

## FRANCHISE DISCLOSURE DOCUMENT



Freddy's, L.L.C.,  
A Kansas Limited Liability Company  
3020 N. Cypress Street, Suite 200  
Wichita, Kansas 67226  
316-719-7854  
MaryC@freddysusa.com  
www.FreddysUSA.com

As a franchisee, you will operate a restaurant featuring the retail sale of steakburgers, hot dogs, and frozen custard under the "FREDDY'S FROZEN CUSTARD & STEAKBURGERS®" name and mark ("Freddy's Restaurant" or "Restaurant").

The total investment necessary to begin operation of a Freddy's Restaurant franchise ranges from \$897,936 to \$1,625,165 for an In-Line Restaurant, \$1,277,598 to \$2,497,566 for an End-Cap Restaurant and \$1,487,598 to \$2,753,566 for a Standalone Restaurant. This includes \$55,000 to \$95,000 that must be paid to the franchisor. The initial development fee will generally be the sum of \$15,000 times the number of Restaurants to be established plus \$20,000 for the first Restaurant, which will be payable upon signing of the Development Agreement.

This Disclosure Document *summarizes* certain provisions of your franchise agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Mary Coots, our Director of Franchise Development, at 3020 N. Cypress Street, Suite 200, Wichita, Kansas 67226, 316-719-7854.

The terms of your contract will govern your franchise relationship. Don't rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "*A 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, DC 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

ISSUANCE DATE: April 5, 2024, as amended July 29, 2024

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

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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:

**Out-of-State Dispute Resolution.** The License Agreement and the Development Agreement permit the franchisee or developer to sue, mediate, or arbitrate with the franchisor only in the state of Kansas. Out of state litigation, mediation or arbitration may force you to accept a less favorable settlement for disputes. It may also cost you more to sue, mediate, or arbitrate with the franchisor in Kansas than in your home state.

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.

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## EXHIBITS

- A. Development Agreement
- B. License Agreement
- C. Covenant Agreement
- D. Financial Statements and Guarantee
- E. List of State Administrators
- F. Agents for Service of Process
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- M. Construction Advisory Services Agreement

## RECEIPTS

## ITEM 1

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

The franchisor is Freddy's, L.L.C. and to simplify the language in this Disclosure Document "we," "us," and "Freddy's" mean Freddy's, L.L.C., but do not include Freddy's officers, members, or managers. "You" means the person that buys the franchise, and if you are a corporation, partnership, or limited liability company, certain provisions of the License Agreement and the Development Agreement will include your owners.

#### The Franchisor, Its Parent, Affiliates and Predecessors

Freddy's, L.L.C., a Kansas limited liability company, was organized on October 17, 2003. We do business as Freddy's Frozen Custard & Steakburgers. We are not involved in any business activities other than the sale of franchises for Freddy's Restaurants, and we have not offered franchises in any other line of business. Our agents for service of process are listed in Exhibit F.

Our affiliate, Freddy's Frozen Custard, L.L.C. ("FFC"), a Kansas limited liability company, opened the first Freddy's Restaurant in Wichita, Kansas in 2002 and we began franchising Freddy's Restaurants in 2004. Although we do not operate any Freddy's Restaurants, as of December 27, 2023, FFC operated 33 Freddy's Restaurants, which we refer to as company-owned Restaurants, and our franchisees operated 484 franchised Freddy's Restaurants in the United States, which we refer to in this Disclosure Document as franchised Restaurants. FFC also manages our gift card program.

Our parent is Freddy's Acquisition Intermediate, Inc. ("FAI"), a Delaware corporation. FAI's parent, and our ultimate parent, is Freddy's Acquisition Holdings, Inc. ("FAH"), a Delaware corporation.

The principal business address of Freddy's, FAI, and FFC is 3020 N. Cypress Street, Suite 200, Wichita, Kansas 67226. The principal business address of FAH is 7676 Forsyth Boulevard, Suite 2700, Saint Louis, Missouri 63105. FAI, FFC and FAH have not offered or sold franchises in any line of business. Except as described above, we have no other parents, predecessors or affiliates that must be included in this Item.

#### Freddy's Frozen Custard & Steakburgers Restaurants

Freddy's Restaurants feature steakburgers, hot dogs, and frozen custard for sale to the general public under the name "FREDDY'S FROZEN CUSTARD & STEAKBURGERS®". These Restaurants operate under a unique system developed by us for the efficient management and operation of attractive and distinctive restaurants ("System"). The System includes our distinctive design, decor, color scheme, and furnishings; standards, specifications, and procedures for operations; procedures for quality control, training and assistance; and advertising and promotional programs. Our mandatory specifications and quality standards are contained in the Freddy's Operations Manual, the Freddy's Management Training Manual, or in policy and procedure statements otherwise communicated to our franchisees in writing (collectively, the "Manuals"). We have the right to change the Manuals and the elements of the System at any time.

The System is identified by means of certain trade names and service marks, including the marks “FREDDY’S®,” “FREDDY’S FROZEN CUSTARD®” and “FREDDY’S FROZEN CUSTARD & STEAKBURGERS®” and any other trade names, service marks, or trademarks as we may designate for System identification (the “Marks”). We may modify the Marks used to identify the System from time to time.

### The Franchise Opportunity

We offer the opportunity to develop multiple Freddy’s Restaurants in a specified area (“Assigned Area”) under our Freddy’s L.L.C. Development Agreement in the form attached as Exhibit A (“Development Agreement”). You and we will determine the number of Restaurants you will be required to develop in the Assigned Area and when each of the Restaurants must be constructed and opened under the development schedule before you sign the Development Agreement. As a condition to exercising the development right for each Restaurant, you must secure a location approved by us in the Assigned Area. After you provide us with all information required by the Development Agreement for site approval, we have 30 days to approve or reject your proposed site. After we approve the location for each Restaurant and you sign a lease or complete the purchase of the site for the Restaurant, you must sign a Freddy’s L.L.C. License Agreement in the form attached as Exhibit B (“License Agreement”) for the right to develop and operate the Restaurant at the approved location. You also will receive a protected territory within a radius of the Restaurant’s approved location (“Assigned Territory”). In certain areas, we may offer an individual License Agreement for the establishment and operation of one Restaurant at a specified location. You will pay separate fees for the Development Agreement and the License Agreement.

### Market and Competition

The market for quick service restaurants is developed and is very competitive. Your Restaurant will have to compete with both major food service and fast food restaurant chains and local restaurants offering a wide range of foods and food services. Your ability to compete will depend in large part upon geographic area, site locations, general economic conditions, staffing, and your management capabilities. Generally, the market for food services and sales offered by the Restaurants are higher during the summer months, which results in greater seasonality than several of our competitors who do not emphasize custard or frozen desserts.

### Industry-Specific Laws and Regulations

There are no regulations specific to the quick food service industry, although you must comply with all local, state, and federal health and sanitation laws in the operation of your Restaurant. These include health, sanitation, food preparation, waste disposal, food handling, smoking restrictions, and advertising laws. Some laws require point of sale disclosures, including statements concerning nutritional and dietary characteristics of the food served at your Restaurant. There are other laws and regulations applicable to businesses generally with which you must comply. You should consult with your attorney and local, county, state and federal government agencies concerning these and other laws and ordinances that may affect the operation of your Restaurant before you sign a Development Agreement or License Agreement. You also must obtain all applicable real estate permits and licenses and operational licenses. You must, on a

continuous basis, investigate and satisfy all local, county, state and federal laws as they vary from place to place and may change from time to time.

## **ITEM 2**

### **BUSINESS EXPERIENCE**

Unless otherwise indicated, the location of employment of each person is Wichita, Kansas. All indicated gaps in employment were periods of non-employment.

#### M. Chris Dull, Chief Executive Officer and President

Mr. Dull has been Chief Executive Officer and President of Freddy's since May 2021. From February 2007 to February 2020, Mr. Dull served as Chief Executive Officer of Global Franchise Group LLC in Atlanta, Georgia.

#### William W. Valentas, Chief Financial Officer

Since January 2018, Mr. Valentas has been Chief Financial Officer of Freddy's and FFC. From March 2015 until December 2017, Mr. Valentas served as Vice President of Finance of Freddy's.

#### Andrew P. Thengvall, Chief Development Officer and Chief Legal Officer

Mr. Thengvall has served as Chief Development Officer of Freddy's since May 2021 and as Chief Legal Officer since May 2015. From May 2015 to May 2021, Mr. Thengvall served as Senior Vice President of Strategic Growth of Freddy's.

#### Laura P. Rueckel, Chief Marketing Officer

Since September 2021, Ms. Rueckel has served as Chief Marketing Officer of Freddy's. From October 2019 to August 2021, she served as Vice President of Marketing for Edible Brands, Inc. in Atlanta, Georgia. From January 2018 to January 2020, Ms. Rueckel served as Founder and Chief Executive Officer of LPR Strategic Solutions, LLC in Atlanta, Georgia.

#### W. Brian Wise, Chief Operating Officer

Since June 2022, Mr. Wise has served as Chief Operating Officer of Freddy's. From August 2021 to June 2022, Mr. Wise served as Senior Vice President of Operations of Freddy's. From April 2019 to August 2021, Mr. Wise served as Director of Franchise Management of Freddy's.

#### Todd Hotze, Senior Vice President of Corporate Operations

Mr. Hotze has served as Senior Vice President of Corporate Operations of Freddy's since August 2023. From August 2011 to August 2023, Mr. Hotze served as Regional Manager of Freddy's for the Kansas City and St. Louis Regions.



Coeli Arthur, Vice President of Purchasing

Ms. Arthur has served as Vice President of Purchasing of Freddy's since January 2024. From February 2019 to January 2024, Ms. Arthur served in various positions for 7-Eleven, Inc. in Dallas – Fort Worth, Texas including Director Strategic Sourcing, Senior Manager Strategic Sourcing, and Senior Category Manager.

Michael Frey, Vice President of Construction

Since November 2021, Mr. Frey has served as Vice President of Construction of Freddy's. From June 2020 to October 2021, he was President of Grace Construction Management, LLC in Wichita, Kansas. From August 2016 to June 2020, Mr. Frey served as Vice President of Construction and Project Management for Hyatt Corporation in Chicago, Illinois.

Erin Walter, Vice President of Brand Marketing

Since July 2021, Ms. Walter has served as Vice President of Brand Marketing for Freddy's. From September 2017 to July 2021, she served as Director of Brand Marketing and Events – Round Table Pizza, for Global Franchise Group, LLC in Atlanta, Georgia.

Jerry Kunz: Vice President of Finance

Since June 2022, Mr. Kunz has served as Vice President of Finance for Freddy's. From January 2017 to June 2022, Mr. Kunz served as Director of Finance & Treasury for First Watch Restaurant Group, Inc. in Brandenton, Florida.

Mary Coots, Vice President of Franchise Development

Since December 2022, Ms. Coots has served as Vice President of Franchise Development of Freddy's. From May 2021 to December 2022, Ms. Coots served as Director of Franchise Development of Freddy's. From September 2017 to May 2021, Ms. Coots was Senior Franchise Sales Manager for Global Franchise Group LLC in Atlanta, Georgia.

Nick Booras, Vice President of Franchise Development

Mr. Booras has served as Vice President of Franchise Development of Freddy's since November 2023. From December 2021 to July 2023, Mr. Booras served as Senior Vice President of Franchise Sales for Fuzzy's Taco Opportunities, LLC in Dallas, Texas. From March 2015 to December 2021, he served in various positions for FOCUS Brands in Dallas, Texas including Senior Director of Franchise Development.

Stacey Kluge, Vice President of Human Resources

Since December 2022, Ms. Kluge has served as Vice President of Human Resources of Freddy's. From November 2015 to December 2022, Ms. Kluge served as Director of Personnel & Compliance of Freddy's.

#### Sean Thompson, Vice President of IT

Since January 2023, Mr. Thompson has served as Vice President of IT of Freddy's. From December 2017 to January 2023, Mr. Thompson served as Director of IT of Freddy's. From November 2016 to December 2017, Mr. Thompson served as IT Manager of Freddy's. From February 2008 to November 2016, Mr. Thompson was contracted with Freddy's as an IT Managed Service Provider.

#### Zach Woodburn, Vice President Franchise Services

Since August 2021, Mr. Woodburn has served as Vice President Franchise Services of Freddy's. From January 2020 to August 2021, Mr. Woodburn served as Vice President of Franchise Support of Freddy's. From January 2013 to January 2020, Mr. Woodburn served as Director of Franchise Support of Freddy's. From January 2010 to January 2013, Mr. Woodburn was a Senior Franchise Business Coach of Freddy's.

#### Mike Mann, Vice President Franchise Services

Since August 2021, Mr. Mann has served as Vice President Franchise Services of Freddy's. From December 2019 to August 2021, Mr. Mann served as Director of Franchise Support of Freddy's. From December 2015 to December 2019, Mr. Mann served as Senior Franchise Business Coach of Freddy's. From October 2010 to December 2015, Mr. Mann was Franchise Business Coach for Freddy's in Wichita, Kansas.

#### Erick Von Merveldt, Vice President of Franchise Training & Innovation

Mr. Von Merveldt has served as Vice President of Franchise Training & Innovation of Freddy's since July 2023. From July 2021 to July 2023, Mr. Von Merveldt served as Senior Director of Franchise Training & Innovation of Freddy's. From January 2014 to July 2021, Mr. Von Merveldt served as Senior Franchise Business Coach of Freddy's.

#### Tim Woodburn, Vice President of Guest Experience

Mr. Woodburn has served as Vice President of Guest Experience of Freddy's since January 2024. From September 2019 to January 2024, Mr. Woodburn served as Director of Training of Freddy's. From June 2015 to September 2019, he served as Senior Franchise Training Manager of Freddy's. From June 2012 to June 2015, he served as Franchise Training Manager for Freddy's.

#### Joe St. Geme, FAH Director

Since March 2020, Mr. St. Geme has served as a member of FAH's Board of Directors. Since July 2017, Mr. St. Geme has served as a Director of Thompson Street Capital Partners in St. Louis, Missouri.

#### James K. Schwartz, FAH Director

Since July 2021, Mr. Schwartz has served as a member of FAH's Board of Directors. From October 1991 until he retired in December 2019, he served in various positions for NPC

International, Inc. in Pittsburg, Kansas and Leawood, Kansas, including as Chief Executive Officer and President.

### **ITEM 3**

#### **LITIGATION**

No litigation is required to be disclosed in this Item.

### **ITEM 4**

#### **BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

### **ITEM 5**

#### **INITIAL FEES**

##### **License Fee**

You must pay an initial license fee in the amount of \$35,000 (“License Fee”) in a lump sum when you sign the License Agreement. The License Fee is nonrefundable. In areas where we offer a License Agreement to establish one Restaurant, you must sign a License Agreement and pay the License Fee before beginning development of the Restaurant site.

##### **Development Fee**

If you sign a Development Agreement to develop multiple Restaurants, you must pay us a nonrefundable development fee in the amount of \$15,000 multiplied by the number of Restaurants you agree to develop in the Assigned Area (“Development Fee”) and a deposit in the amount of \$20,000 towards the License Fee for the first Restaurant that you will develop under the Development Agreement (“License Fee Deposit”). You must pay the entire amount of the Development Fee and the License Fee Deposit in a lump sum to us at the time the Development Agreement is signed. If you sign a Development Agreement you still must operate each Restaurant under a separate License Agreement. We will apply the License Fee Deposit towards the License Fee due under the License Agreement for the first Restaurant that you develop under the Development Agreement. We will apply a credit in the amount of the Development Fee paid for each Restaurant to the License Fee due for each Restaurant developed under the Development Agreement.

##### **Construction Advisory Services Fee**

We offer optional construction advisory services to assist you with the development and construction of your Restaurant under our Construction Advisory Services Agreement in the form

attached as Exhibit M. If you elect to use these services, you must pay us \$35,000 as a non-refundable Advisory Fee and reimburse us for all reasonable and necessary out-of-pocket business expenses that we incur in advising you with respect to the development and construction of your Restaurant, which will include our travel expenses for site visits.

### **The Freddy Simon Salute to Veterans Program**

We participate in the International Franchise Association’s Veterans Transition Franchise Initiative (“VetFran”) program to provide franchise opportunities to qualifying veterans. The purpose of the VetFran program is to honor those men and women who have served in the U.S. military. The VetFran program was developed to help veterans transition to civilian life. VetFran is a voluntary effort of International Franchise Association member-companies that is designed to encourage franchise ownership by offering financial incentives to honorably discharged veterans.

Our VetFran program incentive is called the Freddy Simon Salute to Veterans Program (the “Veterans Program”). Our Veterans Program incentive provides a 25% reduction in the License Fee for a veteran’s first Restaurant only. This incentive may not be combined with any other incentive program. To qualify, you must request the Veterans Program when you submit your franchise application; you must meet our then-current qualifications for new franchisees; you (or a holder of at least a 51% ownership interest in your franchisee entity) must provide us with a DD Form 214 or other adequate documentation, as determined by us, demonstrating honorable discharge from the United States military; and you and your affiliates may not have previously received a Veterans Program incentive from us. You will sign a Veterans Program Addendum to the License Agreement, a copy of which is attached as Exhibit L. If, prior to the first anniversary of the opening date of your Restaurant, (1) you wish to transfer the Restaurant, or (2) we terminate the License Agreement, then you must pay us the portion of the License Fee that we waived under the VetFran Program. We may discontinue the Freddy Simon Salute to Veterans program at any time.

### **Grand Opening Training**

We will provide a grand opening training program for your ownership group’s first Restaurant opening. We will provide up to eight of our staff members on site to assist with various operational and training matters. You must pay for all of the staff members’ travel costs and other expenses, plus all payroll expenses we incur for the time our staff members travel to and from and train in the Restaurants. We estimate this expense will range from \$20,000 to \$60,000.

\* \* \* \* \*

Generally, the foregoing fees are uniformly imposed on our franchisees; however, in certain unique circumstances we may reduce or waive a fee for a particular franchisee.

**ITEM 6**

**OTHER FEES**

<b>TYPE OF FEE<sup>1</sup></b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
Royalty	4.5% of all Gross Receipts <sup>2</sup>	Payable the 3rd day after the end of each consecutive week during each 28-day operating period	
National Marketing and Advertising Fund <sup>3</sup>	0% - 3% of Gross Receipts; currently, 1.5% of Gross Receipts	Payable the 3rd day after the end of each consecutive week during each 28-day operating period	Item 11 discusses this Fund.
Technology Support Fee	\$100 per 28-day operating period	Payable the 3rd day after the end of each consecutive week during each 28-day operating period	We will use the Technology Support Fee to help defray the costs of or otherwise provide consideration for technology products and services that we decide to associate or utilize in connection with the System. We may modify the Technology Support Fee upon 30 days' prior written notice to you.
Site Selection	\$0 - \$2,000 per trip	Upon demand	At present we do not charge for this service but, if we do charge, we will require reimbursement for travel, food, and other reasonable expenses incurred.
Cooperative Advertising <sup>4</sup>	0% - 2% of Gross Receipts	Payable on the 15th day after the end of each 28-day operating period	Your obligation to contribute to a Cooperative Advertising Program will commence 30 days after notice of implementation by us. See Item 11 for additional information.

