Frios Business franchisees to use, sell or display in connection with the development, marketing and/or operation of a Frios Business, whether as of the Effective Date or any time in the future.

"**Corporate Entity**" means a corporation, limited liability company, partnership or other corporate legal entity that is not an individual person.

"**Digital Media**" means any interactive or static digital document, listing, directory, application, advertisement, link, metadata, or media that is transmitted within a closed or private network, or that is connected to, in communication with, and/or networked with computers, applications, or other devices linked by communications systems, data systems, a part of the world wide web including, traditional websites, web based applications, distributed databases, including, blockchain, software applications, smart phone applications, or social media platforms such as Facebook, LinkedIn, X, Pinterest, Instagram, SnapChat, TikTok, and YouTube, that refers, references, identifies, reviews, promotes and/or relates, in any way, to a Frios Business, the Franchised Business, the Licensed Marks, the System and/or us. Digital Media includes the System Website, and all other media and/or publications relating to the System that is displayed and/or transmitted digitally.

"**Effective Date**" means the "Effective Date" of the Franchise Agreement as the term "Effective Date" is set forth and defined in the Franchise Agreement. If, for any reason, the Effective Date cannot be determined by reference to the Franchise Agreement, the Effective Date shall be the date that you sign this Agreement.

"**Franchised Business**" means the Frios Business to be developed, owned, and operated by Franchisee pursuant to the terms of the Franchise Agreement.

"**Franchisee's Operating Territory**" means the "Operating Territory" as such term is set forth and defined in the Franchise Agreement.

"**Frios Business**" shall have the meaning defined in the Recitals and Representations section of this Agreement and, without limitation to the Recitals and Representations section of this Agreement, the definition of "Frios Businesses", shall further include, refer to and mean: every business and all businesses owned and/or operated by us, our affiliates and/or our authorized franchisee(s) that utilize and/or is/are required to utilize the System and/or Licensed Marks including, but not limited to, the Franchised Business.

"**Frios Happiness Hauler Trailer(s)**" shall have the meaning defined in the Recitals and Representations section of this Agreement.

"**Frios Nelson Cart(s)**" shall have the meaning defined in the Recitals and Representations section of this Agreement.

"**Frios Sweet Ride Van(s)**" shall have the meaning defined in the Recitals and Representations section of this Agreement.

"**Immediate Family Member**" means the spouse of a person and any other member of the household of such person, including, without limitation, children of such person.

"**Intellectual Property**" means, individually and collectively, our Licensed Marks, Copyrights, Know-How, and System.

"**Know-How**" means our trade secrets and proprietary information relating to the development, establishment, marketing, promotion and/or operation of a Frios Business including, but not limited to, methods, techniques, recipes, specifications, food preparation, procedures, policies, marketing strategies and information reflected in, included in, comprising and/or constituting a part of the System. Without limitation to the foregoing, Know-How shall further include information contained in the Operations Manual and the Confidential Information.

"**Licensed Marks**" means the trademarks, service marks, emblems and indicia of origin, including the "Frios" trademark, the Frios logo, Trade Dress, and other trade names, service marks, trademarks, logos, slogans and designs authorized by us in connection with the identification of Frios Business, Frios Sweet Ride Van, Frios Happiness Hauler Trailer, and Frios Nelson Cart(s) the Approved Services and Products, provided that such trade names, trademarks, service marks, logos and designs are subject to modification, replacement and discontinuance by us in our Reasonable Business Judgment.

"**Operations Manual**" means, individually and collectively, the manual(s) designated by us and relating to the development and/or operations of Frios Businesses including, but not limited to, the policies, procedures and requirements for the development and operation of Frios Businesses. The Operations Manual may consist of one or more volumes, handbooks, manuals, written materials, videos, electronic media files, cloud/internet based list-service, intranet, internet based and accessed databases, computer media, email, webinars and other materials as may be modified, added to, replaced or supplemented by us from time to time in our Reasonable Business Judgment, whether by way of supplements, replacement pages, franchise bulletins, or other official pronouncements or means. Subject to our modification from time to time and based on our Reasonable Business Judgment, the Operations Manual shall, among other things, designate the Approved Services and Products that must be offered and sold by the Franchised Business and the System Supplies that must be exclusively utilized by the Franchised Business.

"**Owner**" means collectively, individually, jointly and, as of the Effective Date: (a) the officers and directors of Franchisee (including the officers and directors of any general partner of Franchisee) who hold an ownership interest in Franchisee; (b) the managing member or manager of Franchisee, if franchisee is a limited liability company; (c) all holders of a 5% or more direct or indirect ownership interest in Franchisee and/or of any entity directly or indirectly controlling Franchisee; and (d) the Managing Owner(s).

"**Prohibited Activities**" means any or all of the following: (a) owning and/or having any legal or equitable interest (whether as an individual proprietor or as an owner, partner, member or shareholder of a Corporate Entity or, in any similar capacity) in a Competitive Business (other than owning an interest of 3% or less in a publicly traded company that is a Competitive Business); (b) operating, managing, funding and/or performing services (whether as an employee, officer, director, manager, consultant, representative, agent, and/or creditor or in any similar capacity) for a Competitive Business; (c) diverting or attempting to divert any business or customers from us (or one of our affiliates or franchisees); and/or (d) inducing any customer or client of ours (or of one of our affiliates or franchisees) or of Franchisee to any other person or business that is not a Frios Business.

"**Reasonable Business Judgment**" means, and relates to any and all decisions, actions and choices made by us concerning or relating to the Franchise Agreement, the System, Frios Businesses and the Franchised Business where we undertake or make such decision with the intention of benefitting or acting in a way that could benefit the System including, as examples and without limitation, enhancing the value of the Licensed Marks, increasing customer satisfaction, minimizing potential customer confusion as to the Licensed Marks, determining operating territory markets, minimizing potential customer confusion as to the location of Frios Businesses, expanding brand awareness of the Licensed Marks, implementing marketing and accounting control systems, approving products, services, supplies and equipment. The Franchisee has agreed, and you agree, that when a decision, determination, action and/or choice is made by us in our Reasonable Business Judgment that such decision, determination, action or choice made by us takes precedence and prevails, even if other alternatives, determinations, actions and/or choices are reasonable or arguably available and/or preferable. Franchisee has agreed, and you agree, that in connection with any decision, determination, action and/or choice made by us in our Reasonable Business Judgment as franchisor that: (a) we possesses a legitimate interest in seeking to maximize our profits; (b) we shall not be required to consider Franchisee's or your individual economic or business interests as compared to the overall System; and (c) should we economically benefit from such decision, determination, action and/or choice that such economic benefit to us shall not be relevant to demonstrating that we did not exercise reasonable business judgment with regard to our obligations under the Franchise Agreement and/or with regard to the System. Franchisee agreed and you agree that neither Franchisee and/or any third party, including, but not limited to, any third party acting as a trier of fact, shall substitute Franchisee's or such third party's judgment for our Reasonable Business Judgment. Franchisee agreed, and you agree, that should Franchisee challenge our Reasonable Business Judgment in any legal proceeding that Franchisee shall possess the burden of demonstrating, by clear and convincing evidence, that we failed to exercise our Reasonable Business Judgment.

"**Restricted Period**" means the 24 month period after the earliest to occur of the following: (a) the expiration of the Franchise Agreement; (b) the termination of the Franchise Agreement; (c) the date on which Franchisee, in compliance with the terms of the Franchise Agreement, assigns the Franchise Agreement to another person (other than you or your Spouse) provided that you do not and your Spouse does not own or hold, in the assignee, any direct or indirect ownership and/or equity interest whether legal, equitable or otherwise; (d) if you are an Owner of Franchisee, the date on which you, in compliance with the terms of the Franchise Agreement, cease to be an Owner of Franchisee; or (e) if you are the Spouse of an Owner of Franchisee, the date on which your Spouse, in compliance with the terms of the Franchise Agreement, ceases to be an Owner of Franchisee. Provided however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the "Restricted Period" means the 18 month period after the earliest to occur of the following: (a) the expiration of the Franchise Agreement; (b) the termination of the Franchise Agreement; (c) the date on which Franchisee, in compliance with the terms of the Franchise Agreement, assigns the Franchise Agreement to another person (other than you or your Spouse) provided that you do not and your Spouse does not own or hold, in the assignee, any direct or indirect ownership and/or equity interest whether legal, equitable or otherwise; (d) if you are an Owner of Franchisee, the date on which you, in compliance with the terms of the Franchise Agreement, cease to be an Owner of Franchisee; or (e) if you are the Spouse of an Owner of Franchisee the date on which your Spouse, in compliance with the terms of the Franchise Agreement, ceases to be an Owner of Franchisee.

"**Restricted Territory**" means the geographic area: (a) comprising Franchisee's Operating Territory; (b) comprising a 25 mile radius surrounding Franchisee's Operating Territory; (c) comprising each of the operating territories, respectively, of other Frios Businesses that are in operation or under development during all or any part of the Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable,

then the "Restricted Territory" means the geographic area within Franchisee's Operating Territory plus a 25 mile radius surrounding Franchisee's Operating Territory.

"**Spouse**" means, as of the Effective Date, the legal spouse of an Owner.

"**System**" means our system for the development, establishment and operation of Frios Businesses including, but not limited to: (a) the Approved Services and Products, System Supplies and services, procedures and systems that are designated by us, whether presently or in the future, for use in connection with the development, establishment, marketing, promotion and operation of a Frios Business, Frios Sweet Ride Van, Frios Happiness Hauler Trailer, and Frios Nelson Cart(s); (b) the Licensed Marks; (c) the Trade Dress; (d) Copyrights; (e) other trade names, service marks, signs, and logos, copyrights and trade dress that is designated by us, whether presently or in the future, for use in connection with the development, establishment, marketing, promotion and operation of a Frios Business; (f) Operations Manual; (g) Business Management System Data; (h) Know-How; (i) Confidential Information; and (j) Digital Media. All determinations as to the system including components to the system and modifications and replacements thereto shall be determined by us in our Reasonable Business Judgment.

"**System Supplies**" refers to and means those food, ingredients (including raw, partially prepared, and prepared mixes, sauces, beverages, and food products used to prepare the Approved Services and Products), supplies and equipment including, but not limited to, branded packaging, paper goods, materials, uniforms, displays, menu boards and merchandise, designated by us in the Operations Manual and as may be modified and supplemented by us from time to time in our Reasonable Business Judgment.

"**System Website**" means the web page and pages located on the world wide web at the www.friospops.com domain and shall further include all webpages and subdomains including, those that are franchisee and/or geography specific, that are a part of www.friospops.com, or as designated by Franchisor being associated with the URL of www.friospops.com and/or Frios Businesses.

"**Trade Dress**" means the Frios Business designs, images, marketing materials, packaging, branding and/or branding images which we authorize and require Franchisee to use in connection with the operation of the Franchised Business and as may be revised and further developed by us from time to time.

"**Transfer**" means and shall include, without limitation, the following, whether voluntary or involuntary, conditional or unconditional, and/or direct or indirect: (a) an assignment, sale, gift, transfer, pledge or sub-franchise; (b) the grant of a mortgage, charge, lien or security interest, including, without limitation, the grant of a collateral assignment; (c) a merger, consolidation, exchange of shares or other ownership interests, issuance of additional ownership interests or securities representing or potentially representing ownership interests, or redemption of ownership interests; and/or (d) a sale or exchange of voting interests or securities convertible to voting interests, or an agreement granting the right to exercise or control the exercise of the voting rights of any holder of ownership interests or to control the operations or affairs of Franchisee.