<b>TYPE OF FEE<sup>1</sup></b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
Additional Training	\$100 - \$18,000	Upon demand	We will provide initial training at no cost to you although you are responsible for your employees' and our employees' travel, lodging, and food expenses. You must reimburse us for training replacement personnel and other required or optional training we may provide your management. See Item 11.
New Product/ Service Testing	\$0 - \$1,000 per product or service	Upon demand	We may inspect and test samples of items you desire to purchase or lease from a source not previously approved by us in writing. You or the proposed source must pay the reasonable expenses of the testing or inspection. See also Item 8.
Audit Expenses	\$500 - \$5,000 per location	Upon demand	Payable if audit shows an understatement of reported Gross Receipts of 2% or more. Also payable if you fail to file required financial reports.
Loan Approvals	\$1,000 - \$10,000 not including the cost of outside services not performed by us	As incurred	You must pay us an amount determined by us to fully reimburse us for our reasonable costs and expenses associated with reviewing the proposed loan arrangement, including legal and accounting fees.
Transfer	\$5,000	Before consummation of transfer	Payable when you transfer an interest in the License Agreement or the Development Agreement. No transfer fee is payable if you transfer the interest to us, to an entity you form for convenience of ownership and not involving a change of beneficial ownership, or to your employees (if less than 25% of your ownership interests) and the transfer satisfies other conditions

<b>TYPE OF FEE<sup>1</sup></b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
			specified in the Development Agreement or the License Agreement.
Private Offering Fee	\$1,000 - \$20,000 not including the cost of outside services not performed by us	As incurred	You must pay us an amount determined by us to fully reimburse us for our reasonable costs and expenses associated with reviewing the proposed private offering, including legal and accounting fees.
Interest	1.5% per month or as allowed by law	Upon demand	Payable on overdue amounts owed to us. Interest begins from the date of the underpayment.
Development Schedule Extension Fee	\$10,000	With extension request at least 30 days prior to deadline date	Payable if you request and we grant an extension of up to 6 months of a deadline for an option in the Development Schedule. If we reject the extension request, we will refund the extension fee.
Renewal Fee	One-third of our then-current initial license fee	Upon signing of new License Agreement before expiration of initial term of License Agreement.	
Costs and Attorneys' Fees	Will vary under the circumstances	As incurred	Payable if incurred by us in obtaining injunctive or other relief for the enforcement of any term in the Development Agreement or License Agreement and for collecting any monies you owe to us.
Indemnification	Will vary under the circumstances	As incurred	You must reimburse us for claims arising from your Restaurants' operations, any occurrence at your Restaurant, and any joint employer claims.

<b>TYPE OF FEE<sup>1</sup></b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
Reimbursement of Insurance Costs	Our costs of obtaining coverage on your behalf	Upon demand	If you fail to obtain or maintain the required minimum insurance, we may obtain the insurance and charge its cost along with our reasonable expenses to you.
Taxes	Any fees or assessments imposed on us (other than income taxes) for acting as a franchisor or licensing the Marks	Upon demand	
Early Termination Fee <sup>5</sup>	Will vary under the circumstances	Upon demand	Payable if we terminate the License Agreement after your default. Amount due equals the sum of all License Fees, royalty fees, marketing and advertising fees, and other fees required under the License Agreement for the 18, 28-day operating periods of operation at the Restaurant preceding your default.
EcoSure/Restaurant Inspection Fees	Up to \$3,000	As incurred	Payable upon revisit following a failed inspection.
Operational Assessment Report (“OAR”) Restaurant Inspection Fees	Up to \$3,000	As incurred	Payable upon revisit following a failed inspection.

Notes:

1. All fees and charges are imposed by and are payable to us. In some instances, we will waive or reduce some or all of these fees for particular franchisees. Our non-traditional restaurant franchisees pay a reduced Marketing and Advertising Fund contribution because they serve captive audiences. All fees are nonrefundable. At our option, you must give us authorization to debit your bank operating account for the amount due.
2. “Gross Receipts” means all gross revenue during each week of each 28-day operating period of every kind or nature related to the Restaurant, including all restaurant revenue posted whether it is collected or remains uncollected, all charges for other products, services, and facilities and vending machine receipts, and any amounts payable from insurance policies to compensate you for loss of



the same, but excluding sales taxes or other taxes collected by you from customers for transmittal to appropriate taxing authorities. Amounts received for gift certificates and gift cards are included in Gross Receipts at the time of the redemption of the gift certificate or gift card (or portion thereof) and not at the time of the sale of the gift certificate or gift card. Gross Receipts do not include loyalty points earned or redeemed at the Restaurant. Gross Receipts are determined in accordance with the accounting procedures set forth in the Freddy's Operations Manual, as it may exist from time to time.

3. Our Marketing and Advertising Fund ("Marketing Fund") requires each franchisee and our affiliates to pay 1.5% of Gross Receipts into the Fund. Upon 30 days' notice from us, we may change the amount required to be paid into the Marketing Fund, but the fee will be no more than 3.0%. We may increase the amounts required to be paid into the Marketing Fund above 3.0% with an affirmative vote by 66% of all then-existing company-owned and franchised Restaurants or by an affirmative vote by 51% of the then-existing franchised Restaurants. In addition, you may be required to spend an amount specified by us for local advertising in the time and manner specified by us, such amount not to exceed 2.0% of your Gross Receipts.
4. We and our affiliate will participate in any cooperative established for geographic regions that include Restaurants owned by us or our affiliate. As of the effective date of this Disclosure Document, no advertising cooperatives have been established. Whether our or our affiliate's Restaurants will have controlling voting power in any advertising cooperative will depend on the geographic region included in the cooperative; provided, however, that we retain the right to change the bylaws or other governing documents of the cooperative; to dissolve the cooperative; to merge a cooperative with another cooperative; and to redesignate the geographic areas for any cooperatives. The amount you must pay to the cooperative is determined by the membership of the cooperative, but may not exceed 2.0% of your Gross Receipts per 28-day operating period. Any contributions to local or regional advertising cooperatives will count toward required local advertising expenditures.
5. If your Restaurant has been in operation for less than 18, 28-day operating periods, the termination fee will be based on the period your Restaurant has been in operation and projected on an 18, 28-day operating period basis. If the number of 28-day operating periods between the date of termination and the date on which the term of the License Agreement would otherwise end of its own terms is less than 18, then the time period for calculating the termination fee will be based on the number of 28-day operating periods remaining in such term.

## **ITEM 7**

### **ESTIMATED INITIAL INVESTMENT**

This initial investment chart represents the estimated initial investment range for construction of a Restaurant that is a freestanding restaurant with a drive-thru ("Standalone Restaurant"), a Restaurant that is an end cap unit of a shopping center with a drive-thru ("End Cap Restaurant") and a Restaurant that is an in-line unit of a shopping center without a drive-thru ("In-Line Restaurant").

A Standalone Restaurant typically requires approximately 3,000 square feet of internal space and typically occupies a parcel with an approximate total area of 0.8 to 1.0 acres. Standalone Restaurants typically have seating for 50 to 120 guests. An End Cap Restaurant typically requires 2,400 to 3,400 square feet of internal space with a drive-thru window and seating for 50 to 120

guests. An In-Line Restaurant typically requires 2,400 to 3,000 square feet without a drive thru and has seating for 50 to 120 guests.

<b>YOUR ESTIMATED INITIAL INVESTMENT IN-LINE, END CAP AND STANDALONE RESTAURANTS</b>						
<b>Type of Expenditure</b>	<b>In-Line No Drive-thru</b>	<b>End Cap With Drive-thru</b>	<b>Standalone With Drive-thru</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
License Fee <sup>1</sup>	\$35,000	\$35,000	\$35,000	Lump sum	Upon signing of the License Agreement	Freddy's
Training Costs and Expenses (Travel, Meals, Lodging, and Employee Wages)	\$20,000 to \$60,000	\$20,000 to \$60,000	\$20,000 to \$60,000	As incurred	Before and after opening	Us, airlines, hotels, restaurants, and employees
Construction, Remodeling, and Leasehold Improvements <sup>2</sup>	\$372,000 to \$850,000	\$750,000 to \$1,600,000	\$950,000 to \$1,800,000	Lump sum	Before opening	Freddy's and Vendors
Real Property Rent (one month) <sup>2</sup>	\$5,667 to \$15,750	\$5,667 to \$15,750	\$5,667 to \$15,750	As agreed	As incurred	Landlord
Security Deposit <sup>2</sup>	\$5,667 to \$15,750	\$5,667 to \$15,750	\$5,667 to \$15,750	As agreed	As incurred	Landlord
Computer, Point of Sale Equipment, Outdoor Ordering System and Software, Security Cameras, Drive Thru Headsets	\$30,102 to \$58,665	\$53,764 to \$99,066	\$53,764 to \$99,066	Lump sum	Before opening	Vendors
Equipment, Furniture, Fixtures and Décor <sup>3</sup>	\$375,000 to \$450,000	\$350,000 to \$500,000	\$350,000 to \$500,000	Lump sum	Before opening	Vendors
Building Signage / Interior Neon / LED Border	\$12,000 to \$30,000	\$15,000 to \$60,000	\$25,000 to \$115,000	Lump sum	Before opening	Vendors
Miscellaneous Opening Costs <sup>4</sup>	\$8,000 to \$15,000	\$8,000 to \$15,000	\$8,000 to \$15,000	As incurred	As incurred	Suppliers, utilities, etc.
Opening Inventory and Supplies <sup>5</sup>	\$10,000 to \$25,000	\$10,000 to \$25,000	\$10,000 to \$25,000	Lump sum	Before opening	Vendors

**YOUR ESTIMATED INITIAL INVESTMENT  
IN-LINE, END CAP AND STANDALONE RESTAURANTS**

<b>Type of Expenditure</b>	<b>In-Line No Drive-thru</b>	<b>End Cap With Drive-thru</b>	<b>Standalone With Drive-thru</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Insurance	\$2,000 to \$5,000	\$2,000 to \$7,000	\$2,000 to \$8,000	As incurred	Before and after opening	Insurance Carrier
Grand Opening Advertising <sup>6</sup>	\$2,500 to \$5,000	\$2,500 to \$5,000	\$2,500 to \$5,000	As incurred	As incurred	Vendors
Additional Funds – 3 months <sup>7</sup>	\$20,000 to \$60,000	\$20,000 to \$60,000	\$20,000 to \$60,000	As incurred	As incurred	Suppliers, utilities, etc.
<b>TOTAL ESTIMATED INITIAL INVESTMENT<sup>8</sup></b>	<b>\$897,936 - \$1,625,165</b>	<b>\$1,277,598 - \$2,497,566</b>	<b>\$1,487,598- \$2,753,566</b>			

Notes:

1. License Fee. If you are developing the Restaurant pursuant to a Development Agreement, we will credit the Development Fee paid for each Restaurant against the License Fee. If the Restaurant is the first Restaurant that you develop pursuant to a Development Agreement, then we will also apply the License Fee Deposit towards the License Fee. See Item 5 for information regarding the payment of the License Fee.
2. Construction, Remodeling, and Improvements. The cost of constructing or remodeling the premises to meet our design specifications depends upon the condition and configuration of the existing retail space and whether or not your landlord agrees to provide an allowance for tenant improvements. Site improvement costs for Standalone Restaurants may vary based upon soil and environmental conditions, availability of utilities to the site, the topography of the site, the size of the parcel, local zoning, and other building requirements. Building costs will vary depending on commercial construction costs and union activity in your Assigned Area. Site improvement and building costs vary widely from location to location, but we estimate them to range from \$372,000 to \$1,800,000 depending on your location, not including the cost of land. Due to recent supply chain issues resulting from the Covid-19 pandemic, building costs are volatile and fluctuating. Rent varies widely from location to location depending upon the size, condition, and location of the leased premises, but we estimate the rent (including common area maintenance and other similar charges) to range from \$5,667 to \$15,750, per month. A one-month security deposit is also generally required, which we generally estimate to be between \$5,667 to \$15,750. If you elect to purchase the site for your Restaurant, your land acquisition costs will vary depending upon a multitude of factors including the size and location of the property and the availability of financing on commercially reasonable terms. We are unable to estimate the cost of purchasing a site. This estimate also includes the cost of our optional advisory services if you elect to sign the Construction Advisory Services Agreement.
3. Equipment and Furniture. Cost of equipment, furniture, fixtures, and decor will vary based upon the size of the Restaurant. These costs include all equipment (other than computer and point of sale equipment) necessary to operate the Restaurant including standard fixtures and equipment, digital indoor and outdoor menu boards, decor, and furniture.

4. Miscellaneous Opening Costs. Includes construction insurance, utility deposits, licenses and business permits, pre-paid expenses, company organization costs, and other professional fees and pre-opening costs.
5. Opening Inventory and Supplies. This amount represents the cost of food products and condiments and office and store supplies necessary to initially stock the Restaurant for operation.
6. Grand Opening Advertising. You must conduct a grand opening advertising and promotional program for the Restaurant during the period commencing 14 days before and ending 180 days after its opening and expend at least \$2,500, or, if required by us, at least \$5,000. You will be able to utilize the marketing and public relations and media materials we have developed or approved. The cost of the initial grand opening advertising depends greatly upon the market, media buying power, and the number of Restaurants in the existing market. This amount includes the estimated cost of newspaper and radio advertising, circulars, coupons, and other media for the grand opening and the first six months of business. It does not include the Marketing Fund contribution of up to 3.0% of your weekly Gross Receipts which you must pay at our discretion, or contributions to any applicable advertising cooperatives of up to 2.0% of your 28-day operating period Gross Receipts, which, again, you must pay at our discretion.
7. Additional Funds – 3 Months. This amount represents an estimate of the funds needed to cover pre-opening expenses, utilities, uniforms, recruitment, in-store training expense, and additional opening capital for other variable costs (e.g., electricity, telephone, heat, etc.), paper, cleaning, and other supplies. These figures are estimates, and we cannot guarantee that you will not have additional expenses when starting the business. Your costs will depend on various factors including how carefully you follow our methods and procedures for operation; your management skill, experience, and business acumen; local economic conditions; your location; the local market for quick food products and services; competition; the prevailing wage rate; and the sales level reached during the initial period. This amount does not include any amounts payable to you as a draw or salary. Our estimates of additional funds are based on our past experience in operating company-owned Restaurants.
8. Total Estimated Initial Investment. These estimates are based on our current experience in operating and franchising Restaurants. You should review these figures carefully with a business advisor before purchasing a franchise. We do not offer direct or indirect financing to franchisees for any items. The availability and terms of financing will depend on several factors including the availability of financing generally, your creditworthiness, your available collateral, and lending policies of financial institutions. The estimate does not include any finance charge, interest, or debt service obligation. The payments described above are non-refundable.

## **ITEM 8**

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

#### System Standards

In order to protect our reputation and goodwill and to maintain high standards of operation under the System, you must operate your Restaurant in strict conformance with our System standards, including the methods, standards, and specifications we prescribe from time to time in the Manuals or otherwise in writing. The System standards may relate to any aspect of the

appearance, function, cleanliness, and operation of a Restaurant. We may modify these specifications and standards, and you must comply with all of our modifications.

### Authorized Products

In order to promote uniform quality standards at all Freddy's Restaurants, you must purchase or lease most food, beverage, paper goods, inventory, computer hardware, and computer software meeting standards established by us. These standards may include our designation of brand names and suppliers and minimum standards for product warranties, design, appearance, and other standards of quality or appearance. You also must construct or remodel your Restaurant in accordance with our specifications. You must purchase or lease and use only the fixtures, equipment, furniture, and signs as we may specify in the Manuals or otherwise approve. We must approve in writing any alterations to our specifications you propose to make before any work is begun on the proposed alteration.

### Suppliers

We may take advantage of price discounts that may be available for volume purchases of property or services utilized in the Restaurants and may act as a supplier in making these items available for resale to you. We charge a 1% sourcing fee on all products purchased from U.S. Foods. These funds will support our franchise conference, our multi-unit manager conference and the overall procurement function. We reserve the right in the future to designate ourselves or our affiliate as approved suppliers of certain goods and services, we will not be the sole approved supplier of any goods or services, and purchases from us will not be mandatory. We offer advisory services under our optional Construction Advisory Services Agreement where we charge a nonrefundable \$35,000 Advisory Fee in addition to requiring reimbursement of our out-of-pocket business expenses including travel expenses for site visits. In our last fiscal year, neither we nor our affiliates earned any revenues from the direct sale of any products or services to our franchisees.

You may request approval of specific items or sources not previously approved by us. As a condition of approval, we may request that samples of the item be delivered to us by you or the proposed source for inspection and testing and may require the source to provide satisfactory evidence that its warranties, quality control, and product liability insurance meet our standards for protection of us and our franchisees from liability arising out of the use of the product. We will approve or disapprove the proposed product within 30 days of receipt of your written request. The factors we consider include the ability of the item or supplier to meet all of our quality standards and specifications, adequacy of the product and quality controls, financial stability, our contractual obligations in place with existing suppliers, and service records of the source. We reserve the right to require that you or the proposed source pay a charge, not exceeding the reasonable cost of any inspection and testing, to us and we may also require you to pay the 1% sourcing fee on alternate products. We reserve the right to reinspect any approved items and sources, at our option, in order to assure continuing compliance with our standards, and may revoke approval of a source if it fails to continue to meet our standards.

Neither we nor our affiliate currently offer, for purchase or lease, any goods, supplies, fixtures, equipment, inventory, computer hardware or software, or real estate to franchisees. The

goods, equipment, supplies, and products which must be purchased from approved suppliers or under our specifications represent 100% of your total purchases for the establishment and operation of your Restaurant. Our criteria for supplier approval are generally not available to our franchisees. You do not receive any material benefits like renewal or granting of additional franchises based upon your use of designated or approved sources. Two of our board members own an interest in Freddy's Land, LLC, which leases property to several franchisees. None of our officers own an interest in any supplier.

We receive payments from designated and approved suppliers on account of franchisees' purchases of required and approved items from those suppliers including a 1% sourcing fee from our approved foodservice distributor. During the 2023 fiscal year, we received \$536,400 from third party suppliers on account of franchisees' purchases of approved, contracted, proprietary, or designated items from those suppliers (all of which were utilized in connection with costs related to our annual convention and multi-unit manager conference). The payments vary by vendor and are generally based upon a specified amount per Restaurant or purchased item. Except as described above, neither we nor our affiliate currently derive any revenue, rebates, or other material consideration as a result of any purchases we require you to make.

At this time, there are no organized purchasing or distribution cooperatives although local or regional advertising cooperatives may be formed in the future. We and our affiliate currently negotiate purchase arrangements with suppliers (including price terms) for food products, equipment, and signage. In doing so, we and our affiliate seek to promote the overall interests of the System and company-owned Restaurants and our interests as the franchisor. We do not provide material benefits to you (for example, renewal or granting additional franchises) for purchasing particular products or services or using particular suppliers.

### Gift Card Program

Freddy's currently has a gift card program. FFC, our affiliate, manages the gift card program and Shared Valued Solutions, Inc. provides payment services under the program. You are required to sell and accept gift cards. Gift cards are processed in the same manner as existing credit and debit cards using the computer systems described in Item 11 under the heading "Computer Systems." If you sell gift cards, you are permitted to exclude from your calculation of Gross Receipts all proceeds from the sale of gift cards, and therefore the proceeds are not subject to the franchise royalty and marketing fund fees. However, both franchise royalty and marketing fund fees must be paid on all gift card redemptions. We may elect to participate in one or more wholesale gift card programs pursuant to which a third-party vendor sells gift cards through various distribution channels. As part of these programs, when these gift cards are redeemed at both company-owned and franchisee-owned Restaurants, the owner of such Restaurant may be reimbursed less than the full purchase value of the gift card redemption transaction. The future unused funds on consumers' Freddy's gift cards, if any, are currently held as a liability by FFC, as the manager of the gift card program, and may be recognized by FFC as income in the future.

### Lease Requirements

The License Agreement requires that after we have approved a proposed site for a Restaurant we must approve the lease terms before the signing of a lease for the Restaurant. In

order to be approved by us, the lease must include or you and your landlord must sign an addendum to the lease on our then-standard addendum to lease agreement that contains provisions (i) authorizing us to enter the leased premises and make any modifications necessary to protect the Marks, (ii) granting us the right (but not the duty) to assume the lease if you are in default under the terms and provisions of the lease and/or if the License Agreement expires or is terminated, and (iii) requiring concurrent notice from your lessor to us of any lease default or termination.