**3. Additional Acknowledgments by You.**

The Recitals and Representations set forth in the beginning of this Agreement are hereby incorporated into this Agreement. In addition to the foregoing, you acknowledge and represent that:

(a) as of the Effective Date you are an Owner and/or Spouse;

(b) you are signing this Agreement in your individual capacity and that you are bound to the terms and conditions of this Agreement and irrespective of any change in your status as an Owner and/or Spouse;

(c) in your capacity as an Owner of Franchisee or as the Spouse of an Owner of Franchisee that you have and may be gaining access to, among other things, the System and Intellectual Property;

(d) you acknowledge that all of the components and aspects of the System and Intellectual Property (both individually and as they relate to one another collectively) are critical to our success as the franchisor of the System and to the overall System;

(e) you acknowledge that we need to protect the System and Intellectual property and that to do so we require that you, in your individual capacity, to agree to the brand protection, non-competition and other covenants and restrictions contained in this Agreement and that you personally guarantee the financial and other obligations of Franchisee to us; and

(f) you acknowledge that the terms of this Agreement are fair and reasonable and that you have elected, based on your own decision, to enter into this Agreement to induce us to enter into the Franchise Agreement with Franchisee.

**4. Intellectual Property, Brand Protection and Non-Competition Covenants and Restrictions.**

(a) Know-How. You agree that: (i) you will not use the Know-How in any business or capacity other than the Franchised Business; (ii) you will maintain the confidentiality of the Know-How at all times; (iii) you will not make unauthorized copies of documents containing any Know-How; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-How; and (v) you will stop using the Know-How immediately if you are no longer an Owner of Franchisee or your Spouse is no longer an Owner of Franchisee, as applicable. You will not use the Intellectual Property for any purpose other than the development and operation of the Franchised Business pursuant to the terms of the Franchise Agreement and Operations Manual. You agree to assign to us or our designee, without charge, all rights to any improvement developed by you, including the right to grant sublicenses. If applicable law precludes you from assigning ownership of any improvement to us, then such improvement shall be perpetually licensed by you to us free of charge, with full rights to use, commercialize, and sublicense the same.

(b) Non-Competition During Franchise Relationship. Subject to the terms and conditions of Article 5 of this Agreement, below, you represent and agree that while you are an Owner of Franchisee or while your Spouse is an Owner of Franchisee (as applicable) that you will not engage in any Prohibited Activities. You agree that this restriction is fair and reasonable and that if you did engage in a Prohibited Activity that such actions would constitute acts of unfair competition and will irreparably harm the System and us.

(c) Non-Competition After Franchise Relationship. You represent, acknowledge and agree that during the Restricted Period you will not engage in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within or provides competitive goods or services to customers/clients who are located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the prohibited activity (any such extension of time will not be construed as a waiver of your breach or otherwise

impair any of our rights or remedies relating to your breach). You agree that this restriction is fair and reasonable and that if you did engage in a Prohibited Activity that such actions would constitute acts of unfair competition and will irreparably harm us and the System.

(d) Confidentiality Restrictions. You represent, acknowledge and agree that, at all times you: (i) shall not use the Confidential Information in any business or capacity other than the Franchised Business; (ii) shall maintain the confidentiality of the Confidential Information; (iii) shall not make unauthorized copies of documents containing any Confidential Information; (iv) shall take such reasonable steps as we may ask of you and/or Franchisee from time to time to prevent unauthorized use or disclosure of the Confidential Information; (v) shall immediately and permanently stop using the Confidential Information upon the expiration or termination of the Franchise Agreement; (vi) shall immediately and permanently stop using the Confidential Information if you are no longer an Owner of Franchisee and/or the Spouse of an Owner; (vii) shall immediately and permanently stop using the Confidential Information upon Franchisee's Transfer of the Franchise Agreement; and (viii) shall not disclose the Confidential Information to any third party except in a legal proceeding pursuant to an order of a court of competent jurisdiction and after affording us no less than 15 business days prior notice and an opportunity for us, at our election, to appear in such action.

(e) Immediate Family Members. You acknowledge that should you circumvent the purpose and protections (due to us) of this Agreement by disclosing Know-How to an immediate family member (*i.e.*, parent, sibling, child, or grandchild) we will and the System will be irreparably harmed. You acknowledge that if you did disclose the Know-How to an immediate family member and your immediate family member used the Know-How to engage in activities that, for you, qualify as Prohibited Activities as defined above, that we and the System will be irreparably harmed. You agree that as between you and us that you are in a better position to know if you permitted and/or provide an immediate family member with access to the Know-How. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities or (ii) uses or discloses the Know-How. However, you may rebut this presumption by providing evidence conclusively demonstrating that you did not disclose the Know-How nor permit disclosure of the Know-How to the family member.

(f) Reasonableness of Covenants and Restrictions. You agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **You waive any right to challenge the terms of this Agreement as being overly broad, unreasonable or otherwise unenforceable.** Although you and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration and geographic are, we may at any time unilaterally modify the terms of this Article 4 (Intellectual Property, Brand Protection and Non-Competition Covenants and Restrictions) by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon you under this Article 4 to ensure that the terms are enforceable under applicable law.

(g) Breach. You agree that failure to comply with these Article 4 Intellectual Property, Brand Protection and Non-Competition Covenants and Restrictions will cause irreparable harm to us and/or other Frios Business franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of these covenants will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such

further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon a hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed $1,000. None of the remedies available to us under this Article are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages.

**5. Transfer Restrictions and Non-Competition Covenants and Restrictions.**
Notwithstanding anything contained in this Agreement to the contrary, you agree that if you are an Owner, and/or the Spouse of an Owner, that, prior to Transferring an Owner's equity and/or ownership interests in Franchisee that, among other things, Franchisee must notify us and obtain our written consent. Likewise, you agree that under the Franchise Agreement that prior to Franchisee's Transfer of the Franchise Agreement, among other things, Franchisee must notify us and obtain our written consent. For our protection and to prevent the subversion of the non-competition covenants contained in Article 4 of this Agreement and, to induce us to enter into the Franchise Agreement with Franchisee, you agree, that:

(a) if you are an Owner, should Franchisee fail to properly and timely notify us in writing of the proposed Transfer of your equity and/or ownership interests in Franchisee and/or should Franchisee, fail to obtain our consent to the proposed Transfer of your equity and/or ownership interests in Franchisee (which we may either reject or approve, in accordance with the terms and conditions of the Franchise Agreement), you shall remain subject to the non-competition covenants contained in Article 4 of this Agreement and irrespective of any purported and/or actual Transfer in violation of the terms and conditions of the Franchise Agreement;

(b) if you are a Spouse, should Franchisee fail to properly and timely notify us in writing of the proposed Transfer of your Spouse's equity and/or ownership interests in Franchisee and/or should Franchisee, fail to obtain our consent to the proposed Transfer of your Spouse's equity and/or ownership interests in Franchisee (which we may either reject or approve, in accordance with the terms and conditions of the Franchise Agreement), you shall remain subject to the non-competition covenants contained in Article 4 of this Agreement and irrespective of any purported and/or actual Transfer in violation of the terms and conditions of the Franchise Agreement;

(c) if you are an Owner, should Franchisee fail to properly and timely notify us in writing of the proposed Transfer of the Franchise Agreement to a third party and/or should Franchisee, fail to obtain our consent to the proposed Transfer of the Franchise Agreement to a third party (which we may either reject or approve, in accordance with the terms and conditions of the Franchise Agreement), you shall remain subject to the non-competition covenants contained in Article 4 of this Agreement and irrespective of any purported and/or actual Transfer in violation of the terms and conditions of the Franchise Agreement; and

(d) if you are the Spouse of an Owner, should Franchisee fail to properly and timely notify us in writing of the proposed Transfer of the Franchise Agreement to a third party and/or should Franchisee, fail to obtain our consent to the proposed Transfer of the Franchise Agreement to a third party (which we may either reject or approve, in accordance with the terms and conditions of the Franchise Agreement), you shall remain subject to the non-competition covenants contained in Article 4 of this Agreement and irrespective of any purported and/or actual Transfer in violation of the terms and conditions of the Franchise Agreement.

**6. Personal Guaranty of Franchise Agreement and Financial Obligations.**

To secure Franchisee's financial obligations under the Franchise Agreement and all ancillary agreements executed by Franchisee in connection with the Franchise Agreement, including, but not limited to, any agreement for the purchase of goods or services from us or an affiliate of ours (collectively the "Ancillary Agreements") you individually, jointly and severally, and personally and unconditionally:

(a) guarantee to us and our successor and assigns, that Franchisee shall punctually satisfy and pay all of Franchisee's payment and other obligations under the Franchise Agreement;

(b) guarantee to us and our successor and assigns, that Franchisee shall punctually satisfy and pay all of Franchisee's payment and other obligations under the Ancillary Agreements;

(c) agree, at all times, to be personally bound by and personally liable for each and every fee, payment and monetary obligation due from Franchisee to us pursuant to the terms of the Franchise Agreement including, but not limited to, the fee obligations of Article 5 of the Franchise Agreement, the advertising obligations of Article 9 of the Franchise Agreement, and the indemnification obligations of Article 10 of the Franchise Agreement;

(d) agree, at all times, to be personally bound by and personally liable for each and every fee, payment and monetary obligation due from Franchisee to us and/or our affiliates under the Ancillary Agreements;

(e) do, at all times, hereby personally guarantee payment of each and every fee, payment and monetary obligation due or that may become due from Franchisee to us pursuant to the terms of the Franchise Agreement including, but not limited to, the fee obligations of Article 5 of the Franchise Agreement, the marketing obligations of Article 9 of the Franchise Agreement, and the indemnification obligations of Article 10 of the Franchise Agreement; and

(f) do, at all times, hereby personally guarantee payment of each and every fee, payment and monetary obligation due or that may become due from Franchisee to us pursuant to the terms of the Ancillary Agreements.

**You waive:** (a) acceptance and notice of acceptance by us of the foregoing undertakings; (b) notice of demand for payment of any indebtedness guaranteed; (c) protest and notice of default to any party with respect to the indebtedness guaranteed; (d) any right you may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (e) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness hereby guaranteed.

**You agree that**: (a) your direct and immediate liability under this guaranty shall be joint and several with Franchisee and all other signatories to this Agreement; (b) you will render any payment required under the Franchise Agreement and the Ancillary Agreements upon demand if Franchisee fails or refuses punctually to do so; (c) your liability shall not be contingent or conditioned upon pursuit by us of any remedies against Franchisee or any other person; and (d) liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence that we may grant to Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guarantee, which shall be continuing and irrevocable during the term of each of the Franchise Agreement and the Ancillary Agreements and following the termination, expiration or Transfer of each of the Franchise Agreement and the Ancillary Agreements to the extent any financial obligations under any such Franchise Agreement and Ancillary Agreements survive such termination, expiration or Transfer. This guaranty will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of Franchisee or by any abandonment

of one or more of the Franchise Agreement and/or and Ancillary Agreements by a trustee of Franchisee. Neither your obligation to make payment in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency.

**7. Arbitration, Consent to Jurisdiction and Venue, and Cross-Default.**

Any dispute between the parties relating to this Agreement shall be brought in accordance with the dispute resolution procedures set forth in the Franchise Agreement. Notwithstanding the foregoing, if any of the dispute resolution procedures set forth in the Franchise Agreement conflict with any of the terms of this Agreement, the terms of this Agreement shall prevail. Without limitation to the foregoing, you agree that:

(a) Arbitration – Except, at our option, as to any claims or disputes related to or concerning a breach of this Agreement by you that may entitle us to the award of injunctive relief, you agree that any and all disputes, controversies, and claims, arising from and/or related to this Agreement, shall be submitted to the American Arbitration Association ("AAA") for binding arbitration. Arbitration shall be conducted by one arbitrator in accordance with the AAA's then current rules for commercial disputes, except as may be otherwise required in this Agreement. All arbitration proceedings shall be conducted in Mobile County, Alabama or, if suitable AAA facilities are not available in Mobile County, Alabama then at a suitable AAA location selected by the arbitrator that is located closest to Mobile County, Alabama.

In connection with binding arbitration, you agree that:

(i) All matters relating to arbitration, will be governed by the United States Federal Arbitration Act, except as expressly or otherwise set forth in this Agreement;

(ii) The arbitration hearing shall be conducted within 180 days of the demand for arbitration;

(iii) The arbitrator shall render written findings of fact and conclusions of law;

(iv) Except as may be otherwise required and/or prohibited by this Agreement, the arbitrator has the right to award or include in his or her award any relief that he or she determines to be proper, including monetary damages, interest on unpaid sums, specific performance, injunctive relief, attorneys' fees, and costs and expenses as allowable under this Agreement. Notwithstanding the foregoing, under no circumstance shall the Arbitrator be authorized to award or declare the Licensed Marks to be generic or invalid; and

(v) Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

(b) **Consent to Jurisdiction and Venue – You agree that any judicial action or legal proceeding must be brought in a court of competent jurisdiction located within Alabama and within Mobile County or the county closest to Mobile County. You do hereby irrevocably consent to and waive any objection to such jurisdiction or venue. Without limitation to the foregoing and notwithstanding same, you agree that we, at our election, may bring any legal action or proceeding seeking a temporary restraining order, preliminary injunction, or any action seeking our enforcement of an arbitration award or any judicial decision in the federal or state court located in the county and state where you reside.**

(c) Acknowledgment as to Cross-Default – You agree that a breach of this Agreement by you shall constitute a material event of default under the Franchise Agreement, permitting us, among other things, to terminate the Franchise Agreement in accordance with the terms thereof.

**8. Miscellaneous.**

(a) If either party hires an attorney or files suit against the other party in relating to and alleging a breach of this Agreement, the losing party agrees to pay the prevailing party's reasonable attorneys' fees and costs incurred in connection with such breach.

(b) This Agreement will be governed by, construed and enforced under the laws of Alabama and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

(c) Any claim, defense or cause of action that you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

(d) Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration and geographic area.

(e) You agree that we may deliver to you any notice or other communication contemplated by this Agreement in the same manner and to the same address listed in the notice provisions of the Franchise Agreement and any such delivery shall be deemed effective for purposes of this Agreement. You may change the address to which notices must be sent by sending us a written notice requesting such change, which notice shall be delivered in the manner and to the address listed in the Franchise Agreement.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, each undersigned has executed this Agreement as of the dates set forth below.

**Owner / Spouse:**

Signature of Owner / Spouse

Name (please print individual name)

Date

Signature of Owner / Spouse

Name (please print individual name)

Date

**Owner / Spouse:**

Signature of Owner / Spouse

Name (please print individual name)

Date

Signature of Owner / Spouse

Name (please print individual name)

Date

**Franchise Agreement – Exhibit 2**
Confidentiality Agreement

[THIS EXHIBIT IS FOR REFERENCE PURPOSES ONLY AS A SAMPLE FORM CONFIDENTIALITY AGREEMENT THAT FRANCHISOR MAY APPROVE FOR USE BY FRANCHISEE – BEFORE USING WITH AN EMPLOYEE OR CONTRACTOR FRANCHISEE SHOULD HAVE THIS AGREEMENT REVIEWED AND APPROVED BY AN INDEPENDENT LOCAL ATTORNEY HIRED BY FRANCHISEE]

CONFIDENTIALITY AGREEMENT (Sample Only)

This Agreement (the "Agreement") is entered into by the undersigned ("you") in favor of:

[Insert on the Line Below Name of Franchisee that Owns and Operates the Frios Business]

_____ (hereinafter referred to as "us", "our" or "we")

Recitals and Representations

WHEREAS, we are the owners of a licensed Frios business (hereinafter referred to as the "Frios Business") that we independently own and operate as a Franchisee;

WHEREAS, you are or are about to be an employee, independent contractor, officer and/or director of a Frios Business that is independently owned and operated by us;

WHEREAS, in the course of your employment, independent contractor relationship and/or association with us, you may gain access to Confidential Information (defined below in this Agreement) and you understand that it is necessary to protect the Confidential Information and for the Confidential Information to remain confidential;

WHEREAS, our Franchisor, Frios Franchising Company, LLC, is not a party to this agreement and does not own or manage the Frios Business but is an intended third party beneficiary of this Agreement; and

WHEREAS, this Agreement is not an employment agreement and is only a confidentiality agreement in connection with information, materials and access that may be provided to you in connection with the Frios Business.

NOW THEREFORE, you acknowledge and agree as follows:

**1. Recitals and Representations.** You agree that the foregoing Recitals and Representations are true and accurate and shall constitute a part of this Agreement and are hereby incorporated into the main body of this Agreement.

**2. Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

*"Business Management System"* refers to and means the software and/or internet or cloud based system and/or systems, point of sale system or systems and customer relationship management system or systems as used in connection with the operations of the Frios Business.

*"Business Management System Data"* refers to and means the forms, data, tools, customer information, inventory and sales information, and other information that is entered into and/or maintained on the Business Management System of the Frios Business.

*"Confidential Information"* refers to and means: (a) non-public methods, specifications, standards, policies, procedures, information, concepts, programs and systems relating to the development, establishment, marketing, promotion and operation of the Frios Business; (b) information concerning customers, customer lists, email lists, database lists, product sales, operating results, financial

performance and other financial data of the Frios Business; (c) customer lists and information related to the Frios Business; (d) Business Management System Data; (e) current and future information contained in the Frios Operations Manual made available to the Frios Business by Frios Franchising Company, LLC; and (f) recipes, production, cooking, and service procedures that are not disclosed to the public but used by the Frios Business.

"*Digital Media*" refers to and means any interactive or static electronic document, application or media including, but not limited to, www.friospops.com, social media platforms and applications such as Facebook, LinkedIn, X, Pinterest, Instagram, SnapChat, YouTube, and world wide web and internet based directories and local directories that refers, references, identifies, reviews, promotes and/or relates, in any way, to the Frios Business or other Frios Business.

*"Licensed Marks"* refers to and means the word marks, trademarks, service marks, and logos now or hereafter utilized in the operation of a Frios Business, including, but not limited to, the "Frios" word mark, associated logos, and any other trademarks, service marks or trade names that we designate for use in a Frios Business.

*"Operations Manual"* refers to and means the confidential Operations Manual made available to the Frios Business by our franchisor or as otherwise designated by us. The Operations Manual may consist of one or more volumes, handbooks, manuals, written materials, video, electronic media files, cloud/internet based list-service, intra-net, internet based and accessed databases, computer media, webinars and other materials as may be modified, added to, replaced or supplemented.

*"Trade Dress"* refers to and means Frios designs, images, marketing materials, packaging, branding and/or branding images used in connection with the operation of the Frios Business.

**3**. **Your Access to Confidential Information.** In addition to the representations and acknowledgments contained in the Recitals and Representations, above, you acknowledge and represent that in your capacity as an employee, independent contractor, officer and/or director of the Frios Business that you will be gaining access to, among other things, the Confidential Information. You acknowledge that the terms of this Agreement are fair and reasonable.

**4. Protection of the Confidential Information.** You agree that: (i) you will not use the Confidential Information in any business or capacity other than the Frios Business; (ii) you will maintain the confidentiality of the Confidential Information at all times; (iii) you will not make unauthorized copies of documents containing the Confidential Information; (iv) you will take such reasonable steps as the we may ask of you from time to time to prevent unauthorized use or disclosure of the Confidential Information; and (v) you will stop using the Confidential Information immediately at our request or demand. You will not use the Confidential Information for any purpose other than for the performance of your duties on behalf of us and in accordance with the scope of your work with us.

**5. Reasonableness of Covenants and Restrictions.** You agree that: the terms of this Agreement are reasonable and fair and that you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **You hereby waive any right to challenge the terms of this Agreement as being overly broad, unreasonable or otherwise unenforceable.**

**6. Breach.** You agree that failure to comply with the terms of this Agreement will cause irreparable harm to us and to our Franchisor, Frios Franchising Company, LLC, and other Frios franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of these covenants will entitle us or our Franchisor, Frios Franchising Company, LLC, to injunctive relief. You agree that we and/or our

Franchisor, Frios Franchising Company, LLC, may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon a hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, you agree that the amount of the bond shall not exceed $1,000. None of the remedies available to us under this Article are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages.

**7. Miscellaneous.**

(a) If we hire an attorney or file suit against you because you have breached this Agreement and if we prevail in such lawsuit, you agree to pay the reasonable attorney fees and costs that we incur.

(b) Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration and geographic area.

**(c) YOU ACKNOWLEDGE THAT THIS IS NOT AN EMPLOYMENT AGREEMENT.**

**(d) YOU ACKNOWLEDGE AND AGREE THAT OUR FRANCHISOR, FRIOS FRANCHISING COMPANY, LLC, IS NOT A PARTY TO THIS AGREEMENT BUT IS AN INTENDED THIRD PARTY BENEFICIARY OF THIS AGREEMENT.**

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement as of the date or dates set forth below.

| | |
|---|---|
| Individual Signature of Restricted Party | Individual Signature of Restricted Party |
| Name (please print) | Name (please print) |
| Date: _____ | Date: _____ |

**Franchise Agreement – Exhibit 3**
Assignment of Telephone Numbers and Digital Media Accounts

# ASSIGNMENT OF TELEPHONE NUMBERS AND DIGITAL MEDIA ACCOUNTS

(for the benefit of Frios Franchising Company, LLC and its assigns)

THIS ASSIGNMENT OF TELEPHONE NUMBERS AND DIGITAL MEDIA ACCOUNTS (the "Assignment") is entered into between _____ (the "Assignor") and Frios Franchising Company, LLC and its successors and assigns (the "Assignee").

WHEREAS, Assignee is the franchisor of the Frios business franchise system (the "Frios Business Franchise System");

WHEREAS, Assignor, as franchisee, and Assignee, as franchisor, are parties to a Frios Business Franchise Agreement (the "Franchise Agreement");

WHEREAS, the term "Digital Media" shall refer to and mean any interactive or static digital document, listing, directory, application, advertisement, link, metadata, or media that is transmitted within a closed or private network, or that is connected to, in communication with, and/or networked with computers, applications, or other devices linked by communications systems, data systems, a part of the world wide web including, traditional websites, web based applications, distributed databases, including, blockchain, software applications, smart phone applications, or social media platforms such as Facebook, LinkedIn, X, Pinterest, Instagram, SnapChat, TikTok, and YouTube, that refers, references, identifies, reviews, promotes and/or relates, in any way, to a Frios Business, Frios Businesses, Assignor's Frios Business and/or trademarks associated with the Frios Business, the Frios Business Franchise System and/or Assignee; and

WHEREAS, in connection with Assignor's establishment and operation of a Frios Business, Assignor will be utilizing accounts, information, phone numbers and Digital Media subject to strict requirements set forth in the Franchise Agreement.