Marketing Materials

All your marketing and promotion in any manner or medium must be factual, ethical, and in good taste in our judgment and must conform to our specified standards and requirements. You must submit to us for our prior approval samples of all advertising or promotional plans and materials that you desire to use and that have not been prepared or previously approved by us (except for prices to be charged). The request for approval must be made to us electronically through our marketing service desk platform, and we will provide our approval or disapproval through the platform. If you do not receive disapproval within 15 days from our receipt of your plans and materials, we will be deemed to have rejected the materials. You may not use any marketing or promotional materials that we have not prepared or approved. See Item 11 of this Disclosure Document for more information concerning advertising and promotional requirements.

Insurance

You must furnish us copies of certain insurance policies required by the License Agreement, and other evidence of insurance coverage and payment of premiums as we may request. If you fail to obtain and maintain the required insurance, we may procure the insurance and you must reimburse us for the cost of insurance and our expenses. Currently, we require the following insurance:

TYPE OF INSURANCE POLICY	COVERAGE REQUIREMENTS
Comprehensive general liability insurance, including product liability, completed operations, and independent contractors' coverage, and comprehensive automobile liability coverage for both owned and non-owned vehicles, and hired automobiles naming Freddy's and its officers, directors and employees as additional insureds	\$1,000,000
Workers' Compensation and Employer's Liability	As required by state regulations
Umbrella	\$3,000,000
During any significant construction of the Restaurant (unless obtained by the general contractor): comprehensive general liability insurance (with comprehensive automobile liability coverage for both owned and non-owned vehicles, builder's risk, product liability, completed operations, and independent contractors' coverage) naming Freddy's and its officers, directors and employees as additional insureds	\$1,000,000

<b>TYPE OF INSURANCE POLICY</b>	<b>COVERAGE REQUIREMENTS</b>
Fire, Vandalism and Extended Coverage	Full Replacement Value

## 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.**

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
a. Site selection and acquisition/lease	Sections 1.2, 4.1, and 4.2 of License Agreement; Sections I and III of Development Agreement	Items 7 and 11
b. Pre-opening purchases/leases	Section 4.5 of License Agreement; Section III of Development Agreement	Items 7, 8, and 11
c. Site development and other pre-opening requirements	Sections 4.2, 4.6, 4.7, and 6.1 of License Agreement; Section III of Development Agreement	Items 6, 7, and 11
d. Initial and ongoing training	Sections 5.1 and 6.2 of License Agreement	Items 6, 7, 11, and 15
e. Opening	Sections 4.6 and 4.7 of License Agreement	Items 7 and 11
f. Fees	Article 3, Sections 6.2, 6.11, 7.1, 8.1, 8.3, 8.4, 8.5, 9.3, 10.8, 11.3, 12.3, 12.7, 14.1, 14.3 and 14.4 of License Agreement; Sections II, V.A.2, and VII.B of Development Agreement; Section 2 of Construction Advisory Services Agreement	Items 5, 6, 7, and 11
g. Compliance with standards and policies/operating manual	Section 4.5, Article 6, Article 7, and Section 9.1 of License Agreement; Section V.B of Development Agreement	Items 8, 11, and 16
h. Trademarks and proprietary information	Sections 10.1, 10.2, 10.3, 10.4, 10.6, 10.7, 14.1, 18.3, and Article 21 of License Agreement; Sections V.B and VIII of Development Agreement; and Section 2 of Covenant Agreement	Items 13 and 14
i. Restrictions on products/services offered	Sections 6.3, 7.1, 7.2, 7.3, 7.4, 8.1, 8.3, 8.4 and 8.5 of License Agreement	Item 16
j. Warranty and customer service requirements	Article 7 of the License Agreement	Item 11
k. Territorial development and sales quota	Sections 1.3 and 1.4 of License Agreement; Sections III and IV of Development Agreement	Items 1 and 12
l. Ongoing product/service purchases	Sections 7.1 and 7.7 of License Agreement	Items 8 and 11



<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
m. Maintenance, appearance, and remodeling requirements	Sections 2.2, 6.5, and 6.6 of License Agreement	Items 8 and 11
n. Insurance	Sections 11.1, 11.2, and 11.3 of License Agreement	Items 6, 8, and 11
o. Advertising	Sections 4.7.F, 6.8, 7.8, 10.3, 14.1.F, and Article 8 of License Agreement	Items 6, 7, 8, and 11
p. Indemnification	Section 11.4 of License Agreement; Section X.B of Development Agreement; Section 5 of Construction Advisory Services Agreement	Item 6
q. Owner's participation/management/staffing	Sections 6.2 and 15.1 of License Agreement	Items 11 and 15
r. Records and reports	Sections 3.2, 6.7, 6.12, 7.9, 11.2, and 14.5, and Article 9 of License Agreement	Items 6 and 11
s. Inspections and audits	Sections 2.2, 4.7, 5.4, 7.6, and 9.3 of License Agreement	Items 6 and 11
t. Transfer	Section 6.12.B and Article 12 of License Agreement; Section VII of Development Agreement	Items 6, 15, and 17
u. Renewal	Section 2.2 of License Agreement	Items 6 and 17
v. Post-termination obligations	Sections 10.5, 10.7, and Article 14 of License Agreement; Section VI.C of Development Agreement; Section 2 of Covenant Agreement	Items 6, 11, 14, and 17
w. Non-competition covenants	Sections 10.5, 10.6, 10.7, 10.8, and 10.9 of License Agreement; Section VIII of Development Agreement; Section 2 of Covenant Agreement	Item 17
x. Dispute resolution	Article 18 of License Agreement and Section XV of Development Agreement; Section 3 of Covenant Agreement	Item 17

## **ITEM 10**

### **FINANCING**

Freddy's does not offer direct or indirect financing. Freddy's does not guarantee your note, lease, or obligation.

## ITEM 11

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

**Except as listed below, Freddy's is not required to provide you with any assistance.**

#### Our Obligations Prior to Opening

Before you open your Restaurant, Freddy's will:

1. Grant you rights to establish a specific number of Restaurants within an Assigned Area. (Development Agreement - Section I.A)
2. Provide you with electronic access to a Construction Manual containing site selection guidelines, prototype plans, and specifications (not for construction) for a typical Restaurant (Development Agreement - Section V.A). Leased space varies in size and configuration, and you may have to have more detailed plans or blueprints prepared at your expense dependent upon the location and local ordinances. As of the effective date of this Disclosure Document, the Construction Manual has a total of 502 pages, and its table of contents is set forth in Exhibit K.
3. Provide on-site evaluation of your site if we deem it necessary after we receive your market feasibility study for the site. (Development Agreement - Section V.A)
4. Approve or disapprove the site and site layout for the Restaurant and determine your Assigned Territory for the Restaurant. (Development Agreement - Section III.B and License Agreement - Sections 1.2, and 4.1) A discussion of the selection of your site for the Restaurant appears later in this Item 11 under the caption "Site Selection."
5. Not unreasonably withhold our approval of the lease terms for the site of the Restaurant. (Development Agreement - Section III.B and License Agreement - Sections 4.2 and 4.3)
6. Provide optional advisory services related to the development and construction of your Restaurant if you sign our Construction Advisory Services Agreement. (Construction Advisory Services Agreement – Section 1)
7. Receive your evidence of insurance naming us as an additional insured and receive your evidence that all necessary permits, licenses, and certifications for the construction and operation of the Restaurant have been obtained. (License Agreement - Sections 4.2 and 4.3)
8. Provide you with electronic access to the Freddy's Operations Manual and the Freddy's Management Training Manual. (License Agreement - Section 5.2) As of the effective date of this Disclosure Document, Freddy's Operations Manual has 5 subparts and a total of 157

pages and Freddy's Management Training Manual has 11 chapters and a total of 98 pages. The table of contents of these manuals are set forth in Exhibit K.

9. Provide you with specifications and/or names of suppliers for all required equipment, inventory, and supplies. (License Agreement - Section 7.1)

10. Provide you with specifications and/or names of suppliers for computerized point of sale software and equipment. (License Agreement – Section 9.1)

11. Provide a pre-opening training program for you or your general manager and one assistant manager (License Agreement - Section 5.1.A.) and a grand opening onsite training program for the first Restaurant opened by your ownership group (License Agreement – Section 5.1.B.) A description of our training program appears later in this Item 11 under the caption “Training Programs.”

12. Perform an on-site inspection and investigation as we deem appropriate to become satisfied that you have complied with all requirements necessary for opening the Restaurant. (License Agreement – Section 4.7)

13. Grant or withhold our written consent to your incurrence of debt in connection with your Restaurant as we deem to be in our best interests in our sole discretion. (Development Agreement – Section V.B.5 and License Agreement – Section 6.13)

#### Our Obligations After Opening

During the operation of your Restaurant, Freddy's will:

1. Modify and add to the Manuals as we deem appropriate to reflect changes in the business, authorized products or services, or specifications for authorized products and services, equipment requirements, quality standards, and operating procedures. (License Agreement – Sections 5.2 and 7.5)

2. Provide additional optional or required training courses, programs, conferences, seminars, and materials as we deem appropriate in consideration of your payment of an additional training fee as described in Item 6. (License Agreement - Sections 6.2) A description of our additional training appears later in this Item 11 under the caption “Training Programs.”

3. Conduct inspections of your Restaurant and financial records, evaluations of the services provided by your Restaurant, and interviews with your employees, agents, and customers, all as we deem advisable. (License Agreement - Sections 5.4 and 9.3)

4. Maintain and administer the Marketing Fund to pay for developing and preparing advertising materials. (License Agreement – Sections 5.3 and 8.3) A discussion of the Marketing Fund appears later in this Item 11 under the caption “Marketing Fund.”

5. Approve or disapprove all advertising and promotional plans and other materials displaying our Marks which you desire to use which we have not prepared or previously approved. (License Agreement – Sections 5.3 and 8.1) Additional advertising information appears later in this Item 11 under the caption “Other Advertising Information.”

6. Designate geographic areas for advertising cooperatives if we decide, in our sole discretion, to establish local or regional advertising cooperatives. (License Agreement - Section 8.4) A discussion of advertising cooperatives appears later in this Item 11 under the caption “Local and Regional Advertising Cooperatives.”

7. Not unreasonably withhold our approval of the relocation of your Restaurant within your Assigned Territory. (License Agreement - Section 1.5)

8. Request, not more often than once every five years, that you upgrade your Restaurant at your expense to conform to the building decor and trade dress consistent with our then-current public image by making structural and improvement modifications, remodeling, and redecorating as we may deem necessary. (License Agreement - Section 6.6)

9. Grant or withhold our consent to proposed transfers of interests in the Development Agreement, License Agreement, or in you (if you are a corporation, partnership, or limited liability company) or your assets as we deem to be in our best interests in our sole discretion. (Development Agreement - Section VII.B and License Agreement - Section 12.3)

10. Grant or withhold our written consent to your incurrence of debt in connection with your Restaurant as we deem to be in our best interests in our sole discretion. (License Agreement – Section 6.13)

11. Grant or withhold our written consent to a proposed private offering of your securities, units, or other ownership interests as we deem to be in our best interests in our sole discretion. (License Agreement - Section 12.7)

### National Marketing Fund

We administer the National Marketing Fund (the “Marketing Fund”), which may be used by us to meet any and all costs of developing and preparing national, regional, point of sale, and local advertising materials for use within the System, including, without limitation, costs associated with developing, preparing, directing, administering, maintaining, and disseminating advertising, marketing, promotional, and public relations materials; website and social media platform development and maintenance; development, implementation and maintenance of search engine optimization strategies; conducting marketing research; maintaining a sales and marketing staff and related expenses; and preparing, producing, broadcasting, and disseminating advertising and promotions, including, without limitation, online, radio, television, newspaper, and magazine advertising, market surveys, public relations activities, and employment of advertising agencies. We may receive payment from the Marketing Fund for providing goods or services to the Marketing Fund. We will choose and determine the nature, theme, and timing of advertising and the kind and quality of advertising materials to be provided to System licensees through the

Marketing Fund. The advertising may be disseminated via any channel at our discretion including digital media, traditional media, sponsorships and public relations.

As of the issuance date of this disclosure document, the current required Marketing Fund contribution is 1.5% of your Gross Receipts. Upon 30 days' notice from us we may change the amount required to be paid into the Marketing Fund but your maximum monthly contribution to the Marketing Fund may not exceed 3.0% of your Gross Receipts (for License Agreements entered into prior to March 1, 2016 and License Agreements executed into in connection with Development Agreements entered into prior to March 1, 2016, the maximum monthly contribution to the Marketing Fund may not exceed 0.5% of Gross Receipts unless they have been amended). We may increase the amounts required to be paid into the Marketing Fund above 3.0% with an affirmative vote by 66% of all then-existing company-owned and franchisee-owned Restaurants or by an affirmative vote by 51% of the then-existing franchisee-owned Restaurants. Voting will be by a system of one vote per eligible Restaurant. We have no obligation to use such payments or income earned from such payments exclusively for these purposes, and we will not have the obligation to maintain the payments or income in an account separate from our other funds. Our affiliates will make contributions to the Marketing Fund at the same percentage of Gross Receipts required of franchisees within the System.

We will direct all expenditures of the Marketing Fund through an in-house advertising department and/or our designee, a national or regional advertising agency, all advertising and promotional programs and activities, with sole discretion over the concepts, materials, and media used in these programs and activities and the placement and allocation thereof. We may spend on behalf of the Marketing Fund, in any fiscal year an amount greater or less than the aggregate contribution of all Restaurants to the Marketing Fund in that year, and the Marketing Fund may borrow from us or others to cover deficits or invest any surplus for future use. Any surplus in the Marketing Fund for a given year will be carried over to subsequent years. Marketing Fund contributions will not be principally used to sell additional franchises. We will not prepare and you have no right to require or review statements of monies collected and costs incurred by the Marketing Fund. (License Agreement - Section 8.3)

Expenditures by the Marketing Fund may not be proportionate or equivalent to contributions to the Marketing Fund by Restaurants operating in that geographic area. You or your Restaurant may not benefit directly or in proportion to your contribution to the Marketing Fund. Neither we nor the Marketing Fund shall be liable to you for the maintenance, direction, or administration of the Marketing Fund, including for contributions, expenditures, investments, or borrowings. Although we may (but are not required to) seek your input as to the expenditures and administration of the Marketing Fund, we have the sole discretion as to the Marketing Fund's expenditures and administration. (License Agreement - Section 8.3)

The Marketing Fund is not audited. During the fiscal year ended December 27, 2023, the Marketing Fund spent 49.5% of its funds on the placement of advertisements, 15.7% on general and administrative expenses, 13.8% on marketing technology fees and expenses, 10% on promotional materials and production expenses, 8% on creative fees, public relations and guest experience/recovery, 2% on brand research, and 1% on charitable giving.

We do not currently have an advertising council composed of franchisees.

### Local and Regional Advertising Cooperatives

We can designate geographical areas to establish local or regional advertising cooperatives (“Cooperatives”) for the System. Each Cooperative will be organized for the exclusive purpose of administering local and regional advertising programs and developing, subject to our approval, promotional materials for use by members in local advertising. No Cooperatives have yet been established. Each Cooperative will be organized and governed in a form and manner as we shall approve, with each member entitled to one vote for each Restaurant owned by the member included in the Cooperative. Cooperatives will operate under written governing documents which will be available for review by any member of the Cooperative. These governing documents may not be modified without our prior consent. The party responsible for administration of the Cooperatives may vary from Cooperative to Cooperative and may be us or our affiliate. We have the power to require Cooperatives to be formed, changed, dissolved, and merged. Cooperatives will prepare an annual unaudited statement of monies collected and costs incurred by the Cooperative and will furnish it to its members upon request. You must contribute to any Cooperative of which you are a member the amounts determined by the membership of the Cooperative up to 2.0% of your Gross Receipts. We and our affiliate will, for each of our company-owned Restaurants, make contributions to any applicable Cooperative at the same percentage of Gross Receipts as is required of franchisees within the Cooperative. (License Agreement - Section 8.4) Other than the Marketing Fund and Cooperatives, you are not required to contribute to any other advertising funds.

### Other Advertising Information

In addition to the Marketing Fund and Cooperatives, you must do certain local advertising which includes grand opening advertising in a minimum amount of \$2,500, or, if we require, \$5,000, and we require you to spend up to 2.0% of Gross Receipts per year for media advertising and promotional materials. Your contributions to the Marketing Fund are not counted towards your yearly local advertising requirement. Your contributions to any Advertising Cooperatives are counted toward the 2.0% local advertising requirement. You must submit to us for approval all advertising materials that we have not prepared or approved. Within 15 days of your submission to us we will notify you whether your advertising materials have been approved. You must at all times comply with our instructions regarding the use of advertising materials, including modifying or ceasing to use these materials, whether or not we previously prepared or approved the materials. You must also submit periodic reports verifying your local marketing expenditures as requested by us. (License Agreement - Section 8.1)

You may not establish or maintain any presence on the internet, including any electronic or social media platform utilizing any of our Marks or featuring your Restaurant, including as part of any URL, domain name, website, meta-tag, download, application, blog, vlog, e-mail account, instant messaging account, texting identity, user-generated content, or any other identification of you or your Restaurant in any electronic medium. You must obtain telephone and related directory listings in the print and on-line directories that we specify. We have the option to mention your Restaurant in one or more locations in conjunction with our electronic presence on the internet and similar electronic media. (License Agreement - Section 8.2)

## Point of Sale and Computer Systems

We have established standards requiring you to purchase or lease computer hardware and software capable of communicating with our computers and of recording and reproducing the types of information and reports we determine are appropriate for the operation of Freddy's Restaurants. These requirements include a computerized point of sale system and related software (License Agreement Section 6.7). Through our connections with your point of sale system, we will obtain independent access to your databases. Currently, we electronically receive your daily sales information, but there are no contractual limitations on our rights to obtain access and use your electronic information.

You are required to purchase through our approved vendors PAR Brink compatible point of sale hardware (consisting of terminals, kitchen controllers, interface devices, printers, network infrastructure hardware, and order confirmation boards) with PAR Brink point of sale software as well as a back office computer running Windows 11 Professional or Enterprise and Microsoft Office 365. Our suppliers and approved vendors may charge set-up and installation fees as well as charges for freight and handling. We estimate that it will cost \$33,500 to \$102,500 to purchase and install these systems. We are not obligated to install, configure, support, maintain, or update the hardware, software, or other systems for you.

We may adopt upgraded, updated, substitute, or other computer software and hardware system standards and you will be obligated to comply with our then current standards. There is no contractual limitation on the frequency or cost of computer system upgrades and updates. The estimated annual range of costs for computer and POS system upgrades is \$1,000 to \$10,000. We may, but have no obligation to, assist you in obtaining the computer goods and services described in this Item.

## Site Selection

The Development Agreement grants you an Assigned Area within which to establish and operate Restaurants at specific locations, each to be designated in a separate License Agreement. You must timely complete the development schedule in the Development Agreement, but otherwise there is no specified time limit in which you must locate your site for the Restaurant. Before the acquisition by lease or purchase of any site for a Restaurant, you must submit to us, in the form we specify, a description of the site, a market feasibility study for the site, and other information and materials as we may reasonably require, together with evidence satisfactory to us which confirms your favorable prospects for obtaining a site. We will have 30 days after the receipt of this information from you to approve or reject, in our sole discretion using our then-current standards, the site as the location for the Restaurant. If we do not approve the site within the 30 days, the site will be deemed rejected by us. Within 45 days after site approval by us, you must (i) sign a lease (if the premises are to be leased) after our prior written approval of the lease terms, which approval will not be unreasonably withheld, or complete the purchase of the site, and (ii) sign a License Agreement for the approved site. (Development Agreement - Section III.B)

Similarly, if you desire to operate a single site and sign a License Agreement before the acquisition by lease or purchase of any site for a Restaurant, you must submit to us, in the form we specify, a description of the site, a market feasibility study for the site, and other information and materials as we may reasonably require, together with evidence satisfactory to us which confirms your favorable prospects for obtaining a site. We will have 30 days after the receipt of this information from you to approve or reject, in our sole discretion, the site as the location for the Restaurant. If we do not approve the site within the 30 days, the site will be deemed rejected by us. Within 45 days after site approval by us, you must sign a lease (if the premises are to be leased) after our prior written approval of the lease terms, which approval will not be unreasonably withheld, or a binding agreement to purchase the site.