NOW THEREFORE, Assignor, in exchange for good and valuable consideration provided and paid by Assignee (receipt of which is hereby acknowledged), agrees:

1. That Assignor does hereby assign to assignee all telephone numbers, facsimile numbers, listings, domain names and Digital Media that is associated with Assignor's Frios Business including, the following (all collectively referred to as the "Media"):

(a) All phone numbers, facsimile numbers and listings that are currently, or in the future, associated with Assignor's Frios Business;

(b) The following telephone and facsimile numbers:
_____
_____; and

(c) All Digital Media, all Digital Media accounts and all Digital Media log-in information.

The foregoing shall not be construed and/or interpreted as Assignees acknowledgment and/or agreement that Assignor owns and/or possesses any ownership interests in the foregoing telephone numbers, accounts and/or Digital Media. Any and all rights of Assignor in and to same exist subject to a limited license pursuant to the Frios Business Franchise Agreement which shall take precedence and govern. However, this Assignment is intended by Assignor and Assignee to be an instrument that may be relied upon by all third parties to authorize and permit the assignments and transfers set forth in this Assignment and to facilitate the transfer of accounts and media to within the control of Assignee. Nothing contained in this Assignment shall be used to construe nor imply that Assignor possesses any ownership interests or rights in the Digital Media and in the event of any inconsistency or conflict between this Assignment and the Franchise Agreement, the Franchise Agreement shall take precedence and govern.

2. This Assignment will become effective automatically upon the termination or expiration of the Franchise Agreement for any reason. As to all third parties proof of the expiration or termination of the Franchise Agreement shall exist exclusively upon the written declaration of Assignee and Assignee's declaration shall be dispositive and not subject to challenge. Assignor acknowledges that all third parties may rely on this Assignment for the purpose of taking any and all actions to ensure that access to and control of the Media is maintained by Assignee.

**UTILIZATION OF THIS ASSIGNMENT SHALL EXIST AT THE SOLE DISCRETION OF ASSIGNEE AND FOR THE SOLE BENEFIT OF ASSIGNEE.**

| **Assignee:**<br>Frios Franchising Company, LLC | **Assignor:** |
|---|---|
| Signature | Signature |
| Name and Title (please print) | Name (please print) |
| Dated | Dated |

**Franchise Agreement – Exhibit 4**
ACH Authorization Form

**AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM**

**Franchisee Information:**

Franchisee Name | Business No.

Franchisee Mailing Address (street) | Franchisee Phone No.

Franchisee Mailing Address (city, state, zip)

Contact Name, Address and Phone Number (if different from above)

Franchisee Fax No. | Franchisee Email Address

**Bank Account Information:**

Bank Name

Bank Mailing Address (street, city, state, zip)

Bank Account No. | [ ] Checking [ ] Savings (check one) | Bank Routing No.

Bank Phone No.

**Authorization:**

Franchisee hereby authorizes Frios Franchising Company, LLC ("Franchisor") to initiate debit entries to Franchisee's account with the Bank listed above and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee's account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: _____ Date: _____

Name: _____ Federal Tax TD No.: _____

Its: _____

**NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT**

**Franchise Agreement – Exhibit 5**
General Release

FORM OF GENERAL RELEASE

# GENERAL RELEASE

THIS GENERAL RELEASE (the "Release") is made as of _____ (the "Effective Date") by:

(a) _____, a(n) _____, and _____, a(n) _____ (individually, jointly, severally, and collectively referred to as "Franchisee"), and

(b) if Franchisee is a Corporate Entity, the following individuals: _____, an individual residing at _____, and _____, an individual residing at _____ (individually, jointly, severally, and collectively referred to as the "Individual Guarantors") (Franchisee and the Individual Guarantors, respectively, are hereinafter individually, jointly, severally, and collectively referred to as the "Releasor"),

In Favor of, Frios Franchising Company, LLC, a Delaware limited liability company with a principal address at 1201 West I-65 Service Road North, Mobile, Alabama 36618, and Frios Franchising Company, LLC's predecessors, affiliates, successors, assigns, officers, directors, managers, employees, and agents (hereinafter individually, jointly, severally, and collectively referred to as the "Releasee").

IN EXCHANGE FOR GOOD AND VALUABLE CONSIDERATION FROM FRIOS FRANCHISING COMPANY, LLC AND/OR RELEASEE, AND WITH THE RECEIPT AND SUFFICIENCY OF SUCH CONSIDERATION BEING HEREBY ACKNOWLEDGED BY RELEASOR, RELEASOR DOES HEREBY, FOR ITSELF AND FOR RELEASOR'S SUCCESSORS AND ASSIGNS HEREBY RELEASE AND FOREVER DISCHARGE RELEASEE FROM:

Any and all claims including, but not limited to Franchise Claims (defined below), causes of action, violations, damages, actions, contracts, covenants, promises, judgments, suits, indebtedness, liabilities, accounts, and demands of every kind and nature (hereinafter all collectively referred to as the "Claims" or "Claim"), whether or not such Claims are presently known or unknown, disclosed or undisclosed, actual or potential, accrued or unaccrued and whether in law, admiralty, common law, or equity which against the Releasee, Releasor ever had, now has or hereafter can, shall or may, have for, upon, or by reason of any Claim, matter, cause or thing whatsoever from the beginning of the world to the Effective Date of this Release.

Without limitation to the foregoing, the definition of the term "Claims" or "Claim," includes and, thereby this Release shall apply to, any and all claims, causes of action, violations, damages, actions, contracts, covenants, promises, judgments, suits, indebtedness, liabilities, accounts, and demands of every kind and nature, whether or not such Claims are presently known or unknown, disclosed or undisclosed, actual or potential, accrued or unaccrued, relating to and/or with regard to each and every violation and breach of any and all federal and state franchise laws, franchise rules, or franchise regulations, including those franchise laws, rules, and regulations that relate to and govern the offer or sale of franchises, the offer or sale of business opportunities, the terms of the Franchise Agreement, and the offer and sale of the franchise opportunity related to the Franchise Agreement (collectively, referred to as "Franchise Claims").

This Release may not be changed orally.

This Release may be signed in counterparts, with each counterpart being binding against the party executing it and considered as an original.

This Release shall be interpreted in accordance with the laws of the State of Alabama. In the event that any action or legal proceeding is commenced respecting or related to this Release or the enforceability of this Release, the prevailing party in such legal action or proceeding shall be entitled to the recovery of reasonable attorneys' fees.

IN WITNESS WHEREOF, the Releasor has hereunto set Releasor's hand and seal on the date set forth below.

**Releasor:**

| | |
|---|---|
| Signature | Signature |
| Name (please print) | Name (please print) |
| Dated _____ | Dated _____ |
| Signature | Signature |
| Name (please print) | Name (please print) |
| Dated _____ | Dated _____ |

FRANCHISE DISCLOSURE DOCUMENT
**EXHIBIT F**
LIST OF FRANCHISEES

| Franchisees in the System as of December 31, 2025 | | | |
|---|---|---|---|
| **State** | **Business Location** | **Franchisee** | **Contact Information** |
| **Alabama** | 123 Brown Circle<br>Alabaster, AL 35007 | Michael Weidenbach | michael@friospops.com<br>205-216-2897 |
| | 112 Clark Street<br>Northeast Cullman, AL 35055 | Carl ("Jay") Keiffer Jr. and Kristy B. Keiffer | cullman@friospops.com<br>256-339-4946 |
| | 9719 Chariot Avenue<br>Fairhope, AL 36532 | Tiffany Vines | tiffanyvines@friospops.com<br>205-919-6414 |
| | 1502 Noccalula Road<br>Gadsden, AL 35904 | Destin Mince | Destin@friospops.com<br>256-459-4946 |
| | 3010 Zelda Road<br>Montgomery, AL 36106 | Jason Nguyen | Montgomery@friospops.com<br>334-220-0861 |
| | 152 West Main Street<br>Prattville, AL 36067 | Jim and Brandy Wohlers | Bwohlers@friospops.com<br>334-531-0650 |
| | 1809 Balm Road<br>Wetumpka, AL 36092 | Scott and Donna Grier | donna@friospops.com<br>334-549-2393 |
| **Arizona** | 2629 N Beverly Place<br>Buckeye, AZ 85396 | Stephanie Tipton | westvalley@friospops.com |
| | Gilbert, AZ | Brandelyn Hughes | gilbertAZ@friospops.com<br>602-819-2918 |
| | Chandler Heights, AZ | Brandelyn Hughes | brandelyn@friospops.com |
| **Colorado** | 162 Harvard Street<br>Colorado Springs, CO 80911 | Eric Signor | eric.signor@friospops.com<br>719-220-4056 |
| **Delaware** | 35223 Pilotboat Drive<br>Lewes, DE 19958 | Kristi Sutliffe | delawarebeaches@friospops.com<br>301-717-2184 |
| **Florida** | 10353 Hetrick Circle W<br>Largo, FL 33774 | Stephanie Ash* | clearwater@friospops.com<br>727-424-5842 |
| | Dunedin, Florida | Stephanie Ash* | clearwater@friospops.com<br>727-424-5842 |
| | St. Petersburg, Florida | Stephanie Ash* | stpete@friospops.com |
| | 7421 Paradiso Road<br>Apollo Beach, FL 33572 | Shaune Scott* | tampa@friospops.com<br>310-866-5866 |
| | Tampa, Florida | Shaune Scott* | tampa@friospops.com<br>310-866-5866 |
| | Fort Lauderdale, Florida | Morris Smith* | Morris@friospops.com<br>305-608-8891 |
| | Orlando (West), Florida | Lincoln Pascoa | lincoln@friospops.com<br>914-770-1010 |
| | Destin, Florida | Christopher Riley | denstinfl@friospops.com |
| | Winterpark, Florida | Renita Smith | winterpark@friospops.com |
| **Georgia** | 152 Bywater Trail<br>Clayton, GA 30525 | Stephen and Suzanne Flaherty | Stephen@friospops.com<br>360-929-7155 |
| | 175 Rivoli Landing<br>Macon, GA 31210 | Brandon Anderton | brandon@friospops.com<br>205-585-0834 |
| | 14 Greenville Street<br>Newnan, GA 30263 | Sonya Matthews* | sonya@friospops.com<br>678-665-1416 |
| | LaGrange, GA | Sonya Matthews* | sonya@friospops.com<br>678-665-1416 |

| | | | |
|---|---|---|---|
| | 90 East Callahan Street<br>Rome, GA 30161 | John Cowan | jcowan@friospops.com<br>706-936-8291 |
| | 216 Eagles Flight<br>Villa Rica, GA 30180 | Dee Dothard * | Dee@friospops.com<br>470-244- 0628 |
| | Atlanta, GA | Dee Dothard* | Dee@friospops.com<br>470-244- 0628 |

| | | | |
|---|---|---|---|
| | 4785 Winding Rose Drive<br>Suwanee, GA 30024 | Casey Robuck | suwanee@friospops.com<br>770-639-9703 |
| | Hinesville, GA | Denise Foster* | denise.foster@friospops.com<br>770-366-8282 |
| | Brunswick, GA | Denise Foster* | denise.foster@friospops.com<br>770-366-8282 |
| **Louisiana** | 5520 Johnston Street,<br>Suite K PMB 1282<br>Lafayette, LA 70503 | Joseph Thomas | Joseph@friospops.com<br>504-259-8703 |
| **Massachusetts** | South Boston, MA | Romin Patel | romin@friospops.com |
| **Michigan** | 6208 Deering Street<br>Garden City, MI 48135 | Karen Hudson | karen@friospops.com<br>313-463-0737 |
| **Minnesota** | 3670 Planting Green<br>Stillwater, MN 55082 | Kevin & Tamar Brown* | StCroix@friospops.com<br>612-757-3240 |
| | St. Croix, MN | Kevin & Tamar Brown* | StCroix@friospops.com<br>612-757-3240 |
| | Woodbury, MN | Mari Miezwa* | Mari.miezwa@friospops.com |
| | Blaine, MN | Mari Miezwa* | Mari.miezwa@friospops.com |
| **Missouri** | 918 La Beaume Street<br>Saint Louis, MO 63102 | Kemet Hetep | stcharles@friospops.com<br>314-349-0667 |
| **Mississippi** | Ocean Springs, MS | Jarrod Cook | Oceansprings@friospops.com<br>601-618-0412 |
| | Jackson (Metro), MS | Matt Collins* | Matt.collins@friospops.com |
| | Jackson (Metro), MS | Matt Collins* | Matt.collins@friospops.com |
| | Jackson (Metro), MS | Matt Collins* | Matt.collins@friospops.com |
| **Nebraska** | Ohama, NE | Chris Alford* | Omaha@friospops.com<br>213-239-3084 |
| | Ohama, NE | Chris Alford* | Omaha@friospops.com<br>213-239-3084 |
| | Lincoln, NE | Chris Alford* | Omaha@friospops.com<br>213-239-3084 |
| **New Jersey** | 76 Knowllwood Drive<br>Cherry Hill, NJ 08002 | Vince Conti | Cherryhill@friospops.com<br>856-986-5699 |
| **New Mexico** | Alamogordo, NM | Tabitha Garcia | tabitha@friospops.com<br>575-495-5429 |
| | NW Albuqurque, NM | William Garcia | Nwalbuqurque@friospops.com |
| **New York** | 236 Everwild Lane<br>Rochester, NY14616 | Nick Stebbins | rochester@friospops.com<br>585-746-1164 |
| | Rochester, NY | Nick Stebbins | rochester@friospops.com<br>585-746-1164 |
| **North Carolina** | Belmont/Mount Holly, NC | Robin Bridgeman * | Robin@friospops.com<br>704-718-3017 |

| | | | |
|---|---|---|---|
| | Wilmington, NC | Robin Bridgeman * | Robin@friospops.com<br>704-718-3017 |
| | Raleigh, NC | Leisa Bolles* | raleigh@friospops.com<br>919-749-8129 |
| | Cary, NC | Leisa Bolles* | raleigh@friospops.com<br>919-749-8129 |
| | Winston-Salem, NC | Amy Winslow | amy.winslow@friospops.com<br>336-880-2430 |
| | High Point, NC | Amy Winslow | amy.winslow@friospops.com<br>336-880-2430 |
| | South Charlotte (Uptown), NC 28277 | Matthew MacDonald* | southcharlotte@friospops.com<br>858-413-4986 |
| | Matthews, NC | Matthew MacDonald* | southcharlotte@friospops.com<br>858-413-4986 |
| | Asheville, NC | Cory Nuckolls | cory@friospops.com |
| **Ohio** | 6855 McEwen Road<br>Dayton, OH 45459 | Augustina Deleon* | buckeyetreats@friospops.com<br>937-754-0225 |
| | Dayton, OH | Augustina Deleon* | buckeyetreats@friospops.com<br>937-754-0225 |
| | 11446 Worthington Way<br>North Royalton, OH 44133 | Barbie Estrada* | clevelandsw@friospops.com<br>330-716-1190 |
| | Cleveland SW, OH | Barbie Estrada* | clevelandsw@friospops.com<br>330-716-1190 |
| **Oklahoma** | 423 S Main Street<br>Stillwater, OK 74074 | Brett and Lindsay McKee | brett@friospops.com<br>918-809-5999 |
| | 105 North Greenwood Avenue<br>Tulsa, OK 74120 | Angela D. Busby* | angela@friospops.com<br>918-829-3911 |
| | Bixby, OK | Angela D. Busby* | angela@friospops.com<br>918-829-3911 |
| | 912 North Zeenieth Place<br>Tulsa, OK 74127 | Julie Klinetobe | Julie@friospops.com<br>918-906-1439 |
| | Oklahoma City, OK | Linda Se Huynh | lindas@friospops.com<br>405-627-1721 |
| **Pennsylvania** | 322 Mall Boulevard<br>Monroeville, PA 15146 | KC Carlson* | KC@friospops.com<br>910-391-3782 |
| | Pittsburgh, PA | KC Carlson* | KC@friospops.com<br>910-391-3782 |
| | 4248 Houghton Street<br>Philadelphia, PA 19128 | Amanda and Rob Kumor* | NWphilly@friospops.com<br>484-716-4831 |
| | NW Philadelphia, PA | Amanda and Rob Kumor* | NWphilly@friospops.com<br>484-716-4831 |
| | NW Philadelphia, PA | Amanda and Rob Kumor* | NWphilly@friospops.com<br>484-716-4831 |

| | | | |
|---|---|---|---|
| **South Carolina** | 518 College Avenue<br>Suite 170<br>Clemson, SC 29631 | Darryl Morris | Darryl@friospops.com<br>864-324-1208 |
| | 1 North Forest Beach Drive<br>Unit K-5<br>Hilton Head Island, SC 29928 | Chuck and Janet Glausier | chuck@friospops.com,<br>janet@friospops.com<br>703-898-5406 |

| | | | |
|---|---|---|---|
| | Anderson, SC | Blake Daniel | Anderson@friospops.com<br>864-933-5176 |
| | 838 East Green Street<br>Summerville, SC 29485 | Joyce Green | Joyce.green@friospops.com<br>520-270-1605 |
| | Fort Mill, SC | Biswadip Saha | fortmill@friospops.com |
| | Mount Pleasant, SC | Nicholas Almond | Nick.almond@friospops.com |
| | Myrtle Beach, SC | Ed Evans | myrtlebeach@friospops.com |
| **Tennessee** | 205 Manufacturers Road<br>Suite 108<br>Chattanooga, TN 37405 | Kerri Raughton | Kerri@friospops.com<br>423-599-2994 |
| | 200 Cross Valley Drive<br>Columbia, TN 38401 | Michael Lewis* | Michaellewis@friospops.com<br>276-451-1166 |
| | Nashville, TN | Michael Lewis* | Michaellewis@friospops.com<br>276-451-1166 |
| | 7916 Woodchase Drive<br>Cordova, Tennessee 38016 | Carla Tellez | Cordova@friospops.com<br>901-679-2080 |
| **Texas** | Fort Worth, TX | Leesa and Eric Wolf* | leesa@friospops.com<br>817-929-3146 |
| | Parker County, TX | Leesa and Eric Wolf* | leesa@friospops.com<br>817-929-3146 |
| | Haslet, TX | Leesa and Eric Wolf* | leesa@friospops.com<br>817-929-3146 |
| | Tyler, TX | Brandy Weidner | brandy.weider@friospops.com<br>903-747-6207 |
| | Plano Allen, TX | Keisha and Nick Reeder* | keisha@friospops.com<br>469-345-2006 |
| | Dallas, TX | Keisha and Nick Reeder* | keisha@friospops.com<br>469-345-2006 |
| | North Arlington, TX | Keisha and Nick Reeder* | keisha@friospops.com<br>469-345-2006 |
| | Ellis County, TX | Keisha and Nick Reeder* | keisha@friospops.com<br>469-345-2006 |
| | 16002 CR 1830<br>Lubbock, TX 79424 | Chance and Alexa Britt* | chance@friospops.com<br>alexa@friospops.com<br>806-759-2000 |
| | San Angelo, TX | Chance and Alexa Britt* | chance@friospops.com<br>alexa@friospops.com<br>806-759-2000 |
| | Amarillo, TX | Chance and Alexa Britt* | chance@friospops.com<br>alexa@friospops.com<br>806-759-2000 |
| | 1405 1st Street<br>Arlington, TX 76001 | Funmi Oredope* | funmi@friospops.com<br>214-223-6182 |
| | Colleyville, TX | Funmi Oredope* | funmi@friospops.com<br>214-223-6182 |
| | 20628 Fairleaf Street<br>Pflugerville, TX 79424 | Mike and Melissa Brown | melissa@friospops.com<br>mike@friospops.com<br>512-300-8292 |
| | 10913 Aledo Lane<br>Aubrey, TX 76227 | Desiree Cordova | desiree@friospops.com<br>325-668-4843 |
| | 6521 Mosswood Drive | Tabitha Garcia | tabitha@friospops.com |

| | | | |
|---|---|---|---|
| | Midland, TX 79707 | | 575-495-5429 |
| | Flower Mound, TX | Kirk Kersey* | flowermound@friospops.com<br>817-734-4946 |
| | 3741 Mingo Road, Suite 201<br>Denton, TX 76208 | Kirk Kirsey* | Kirk@friospops.com<br>469-358-4228 |
| | HEB, TX | Kirk Kirsey* | Kirk@friospops.com<br>469-358-4228 |
| | Keller, TX | Kirk Kirsey* | Kirk@friospops.com<br>469-358-4228 |
| | Farmers Branch, TX | Priya Kumar | priya@friospops.com |
| | Austin, TX | Karley Rosenberg* | karlie@friospops.com |
| | Austin, TX | Karley Rosenberg* | karlie@friospops.com |
| | Lake Houston, TX | Jeff Hebert | lakehouston@friospops.com |
| | Georgetown, TX | Bryan Norrell | georgetown@friospops.com |
| **West Virginia** | 5340 U.S. Route 60<br>Suite 110<br>Huntington, WV 25705 | Jeremy Adams | jeremy@friospops.com<br>304-417-0618 |
| **Wisconsin** | Madison, WI | Chelsea Metzger* | chelsea@friospops.com<br>608-698-1324 |
| | Wisconsin Dells, WI | Chelsea Metzger* | chelsea@friospops.com<br>608-698-1324 |

* This franchisee operates in multiple Territories.