The factors we consider in approving or rejecting a proposed site will include, without limitation, market demographics, the general location and neighborhood, visibility and access from major traffic arteries, available parking, physical characteristics of existing buildings, competing businesses, lease terms, and proximity to restaurants and other commercial activities. Our approval of the site (and the lease or purchase agreement for the site) does not in any way guarantee that the site will become a profitable Restaurant.

If you have signed a Development Agreement and we fail to agree on a site, you will be in default under the Development Agreement. The Development Agreement and License Agreement contemplate that, following site approval by us, the License Agreement will be signed contemporaneously with the signing of a lease or binding agreement to purchase the site (Development Agreement Article III).

#### Time from Agreement to First Opening

You must request and receive our approval of the proposed site and layout before commencing construction on the Restaurant. You must construct and open the Restaurant under the time sequence specified in the License Agreement. (License Agreement - Sections 4.1, 4.2, 4.3, 4.6, and 4.7) We estimate that the approximate length of time required for site location will range from 30 days to 180 days. Site approval will typically be provided within 7 to 30 days of submission. After signing the License Agreement, you must complete construction, order and install furniture, furnishings, and interior decor, hire and train personnel, and meet our training program requirements. We estimate that the length of time from signing a License Agreement to the opening of the Restaurant will generally be 6 to 12 months. These estimated time schedules will not be uniform for all franchisees. The time in which these steps are to be accomplished may vary based on the location of the Restaurant, negotiations between us concerning the schedule to be established, and other matters, including the ability to obtain a lease, financing, or building permits, zoning and local ordinances, weather conditions, shortages, or delayed delivery or installation of equipment, fixtures, and signs. The License Agreement requires you to diligently pursue the completion of the Restaurant premises in accordance with the plans and specifications in order for the Restaurant to be ready to open for business within one year after you sign the License Agreement. (License Agreement – Section 4.6)



## Training Programs

We will provide an initial training program for one general manager and one assistant manager, each requiring a minimum of 24 actual training days. We will also provide a pre-opening training program consisting of a minimum of 16 actual training days for 3 additional personnel, assistant managers, and/or supervisors. The training program will be located in Wichita, Kansas or other locations specified and approved in writing by us. After initial training of your management personnel, each management person subsequently employed by you to fill a position for which initial training is required by us must also satisfactorily complete an adequate training program satisfactory to us (either conducted by us or by a person approved in writing in advance by us) before assuming that position. The instructional material used in the pre-opening training program includes, but is not limited to, the Manuals. Our pre-opening training program is held on a continuous basis and is described in the following table and explanatory notes.

### TRAINING PROGRAM

<b>Subject<sup>1</sup></b>	<b>Hours of Classroom Training<sup>2,3</sup></b>	<b>Hours of On The Job Training<sup>4</sup></b>	<b>Location</b>
<b>Level 2 Training</b> <i>General Managers, Assistant Managers</i>			Certified Training Restaurant
Hotline Position Training <i>Grill, Make, Fry, Expo</i>	5	56	
Coldline Position Training <i>Cashier, Custard, Dining Room, Drive Thru</i>	5	56	
Managerial Functions <i>Philosophy, Leadership, Situational Management, Reports, Money Handling, Labor Management, Financials, Purchasing, Scheduling, End of Month package</i>	10	45	
<i>Operations, Product Knowledge, Opening and Closing, Manager on Duty</i>	10	45	
<b>Totals for Level 2 Training</b>	<b>30</b>	<b>202</b>	
<b>Level 1 Training</b> <i>Assistant Managers, Supervisors</i>			Certified Training Restaurant
Hotline Position Training <i>Grill, Make, Fry, Expo</i>	5	56	
Coldline Position Training <i>Cashier, Custard, Dining Room, Drive Thru</i>	5	56	

<b>Subject<sup>1</sup></b>	<b>Hours of Classroom Training<sup>2,3</sup></b>	<b>Hours of On The Job Training<sup>4</sup></b>	<b>Location</b>
Managerial Functions <i>Philosophy, Leadership, Situational Management, Reports, Money Handling, Labor Management</i>	7	12	
<i>Operations, Product Knowledge, Opening and Closing, Manager on Duty</i>	7	12	
<b>Totals for Level 1 Training</b>	<b>24</b>	<b>136</b>	<b>Combined Total: 160</b>
<b>Team Member Training</b>			
<i>Introduction to Concept, Food Safety, General Safety</i>	3		Franchisee's Restaurant
Hotline Position Training <i>Grill, Make, Fry, Expo</i>	7	25	
Coldline Position Training <i>Cashier, Custard, Dining Room, Drive Thru</i>	7	25	
<b>Team Member Training Total</b>	<b>16</b>	<b>50</b>	<b>Combined Total: 66</b>
<b>Totals for all Training Subjects</b>	<b>71</b>	<b>388</b>	<b>Combined Total: 459</b>

Notes:

1. For a minimum of 16 to 24 actual training days, depending on position, your personnel will receive instruction in the operation of a Restaurant at our training center or at one or more of our company-owned Restaurants as specified by us. (License Agreement - Section 6.2)
2. It is the nature of the restaurant business that all aspects of training are integrated; that is, there are no definitive starting and stopping times, and classroom and on the job training will often be combined. The amount of time spent in each area will also depend upon the background and abilities of your personnel.
3. Except as indicated, our trainers will be our Director of Training, Senior Flagship Training Managers, Flagship Training Managers, Franchise Business Coaches, Field Training Coaches and the managers and trainers of our training restaurants, all of whom have experience in all aspects of the operation of a Freddy's Restaurant. All of our trainers will have a minimum of one year experience in operating restaurants, including actively performing the training subjects that will be taught. Our trainers include the following:

TRAINER	YEARS OF TRAINING EXPERIENCE WITH US	YEARS OF TRAINING EXPERIENCE WITH OTHER CONCEPTS
Andrew Lehr, Director of Flagship Training	19	0
Ryan Latta, Flagship Training Manager	14	0
Joseph Gehlen, Flagship Training Manager	13	0
Rachel Carvalho, Flagship Training Manager	12	0
Austin Brown, Flagship Training Manager	10	0
Angelica Riddle, Flagship Training Manager	7	0

4. Participation in a new store opening, if any, is voluntary and recommended, but is not in lieu of training time required in a training store.

We do not charge for this training or service, but you must pay the travel and living expenses for your manager and other personnel. (License Agreement - Section 6.2) Confidentiality agreements may be required as a condition of attending our training. The training program must be completed to our satisfaction before opening your Restaurant, but there is no specified time by which you must complete your training. If your general manager or other employees, in our reasonable determination, do not meet our standard for knowledge and performance, or do not pursue or complete our training program to our satisfaction, we reserve the right to request that the general manager or employee(s) be retrained, or that another person be trained and perform the functions of the category of employee for which the training was offered.

We will provide and pay for instructors and facilities for initial training. You must pay for travel, lodging, and meals for any person attending training and any wages due your employees during time spent in training. We may charge reasonable fees for instruction and course materials for training programs other than initial training including salaries and expenses of our personnel. We may require confidentiality agreements from your employees as a condition of attending our training.

We will provide a grand opening training program for your ownership group's first Restaurant opening. We will provide up to eight of our staff members on site to assist with various operational and training matters. You must pay for all of the staff members' travel costs and other expenses, plus all payroll expenses we incur for the time our staff members travel to and from and train in the Restaurant.

We may, but are not obligated to, provide additional required or optional training courses, programs, conferences, seminars, and materials as we deem appropriate. If we require such training, you must require your management to successfully complete the training. Any additional courses, programs, conferences, and seminars may be conducted at our Innovation Center in Wichita, Kansas, or at another location as we may designate. We may contract with other persons or firms to provide this training.

## **Franchisee Advisory Council**

We have franchise advisory council (“Custard Council”) currently made up ten members consisting of franchisees elected by the franchisee body at large, franchises appointed by us, and our representatives. The Advisory Council meets twice a year to review plans and to discuss strategies, opportunities, accomplishments, challenges, ideas, and concerns, with a view toward advancing the interests of the Freddy’s Frozen Custard & Steakburgers brand and franchise system as a whole. We will consider the Advisory Council’s recommendations, but we have the sole right to accept or reject its recommendations. We have the right to change, modify or dissolve the Advisory Council.

## **ITEM 12**

### **TERRITORY**

The Development Agreement grants you an Assigned Area within which we will not establish, nor franchise anyone other than you to establish, any Restaurants before the expiration of the development schedule if you comply with all the terms and conditions of the Development Agreement. We generally identify the Assigned Area by one or more Designated Market Areas on the current Nielson Wall Map published by the A.C. Nielson Company, or as a state, city, county, or other political subdivision. The description of the territory will vary from area to area depending upon population densities, demographic trends, and other factors affecting a specific franchise area. Before the signing of the Development Agreement, the Assigned Area will be described by attaching a description of the area as an exhibit to the Development Agreement. The Assigned Area granted to each Developer in the System is subject to and may be limited by the Assigned Territory for each Restaurant.

Upon any default by you under the Development Agreement, at our option, we (in addition to other remedies) may reduce the number of options for Restaurants granted to you, reduce the size of the Assigned Area, or terminate the territory granted to you.

The License Agreement will grant an Assigned Territory where we will not establish another franchisee or company-owned Restaurant under the System. The Assigned Territory will be determined by our then-current standards and will generally be identified by a radius from a specific location (typically 2 miles), a particular standard metropolitan statistical area, or a city, county, or other political subdivision. The radius or other description of the territory may vary from Restaurant to Restaurant depending upon population densities, business districts, demographic trends, and other factors affecting a specific franchise location. Before signing the License Agreement, we will describe the Assigned Territory by inserting a description of the approved franchise location and your territory in the License Agreement. Relocation of a Restaurant requires our consent.

You must use the Restaurant premises solely for the operation of a Freddy’s Restaurant. We condition your territorial exclusivity upon maintaining in effect the License Agreement by

complying with its terms and not committing a default, but it does not depend upon achievement of a certain sales volume, market penetration, or other contingency.

You do not receive the right to acquire additional franchises within your Assigned Territory or otherwise. You can solicit customers from outside your Assigned Territory. Likewise, we, our affiliate, and other franchisees can solicit customers and accept orders within your Assigned Territory. However, you may only make over-the-counter sales and deliveries at retail to the ultimate consumer of the products you offer for sale at your Restaurant. You have no right to use other distribution channels to make sales away from your Restaurant location and may not do so at any time.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We do not have the right during the term of your Development Agreement or License Agreement to establish restaurants or franchise another to establish Restaurants within your Assigned Area or your Assigned Territory, respectively. However, we reserve the right to: (1) award national or regional licenses to third parties to sell products under the Marks in foodservice facilities primarily identified by the third party's trademark within and outside the Assigned Area/Assigned Territory; (2) merchandise and distribute products, services or merchandise identified by some or all of the Marks within and outside the Assigned Area/Assigned Territory through any other method or channel of distribution including, but not limited, to sales made at retail locations, supermarkets, gourmet shops, and on the Internet; and (3) operate, and license others to operate, restaurants identified in whole or in part by the Marks and/or utilizing the System within and outside the Assigned Area/Assigned Territory that are located in airports, train stations, bus stations, service plazas, stadiums, arenas, convention centers, military facilities, schools, colleges, universities, hospitals, theme parks, office buildings, food courts, venues in which foodservice is or may be provided by a master concessionaire or contract foodservice provider, Indian reservations, casinos or any similar captive market location. We also have the right to develop and operate other restaurant systems that do not operate under the Marks, and we have the right to acquire or be acquired by another restaurant chain or system that may offer similar products and services to those that are offered in the Restaurants. We are not required to pay you if we exercise any of the rights specified above inside your Assigned Area/Assigned Territory.

## **ITEM 13**

### **TRADEMARKS**

We grant you the right to operate a Restaurant under the name "FREDDY'S FROZEN CUSTARD & STEAKBURGERS." You may also use our other current or future Marks to identify your Restaurant and the services and products related to the System. We own all rights in the following principal trademarks, each of which has been registered with United States Patent and Trademark Office on the Principal Register, and all required affidavits of continued use have been filed and accepted:

Trademark	Registration No.	Registration Date
	5,491,489	June 12, 2018
	3,968,515	May 31, 2011
	4,252,523	December 4, 2012
	3,767,435	March 30, 2010
	2,918,942	January 18, 2005
FREDDY'S FROZEN CUSTARD	2,781,465	November 11, 2003
FREDDY'S FROZEN CUSTARD & STEAKBURGERS	3,770,619	April 6, 2010
THE TASTE THAT BRINGS YOU BACK	3,754,720	March 2, 2010
FREDDY'S	4,414,677	October 8, 2013

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court. There are no pending infringement, opposition, or cancellation proceedings involving the Marks nor is there any pending material litigation involving the Marks.

We claim common-law rights to our designs, logos, and trade dress items such as color schemes and appearance, but there have not been judicial determinations of the existence, validity, or extent of our rights.

There are no agreements currently in effect that significantly limit our rights to use or license the use of the principal Marks in any manner material to the franchise. You must follow our rules when you use our Marks. You cannot use our name or Marks as part of a corporate name

or domain name, with or without modifying words, designs, or symbols. You may not use our Marks for the sale of an unauthorized product or service or in a manner not authorized in writing by us.

We intend to take reasonable steps to preserve and protect our ownership of the principal Marks and their validity. We are not obligated to protect any rights granted to you to use the Marks or to protect you against claims of infringement or unfair competition regarding the Marks. Nevertheless, it may be in our best interest to do so.

You must notify us immediately when you learn about an infringement of or a claim of rights to our Marks licensed to you. We will take the action we think is appropriate, but we are not required to take any action. We retain the sole right to control any administrative or litigation proceedings involving our Marks licensed to you. You must cooperate fully in prosecuting, defending, or settling any litigation involving our Marks, including being named as a party in the action at our request. We will undertake the defense of the litigation and will bear the costs of the litigation, except for the costs of any legal counsel separately retained by you.

We do not know of any superior rights or infringing uses that could materially affect your use of our Principal Marks. Our research has disclosed, however, that several organizations throughout the country are using the words “Freddy’s” alone and in combination with other words. Based on information we have been able to obtain, there may be some risk in the principal Marks’ use, and as stated above, we have no obligation to protect your right to use the principal Marks or protect you against infringement claims. If we decide that it is advisable at any time for us and/or you to modify or discontinue using any of our Marks and/or to use one or more additional or substitute trade or service marks, you must comply with our directions within a reasonable time after receiving notice. We need not reimburse you for your expenses of changing the Restaurant’s signs, for any loss of revenue due to any modified or discontinued Marks, or for your expenses of promoting a modified or substitute trademark or service mark. You also must not directly or indirectly contest our right to our Marks, trade secrets, or business techniques that are part of our business.

## **ITEM 14**

### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

There are no patents that are material to the franchise. We claim copyright and trade secret protection of our Manuals and advertisement and promotional materials, although these materials have not been registered with the United States Registrar of Copyrights. These materials contain methods of operation and other information relevant to the operation of a Restaurant. We consider this information proprietary and confidential, we consider it to be our property, and you may use it only as provided in the License Agreement. You must implement our procedures to prevent the unauthorized use and disclosure of our proprietary information and to notify us immediately if there is any unauthorized use or disclosure of our proprietary information.

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials. There are no agreements in

effect which significantly limit our right to use or license the copyrighted materials. Finally, there are no infringing uses actually known to us which could materially affect your use of the copyrighted materials in any state. We are not required by any agreement to protect or defend copyrights.

We will disclose to you confidential or proprietary information and trade secrets. You must sign a Confidentiality Agreement in the form attached to this Disclosure Document as Exhibit J (the “Confidentiality Agreement”) before your review of our confidential and proprietary information to evaluate whether to purchase a franchise. Except as necessary for operation of the Restaurant and as we approve, neither you nor your officers, directors, partners, members, managers, or owners may, during the term or at any time after the expiration or termination of the License Agreement, regardless of the cause of termination, directly or indirectly, use for your own benefit or communicate or divulge to, or use for the benefit of any other person or entity, any trade secrets, confidential information, knowledge or know-how concerning the advertising, marketing, designs, plans, or methods of operation of the Restaurant or the System. Upon our request, you must have your officers, directors, partners, members, managers, owners, and general managers sign a Covenant Agreement in the form attached to this Disclosure Document as Exhibit C (the “Covenant Agreement”). You may disclose to your employees only the confidential, proprietary, or trade secret information necessary to operate the business and then only while the License Agreement is in effect. All information and knowledge, including drawings, materials, equipment, marketing, and other data, which we designate as secret or confidential will be deemed secret and confidential under the License Agreement and the Covenant Agreement.

## **ITEM 15**

### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

We will grant the License Agreement to you in reliance on you and your principals’ personal and collective business skills and financial capacity, and your rights and obligations may not be transferred without our written consent. You must remain ultimately responsible for the operation of the Restaurant in compliance with the License Agreement and should exercise oversight and be informed about the operations of the franchise, but you (or your chief operating officer, managing partner, or principal manager) are not required to take any specific role in day-to-day operations or to participate personally in direct operations on the premises, if you designate a general manager, who may be your employee, who shall devote full time and attention to the management and operation of the Restaurant. The general manager may be any qualified individual who attends and successfully completes our initial training program. The individual need not be one of your owners and does not need to have any equity interest if you are a corporation, partnership, or limited liability company. If, at any time for any reason, the general manager or managing owner no longer qualifies, you must promptly designate another general manager or managing owner subject to the same qualifications listed above and notify us.

Management responsibility includes, maintaining the highest standards of service, quality, and consistency; maintaining the Restaurant in the highest condition of sanitation, cleanliness, and appearance; and supervising employees to ensure that the highest standard of service is provided



and to insure that your employees deal with customers, suppliers, us, and all other persons in a courteous and polite manner.

You are solely responsible for all employment decisions and functions for your Restaurant, including, without limitation, those related to hiring, firing, remuneration, compensation, personnel policies, training, benefits, insurance, compliance with wage and hour requirements, recordkeeping, and the supervision and discipline of employees. The people that you hire to work in your Restaurant will be your agents and employees. They are not our agents or employees and we are not a joint employer of those persons. You must clearly inform all workers, before hiring and periodically thereafter, that you, and not we, are their employer and that we do not assume and will not accept any employer, co-employer, or joint employer obligations.

If you are a corporation, partnership, or limited liability company, all owners of 5% or more of your ownership interests must personally guarantee your obligations under the License Agreement and Development Agreement by signing the Guaranty attached to each agreement. In addition, your partners, owners, officers, directors, managers, and members must also agree to be personally bound by, and personally liable for the confidentiality and non-competition provisions of the License Agreement and/or Development Agreement, and sign the Covenant Agreement, and the Confidentiality Agreement, all as described in Item 14 and Item 17. Your owners must also agree to certain restrictions on the transfer of their ownership interests.