FRANCHISE DISCLOSURE DOCUMENT
**EXHIBIT G**
LIST OF FRANCHISEES
THAT HAVE LEFT THE SYSTEM

| Franchisees That Left the System During the Fiscal Year Ending December 31, 2025 | | | |
|---|---|---|---|
| **State** | **Business Location** | **Franchisee** | **Contact Information** |
| **Arkansas** | Bentonville, Arkansas | Cynthia Bonner | 479-685-9995 |
| **Florida** | Palm Beach Gardens, Florida | Alyssa Lund | 608-320-1669 |
| | Tampa, Florida | Shaune Scott | 310-866-5866 |
| | Tampa, Florida | Shaune Scott | 310-866-5866 |
| | Fort Lauderdale, Florida | Morris Smith | 305-608-8891 |
| | Jacksonville, Florida | Leniesha Norwood | 817-808-1432 |
| | Jacksonville, Florida | Leniesha Norwood | 817-808-1432 |
| **Ohio** | Columbus, OH | Nathan and Rachael Blankenship | 740-412-5399 |
| | Columbus, OH | Nathan and Rachael Blankenship | 740-412-5399 |
| | Columbus, OH | Nathan and Rachael Blankenship | 740-412-5399 |
| **Texas** | Lake Conroe, TX | Sarah Ables | 361-765-1385 |

FRANCHISE DISCLOSURE DOCUMENT
**EXHIBIT H**
STATE SPECIFIC ADDENDA

**California FDD Amendment**
Amendments to the Frios
Franchise Disclosure Document

**The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**

1. Item 17 "Renewal, Termination, Transfer and Dispute Resolution: The Franchise Relationship," is supplemented by the addition of the following:

A. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

B. The franchisor, any person or franchise broker in Item 2 of the FDD is not subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

C. California Business and Professions Code Sections 20000 through 20043 establish the rights of the franchisee concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

D. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law. (11 U.S.C.A. Sec. 101 et seq.).

E. The Franchise Agreement contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

F. The Franchise Agreement requires binding arbitration. The arbitration will occur in Alabama, subject to applicable California law, with the costs being borne by the franchisee and franchisor.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Franchise Agreement restricting venue to a forum outside the State of California.

G. The Franchise Agreement requires application of the laws of the State of Alabama. This provision may not be enforceable under California law.

2. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

3. You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516).

4. Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

5. Item 6 "Other Fees," is supplemented by the addition of the following statement: "The highest interest rate allowed by law in the State of California is 10%."

6. The following URL address is for the franchisor's website: www.friospops.com.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

7. California's Franchise Investment Law (Corporations Code Sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees or its agents make to you, (ii) our ability to rely on any representations it makes to you, or (iii) any violation of the law.

8. 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 any 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.

## Connecticut FDD Amendment

Amendments to the Frios
Franchise Disclosure Document

1. Item 3 "Litigation," is supplemented by the addition of the following:

A. Neither the Franchisor nor any person identified in Items 1 or 2 above has any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) pending against him alleging a violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, business opportunity law, securities law, misappropriation of property or comparable allegations.

B. Neither the Franchisor nor any other person identified in Items 1 or 2 above has during the 10 year period immediately preceding the date of this Disclosure Document, been convicted of a felony or pleaded nolo contendere to a felony charge or been held liable in any civil action by final judgment, or been the subject of any material complaint or other legal proceeding where a felony, civil action, complaint or other legal proceeding involved violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, business opportunity law, securities law, misappropriation of property or comparable allegations or which was brought by a present or former purchaser-investor or which involves or involved the business opportunity relationship.

C. Neither the Franchisor nor any person identified in Items 1 or 2 above is subject to any currently effective injunctive or restrictive order or decree relating to the franchise, or under any federal, state

or Canadian franchise, securities, business opportunity, antitrust, trade regulation or trade practice law as a result of concluded or pending action or proceeding brought by a public agency, or is a party to a proceeding currently pending in which an order is sought, relating to or affecting business opportunity activities or the seller-purchaser-investor relationship, or involving fraud, including but not limited to, a violation of any business opportunity law, franchise law, securities law or unfair or deceptive practices law, embezzlement, fraudulent conversion, misappropriation of property or restraint of trade.

D. Neither Company nor any person identified in Item 2 above is subject to any currently effective order of any national securities association or national securities exchange (as defined in the Securities & Exchange Act of 1934) suspending or expelling these persons from membership in the association or exchange.

2. Item 4 "Bankruptcy," is supplemented by the addition of the following:

No entity or person listed in Items 1 and 2 of this Disclosure Document has, at any time during the previous 10 fiscal years (a) filed for bankruptcy protection, (b) been adjudged bankrupt, (c) been reorganized due to insolvency, or (d) been a principal, director, executive officer or partner of any other person that has so filed or was adjudged or reorganized, during or within one year after the period that the person held a position with the other person.

If the seller fails to deliver the products, equipment or supplies or fails to render the services necessary to begin substantial operation of the business within 45 days of the delivery date stated in your contract be cancelled.

DISCLOSURES REQUIRED BY CONNECTICUT LAW

The State of Connecticut does not approve, recommend, endorse or sponsor any business opportunity. The information contained in this disclosure has not been verified by the state. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

BUSINESS OPPORTUNITY DISCLOSURE

The following business opportunity disclosure is provided by Frios Franchising Company, LLC a registered business in the State of Connecticut.

Disclosure Document is dated: April 29, 2026

**Hawaii FDD Amendment**
Amendments to the Frios
Franchise Disclosure Document

Exhibit J "FDD Receipts," is supplemented with the addition of the following:

The Receipt for this Disclosure Document (Exhibit "J") is supplemented to add the following:

1. THIS FRANCHISE WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

2. THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS BEFORE THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS BEFORE THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

3. THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT AND THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

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 ANY 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.

**Illinois FDD Amendment**
Amendments to the Frios
Franchise Disclosure Document

DISCLOSURE REQUIRED BY THE STATE OF ILLINOIS

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisee's rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any 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.

Payment of Initial Franchise Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

**Indiana FDD Amendment**
Amendments to the Frios
Franchise Disclosure Document

1. Item 8, "Restrictions on Sources of Products and Services," is supplemented by the addition of the following:

> Under Indiana Code Section 23-2-2.7-1(4), the franchisor will not obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted by the franchisee.

2. Item 6, "Other Fees" and Item 9, "Franchisee's Obligations", are supplemented, by the addition of the following:

> The franchisee will not be required to indemnify franchisor for any liability imposed upon franchisor as a result of franchisee's reliance upon or use of procedures or products that were required by franchisor, if the procedures or products were utilized by franchisee in the manner required by franchisor.

3. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," is supplemented, by the addition of the following:

A. Indiana Code 23-2-2.7-1(7) makes unlawful unilateral termination of a franchise unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

B. Indiana Code 23-2-2.7-1(5) prohibits a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Law.

C. ITEM 17(r) is amended subject to Indiana Code 23-2-2.7-1(9) to provide that the post-term non-competition covenant shall have a geographical limitation of the territory granted to Franchisee.

D. ITEM 17(v) is amended to provide that franchisees will be permitted to commence litigation in Indiana for any cause of action under Indiana Law.

E. ITEM 17(w) is amended to provide that in the event of a conflict of law, Indiana Law governs any cause of action that arises under the Indiana Disclosure Law or the Indiana Deceptive Franchise Practices Act.

**Maryland FDD Amendment**
Amendments to the Frios
Franchise Disclosure Document

Item 17, "Renewal, Termination, Transfer and Dispute Resolution," is supplemented, by the addition of the following:

A. The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

B. A Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

C. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

D. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).

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 any 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.

**Michigan FDD Amendment**
Amendments to the Frios
Franchise Disclosure Document

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

A. A prohibition of your right to join an association of franchisees.

B. A requirement that you assent to a release, assignment, novation, waiver or estoppel that deprives you of rights and protections provided in this act. This shall not preclude you, after entering into a Franchise Agreement, from settling any and all claims.

C. A provision that permits us to terminate a franchise before the expiration of this term except for good cause. Good cause shall include your failure to comply with any lawful provision of the Franchise Agreement and to cure the failure after being given written notice of the failure and a reasonable opportunity, which in no event need be more than 30 days, to cure the failure.

D. A provision that permits us to refuse to renew a franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures and furnishings. Personalized materials that have no value to us and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (a) the term of the franchise is less than five years, and (b) you are prohibited by the Franchise Agreement or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or you do not receive at least six months advance notice of our intent not to renew the franchise.

E. A provision that permits us to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

F. A provision requiring that litigation be conducted outside this state. This shall not preclude you from entering into an agreement, at the time of litigation, to conduct litigation at a location outside this state.

G. A provision that permits us to refuse to permit a transfer of ownership of a franchise, except for good cause. The subdivision does not prevent us from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet our then current reasonable qualifications or standards.
(ii) The fact that the proposed transferee is our or Sub-franchisor's competitor.
(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
(iv) Your or proposed transferee's failure to pay us any sums or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

H. A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants us a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants us the right to acquire the assets

of a franchise for the market or appraised value and has failed to cure the breach in the manner provided in Item 17(g).

I. A provision that permits us to directly or indirectly convey, assign or otherwise transfer our obligations to fulfill contractual obligations to you unless a provision has been made for providing the required contractual services.

2. If our most recent financial statements are unaudited and show a net worth of less than $100,000, you may request that we arrange for the escrow of initial investment and other funds you paid until our obligations, if any, to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At our option, a surety bond may be provided in place of escrow.

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

4. Any questions regarding this notice should be directed to: State of Michigan, Consumer Protection Division, Attention: Franchise Bureau, 670 Law Building, Lansing, MI 48913; telephone number (517) 373-3800.

## Minnesota FDD Amendment

Amendments to the Frios
Franchise Disclosure Document

ADDITIONAL RISK FACTORS:

1. 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.

2. 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 SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN 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.

AMENDMENT OF FDD DISCLOSURES:

A. Item 6, “Other Fees”, Not sufficient funds are governed by Minnesota Statute 604.113, which puts a cap of $30 on service charges.

B. Item 13, "Trademarks", Item 13 is supplemented by the addition of the following: As required by the Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), we will reimburse you for any costs incurred by you in the defense of your right to use the marks, so long as you were using the marks in the manner authorized by us, and so long as we are timely notified of the claim and given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

C. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," Item 17 is supplemented by the addition of the following: With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days- notice of termination (with 60 days to cure) and 180 days-notice of non-renewal of the Agreement.

D. Item 17 "Renewal, Termination, Transfer and Dispute Resolution," Item 17 is supplemented by the addition of the following: Item 17 shall not provide for a prospective general release of claims against us that may be subject to the Minnesota Franchise Law. Minn. Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release.

E. Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of 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.

F. 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 any 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.

G. The Minnesota Department of Commerce requires that the franchisor defer the collection of all initial fees from Minnesota franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business.

## New York FDD Amendment

Amendments to the Frios
Franchise Disclosure Document

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A**

**PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is to be added at the end of Item 3:

With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for a franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

> However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled "**Termination by franchisee**": You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum**," and Item 17(w), titled "**Choice of law**":

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York.

6. Franchise Questionnaires and Acknowledgements - No statement, questionnaire, or acknowledgment 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 any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. Receipts - Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, 10 business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

## North Dakota FDD Amendment

Amendments to the Frios
Franchise Disclosure Document

1. Item 5, "Initial fees", Item 5 is supplemented by the addition of the following:

Refund and cancellation provisions will be inapplicable to franchises operating under North Dakota Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17. If franchisor elects to cancel this Franchise Agreement, franchisor will be entitled to a reasonable fee for its evaluation of you and related preparatory work performed and expenses actually incurred.

2. Item 6, "Other Fees", Item 6 is supplemented by the addition of the following:

No consent to termination or liquidated damages shall be required from franchisees in the State of North Dakota.

3. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," Item 17 is supplemented by the addition of the following:

A. Any provision requiring a franchisee to sign a general release upon renewal of the Franchise Agreement has been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

B. Any provision requiring a franchisee to consent to termination or liquidation damages has been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

C. Covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust and inequitable. Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.

D. Any provision in the Franchise Agreement requiring a franchisee to agree to the arbitration or mediation of disputes at a location that is remote from the site of the franchisee's business has been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The site of arbitration or mediation must be agreeable to all parties and may not be remote from the franchisee's place of business.

E. Any provision in the Franchise Agreement which designates jurisdiction or venue or requires the franchisee to agree to jurisdiction or venue in a forum outside of North Dakota is void with respect to any cause of action which is otherwise enforceable in North Dakota.

F. Apart from civil liability as set forth in Section 51-19-12 of the N.D.C.C., which is limited to violations of the North Dakota Franchise Investment Law (registration and fraud), the liability of the franchisor to a franchisee is based largely on contract law. Despite the fact that those provisions are not contained in the franchise investment law, those provisions contain substantive rights intended to be afforded to North Dakota residents and it is unfair to franchise investors to require them to waive their rights under North Dakota Law.

G. Any provision in the Franchise Agreement requiring that the Franchise Agreement be construed according to the laws of a state other than North Dakota are unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

H. Any provision in the Franchise Agreement which requires a franchisee to waive his or her right to a jury trial has been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

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 any 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.

**Rhode Island FDD Amendment**
Amendments to the Frios
Franchise Disclosure Document

Item 17, "Renewal, Termination, Transfer and Dispute Resolution," Item 17 is supplemented by the addition of the following:

A. The Rhode Island Franchise Investment Act, R.I. Gen. Law Ch. 395 Sec. 19-28.1-14 provides that a provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

B. Any general release as a condition of renewal, termination or transfer will be void with respect to claims under the Rhode Island Franchise Investment Act.

**Virginia FDD Amendment**
Amendments to the Frios
Franchise Disclosure Document

Item 17, "Renewal, Termination, Transfer and Dispute Resolution," Item 17(h) is supplemented by the addition of the following:

> Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in Frios Franchise Agreement do not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

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 any 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.

Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from $64,548 to $219,917, depending on the franchise format and number of Territories purchased. This amount exceeds the franchisor's stockholders equity as of December 31, 2025, which is $376,999.

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

## Washington FDD Amendment

Amendments to the Frios
Franchise Disclosure Document

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

16. **Questionnaires and Acknowledgments.** No statement, questionnaire, or acknowledgment 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 any 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.

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

## Wisconsin FDD Amendment

Amendments to the Frios
Franchise Disclosure Document

Item 17, "Renewal, Termination, Transfer and Dispute Resolution," Item 17 is supplemented by the addition of the following:

The Wisconsin Fair Dealership Law Title XIV-A Ch. 135, Section 135.01-135.07 may affect the termination provision of the Franchise Agreement.




# STATE SPECIFIC AMENDMENTS TO FRANCHISE AGREEMENT

## CALIFORNIA FRANCHISE AGREEMENT AMENDMENT

Amendments to the Frios Franchise Agreement

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 any 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.

IN WITNESS WHEREOF, the parties have duly executed and delivered this California State amendment to the Frios Franchising Company, LLC Franchise Agreement on the same date as the Franchise Agreement was executed.

| **Franchisor:** Frios Franchising Company, LLC | **Franchisee:** |
|---|---|
| Signature | Signature |
| Name and Title (please print) | Name (please print) |
| Dated | Dated |

## HAWAII FRANCHISE AGREEMENT AMENDMENT

Amendments to the Frios Franchise Agreement

In recognition of the requirements of the Hawaii Franchise Investment Law, the undersigned agree to the following modifications to the Frios Franchising Company, LLC Franchise Agreement (the "Franchise Agreement"), as follows:

1. Sub-Article 14.C.(6). Sub-article 14.C.(6), under the Article section titled "Conditions for Approval of Transfer," is supplemented by the addition of the following language:

> ; provided, however, that all rights enjoyed by Franchisee and any causes of action arising in Franchisee's favor from the provisions of the Hawaii Franchise Investment Law, shall remain in force; it being the intent of this provision that the non-waiver provisions of the Hawaii Franchise Investment Law be satisfied; and
>
> The Hawaii Franchise Investment Law provides rights to the franchisee concerning non-renewal, termination and transfer of the Franchise Agreement. If this Sub-article contains a provision that is inconsistent with the Hawaii Franchise Investment Law, the Hawaii Franchise Investment Law will control.

2. Sub-Article 15.B.(8). Sub-article 15.B.(8), under the Article section titled "Conditions for Renewal," is supplemented by the addition of the following:

> ; provided, however, that all rights enjoyed by Franchisee and any causes of action arising in Franchisee's favor from the provisions of the Hawaii Franchise Investment Law, shall remain in force; it being the intent of this provision that the non-waiver provisions of the Hawaii Franchise Investment Law be satisfied; and
>
> The Hawaii Franchise Investment Law provides rights to the franchisee concerning non-renewal, termination and transfer of the Franchise Agreement. If this subarticle contains a provision that is inconsistent with the Hawaii Franchise Investment Law, the Hawaii Franchise Investment Law will control.

3. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently without reference to this amendment.

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 any 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.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties have duly executed and delivered this Hawaii State amendment to the Frios Franchising Company, LLC Franchise Agreement on the same date as the Franchise Agreement was executed.

**Franchisor:** Frios Franchising Company, LLC

Signature

Name and Title (please print)

Dated

**Franchisee:**

Signature

Name (please print)

Dated

## ILLINOIS FRANCHISE AGREEMENT AMENDMENT

Amendments to the Frios Franchise Agreement

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

No statement, questionnaire, or acknowledgment 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 any 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.

Payment of Initial Franchise Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition

IN WITNESS WHEREOF, the parties have duly executed and delivered this Illinois amendment to the Frios Franchising Company, LLC Franchise Agreement on the same date as the Franchise Agreement was executed.

| **Franchisor:** Frios Franchising Company, LLC | **Franchisee:** |
|---|---|
| _____ | _____ |
| Signature | Signature |
| _____ | _____ |
| Name and Title (please print) | Name (please print) |
| _____ | _____ |
| Dated | Dated |

## MARYLAND FRANCHISE AGREEMENT AMENDMENT

Amendments to the Frios Franchise Agreement

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached Frios Franchising Company, LLC Franchise Agreement (the "Franchise Agreement"), as follows:

1. The franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

2. The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. Article 18.G. of the Franchise Agreement, under the heading "Choice of Law, Non-Binding Mediation, Binding Arbitration, and Consent to Jurisdiction," shall be amended by the addition of the following statement added to Article 18.G. of the Franchise Agreement:

> A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Article 18.I. of the Franchise Agreement, under the heading "Limitations of Claims," shall be amended by the addition of the following statement added to Article 18.I. of the Franchise Agreement:

> Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.
>
> A general release required as a condition of renewal, sale and/or assignment or transfer of a Franchise Agreement shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

5. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this amendment.

6. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any 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.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties have duly executed and delivered this Maryland amendment to the Frios Franchising Company, LLC Franchise Agreement on the same date as the Franchise Agreement was executed.

**Franchisor:** Frios Franchising Company, LLC

Signature

Name and Title (please print)

Dated

**Franchisee:**

Signature

Name (please print)

Dated

Signature

Name (please print)

Dated

## MINNESOTA FRANCHISE AGREEMENT AMENDMENT

Amendments to the Frios Franchise Agreement

In recognition of the requirements of the Minnesota Statutes, Chapter 80C. and Minnesota Franchise Rules, Chapter 2860, the parties to the attached Frios Franchising Company, LLC Franchise Agreement (the "Franchise Agreement"), as follows:

1. Article 14.C. of the Franchise Agreement, under the heading "Conditions for Approval of Transfer," subarticle 14.C(6) is supplemented with the addition of the following language:

> ; provided, however, that all rights enjoyed by Franchisee and any causes of action arising in Franchisee's favor from the provisions of the Minnesota Franchise Act, Minn. Stat. Section 80C.14 et seq. and Minnesota Rules 2860.4400(D), shall remain in force; it being the intent of this provision that the non-waiver provisions of the Minnesota Rules 2860.4400(D) be satisfied; and
>
> Minnesota law provides a franchisee with certain termination and non-renewal rights. Minn. Stat. Sect. 80C.14 Subdivisions 3, 4, and 5 require, except in certain specified cases, that franchisee be given 180 days-notice of nonrenewal of this Agreement by Franchisor.

2. Article 15.B. of the Franchise Agreement, under the heading "Conditions for Renewal," subarticle 15.B(8) is supplemented with the addition of the following language:

> ; provided, however, that all rights enjoyed by Franchisee and any causes of action arising in Franchisee's favor from the provisions of the Minnesota Franchise Act, Minn. Stat. Section 80C.14 et seq. and Minnesota Rules 2860.4400(D), shall remain in force; it being the intent of this provision that the non-waiver provisions of the Minnesota Rules 2860.4400(D) be satisfied; and
>
> Minnesota law provides a franchisee with certain termination and non-renewal rights. Minn. Stat. Sect. 80C.14 Subdivisions 3, 4, and 5 require, except in certain specified cases, that franchisee be given 180 days-notice of nonrenewal of this Agreement by Franchisor.

3. Under Article 11 of the Franchise Agreement, under the heading "Notification of Infringement and Claims," the subarticle 11.C. shall be supplemented by the addition of the following:

> Franchisor agrees to protect Franchisee, to the extent required by the Minnesota Franchise Act, against claims of infringement or unfair competition with respect to Franchisee's use of the Marks when, in the opinion of Franchisor's counsel, Franchisee's rights warrant protection pursuant to Article 11.E. of this Agreement.

4. Under Article 14 of the Franchise Agreement, under the heading "Conditions for Approval of Transfer," the subarticle 14.C. shall be supplemented by the addition of the following:

> Franchisor shall not unreasonably withhold consent to transfer the Franchise Agreement.

5. Under Article 16 of the Franchise Agreement, under the heading "Defaults and Automatic Termination Upon Written Notice Without Cure Period," the subarticle 16.A.(2). shall be supplemented by the addition of the following:

> Article 16.A.(2) will not be enforced to the extent prohibited by applicable law.

6. Under Article 16 of the Franchise Agreement, under the heading "Defaults and Automatic Termination After 30 Day Cure Period," the subarticle 16.A.(4)(f), shall be supplemented by the addition of the following:

Subarticle 16.A.(4)(f) will not be enforced to the extent prohibited by applicable law.

7. Under both subarticles 16.A.(2) and 16.A.(4) of the Franchise Agreement, the following is added:

Minnesota law provides a franchisee with certain termination rights. Minn. Stat. Sect. 80C.14 Subdivisions 3, 4, and 5 require, except in certain specified cases, that franchisee be given 90 days-notice of termination (with 60 days to cure) of this Agreement.

8. Article 18.F. of the Franchise Agreement, under the heading "Governing Law", shall be amended by the addition of the following statement added to the end of the last sentence of Article 18.F.:

; except to the extent otherwise prohibited by applicable law with respect to claims arising under the Minnesota Franchise Act.