## **ITEM 16**

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

You must operate the Restaurant in conformance with our standard specifications and techniques as contained in the Manuals, as amended by us in our sole discretion from time to time. As described in Items 8, 9, and 12, in order to promote substantial uniformity of quality and shared identity at all Restaurants, you must not offer for sale any product or service, or purchase, lease, install, or use any equipment, fixtures, furnishings, concept, supply, vending machine, building design or layout, color schemes or other item or service unless approved in writing by us as being in compliance with our standards and specifications and the franchise System. You must offer all of the products and services that we designate as required for all franchisees. We can change the types of authorized products and services that you must offer for sale. There are no limits on our right to do so. You must use the premises of the Restaurant solely for the purpose of operating a Freddy's Restaurant and to refrain from using the premises for any other purpose or activity. Restrictions on goods and services offered may also arise from License Agreement requirements that you comply with our high standards of quality and service, to refrain from deviating from our standards, or to otherwise operate in any manner adversely affecting the System, the Marks, and the goodwill associated with the System and the Marks, and to comply with the highest health standards applicable to the franchise Restaurant. You are not restricted regarding the customers you may solicit and we do not restrict your access to customers, but you may only make sales over-the-counter and by delivery at retail to the ultimate consumers of the products to be offered for sale by your Restaurant.

**ITEM 17**

**RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

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

<b>PROVISION</b>	<b>SECTION IN LICENSE AGREEMENT</b>	<b>SUMMARY</b>
a. Length of the Franchise Term	Section 2.1	Term is equal to 15 years from the date the Restaurant opens for business.
b. Renewal or extension of the term	Section 2.2	15-year renewal if you meet certain requirements.
c. Requirements for you to renew or extend	Section 2.2	Give notice, remodel, not be in default, pay all amounts owed us and your landlord, if any, in timely manner, sign new License Agreement, the terms of which may be materially different from the original License Agreement, pay fee, sign release, and comply with training requirements.
d. Termination by you	Not applicable	
e. Termination by us without cause	Not applicable	
f. Termination by us with cause	Sections 13.2.C, 13.2.D, and 13.2.E, and 13.4	We can terminate only if you default. Your default under any other license agreement or other agreement with us other than a development agreement constitutes a default under the License Agreement.
g. "Cause" defined - which defaults which can be cured	Sections 13.2.C and 13.2.E	You generally have 10 days to cure monetary defaults and 30 days to cure: nonpayment of fees; failure to submit reports, provide information, or maintain our standards; or any other default not specified in Section 13.2.C.
h. "Cause" defined – non-curable defaults	Sections 13.2.C and 13.4	Non-curable defaults: failure to timely open the Restaurant, cease operating or abandon the Restaurant, forfeit the right to do business where the Restaurant is located, conviction of felony, unapproved transfers, improper use or disclosure of confidential information, false reporting or submissions to us, under-reporting Gross Receipts, repeated defaults even if cured, entry of judgment against you which remains unsatisfied for 30 days, levy against your business or property, action

<b>PROVISION</b>	<b>SECTION IN LICENSE AGREEMENT</b>	<b>SUMMARY</b>
		brought to foreclose lien or mortgage against the Restaurant premises or equipment which is not dismissed in 30 days, or you become insolvent, a receiver is appointed to take possession of your business or property, you make a general assignment for the benefit of your creditors, or you or your affiliates default under other license agreements with us.
i. Your obligations on termination/non-renewal	Article 14	Cease operating the Restaurant, discontinue use of the Marks and advertising, complete de-identification as our franchisee, transfer telephone numbers and listing to us, deliver all materials and documents for the Restaurant to us, modify and alter the Restaurant, cease using the System, return the Manuals, turn over customer data, promptly pay all amounts due us including the early termination damages set forth in Section 14.4, and maintain and preserve your financial and other records and make them available for our inspection.
j. Assignment of contract by us	Section 12.1	No restriction on our right to assign.
k. "Transfer" by you – definition	Section 12.3	Includes transfer of any interest in contract or assets, or any ownership change.
l. Our approval of transfer by franchisee	Sections 12.3 and 12.8	We have the right to approve all transfers, except that if you are a corporation, partnership, or limited liability company, you may transfer an aggregate of up to 25% of your outstanding voting ownership interests to your employees who are actively engaged in the operations of the Restaurant without our approval if the proposed transfer alone or together with other transfers will not have the effect of transferring a controlling ownership interest in you.
m. Conditions for our approval of transfer	Sections 12.3 and 12.7	You have paid all amounts owed to us and others, you are not in default under the License Agreement or any other agreement with us, you have signed a release, you and the new franchisee enter into a satisfactory assignment and assumption agreement providing that the new franchisee will honor all of your obligations under the agreement, the new franchisee qualifies, the new franchisee signs our then-current form of License Agreement, you remain liable for all your obligations, the new franchisee completes our training program, and we receive payment of the \$5,000 transfer fee.

<b>PROVISION</b>	<b>SECTION IN LICENSE AGREEMENT</b>	<b>SUMMARY</b>
n. Our right of first refusal to acquire your business	Section 12.2	We can match any offer for any interest in your License Agreement, the Restaurant, or you.
o. Our option to purchase your business	Section 14.2	We can purchase certain proprietary or trade dress assets and/or equipment, furniture, fixtures, inventory, and movable signs of your business upon termination or expiration of the License Agreement for the lesser of your cost or the fair market value of the assets.
p. Your death or disability	Section 12.6	Ownership interest must be transferred within six months after the death or mental incompetency of an owner.
q. Non-competition covenants during the term of the franchise	Section 10.5	No involvement in the United States in competing business, which is a retail food establishment offering custard style products for sale or in which ice cream, yogurt, ground beef or hot dog sandwiches constitutes more than 10% of its food revenues.
r. Non-competition covenants after the franchise is terminated or expires	Section 10.5	No competing business for 2 years after expiration, assignment or termination within your Assigned Territory, the then-current Designated Market Area or Areas (DMA) in which your Assigned Territory is located, or the DMA of any other Freddy's Restaurant then existing.
s. Modification of the agreement	Article 19	No modifications generally unless in writing signed by you and one of our officers, but the Manuals are subject to change.
t. Integration/merger clause	Articles 19, Sections 20.1 and 21.A	Only the terms of the License Agreement are binding. Nothing in the License Agreement is intended to disclaim any representation contained in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	Article 18	All disputes (including disputes with your officers, directors, partners, members, managers and owners) must be mediated and then arbitrated in Wichita, Kansas. The mediation and arbitration proceedings are governed by rules of the American Arbitration Association.
v. Choice of forum	Section 18.5	Litigation in City of Wichita, Sedgwick County, Kansas (subject to state law).
w. Choice of law	Section 18.4	Kansas law applies (subject to state law).

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

<b>PROVISION</b>	<b>SECTION IN DEVELOPMENT AGREEMENT</b>	<b>SUMMARY</b>
a. Length of the Franchise Term	Section IV.A	The earlier of the date of our signing a License Agreement for the last Restaurant to be established under your development schedule or the opening deadline for that last restaurant in the development schedule.
b. Renewal or extension of the term	Not applicable	
c. Requirements for you to renew or extend	Section III.A.	For development schedule deadline extensions only, you must request an extension and pay \$10,000 extension fee at least 30 days before a prescribed deadline occurs.
d. Termination by you	Not applicable	
e. Termination by us without cause	Not applicable	
f. Termination by us with cause	Section VI	We can terminate only if you commit one of several listed violations. You or your affiliate's default under any other development agreement, any license agreement, or other agreement constitutes a default under the Development Agreement.
g. "Cause" defined - which defaults which can be cured	Not applicable	
h. "Cause" defined – non-curable defaults	Section VI	You or your affiliates fail to comply with development schedule, any License Agreement, or any other agreement between us, or make an improper transfer. You are adjudicated a bankrupt or become insolvent, a receiver is appointed and takes over substantially all of your property, you make a general assignment for the benefit of creditors, or you are the subject of a bankruptcy petition which is not dismissed within 90 days.
i. Your obligations on termination/non-renewal	Section VI.D	No continued right to develop Restaurants in your Assigned Area. You must return the Manuals and pay all amounts owed to us. You must remain in compliance with License Agreements for existing Restaurants.
j. Assignment of contract by us	Section VII.A	No restriction on our right to assign.

PROVISION	SECTION IN DEVELOPMENT AGREEMENT	SUMMARY
k. "Transfer" by you – definition	Section VII.B	Not transferable.
l. Our approval of transfer by franchisee	Section VII.B	Not transferable.
m. Conditions for our approval of transfer	Section VII.B	Not transferable.
n. Our right of first refusal to acquire your business	Not applicable	
o. Our option to purchase your business	Not applicable	
p. Your death or disability	Not applicable	
q. Non-competition covenants during the term of the franchise	Section VIII	No involvement in the United States in competing business, which is a retail food establishment offering custard style products for sale or in which ice cream, yogurt, ground beef or hot dog sandwiches constitutes more than 10% of its food revenues.
r. Non-competition covenants after the franchise is terminated or expires	Section VIII	No competing business for 2 years after any transfer or termination of the Development Agreement within your Assigned Area, the then-current Designated Market Area or Areas (DMA) in which your Assigned Area is located, or the DMA of any other Freddy's Restaurant then existing.
s. Modification of the agreement	Section XIV	No modifications unless in writing signed by you and one of our authorized officers.
t. Integration/ merger clause	Section XIV	Only the terms of the Development Agreement are binding. Nothing in the Development Agreement is intended to disclaim any representation contained in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	Section XV	All disputes (including disputes with your officers, directors, partners, members, managers and owners) must be mediated and then arbitrated in Wichita, Kansas. The mediation and arbitration proceedings are governed by rules of the American Arbitration Association.
v. Choice of forum	Section XV.E	Litigation in City of Wichita, Sedgwick County, Kansas (subject to state law).
w. Choice of law	Section XV.D	Kansas law applies (subject to state law).

## ITEM 18

### PUBLIC FIGURES

We do not use any public figure to promote our franchise.

## ITEM 19

### FINANCIAL PERFORMANCE REPRESENTATIONS

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

#### **2023 Gross Receipts of Company-Owned and Franchised Restaurants**

As of December 27, 2023, there were 33 company-owned Restaurants and 484 franchised Restaurants. Tables 1 through 5 below display the Gross Receipts of 32 company-owned Restaurants that were open for the entire fiscal year that ended December 27, 2023 (“2023 Fiscal Year”) and 415 franchised Restaurants that were open for the entire 2023 Fiscal Year. These tables exclude the results of one company-owned Restaurant and 55 franchised Restaurants that were not open for the entire 2023 Fiscal Year and the 14 non-traditional franchised Restaurants that are not open seven days per week and operate during limited hours (these include five units located at college campuses, two in casinos, one at an airport, and six in a sports arena).

<b>Type of Restaurant</b>	<b>Stand Alone Drive-thru</b>	<b>End Cap Drive-thru</b>	<b>No Drive-thru</b>	<b>All Restaurants</b>
Number of Restaurants	26	2	4	32
Average Weekly Gross Receipts	\$44,363	\$63,209	\$43,907	\$45,484
No. and % of Restaurants that Met or Exceeded the Average	11 (42%)	1 (50%)	1 (25%)	14 (44%)
Median Weekly Gross Receipts	\$42,484	\$63,209	\$41,377	\$42,484
Range of Weekly Gross Receipts	\$27,199 - \$71,347	\$61,676 - \$64,742	\$29,027 - \$63,846	\$27,199 - \$71,347

**TABLE 2**  
**ANNUAL GROSS RECEIPTS OF COMPANY-OWNED RESTAURANTS**  
**FOR 2023 FISCAL YEAR BY FACILITY TYPE**

<b>Type of Restaurant</b>	<b>Stand Alone Drive-thru</b>	<b>End Cap Drive-thru</b>	<b>No Drive-thru</b>	<b>All Restaurants</b>
Number of Restaurants	26	2	4	32
Average Annual Gross Receipts	\$2,306,901	\$3,286,863	\$2,283,161	\$2,365,181
No. and % of Restaurants that Met or Exceeded the Average	11 (42%)	1 (50%)	1 (25%)	14 (44%)
Median Annual Gross Receipts	\$2,209,171	\$3,286,863	\$2,151,603	\$2,209,171
Range of Annual Gross Receipts	\$1,414,341 - \$3,710,306	\$3,207,131 - \$3,366,595	\$1,509,426 - \$3,320,011	\$1,414,341 - \$3,710,036

**TABLE 3**  
**WEEKLY GROSS RECEIPTS OF FRANCHISED RESTAURANTS**  
**FOR 2023 FISCAL YEAR BY FACILITY TYPE**

<b>Type of Restaurant</b>	<b>Stand Alone Drive-thru</b>	<b>End Cap Drive-thru</b>	<b>No Drive-thru</b>	<b>All Restaurants</b>
Number of Restaurants	376	36	3	415
Average Weekly Gross Receipts	\$36,233	\$34,375	\$28,258	\$36,014
No. and % of Restaurants that Met or Exceeded the Average	180 (48%)	18 (50%)	2 (67%)	200 (48%)
Median Weekly Gross Receipts	\$35,821	\$34,121	\$28,684	35,549
Range of Weekly Gross Receipts	\$14,847 - \$83,071	\$18,973 - \$53,918	\$25,311 - \$30,779	\$14,847 - \$83,071



**TABLE 4**  
**ANNUAL GROSS RECEIPTS OF FRANCHISED RESTAURANTS**  
**FOR 2023 FISCAL YEAR BY FACILITY TYPE**

<b>Type of Restaurant</b>	<b>Stand Alone Drive-thru</b>	<b>End Cap Drive-thru</b>	<b>No Drive-thru</b>	<b>All Restaurants</b>
Number of Restaurants	376	36	3	415
Average Annual Gross Receipts	\$1,884,105	\$1,787,524	\$1,469,413	\$1,872,729
No. and % of Restaurants that Met or Exceeded the Average	180 (48%)	18 (50%)	2 (67%)	200 (48%)
Median Annual Gross Receipts	\$1,862,673	\$1,774,288	\$1,491,588	\$1,848,546
Range of Annual Gross Receipts	\$772,039 - \$4,319,693	\$986,609 - \$2,803,710	\$316,155 - \$1,600,496	\$772,039 - \$4,319,693

**TABLE 5**  
**SYSTEMWIDE ANNUAL GROSS RECEIPTS OF**  
**COMPANY-OWNED AND FRANCHISED RESTAURANTS FOR 2023 FISCAL YEAR**

Number of Restaurants	447
Average Annual Gross Receipts	\$1,907,983
Median Annual Gross Receipts	\$1,880,489
Range of Annual Gross Receipts	\$772,039 - \$4,319,693
No. and % of Restaurants that Met or Exceeded the Average	212 (47%)

**TABLE 6**  
**SYSTEMWIDE ANNUAL GROSS RECEIPTS OF**  
**COMPANY-OWNED AND FRANCHISED RESTAURANTS FOR 2023 FISCAL YEAR**  
**BY QUARTILE**

<b>Quartile</b>	<b>No. of Rests.</b>	<b>Average</b>	<b>Low</b>	<b>High</b>	<b>Median</b>	<b>No. and % That Met or Exceeded Average</b>
Top	112	\$2,622,881	\$2,215,194	\$4,319,693	\$2,545,045	48 / 43%
2nd	112	\$2,041,657	\$1,880,489	\$2,214,663	\$2,050,612	60 / 54%
3rd	112	\$1,703,889	\$1,506,284	\$1,877,334	\$1,705,776	57 / 51%

**TABLE 6  
SYSTEMWIDE ANNUAL GROSS RECEIPTS OF  
COMPANY-OWNED AND FRANCHISED RESTAURANTS FOR 2023 FISCAL YEAR  
BY QUARTILE**

<b>Quartile</b>	<b>No. of Rests.</b>	<b>Average</b>	<b>Low</b>	<b>High</b>	<b>Median</b>	<b>No. and % That Met or Exceeded Average</b>
Bottom	111	\$1,257,698	\$772,039	\$1,505,282	\$1,305,889	67 / 60%
<b>Total</b>	<b>447</b>	<b>\$1,907,983</b>	<b>\$772,039</b>	<b>\$4,319,693</b>	<b>\$1,880,489</b>	<b>212 / 47%</b>

**TABLE 7  
SYSTEMWIDE ANNUAL GROSS RECEIPTS OF  
FRANCHISED RESTAURANTS FOR 2023 FISCAL YEAR  
BY QUARTILE**

<b>Quartile</b>	<b>No. of Rests.</b>	<b>Average</b>	<b>Low</b>	<b>High</b>	<b>Median</b>	<b>No. and % That Met or Exceeded Average</b>
Top	104	\$2,565,482	\$2,191,391	\$4,319,693	\$2,459,295	42 / 40%
2nd	104	\$2,007,148	\$1,848,546	\$2,184,120	\$2,002,276	51 / 49%
3rd	104	\$1,671,967	\$1,478,818	\$1,843,176	\$1,675,975	55 / 53%
Bottom	103	\$1,240,238	\$772,039	\$1,473,967	\$1,294,888	60 / 58%
<b>Total</b>	<b>415</b>	<b>\$1,872,729</b>	<b>\$772,039</b>	<b>\$4,319,963</b>	<b>\$1,848,546</b>	<b>200 / 48%</b>

**TABLE 8  
SYSTEMWIDE ANNUAL GROSS RECEIPTS OF  
COMPANY-OWNED RESTAURANTS FOR 2023 FISCAL YEAR  
BY QUARTILE**

<b>Quartile</b>	<b>No. of Rest.</b>	<b>Average</b>	<b>Low</b>	<b>High</b>	<b>Median</b>	<b>No. and % That Met or Exceeded Average</b>
Top	8	\$3,126,753	\$2,653,073	\$3,710,036	\$3,077,057	4 / 50%
2nd	8	\$2,444,536	\$2,230,150	\$2,642,078	\$2,418,265	3 / 38%
3rd	8	\$2,133,723	\$2,101,856	\$2,188,192	\$2,129,586	2 / 25%
Bottom	8	\$1,755,712	\$1,414,341	\$1,941,780	\$1,816,109	5 / 63%
<b>Total</b>	<b>32</b>	<b>\$2,365,181</b>	<b>\$1,414,341</b>	<b>\$3,710,036</b>	<b>\$2,209,171</b>	<b>14 / 44%</b>

## **2023 Cost of Sales, Labor and Controllable Expenses of Company-Owned Restaurants**

As of December 27, 2023, there were 33 company-owned Restaurants. Table No. 9 below depicts the Costs of Sales, Labor, and Controllable Expenses for 32 company-owned Restaurants that were open during the entire Fiscal Year 2023 as percentages of total Gross Receipts for Fiscal Year 2023. Table 9 excludes the results of one company-owned Restaurant that was not open for the entire 2023 Fiscal Year.

<b>TABLE 9</b>	
<b>COST OF SALES, LABOR AND CONTROLLABLE EXPENSES OF COMPANY-OWNED RESTAURANTS FOR FISCAL YEAR 2023</b>	
<b>Category</b>	<b>Percentage of Gross Receipts</b>
Cost of Sales	31.3%
Labor with Benefits	30.8%
Controllable Expenses	9.4%

### Item 19 Notes:

1. “Weekly Gross Receipts” means all gross revenue during each week of each 28-day operating period of every kind or nature related to the Restaurant, including all restaurant revenue posted whether it is collected or remains uncollected, all charges for other products, services, and facilities and vending machine receipts, and any amounts payable from insurance policies to compensate you for loss of the same, but excluding sales taxes or other taxes collected by you from customers for transmittal to appropriate taxing authorities. Weekly Gross Receipts do not include loyalty points earned or redeemed at Restaurant locations.
2. We compiled the Gross Receipts of the company-owned Restaurants on the basis of generally accepted accounting principles. The information presented is unaudited. All company-owned Restaurants use the same accounting methods and system.
3. The information presented for franchised Restaurants are the result of information included in royalty reports and other financial reports provided by the franchisees. We have not audited this information nor have we verified its accuracy.
4. The quartiles for Table Nos. 6, 7, and 8 were calculated by dividing the group of restaurants into four equal groups.
5. “Costs of Sales” includes all costs associated with food, beverage, and disposable paper and plastic, but does not include costs, including rental payments, associated with equipment, fixtures, or décor.
6. “Labor with Benefits” includes all salaries and wages paid to employees, payroll taxes, and short-term management performance incentive pay, and includes 100% employer paid health insurance, 401K with employer match, employer paid health savings account contribution, and any other employee benefits. Labor expenses do not include phantom stock bonuses, owners’ draws or management expenses not directly attributable to a restaurant such as area manager’s salary. We believe our robust benefit package, and management short-term and performance incentive pay plans reduce turnover and are integral to the operations of our restaurants.

7. “Controllable Expenses” includes maintenance, supplies, utilities, uniforms, bank and credit card fees, equipment rental, and other miscellaneous expenses. It does not include items such as fixed costs, advertising, professional and accounting fees, licenses, insurance, or taxes, nor does it include rent, other real estate costs, depreciation or amortization.
8. Because the company-owned Restaurants in Table No. 9 are not franchised Restaurants, they are not subject to royalty fees.
9. Based on our experience, the company-owned Restaurants experience seasonal fluctuations, with greater sales occurring during the months of April through October and lesser sales occurring during the months of November through March.
10. The information provided is based on a number of conditions and assumptions that may not be applicable to you. For example, each of the company-owned Restaurants for which information is provided is located in the Midwest. The costs of labor, including the pay scale, bonus plans, and other benefits you choose to provide your employees or that may be mandated by local law for the market in which your Restaurant would be located may or may not be comparable to these restaurants. Costs of inventory and supplies may or may not be comparable to those obtainable in the Midwest.
11. The information provided does not include certain non-recurring, opening, and pre-opening costs such as grand opening advertising; initial employee training; real estate acquisition costs/rent; real estate or leasehold improvements; computer and points of sale equipment and software; equipment, furniture, fixtures, and décor, signage and neon, opening inventory and supplies; insurance; utility deposits; licenses and business permits; other prepaid expenses; legal and other professional fees; and recruitment.
12. The financial performance representation figures do not reflect all of the costs or expenses that must be deducted from the Gross Receipts to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Restaurant. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of information.

**Some Restaurants have earned this amount. Your individual results may differ. There is no assurance that you’ll earn as much.**

We will provide you with written substantiation of the data used to prepare this financial performance representation upon your reasonable request.

Other than the preceding financial performance representation, Freddy’s, L.L.C. does not make any financial performance representations. 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 our management by contacting our Chief Financial Officer, Bill Valentas, at 3020 N. Cypress Street, Suite 200, Wichita, Kansas 67226, 316-719-7800, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**

**OUTLETS AND FRANCHISEE INFORMATION  
TABLE NO. 1  
SYSTEMWIDE OUTLET SUMMARY FOR YEARS 2021 TO 2023<sup>1</sup>**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	357	391	+34
	2022	391	427	+36
	2023	427	484	+57
Company-Owned	2021	33	30	-3
	2022	30	29	-1
	2023	29	33	+4
Total Outlets	2021	390	421	+31
	2022	421	456	+35
	2023	456	517	+61

Notes:

1. All numbers are as of our fiscal year end for each year.

**TABLE NO. 2  
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS  
(OTHER THAN THE FRANCHISOR) FOR YEARS 2021 TO 2023<sup>1</sup>**

State	Year	Number of Transfers
Alabama	2021	0
	2022	0
	2023	0
Arizona	2021	0
	2022	0
	2023	1
California	2021	2
	2022	0
	2023	0

State	Year	Number of Transfers
Florida	2021	1
	2022	0
	2023	0
Georgia	2021	0
	2022	0
	2023	0
Illinois	2021	5
	2022	1
	2023	0
Indiana	2021	0
	2022	0
	2023	0
Kansas	2021	0
	2022	1
	2023	0
Kentucky	2021	0
	2022	0
	2023	0
Nevada	2020	0
	2021	4
	2022	0
Ohio	2021	0
	2022	0
	2023	0
Oklahoma	2021	0
	2022	0
	2023	5
Pennsylvania	2021	4
	2022	0
	2023	0
South Carolina	2021	0
	2022	0
	2023	0
Texas	2021	0
	2022	21
	2023	2

State	Year	Number of Transfers
Utah	2021	0
	2022	0
	2023	0
Total	2021	16
	2022	23
	2023	8

Notes:

1. All numbers are as of our fiscal year end for each year.

**TABLE NO. 3  
STATUS OF FRANCHISED OUTLETS FOR YEARS 2021 TO 2023<sup>1</sup>**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Alabama	2021	7	1	0	0	0	0	8
	2022	8	3	0	0	0	0	11
	2023	11	2	0	0	0	0	13
Arizona	2021	22	0	0	0	0	0	22
	2022	22	2	0	0	0	0	24
	2023	24	3	0	0	0	0	27
Arkansas	2021	13	1	0	0	0	0	14
	2022	14	2	0	0	0	0	16
	2023	16	1	0	0	0	0	17
California	2021	4	0	0	0	0	0	4
	2022	4	1	0	0	0	0	5
	2023	5	1	0	0	0	0	6
Colorado	2021	28	3	0	0	0	0	31
	2022	31	3	0	0	0	0	34
	2023	34	2	0	0	0	0	36
Florida	2021	7	2	0	0	0	0	9
	2022	9	0	0	0	0	0	9
	2023	9	0	0	0	0	0	9

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Georgia	2021	14	3	0	0	0	0	17
	2022	17	2	0	0	0	0	19
	2023	19	3	0	0	0	0	22
Idaho	2021	7	1	0	0	0	0	8
	2022	8	0	0	0	0	0	8
	2023	8	0	0	0	0	0	8
Illinois	2021	6	5	0	0	0	0	11
	2022	11	3	0	0	0	0	14
	2023	14	3	0	0	0	0	17
Indiana	2021	10	0	0	0	0	0	10
	2022	10	2	0	0	0	0	12
	2023	12	1	0	0	0	0	13
Iowa	2021	9	0	0	0	0	0	9
	2022	9	1	0	0	0	0	10
	2023	10	1	0	0	0	1	10
Kansas	2021	19	3	0	0	0	0	22
	2022	22	1	0	0	0	0	23
	2023	23	0	0	0	2	0	21
Kentucky	2021	7	2	0	0	0	0	9
	2022	9	2	0	0	0	0	11
	2023	11	3	0	0	0	0	14
Louisiana	2021	5	0	0	0	0	0	5
	2022	5	1	0	0	0	0	6
	2023	6	1	0	0	0	0	7
Michigan	2021	4	1	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
Minnesota	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
Missouri	2021	18	2	0	0	0	0	20
	2022	20	3	0	0	0	0	23
	2023	23	2	0	0	1	0	24



State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Mississippi	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Montana	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Nebraska	2021	14	0	0	0	0	0	14
	2022	14	0	0	0	0	0	14
	2023	14	1	0	0	0	0	15
New Jersey	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
New Mexico	2021	8	0	0	0	0	0	8
	2022	8	0	0	0	0	0	8
	2023	8	0	0	0	0	0	8
Nevada	2021	4	0	0	0	0	0	4
	2022	4	1	0	0	0	0	5
	2023	5	0	0	0	0	0	5
North Carolina	2021	12	0	0	0	0	0	12
	2022	12	0	0	0	0	0	12
	2023	12	2	0	0	0	0	14
North Dakota	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Ohio	2021	11	1	0	0	0	0	12
	2022	12	1	0	0	0	0	13
	2023	13	4	0	0	0	0	17
Oklahoma	2021	25	1	0	0	0	0	26
	2022	26	0	0	0	0	1	25
	2023	25	2	0	0	0	0	27
Pennsylvania	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	1	0	0	0	0	6

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
South Carolina	2021	7	2	0	0	0	0	9
	2022	9	1	0	0	0	0	10
	2023	10	2	0	0	0	0	12
South Dakota	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	0	2
Tennessee	2021	11	4	0	0	0	0	15
	2022	15	0	0	0	0	0	15
	2023	15	4	0	0	0	0	19
Texas	2021	60	1	0	0	0	1	60
	2022	60	3	0	0	0	0	63
	2023	63	16	0	0	0	0	79
Utah	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	1	0	0	0	0	7
Virginia	2021	4	0	0	0	0	0	4
	2022	4	3	0	0	0	0	7
	2023	7	1	0	0	0	0	8
Wisconsin	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
Wyoming	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
Total	2021	357	35	0	0	0	1	391
	2022	391	37	0	0	0	1	427
	2023	427	61	0	0	3	1	484

Notes:

1. All numbers are as of our fiscal year end for each year. If multiple events occurred affecting a restaurant, the table shows the event that occurred last in time.

**TABLE NO. 4  
STATUS OF COMPANY-OWNED OUTLETS<sup>1</sup> FOR YEARS 2021 TO 2023<sup>2</sup>**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Illinois	2021	9	1	0	0	5	5
	2022	5	0	0	0	1	4
	2023	4	1	0	0	0	5
Kansas	2021	16	0	0	0	0	16
	2022	16	0	0	0	0	16
	2023	16	0	2	0	0	18
Missouri	2021	8	1	0	0	0	9
	2022	9	0	0	0	0	9
	2023	9	0	1	0	0	10
<b>Total</b>	2021	33	2	0	0	5	30
	2022	30	0	0	0	1	29
	2023	29	1	3	0	0	33

Note:

1. Our company-owned Restaurants are operated by our affiliate, FFC.
2. All numbers are as of our fiscal year end for each year. If multiple events occurred affecting a restaurant, the table shows the event that occurred last in time.

**TABLE NO. 5  
PROJECTED OPENINGS AS OF DECEMBER 27, 2023**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Alabama	0	2	0
Arizona	0	7	0
California	1	3	0
Colorado	0	3	0
Delaware	0	1	0
Florida	1	1	0
Georgia	0	2	0
Illinois	1	2	0
Indiana	0	1	0

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Iowa	0	2	0
Kentucky	0	1	0
Louisiana	0	1	0
Michigan	0	1	0
Mississippi	0	1	0
Missouri	1	1	2
Nevada	0	1	0
New Jersey	0	2	0
North Carolina	1	2	0
Ohio	2	5	0
Oklahoma	0	2	0
Pennsylvania	0	1	0
South Carolina	0	5	0
South Dakota	0	1	0
Tennessee	0	1	0
Texas	0	11	0
Utah	0	3	0
Virginia	0	1	0
Wisconsin	0	1	0
Total	7	65	2

Exhibit G contains a list of our franchisees that had any outlets transferred, terminated, canceled, not renewed, or otherwise voluntarily ceased to do business during our most recently completed fiscal year or have not communicated with us within ten weeks of the date of this Disclosure Document. Exhibit G also contains a list of the names of all franchisees, and the addresses and telephone numbers for all their restaurants, as of the end of our last fiscal year, and a list of developers with signed Development Agreements. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

No current or former franchisees have been asked to sign provisions that would restrict their ability to speak openly about their experience with us.

No independent franchise organizations have asked to be included in this disclosure document.

## **ITEM 21**

### **FINANCIAL STATEMENTS**

Exhibit D contains the audited consolidated financial statements of our parent, Freddy's Acquisition Holdings, Inc., as of and for the years ended December 27, 2023, December 28, 2022, and for the period from March 4, 2021 through December 29, 2021. Freddy's Acquisition Holdings, Inc. absolutely and unconditionally guarantees to assume our duties and obligations under the License Agreements identified in this disclosure document that we enter into with our licensees, as amended, modified, or extended from time to time. See the Guarantee of Performance signed by Freddy's Acquisition Holdings, Inc. included with its financial statements in Exhibit D.

## **ITEM 22**

### **CONTRACTS**

The following agreements are attached to this Disclosure Document:

- Exhibit A - Development Agreement
- Exhibit B – License Agreement
- Exhibit C – Covenant Agreement
- Exhibit H – State Addenda
- Exhibit J – Confidentiality Agreement
- Exhibit L - Veterans Program Addendum to License Agreement
- Exhibit M – Construction Advisory Services Agreement

## **ITEM 23**

### **RECEIPT**

The last two pages of this Disclosure Document include a detachable document acknowledging your receipt of this Disclosure Document (“Receipt”). Please acknowledge your receipt of this Disclosure Document by signing both pages and returning one signed Receipt page to us.

**EXHIBIT A**

**FREDDY'S, L.L.C. DEVELOPMENT AGREEMENT**

**FREDDY'S, L.L.C.**  
**DEVELOPMENT AGREEMENT**

FREDDY’S, L.L.C.  
DEVELOPMENT AGREEMENT

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Attachments

Development Fee, License Fee Deposit and Development Schedule - Attachment “A”  
Assigned Area - Attachment “B”  
Owners of Developer - Attachment “C”  
Guaranty - Attachment “D”  
Covenant Agreement - Attachment “E”  
Lease Addendum Form - Attachment “F”  
License Agreement Form – Attachment “G”



FREDDY’S, L.L.C.

DEVELOPMENT AGREEMENT

This Development Agreement (this “Agreement”), by and between Freddy’s, L.L.C., a Kansas limited liability company (“Licensor”), and \_\_\_\_\_, a \_\_\_\_\_ (“Developer”), is entered into on the date of execution by Licensor, as indicated below (“Effective Date”).

Recitals

A. Licensor, as a result of the expenditure of time, skill, effort, and money has developed and owns a unique and distinctive system (“System”) for the design, establishment, and operation of restaurants (“System Restaurants”) under the name “Freddy’s Frozen Custard & Steakburgers” (such name and such other trade names, service marks, trademarks, logos, emblems, and other indicia of origin as are now designated or may in the future be designated by Licensor in writing as part of the System, are hereinafter referred to as “Proprietary Marks”), in connection with the retail sale of food and beverage products.

B. Developer wishes to obtain certain options to obtain licenses to establish and operate licensed System Restaurants (“Restaurants”) within the geographic area described in Attachment “B” to this Agreement (“Assigned Area”).

Agreement

In consideration of the foregoing and the promises contained in this Agreement, the parties agree as follows:

Section I. Grant

A. Grant. Licensor hereby grants to Developer, pursuant to the terms and conditions of this Agreement, [\_\_\_\_] options to obtain licenses to establish and operate Restaurants within the Assigned Area under Freddy’s L.L.C. License Agreements (each a “License Agreement”) pursuant to the development schedule set forth in Attachment “A” to this Agreement (“Development Schedule”). The Assigned Area granted to each Developer in the System is subject to and may be encroached by the territory assigned to each System Restaurant.

B. No Right to Operate System Restaurants. This Agreement is not a License Agreement. This Agreement does not give Developer the right to operate System Restaurants under the System and the Proprietary Marks or the right to franchise or subfranchise others to operate System Restaurants. This Agreement only gives Developer the rights set out in Section I.A above. Developer shall not acquire any interest in any site for a Restaurant before obtaining Licensor’s approval of the site pursuant to Section III below. Each Restaurant developed pursuant to this Agreement shall be established and operated only in strict accordance with a separate License Agreement.

C. Territorial Protection. If Developer and its Affiliate(s) (as defined in Section I.E. below) are in compliance with this Agreement and all other agreements with Licensor, Licensor itself shall not establish or operate, nor will it grant a license to any party to establish or operate, a System Restaurant in the Assigned Area prior to the expiration or termination of this Agreement.

D. Rights Reserved by Licensor. Except as expressly granted to Developer in Section I.C., Licensor and its affiliates retain all rights with respect to the System and the Proprietary Marks, the sale of similar or dissimilar products and services, and any other activities Licensor deems appropriate whenever and wherever Licensor desires, including, but not limited to, the right to:

1. Award national or regional licenses to third parties to sell products under the Proprietary Marks in foodservice facilities primarily identified by the third party's trademark within and outside the Assigned Area;
2. Merchandise and distribute products, services or merchandise identified by some or all of the Proprietary Marks within and outside the Assigned Area through any other method or channel of distribution including, but not limited, to sales made at retail locations, supermarkets, gourmet shops, and on the Internet;
3. Operate, and license others to operate, during the term of this Agreement, restaurants identified in whole or in part by the Proprietary Marks at any location outside of the Assigned Area;
4. Operate, and license others to operate, after this Agreement terminates or expires, restaurants identified in whole or in part by the Proprietary Marks at any location within and outside the Assigned Area;
5. Operate, and license others to operate, restaurants identified in whole or in part by the Proprietary Marks and/or utilizing the System within and outside the Assigned Area that are located in airports, train stations, bus stations, service plazas, stadiums, arenas, convention centers, military facilities, schools, colleges, universities, hospitals, theme parks, office buildings, food courts, venues in which foodservice is or may be provided by a master concessionaire or contract foodservice provider, Indian reservations, casinos or any similar captive market location; and
6. Operate, and license others to operate, at any location within and outside the Assigned Area, during the term of this Agreement or after this Agreement terminates or expires, any type of restaurant other than a restaurant identified in whole or in part by the Proprietary Marks.

E. Definition of Affiliate. For purposes of this Agreement, the term "Affiliate" in regard to Developer means any corporation, partnership, limited liability company or partnership, association, trust or other organization or individual which, directly or indirectly, controls, is controlled by, or is under common control with, Developer. For purposes of the preceding sentence, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any entity or organization, shall mean the

possession, directly or indirectly, of the power (i) to vote more than 10% of the securities having ordinary voting power for the election of directors of the controlled entity or organization, or (ii) to direct or cause the direction of the management and policies of the controlled entity or organization, whether through the ownership of voting securities or by contract or otherwise.

F. Best Efforts. Developer agrees that it will at all times faithfully, honestly and diligently perform its obligations under this Agreement, that it will continuously exert its best efforts to the development of the Restaurants and that it will not engage in any other business or activity that may conflict with its obligations under this Agreement, except the operation of other System Restaurants.

G. Forms of Agreement. Developer acknowledges that, over time, Licensor has entered, and will continue to enter, into agreements with other System developers that may contain provisions, conditions and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that Licensor and its affiliates and other System developers may have different rights and obligations does not affect the duties of the parties to this Agreement to comply with the terms of this Agreement.

## Section II. Development Fee

In consideration of the development rights granted in this Agreement, Developer shall pay to Licensor upon execution of this Agreement a development fee in the amount of Fifteen Thousand US Dollars (\$15,000) multiplied by the number of Restaurants Developer agrees to develop in the Assigned Area (the “Development Fee”) and a deposit in the amount of Twenty Thousand US Dollars (US\$20,000) towards the License Fee for the first Restaurant that Developer will develop under the Development Agreement (the “License Fee Deposit”). The Development Fee and the License Fee Deposit paid by Developer are recorded on Attachment “A” to this Agreement and are each nonrefundable and fully earned by Licensor upon execution of this Agreement for administrative and other expenses incurred by Licensor and for the development opportunities lost or deferred as a result of Licensor’s entering into this Agreement with Developer. Licensor shall apply a credit in the amount of the Development Fee paid for each Restaurant developed under this Agreement in the amount of Fifteen Thousand US Dollars (\$15,000) against the license fee due and owing by Developer under the terms of the License Agreement for the applicable Restaurant (the “Development Fee Credit”). Licensor shall apply the Development Fee Credit and the License Fee Deposit towards the license fee due and owing by Developer under the terms of the License Agreement for the first Restaurant developed by Developer under this Agreement.

## Section III. Development Schedule and Manner of Exercising Options

### A. Development Schedule.

1. Developer shall develop new Restaurants in the Assigned Area in accordance with the Development Schedule. Developer must open and have in continuous operation during the term of this Agreement, the specified number of Restaurants that is detailed in the Development Schedule. Developer shall select the specific site for each Restaurant in

accordance with Section III.B below. Failure by Developer to have exercised its options within the time specified in the Development Schedule shall constitute a default under this Agreement. Developer agrees to use its best efforts to meet the Development Schedule. Developer shall be in default of this Agreement if Developer fails to have in operation the minimum number of new Restaurants and the cumulative minimum number of open and operating Restaurants required by the Development Schedule.