9. Article 18.G. of the Franchise Agreement, under the heading "Choice of Law, Non-Binding Mediation, Binding Arbitration, and Consent to Jurisdiction", shall be amended by the addition of the following statement added to the end of the last sentence of Article 18.G. of the Franchise Agreement:

; except to the extent otherwise prohibited by applicable law with respect to claims arising under the Minnesota Franchise Act.

10. Article 18.K. of the Franchise Agreement, under the heading "Waiver of Jury Trial", shall be supplemented by the addition of the following statement at the end of the sentence contained in Article 18.K. of the Franchise Agreement:

; except that nothing in this Agreement should be considered a waiver of any right conferred upon Franchisee by the Minnesota Franchise Act.

11. Article 18.I. of the Franchise Agreement, under the heading "Limitations of Claims," shall be supplemented by the addition of the following statement:

Under the Minnesota Franchise Act, any claims between the parties must be commenced within three years of the occurrence of the facts giving rise to such claim, or such claim shall be barred.

12. Article 18 of the Franchise Agreement, under the heading "Enforcement and Construction," shall be supplemented by the addition of the following new subarticle 18.Z. to the Franchise Agreement:

Any foregoing acknowledgments are not intended to nor shall they act as a release, estoppel or waiver or any liability under the Minnesota Franchise Act.

13. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchise Act are met independently without reference to this amendment.

14. The Minnesota Department of Commerce requires that the franchisor defer the collection of all initial fees from Minnesota franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business.

15. 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 any 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.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Minnesota State amendment to the Frios Franchising Company, LLC Franchise Agreement on the same date as the Franchise Agreement was executed.

**Franchisor:** Frios Franchising Company, LLC

_____
Signature

_____
Name and Title (please print)

_____
Dated

**Franchisee:**

_____
Signature

_____
Name (please print)

_____
Dated

_____
Signature

_____
Name (please print)

_____
Dated

## NEW YORK FRANCHISE AGREEMENT AMENDMENT

Amendments to the Frios Franchise Agreement

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties to the attached Frios Franchising Company, LLC Franchise Agreement (the "Franchise Agreement"), as follows:

1. Under Article 14.C. of the Franchise Agreement, under the heading "Conditions for Approval of Transfer," the subarticle 14.C(6) is supplemented with the addition of the following language:

> ; provided, however, that all rights and causes of action arising in favor of Franchisee from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied.

2. Under Article 15.B. of the Franchise Agreement, under the heading "Conditions for Renewal," the subarticle 15.B(8) is supplemented with the addition of the following language:

> ; provided, however, that all rights and causes of action arising in favor of Franchisee from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied.

3. Article 18 of the Franchise Agreement, under the heading "Enforcement and Construction," shall be supplemented by the addition of the following new subarticle 18.Z. to the Franchise Agreement:

> Nothing in this Agreement should be considered a waiver of any right conferred upon franchisee by New York General Business Law, Sections 680-695.

4. There are circumstances in which an offering made by Frios Franchising Company, LLC would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the State of New York. However, an offer or sale is deemed made in New York if you are domiciled in New York or the Outlet will be opening in New York. Frios Franchising Company, LLC is required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

5. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the New York General Business Law, are met independently without reference to this amendment.

6. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any 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.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties have duly executed and delivered this New York amendment to the Frios Franchising Company, LLC Franchise Agreement on the same date as the Franchise Agreement was executed.

**Franchisor:** Frios Franchising Company, LLC

Signature

Name and Title (please print)

Dated

**Franchisee:**

Signature

Name (please print)

Dated

Signature

Name (please print)

Dated

## NORTH DAKOTA FRANCHISE AGREEMENT AMENDMENT

Amendments to the Frios Franchise Agreement

In recognition of the North Dakota Franchise Investment Law, Section 51-19, the parties to the attached Frios Franchising Company, LLC Franchise Agreement (the "Franchise Agreement") agree as follows:

The North Dakota Addendum is only applicable if you are a resident of North Dakota or if Franchisee's Frios outlet will be located within the State of North Dakota.

1. Article 15 of the Franchise Agreement is hereby amended by the addition of the following language: "Provisions requiring North Dakota franchisees to sign a general release upon renewal of the Franchise Agreement are not enforceable in North Dakota."

2. Article 16 of the Franchise Agreement is hereby amended by the addition of the following language: "Provisions requiring North Dakota Franchisees to consent to termination or liquidated damages are not enforceable in North Dakota."

3. Articles 6 of the Franchise Agreement are hereby amended by the addition of the following language: "Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota."

4. Article 18 of the Franchise Agreement is hereby amended by the addition of the following language: "Covenants requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota may not be enforceable in North Dakota."

5. Article 18 of the Franchise Agreement is hereby amended by the addition of the following language: "for North Dakota Franchisees, North Dakota law shall apply."

6. Article 18 of the Franchise Agreement is hereby amended by the addition of the following language: "Provisions requiring a franchisee to consent to a waiver of trial by jury are not enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law."

7. Article 18 of the Franchise Agreement is hereby amended by the addition of the following language: "Provisions requiring the franchisee to consent to a waiver of exemplary and punitive damages are not enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law."

8. Article 18 of the Franchise Agreement is hereby amended by the addition of the following language: "Provisions requiring a franchisee to consent to a limitation of claims within one year have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Therefore, for North Dakota franchisees, the statute of limitations under North Dakota Law will apply."

9. 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 any 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.

Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of North Dakota Law are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties have duly executed and delivered this North Dakota amendment to the Frios Franchising Company, LLC Franchise Agreement on the same date as the Franchise Agreement was executed.

**Franchisor:** Frios Franchising Company, LLC

Signature

Name and Title (please print)

Dated

**Franchisee:**

Signature

Name (please print)

Dated

Signature

Name (please print)

Dated

## VIRGINIA FRANCHISE AGREEMENT AMENDMENT

Amendments to the Frios Franchise Agreement

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to us until we have completed our pre-opening obligations under the Franchise Agreement.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Virginia State amendment to the Frios Franchising Company, LLC Franchise Agreement on the same date as the Franchise Agreement was executed.

**Franchisor:** Frios Franchising Company, LLC

_____
Signature

_____
Name and Title (please print)

_____
Dated

**Franchisee:**

_____
Signature

_____
Name (please print)

_____
Dated

_____
Signature

_____
Name (please print)

_____
Dated

## WASHINGTON STATE FRANCHISE AGREEMENT AMENDMENT

Amendments to the Frios Franchise Agreement

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term

of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

16. **Questionnaires and Acknowledgments.** No statement, questionnaire, or acknowledgment 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 any 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.

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Washington State amendment to the Frios Franchising Company, LLC Franchise Agreement on the same date as the Franchise Agreement was executed.

**Franchisor:** Frios Franchising Company, LLC

_____
Signature

_____
Name and Title (please print)

_____
Dated

**Franchisee:**

_____
Signature

_____
Name (please print)

_____
Dated

_____
Signature

_____
Name (please print)

_____
Dated

FRANCHISE DISCLOSURE DOCUMENT
**EXHIBIT I**
STATE EFFECTIVE DATES

## State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, 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:

| Effective Dates | |
|---|---|
| California | |
| Hawaii | |
| Illinois | Pending |
| Indiana | Pending |
| Maryland | Pending |
| Michigan | July 18, 2025 |
| Minnesota | Pending |
| New York | Pending |
| North Dakota | |
| Rhode Island | |
| South Dakota | |
| Virginia | Pending |
| Washington | |
| Wisconsin | Pending |

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.

FRANCHISE DISCLOSURE DOCUMENT
**EXHIBIT J**
RECEIPTS

Frios Franchising Company, LLC

**RECEIPT**

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all the agreements carefully.

If Frios Franchising Company, LLC offers you a franchise, we must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate of ours in connection with the proposed franchise sale, or sooner if required by applicable law.

Applicable state laws in New York and Rhode Island require that we give you this document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreements or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this Disclosure Document at least 10 business days before the signing of any binding franchise or other agreement, or the payment of any consideration, whichever occurs first.

If Frios Franchising Company, LLC does not deliver this Disclosure Document on time of 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 the applicable state administrator identified in Exhibit A of this Disclosure Document. We authorize the respective state agencies identified in Exhibit B of this Disclosure Document to receive service of process for us in the particular state.

The Issuance Date of this Disclosure Document is: April 29, 2026

The franchise sellers for this offering are:

| Name | Principal Business Address | Telephone Number |
|---|---|---|
| Cliff Kennedy | 1201 West I-65 Service Road North, Mobile, Alabama 36618 | (817) 675-6882 |
| Alison Groom | 1201 West I-65 Service Road North, Mobile, Alabama 36618 | (817) 675-6882 |
| Jennifer Rogers | 1201 West I-65 Service Road North, Mobile, Alabama 36618 | (817) 675-6882 |
| | | |

I received a Disclosure Document issued on April 29, 2026, that included the following exhibits:

| | |
|---|---|
| A. List of State Administrators | F. List of Franchisees |
| B. List of Agents for Service of Process | G. List of Franchisees Who Have Left the System |
| C. Operations Manual Table of Contents | H. State Specific Addenda |
| D. Financial Statements | I. State Effective Dates |
| E. Franchise Agreement | J. Receipts |

| **Date** | **Print Name** | **Signature** |
|---|---|---|
| **Date** | **Print Name** | **Signature** |

**Please sign this copy of the receipt, date your signature, and return it to Frios Franchising Company, LLC, 1201 West I-65 Service Road North, Mobile, Alabama 36618.**

Frios Franchising Company, LLC

**RECEIPT**

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all the agreements carefully.

If Frios Franchising Company, LLC offers you a franchise, we must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate of ours in connection with the proposed franchise sale, or sooner if required by applicable law.

Applicable state laws in New York and Rhode Island require that we give you this document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreements or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this Disclosure Document at least 10 business days before the signing of any binding franchise or other agreement, or the payment of any consideration, whichever occurs first.

If Frios Franchising Company, LLC does not deliver this Disclosure Document on time of 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 the applicable state administrator identified in Exhibit A of this Disclosure Document. We authorize the respective state agencies identified in Exhibit B of this Disclosure Document to receive service of process for us in the particular state.

The Issuance Date of this Disclosure Document is: April 29, 2026

The franchise sellers for this offering are:

| Name | Principal Business Address | Telephone Number |
|---|---|---|
| Cliff Kennedy | 1201 West I-65 Service Road North, Mobile, Alabama 36618 | (817) 675-6882 |
| Alison Groom | 1201 West I-65 Service Road North, Mobile, Alabama 36618 | (817) 675-6882 |
| Jennifer Rogers | 1201 West I-65 Service Road North, Mobile, Alabama 36618 | (817) 675-6882 |
| | | |

I received a Disclosure Document issued on April 29, 2026, that included the following exhibits:

| | |
|---|---|
| A. List of State Administrators | F. List of Franchisees |
| B. List of Agents for Service of Process | G. List of Franchisees Who Have Left the System |
| C. Operations Manual Table of Contents | H. State Specific Addenda |
| D. Financial Statements | I. State Effective Dates |
| E. Franchise Agreement | J. Receipts |

| **Date** | **Print Name** | **Signature** |
|---|---|---|
| | | |

| **Date** | **Print Name** | **Signature** |
|---|---|---|
| | | |

**Please sign this copy of the receipt, date your signature, and return it to Frios Franchising Company, LLC, 1201 West I-65 Service Road North, Mobile, Alabama 36618.**