2. During the term of this Agreement, Licensor may, in its sole judgment, grant Developer an extension of a deadline for an option in the Development Schedule for a period of up to six (6) months. Developer must request an extension of the deadline at least thirty (30) days before the deadline date. If Licensor grants an extension of a particular deadline, the extension will not result in an extension of any additional deadlines in the Development Schedule. Licensor may consider a variety of factors in whether Licensor will grant an extension, including the diligence Developer has shown in developing the Restaurant(s). Developer must pay Licensor an extension fee in the amount of Ten Thousand Dollars (\$10,000) for each extension at the time of the extension request to compensate Licensor for its costs, expenses and lost opportunities related to the proposed extension. Licensor will deem each extension request granted and the extension fee fully earned and non-refundable unless Licensor notifies Developer otherwise within fifteen (15) days after receipt of the extension request, in which event Licensor will refund the extension fee.

B. Site Selection. Prior to the acquisition by lease or purchase of any site for a Restaurant in the Assigned Area, Developer shall submit to Licensor in the form specified by Licensor a description of the site, a market feasibility study for the site, and such other information or materials as Licensor may reasonably require, together with a letter of intent or other evidence satisfactory to Licensor which confirms Developer's favorable prospects for obtaining the site. Licensor shall have thirty (30) days after receipt of such information and materials from Developer to approve or disapprove, in its sole discretion using its then-current standards, the site as the location for the Restaurant. In the event Licensor does not approve the site by written notice to Developer within such thirty (30) days, such site shall be deemed rejected by Licensor.

1. Within forty-five (45) days of site approval by Licensor (or within such additional period as may be agreed upon between the parties in the event that, after diligent good faith efforts, Developer is unable to complete the requirements of this Section III.B on a timely basis due to events beyond Developer's reasonable control), Developer shall execute a lease (if the premises are to be leased) after obtaining Licensor's prior written approval of the lease terms, which approval shall not be unreasonably withheld, or complete the purchase the site, and a License Agreement relating to the approved site. No extension to such forty-five (45) day requirement shall extend the time periods specified in the Development Schedule for the exercise of options by Developer.

2. The lease or purchase agreement for the proposed site must not contain any provision that is inconsistent with or interferes with the performance of any provision of the License Agreement for the Restaurant, which in the case of leases will require provisions in the lease or addendum to lease on Licensor's then-standard form of addendum

to lease agreement, which is attached as Attachment “F” to this Agreement, or as otherwise specified by Licensor in writing, the terms of which may include (i) authorizing Licensor to enter the premises and make any modifications necessary to protect the Proprietary Marks, (ii) granting to Licensor the right (but not the duty) to assume the lease if Developer is in default under the terms and provisions of the lease and/or if the License Agreement expires or is terminated, (iii) requiring concurrent notice from the lessor to Licensor of any lease default or termination, and (iv) providing for a term of at least fifteen (15) years including option periods.

3. Developer acknowledges that Licensor’s approval of the site (and the lease or purchase agreement for the site) does not in any way guarantee that the site will become a profitable Restaurant. Developer expressly acknowledges that Licensor’s approval of the site (and the lease or purchase agreement of the site) shall not be deemed to be or construed as a warranty or guarantee, express or implied, as to the potential volume, profits, or success of the Restaurant to be located on the site.

C. License Agreements. The operation of each Restaurant shall be governed by the terms and conditions of the License Agreement for that Restaurant. Before opening each Restaurant, Developer shall (i) complete, sign and transmit to Licensor a License Agreement; (ii) prepare the Restaurant for operations as required by the License Agreement; and (iii) comply with all initial training, insurance obligations and other pre-opening obligations for a Restaurant as required by the License Agreement. The form of License Agreement that Developer (or its Affiliate) will sign for each Restaurant is attached to this Agreement as Attachment “F”.

#### Section IV. Term

Unless sooner terminated in accordance with the terms of this Agreement, the term of this Agreement and all rights granted under this Agreement shall expire on the earlier of the date of Licensor’s acceptance and execution of a License Agreement for the last of the Restaurants to be established pursuant to the Development Schedule or the deadline for that last Restaurant as set forth in the Development Schedule.

#### Section V. Duties of the Parties

A. Licensor’s Duties. Licensor shall furnish to Developer the following:

1. Electronic access to a Construction Manual (as may be established or amended from time-to-time by Licensor), on loan, setting forth site selection guidelines and containing a set of prototype plans and specifications (not for construction) for a System Restaurant.

2. Such on-site evaluation as Licensor deems advisable in response to Developer’s request for site approval; provided, however, Licensor shall not provide on-site evaluation for any proposed site prior to its receipt from Developer of a market feasibility study for such site prepared by Developer pursuant to Section III.B of this Agreement. If on-site evaluation is deemed necessary and appropriate by Licensor (on its

own initiative or at Developer's request), Developer shall reimburse Licensor for all reasonable expenses incurred by Licensor in relation to such on-site evaluation, including, without limitation, the cost of travel, lodging, and meals.

B. Developer's Duties. Developer accepts the following obligations:

1. Developer shall comply with all terms and conditions set forth in this Agreement.

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

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

4. If Developer is at any time a corporation, limited liability company, or partnership, Developer agrees and represents that:

a. Developer has the authority to execute and deliver this Agreement and to perform its obligations hereunder and is duly organized or formed and validly existing in good standing under the laws of the state of its formation or organization;

b. Developer's organizational documents or partnership agreement will recite that the issuance and transfer of the ownership interests of Developer are restricted by the terms and conditions of this Agreement, and all certificates and other documents representing an ownership interest in Developer will bear a legend referring to the restrictions of this Agreement;

c. Attachment "C" to this Agreement will completely and accurately describe all of the owners of Developer and their interests in Developer. Developer and its owners agree to sign and deliver to Licensor such revised Attachment "C" as may be necessary to reflect any changes in the information contained therein and to furnish such other information about Developer's organization or formation as Licensor may request;

d. Each of the following persons will sign a guaranty ("Guaranty") in the form that Licensor prescribes undertaking to be bound jointly and severally by all provisions of this Agreement and a material breach of such Guaranty shall be deemed a material breach of this Agreement: (i) all

holders of a beneficial interest of five percent (5.0%) or more of the securities of Developer, and of any corporation directly or indirectly controlling Developer, if Developer is a corporation; (ii) the general partners and any limited partners (including any corporation or other entity, and the holders of a beneficial interest of five percent (5.0%) or more of the securities of any corporation or other entity which controls, directly or indirectly, any general or limited partner), if Developer is a partnership; (iii) the managers and members (including any corporation or other entity, and the holders of a beneficial interest of five percent (5.0%) or more of the securities of any corporation or other entity which controls, directly or indirectly, any member or manager), if Developer is a limited liability company. Licensor's current form of Guaranty is attached to this Agreement as Attachment "D"; and

e. Developer shall furnish Licensor with its articles or certificate of incorporation or organization, bylaws, operating agreement, and partnership or limited liability documentation or similar organization documents, and any other documents Licensor may reasonably request, and any amendments thereto.

## Section VI. Default and Termination

A. Default. The options and territorial rights granted to Developer in this Agreement have been granted in reliance on Developer's representations and assurances, among others, that the Development Schedule will be met by Developer in a timely manner. If Developer, or any Affiliate of Developer, fails to comply with the Development Schedule, fails to comply with any other terms and conditions of this Agreement, any individual License Agreement, any other development agreement or any other agreement between Developer and Licensor, or makes or attempts to make a transfer or assignment in violation of Section VII.B of this Agreement, such action shall constitute a default under this Agreement. Upon such default, Licensor, in its discretion, may, without giving Developer prior notice or the right to cure any such default, do any one or more of the following:

1. Terminate this Agreement and all rights granted under this Agreement without affording Developer any opportunity to cure the default, effective immediately upon Developer's receipt of written notice from Licensor;
2. Reduce the number of options granted Developer in Section I.A and the Development Schedule of this Agreement;
3. Reduce the size of the Assigned Area; or
4. Modify or terminate the scope of the territorial protection granted Developer in Section I.B of this Agreement.

B. Termination without Notice. Developer shall be deemed in default under this Agreement, and all rights granted in this Agreement shall automatically terminate without notice, if Developer is adjudicated a bankrupt, becomes insolvent, suffers temporary or permanent court-appointed receivership of substantially all of Developer's property, makes a general assignment for the benefit of creditors, or suffers the filing of a voluntary or involuntary bankruptcy petition which is not dismissed within ninety (90) days after filing.

C. Effect of Expiration or Termination. Upon expiration or termination of this Agreement (regardless of the reason for termination):

1. All remaining options shall be null and void. Developer shall have no right to establish or operate any Restaurant for which a License Agreement has not been executed by Licensor;

2. The territorial rights granted Developer in the Assigned Area shall terminate, and Licensor shall have the right to operate or license others to operate System Restaurants anywhere in the Assigned Area;

3. Developer promptly shall return to Licensor the Construction Manual, any copies of the Construction Manual and all other materials and information furnished by Licensor or its affiliates, except materials and information furnished with respect to a Restaurant which is open and operating pursuant to an effective License Agreement;

4. Developer immediately shall pay Licensor and its affiliates all sums due and owing Licensor or its affiliates pursuant to this Agreement. In the event of termination for any default of Developer, such sums shall include payment of all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Licensor as a result of the default; and

5. Licensor shall retain the Development Fee.

D. No Default of License Agreements. No default under this Development Agreement shall constitute a default under any License Agreement between Licensor and Developer or one of its Affiliates.

E. Rights and Remedies not Exclusive. No right or remedy herein conferred upon or reserved to Licensor is exclusive of any other right or remedy provided or permitted by law or equity.

F. Survival of Obligations. This Section VI and all covenants, obligations, and agreements of Developer which by their terms or by reasonable implication are to be performed, in whole or in part, after the termination or expiration of the term of this Agreement, shall survive such termination or expiration.



## Section VII. Transferability

A. Transfer by Licensor. Licensor shall have the right to transfer all or any part of its rights or obligations in this Agreement to any person or legal entity.

B. Transfer by Developer. The rights and duties set forth in this Agreement are personal to Developer and are granted in reliance on the individual and collective business skill, financial capacity, and personal character of Developer and its principals. Accordingly, neither Developer nor any individual, partnership, corporation, or other legal entity which directly or indirectly owns any interest in Developer, shall sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber any interest in this Agreement or in Developer.

## Section VIII. Confidentiality and Covenants

A. Confidentiality. Developer acknowledges and agrees as follows:

1. Licensor possesses certain confidential information, including, without limitation, the design of the System Restaurants, methods of operation and service at System Restaurants, secret recipes, methods of preparation, and service of food products sold at System Restaurants, knowledge of sales and profit performance at any one or more System Restaurants, knowledge of test programs, concepts, or results relating to new menu items, and advertising and promotional programs, sources of food products and suppliers of equipment, advertising, promotion and marketing techniques, the selection and training of restaurant managers and, in general, methods, techniques, formulas, formats, specifications, procedures, information systems and knowledge, in the operation and licensing of System Restaurants. All of the foregoing are hereinafter referred to as the "Trade Secrets."

2. Licensor will disclose the Trade Secrets to Developer in furnishing Developer with standard plans for System Restaurants, in the Construction Manual, by providing advice and consultation to Developer and in the performance of the Licensor's other obligations and the exercise of its other rights under this Agreement. Developer hereby agrees that all materials lent or otherwise made available to Developer by Licensor and all disclosures made to Developer including, without limitation, the Trade Secrets, Construction Manual, and other confidential commercial information identified as such by Licensor are trade secrets of Licensor and Licensor's confidential and proprietary information and shall be kept confidential and used by Developer only in the development of the Restaurants. Developer will not, nor permit anyone else to, reproduce, copy, or exhibit any portion of the Construction Manual, Trade Secrets, or any other confidential or proprietary information received from Licensor. Developer shall not divulge any such Trade Secrets to any person other than Developer's employees and then only to the extent necessary for the development of the Restaurants.

3. Developer shall acquire no interest in the Trade Secrets, other than the right to utilize them in the development of the Restaurants during the term of this Agreement. The use or duplication of the Trade Secrets in any other business will constitute an unfair

method of competition. The Trade Secrets are proprietary and are disclosed to Developer in confidence and solely on the condition that Developer agrees, and Developer hereby agrees that Developer (i) will not use the Trade Secrets in any other business or capacity; (ii) will maintain the absolute confidentiality of the Trade Secrets during and after the term of this Agreement; (iii) will not make unauthorized copies of any portions of the Trade Secrets disclosed in written form, including, without limitation, any plans, the Construction Manual, and any bulletins or supplements and additions thereto; and (iv) will operate and implement all reasonable procedures prescribed from time to time by Licensor to prevent the unauthorized use and disclosure of the Trade Secrets. Developer shall immediately notify Licensor of any unauthorized use or disclosure of the Construction Manual or any of the Trade Secrets or if the Construction Manual or any other manuals or materials containing any Trade Secrets are lost or stolen.

4. The foregoing restrictions on Developer's disclosure and use of Trade Secrets shall not apply to information, processes, or techniques that are or become generally known and used by other similar restaurants, other than through disclosure (whether deliberate or inadvertent) or other breach by Developer, and disclosure of Trade Secrets in judicial or administrative proceedings to the extent that Developer is legally compelled to disclose such information, provided, Developer shall have used its best efforts, and shall have afforded Licensor the opportunity, to obtain an appropriate protective order or other assurance satisfactory to Licensor of confidential treatment for the information required to be so disclosed.

B. Covenants.

1. During the term of this Agreement, Developer shall not compete, or be associated, directly or indirectly, as an owner, officer, director, employee, consultant, or otherwise, in any Competitive Business (as defined below) located within the United States of America. For a period of two (2) years after any transfer, the expiration of this Agreement, or the termination of this Agreement for any reason, Developer shall not compete, or be associated, directly or indirectly, as an owner, officer, director, employee, consultant, or otherwise, in any Competitive Business that is located within (i) the Assigned Area, (ii) the Designated Market Area or Areas identified by the then-current Nielsen Wall Map published by the A.C. Nielson Company ("DMA"), in which the Assigned Area is located, or (iii) the DMA of any other System Restaurant then existing.

2. The term "Competitive Business" shall mean any retail food establishment (including, but not limited to, any restaurant or ice cream, custard, or yogurt parlor or shop) (a) that offers for sale custard-style products or (b) in which any of the following categories (singly or in the aggregate) constitutes more than ten percent (10%) of its food revenues: (1) ice cream or yogurt or (2) ground-beef or hot dog sandwiches; provided, however, that passive ownership of less than five percent (5.0%) of the outstanding voting securities of a publicly held corporation (which for purposes of this Agreement means a corporation registered under the Securities Exchange Act of 1934) shall not be deemed a violation of this Section VIII.B. In the event the A.C. Nielson Company discontinues the publication of Nielson Wall Maps for any reason, Licensor shall have the right to designate an alternate

generally recognized market identification resource for use in connection with this Section VIII.B.

3. Licensor acknowledges that Developer's owners and Affiliates are experienced restaurant operators and it is not the intent of the parties to limit Developer's or Developer's owners' and Affiliates' ability to continue operating the businesses they operate as of the Effective Date because of conflicts with such businesses and the System as it evolves. Therefore, the provisions of this Section VIII.B shall not apply to a business, including a Competitive Business that, as of the Effective Date, serves a food product that Licensor introduces as a menu item to System Restaurants after the Effective Date merely because of such introduction by Licensor.

C. Applicability to Third Parties.

1. Unless the context otherwise requires, the term "Developer" as used in this Section VIII shall include, individually and collectively, all partners, officers, directors, managers, members, and holders, directly or indirectly (and any partners, officers, or directors of any such holder), of any beneficial interest in Developer, and any immediate family members of any of such persons.

2. At Licensor's request, Developer shall require and obtain execution of a covenant agreement in the form substantially similar to that attached hereto as Attachment "E", except for reasonable changes as may be necessary to comply with applicable law, from time to time (including a covenant agreement applicable upon the termination of a person's relationship with Developer), from any or all of the following persons: (i) all officers, directors, and holders of a beneficial interest of five percent (5.0%) or more of the securities of Developer, and of any corporation directly or indirectly controlling Developer, if Developer is a corporation; (ii) the general partners and any limited partners (including any corporation or other entity, and the officers, directors, and holders of a beneficial interest of five percent (5.0%) or more of the securities of any corporation or other entity which controls, directly or indirectly, any general or limited partner), if Developer is a partnership; and (iii) the managers and members (including any corporation or other entity, and the officers, directors, and holders of a beneficial interest of five percent (5.0%) or more of the securities of any corporation or other entity which controls, directly or indirectly, any member or manager), if Developer is a limited liability company. Failure by Developer to obtain execution of the covenant agreement required by this Section VIII.C, or to deliver such covenant agreement to Licensor, shall constitute a material breach of this Agreement.

3. Developer shall take all reasonable steps to require its employees to be bound by the confidentiality provisions of this Section VIII, and, if requested by Licensor, to be bound by the noncompetition provisions of this Section VIII. Upon Licensor's request, Developer shall promptly provide copies of all such agreements to Licensor.

D. Modification of Covenants. In the event any provision of this Section VIII is deemed by a court of competent jurisdiction to be more restrictive than permissible at law or equity, then Developer agrees that the provisions of this Section VIII may be reformed and

modified and enforced by such court to the maximum extent permissible under applicable law and principles of equity. Developer agrees that specific performance and injunctive relief are necessary and appropriate remedies for violations of this Section VIII and agrees to the enforcement of such remedies, but without prejudice to the right of Licensor to recover money damages, which are in no event a full and adequate remedy for such violations.

Section IX. Notices

A. Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, mailed by certified or registered mail, postage prepaid, return receipt requested, sent via electronic mail with delivery confirmation receipt, or sent via a nationally recognized overnight delivery service, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Licensor:                      Freddy's, L.L.C.  
3020 N. Cypress Street, Suite 200  
Wichita, KS 67226  
Email: andrewt@freddysusa.com  
Attention: Andrew Thengvall

Notices to Developer: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Email: \_\_\_\_\_  
Attention: \_\_\_\_\_

Any notice by certified mail or recognized overnight delivery service shall be deemed to have been given at the date and time of mailing.

Section X. Relationship of the Parties and Indemnity

A. Independent Contractor. It is understood and agreed by Licensor and Developer that this Agreement does not create a fiduciary relationship between them; that Developer shall be an independent contractor; and, that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer, or servant of the other for any purpose whatsoever. Neither this Agreement nor Licensor's course of conduct is intended, nor may anything in this Agreement (nor Licensor's course of conduct) be construed to state or imply that Licensor is the employer of Developer's employees and/or independent contractors, nor vice versa.

1. Developer shall hold itself out to the public as an independent contractor developing the Restaurants pursuant to this Agreement. Developer agrees to take such reasonable actions as shall be necessary to that end.

2. Developer understands and agrees that nothing in this Agreement authorizes Developer to make any contract, agreement, warranty, or representation on Licensor's behalf, or to incur any debt or other obligation in Licensor's name, and that Licensor assumes no liability for, nor shall be deemed liable by reason of, any act or omission of Developer in Developer's conduct under this Agreement, or any claim or judgment arising therefrom.

B. Indemnity. Developer shall indemnify and hold Licensor harmless from and against any and all actual or threatened claims, penalties, assessments, regulatory proceedings, and litigation, including, without limitation, all costs and expenses and reasonable attorneys' fees incurred by Licensor in connection therewith, arising from or out of the development of the Restaurants or any occurrence at any Restaurant premises, including, without limitation, claims, penalties, assessments, regulatory proceedings, and litigation arising in whole or in part out of the negligence or willful acts of Licensor or its agents, employees, directors, officers, or representatives and including any allegation that Licensor or another indemnified party is the employer, co-employer, or joint employer of Developer, its owners, or employees or otherwise responsible for Developer's acts or omissions relating to Licensee's employees (collectively, the "Claims"). Licensor shall have the option, at its sole discretion, to request Developer to undertake, in Licensor's name, the defense of any action relating to such Claims wherein Licensor is named as a defendant or otherwise made a party or to assume such defense with counsel satisfactory to Licensor. In either case, Developer shall remain responsible for paying Licensor's costs of defense and of any judgment or settlement in any such action. Developer's obligations to indemnify and hold Licensor harmless shall not be limited in any way by reason of any insurance which may be maintained by Licensor, nor shall Developer's performance of the obligation to maintain insurance relieve Developer of liability under this indemnity provision or be construed to be a limitation on the amount of Developer's indemnity obligations. Licensor's right to indemnity under this Agreement shall arise notwithstanding that joint or concurrent liability may be imposed on Licensor by statute, ordinance, regulation, or other law. Notwithstanding any provisions of this Section X.B to the contrary, Licensor shall have no right to indemnification for Claims arising solely out of Licensor's gross negligence or willful misconduct.

C. Personnel Policies. Developer acknowledges that the System and Licensor's System Standards do not include any personnel policies or procedures. If Licensor makes any sample personnel policies or procedures available, Developer alone will determine to what extent, if any, those policies or procedures might apply to its operations. Licensor neither dictates nor controls labor or employment matters for developers, franchisees, or their employees. Developer must clearly inform all workers, before hiring and periodically thereafter, that Developer, and not Licensor, is their employer and that Licensor does not assume and will not accept any employer, co-employer, or joint employer obligations.

## Section XI. Approvals

A. Approvals. Whenever this Agreement requires the prior approval or consent of Licensor, Developer shall make a timely written request to Licensor therefor; and, except as otherwise provided herein, any approval or consent granted shall be in writing. Licensor shall have no liability for withholding any consent or approval or for any delay or inaction in connection

therewith, and the granting of any approval or consent shall not imply or constitute any representation, warranty, guaranty, or endorsement of the matter approved or consented to or an assumption of any liability in connection therewith.

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

## Section XII. Non-Waiver

No failure of Licensor to exercise any power reserved to it in this Agreement or to insist upon compliance by Developer with any obligation or condition in this Agreement, and no custom or practice of the parties at variance with the terms of this Agreement, shall constitute a waiver of Licensor's rights to demand exact compliance with the terms of this Agreement. Waiver by Licensor of any particular default shall not affect or impair Licensor's right in respect to any subsequent default of the same or of a different nature, nor shall any delay, forbearance, or omission of Licensor to exercise any power or right arising out of any breach or default by Developer of any of the terms, provisions, or covenants of this Agreement, affect or impair Licensor's rights, nor shall such constitute a waiver by Licensor of any rights under this Agreement or rights to declare any subsequent breach or default.

## Section XIII. Severability and Construction

A. Severability. Should any one or more parts of this Agreement be declared invalid for any reason by a court of competent jurisdiction, such decision shall not affect the validity of any remaining portions of this Agreement, which shall remain in full force and effect as if this Agreement had been executed without such invalid parts, except to the extent the absence of the provisions invalidated would frustrate or make it impossible to achieve the purposes for which this Agreement was made. Should the requirements of any applicable law or regulation change or modify the terms of this Agreement or conflict with its provisions, such change or modification shall not be applicable to this Agreement unless such change is lawfully mandated by the authority making the same, in which case only the provisions affected by such law or regulation shall be affected, and this Agreement shall otherwise remain in full force and effect, as modified to be consistent with such law or regulation.

B. Licensor's Discretion.

1. Licensor and Developer and the persons signing the Guaranty attached to this Agreement as Guarantors acknowledge that various provisions of this Agreement specify certain matters that are within the discretion or judgment of Licensor or are otherwise to be determined unilaterally by Licensor. In the exercise of Licensor's discretion or judgment as to any such matter, the parties expressly agree, if Licensor has considered any lawful business reason in the exercise of its discretion or judgment, the decision is a reasonable and proper exercise of such discretion or judgment that should not

be, and may not be, second guessed by a fact-finder in dispute resolution proceedings. It is the intent of the parties that any fact finder shall uphold and enforce such a decision or judgment, regardless of the existence of other reasons for the decision and regardless of whether the fact-finder would have given different weight to the potential reasons for decision, would have considered other reasons not taken into account, or otherwise would have made a different decision if asked to make the decision in the first instance.

2. Unless otherwise expressly provided in this Agreement to the contrary, any consent, approval, or authorization of Licensor that Developer may be required to obtain may be given or withheld by Licensor in its sole discretion, and on any occasion where Licensor is required or permitted under this Agreement to make any judgment or determination, including any decision as to whether any condition or circumstance meets Licensor's standards or satisfaction, Licensor may do so in its sole subjective judgment

C. Construction.

1. As used in this Agreement, the words "include," "includes" or "including" are used in a non-exclusive sense.

2. Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties. Licensor and Developer intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

3. This Agreement is made solely for the benefit of the parties to this Agreement and their respective successors and permitted assigns, and nothing in this Agreement shall create any right to rely upon the terms of this Agreement in favor of any third party nor confer any right or remedy upon any third party.

4. All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provisions of this Agreement.

5. All terms and words used in this Agreement, regardless of numbers and genders in which they are used, shall be deemed to include singular or plural and all genders as the context or sense of this Agreement or any paragraph or clause in this Agreement may require.

6. All acknowledgments, promises, covenants, agreements, and obligations herein made or undertaken by Developer shall be deemed jointly and severally undertaken by all those executing this Agreement on behalf of Developer.

7. Time is of the essence of this Agreement and all provisions hereof shall be so interpreted.

8. No right or remedy conferred upon or reserved to Licensor or Developer by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

9. Nothing in this Agreement contained shall bar Licensor's right to obtain injunctive relief against threatened conduct that will cause it loss or damage, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

#### Section XIV. Entire Agreement

This Agreement, the documents referred to in this Agreement, and the attachments to this Agreement, if any, constitute the entire, full, and complete agreement between Licensor and Developer concerning the subject matter of this Agreement, and supersede any and all prior or contemporaneous negotiations, discussions, understandings or agreements. There are no promises, representations, inducements, or agreements between the parties of any nature that are not contained in this Agreement. No amendments, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Nothing in this Agreement is intended to disclaim any of the representations contained in the Franchise Disclosure Document

#### Section XV. Dispute Resolution

A. Mediation. Developer and Licensor agree to submit, prior to arbitration, all unsettled claims, disputes, controversies, and other matters in question between them arising out of or relating to this Agreement (including, but not limited to, any claim that this Agreement or any of its provisions is invalid, illegal, or otherwise voidable or void), the dealings or relationship between Developer and Licensor, or Developer's development of any Restaurant ("Disputes") to mediation in Wichita, Kansas and in accordance with the Commercial Mediation Rules of the American Arbitration Association currently in effect. Demand for mediation shall be made within a reasonable time after cessation of negotiations.

1. Mediation shall be private, voluntary, and nonbinding. Any party may withdraw from the mediation at any time before signing a settlement agreement upon written notice to each other party and to the mediator. The mediator shall be neutral and impartial. The mediator's fees shall be shared equally by the parties. The mediator shall be disqualified as a witness, consultant, expert, or counsel for either party with respect to the matters in Dispute and any related matters.

2. Unless the parties agree otherwise, the entire mediation process shall be confidential and without prejudice. The parties and the mediator shall not disclose any



information, documents, statements, positions, or terms of settlement. Nothing said or done or provided by the parties in the course of mediation shall be reported or recorded or, except as ordered by a court of competent jurisdiction, placed in any legal proceeding or construed for any purpose as an admission against interest. Nevertheless, evidence otherwise discoverable or admissible is not excluded from discovery or admission as a result of its use in mediation.

3. If a Dispute cannot be resolved through mediation, the parties agree to submit the Dispute to arbitration, subject to the terms and conditions of this Section XV.

B. Arbitration. Subject to Section XV.A above, all Disputes between Developer and Licensor will be submitted for binding arbitration to the American Arbitration Association on demand of either party. Such arbitration proceeding will be conducted in Wichita, Kansas and, except as otherwise provided in this Agreement, will be heard by one (1) arbitrator in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. All matters relating to arbitration will be governed by the federal Arbitration Act (9 U.S.C. §§ 1 et. seq.) and not by any state arbitration law.

1. The arbitrator will have the right to award or include in his award any relief which he deems proper under the circumstances, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs, provided that the arbitrator will not have the right to declare any of Licensor's Proprietary Marks generic or otherwise invalid or to award exemplary or punitive damages. The award and decision of the arbitrator will be conclusive and binding upon all parties hereto, and judgment upon the award may be entered in any court of competent jurisdiction.

2. Developer and Licensor agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law. Developer and Licensor further agree that, in connection with any such arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed as described above will be forever barred.

3. Developer and Licensor agree that arbitration will be conducted on an individual, not a class-wide, basis, and that an arbitration proceeding between Developer and Licensor may not be consolidated with any other arbitration proceeding involving Developer or Licensor and another party.

C. Injunctive Relief. Notwithstanding anything to the contrary contained in this Section XV, Developer and Licensor each have the right in a proper case to obtain temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that Developer and Licensor must contemporaneously submit the Dispute for non-binding mediation under Section XV.A above and then for arbitration under Section XV.B above on the merits as provided herein if such Dispute cannot be resolved through

mediation. Developer acknowledges that a proper case to obtain temporary restraining orders and temporary or permanent injunctive relief from a court of competent jurisdiction contemporaneously with submitting the Dispute to mediation and then to arbitration shall include, but not be limited to, the following:

1. Any Dispute involving actual or threatened disclosure or misuse of the contents of the Construction Manual or any other confidential information or trade secrets of Licensor;
2. Any Dispute involving the ownership, validity, use of, or right to use or license the Proprietary Marks;
3. Any action by Licensor to enforce the covenants set forth in Section VII and Section VIII of the Agreement; and
4. Any action by Licensor to stop or prevent any threat or danger to public health or safety resulting from the construction of a Restaurant.

D. Choice of Law. This Agreement is governed by and shall be construed in accordance with the laws of the State of Kansas, without regard to the rules governing conflict of laws.

E. Choice of Forum. In the event that Developer commences any action against Licensor with respect to any Dispute, such action shall be brought only in a federal or state court sitting within the City of Wichita, Sedgwick County, Kansas. Developer consents to the exercise of jurisdiction by courts within the City of Wichita, Sedgwick County, Kansas over any claims or counterclaims against Developer.

F. Applicability to Third Parties. The provisions of this Section XV above are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Unless the context otherwise requires, the term “Developer” as used in this Section XV shall include individually and collectively, all partners, officers, directors, managers, members, and holders, directly or indirectly (and any partners, officers, or directors of any such holders), of any beneficial interest in Developer, and any immediate family members of any such persons.

G. Costs and Expenses. In the event Licensor incurs legal fees or costs or other expenses to enforce any obligation of Developer under this Agreement, or to defend against any claim, demand, action, or proceeding by reason of Developer’s failure to perform or observe any obligation imposed upon Developer by this Agreement, then Licensor shall be entitled to recover from Developer the amount of all legal fees, costs, and expenses, including reasonable attorneys’ fees, whether incurred prior to, or in preparation for or contemplation of the filing of any claim, demand, action, or proceeding to enforce any obligation of Developer hereunder or thereafter or otherwise.

Section XVI. Acknowledgment

Developer acknowledges that in all of their dealings with Developer, the officers, directors, employees, and agents of Licensor act only in a representative capacity, not in an individual capacity, and that this Agreement and all business dealings between Developer and such individuals as a result of this Agreement are solely between Developer and Licensor.

Section XVII. Execution of Agreement.

A. This Agreement may be executed in counterparts, which together shall constitute one agreement of the parties. Electronic copies of any signed original Agreement shall be deemed the same as delivery of an original.

B. By signing this Agreement, Developer acknowledges that it has received a complete copy of this Agreement, with any attachments referred to in this Agreement attached.

[ signatures begin on next page ]

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Agreement as of the Effective Date.

Freddy's, L.L.C.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

“Licensor”

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

“Developer”

FREDDY’S, L.L.C.  
DEVELOPMENT AGREEMENT

ATTACHMENT “A”

DEVELOPMENT FEE, LICENSE FEE DEPOSIT AND DEVELOPMENT SCHEDULE

- A. Development Fee: \$ \_\_\_\_\_
- B. License Fee Deposit: \$20,000
- C. Development Schedule

Date	Number of Restaurants to be Established and in Operation

FREDDY’S, L.L.C.  
DEVELOPMENT AGREEMENT

ATTACHMENT “B”

ASSIGNED AREA

The Assigned Area under Section I.A of the Development Agreement shall be the Designed Market Area or Areas as identified by the A.C. Nielsen Company Nielsen Wall Map Designated Market Area Regions 2011-2012 (“DMA”), described by both DMA and County/State as follows:

DMA

COUNTY / STATE

FREDDY'S, L.L.C.  
DEVELOPMENT AGREEMENT

ATTACHMENT "C"

OWNERS OF DEVELOPER

Name of Owner

Interest in Developer

TOTAL

---

100%

FREDDY'S, L.L.C.  
DEVELOPMENT AGREEMENT

ATTACHMENT "D"

GUARANTY

See next page



GUARANTY

As an inducement to Freddy’s, L.L.C. to enter into the foregoing Development Agreement, which it is unwilling to do but for this Guaranty, the undersigned (each a “Guarantor” and collectively, “Guarantors”) individually and, if more than one Guarantor, jointly and severally, guarantee the payment and performance of all obligations of Developer under the Development Agreement. This shall be an unconditional, irrevocable, and continuing guaranty for the entire term of the Development Agreement, including any renewal terms.

Guarantors agree that they are willing to remain fully bound by this Guaranty notwithstanding any action or inaction of Licensor and Developer in connection with the Development Agreement, and that their obligation shall not be modified, waived, or released by any modification, amendment, or departure from the terms of the Development Agreement, or by any forbearance, extension of time, waiver, or release granted by Licensor to Developer or any Guarantor or with respect to any security held by Licensor. Guarantors expressly waive any notice of all such matters and agree to pay and perform the obligations of Developer without notice or demand from Licensor and without any requirement that Licensor first proceed against Developer or any other Guarantor.

IN WITNESS WHEREOF, each of the undersigned has executed this Guaranty as of the date of the Development Agreement.

GUARANTORS:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

FREDDY'S, L.L.C.  
DEVELOPMENT AGREEMENT

ATTACHMENT "E"

COVENANT AGREEMENT

FREDDY’S, L.L.C.  
DEVELOPMENT AGREEMENT

ATTACHMENT “F”

FORM OF ADDENDUM TO LEASE AGREEMENT

THIS ADDENDUM TO LEASE AGREEMENT (this “Addendum”) is made as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ (“Landlord”), and \_\_\_\_\_ (“Tenant”).

RECITALS

The parties hereto acknowledge and agree that Tenant is a party to a License Agreement with Freddy’s, L.L.C., a Kansas limited liability company (the “License Agreement”) in connection with the Freddy’s Frozen Custard & Steamburgers restaurant located at \_\_\_\_\_. Pursuant to the License Agreement, Tenant agreed to cause the provisions contained in this Addendum to be made a part of the lease agreement between Tenant and Landlord, a copy of which is attached hereto and incorporated herein by reference (the “Lease Agreement”).

In order to induce Tenant to enter into the Lease Agreement, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant hereby agree to the following additional terms and provisions to the Lease Agreement, and further agree that, to the extent that the terms and conditions of the Lease Agreement conflict with the terms and provisions of this Addendum, the terms and provisions of this Addendum shall control:

1. Notice of Default. Upon the occurrence of any default by Tenant under the terms and provisions of the Lease Agreement, Landlord shall concurrently give written notice of such default to Tenant at the address specified in the Lease Agreement and to Freddy’s, L.L.C., a Kansas limited liability company, and its successors and assigns (“Freddy’s”), at 3020 N. Cypress Street, Suite 200, Wichita, Kansas 67226, or such other address as may be designated in writing by Freddy’s.
2. Franchisor’s Right to Enter Leased Premises. Upon the occurrence of any default by Tenant under the terms and provisions of the Lease Agreement and/or the License Agreement, Freddy’s shall have the right (but not the duty) to enter the leased premises to remove signage and to otherwise make such modifications or alterations to the leased premises which Freddy’s deems reasonably necessary to protect its proprietary marks and distinguishing characteristics of Freddy’s locations.
3. Assumption of Lease. Upon the occurrence of any default by Tenant under the terms and provisions of the Lease Agreement or the License Agreement, or upon the expiration or termination of the License Agreement, Freddy’s shall have the right (but not the duty) to assume Tenant’s rights and obligations under the Lease Agreement, but Freddy’s must exercise such right no more than fifteen (15) business days after the later of (i) the expiration of any cure period under the Lease Agreement or the License Agreement without cure by Tenant, or (ii) the receipt of

written notice of such default under the Lease Agreement by Freddy's. Upon the exercise of such right by Freddy's, Tenant hereby assigns to Freddy's, with Landlord's irrevocable and unconditional consent, all of Tenant's right, title, and interest to and under the Lease Agreement.

4. Third-Party Beneficiary. The parties hereto acknowledge and agree that Freddy's is intended to be a third-party beneficiary under the Lease Agreement and this Addendum.

IN WITNESS WHEREOF, the parties hereto have executed this Addendum as of the date first above written.

\_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

“Landlord”

“Tenant”

FREDDY'S, L.L.C.  
DEVELOPMENT AGREEMENT

ATTACHMENT "G"

FORM OF LICENSE AGREEMENT

**EXHIBIT B**

**FREDDY'S, L.L.C. LICENSE AGREEMENT**

**FREDDY'S, L.L.C.**  
**LICENSE AGREEMENT**

FREDDY’S, L.L.C.  
LICENSE AGREEMENT

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Exhibits

- Licensed Location - Exhibit “A”
- Owners of Licensee - Exhibit “B”
- Guaranty – Exhibit “C”
- Covenant Agreement – Exhibit “D”
- Addendum to Lease Agreement - Exhibit “E”



# FREDDY’S, L.L.C. LICENSE AGREEMENT

THIS LICENSE AGREEMENT (this “Agreement”), by and between Freddy’s, L.L.C., a Kansas limited liability company (“Licensor”), and \_\_\_\_\_, a \_\_\_\_\_ [corporation, limited liability company, limited partnership, etc.] (“Licensee”), is entered into on the date of execution by Licensor, as indicated below (the “Effective Date”).

## Recitals

A. Licensor as a result of the expenditure of time, skill, effort, and money has developed and owns a unique and distinctive system (“System”) for the design, establishment, and operation of restaurants (“System Restaurants”) under the name “Freddy’s Frozen Custard & Steakburgers” (such name, and any other trade names, service marks, trademarks, logos, emblems, or other indicia of origin as are now or hereafter designated by Licensor as part of the System are hereinafter referred to as “Proprietary Marks”) utilizing certain Trade Secrets (as defined in Section 10.4.A) in connection with the retail sale of food and beverage products.

B. The System has been developed as a uniform method and philosophy of operation, customer service, marketing, advertising, promotion, publicity, and technical knowledge relative to the restaurant business. Licensee recognizes the benefits to be derived from being identified with and licensed to use the System.

C. Licensee desires a license (“License”) to establish and operate a licensed stand-alone System Restaurant (“Restaurant”) in accordance with the System, and Licensor is willing to grant such a License on the terms and conditions set forth in this Agreement.

## Agreement

In consideration of the foregoing and the promises contained in this Agreement, the parties agree as follows:

### **Article 1. Grant of License and Territorial Rights.**

Section 1.1. Grant. Subject to the terms and conditions of this Agreement, and to Licensee’s continuous compliance with such terms and conditions, Licensor hereby grants to Licensee the non-exclusive right to use the System and the Proprietary Marks to establish and operate the Restaurant.

Section 1.2. Licensed Location. Licensee shall establish and operate the Restaurant at, and only at, the specific location set forth in Exhibit “A” attached to and incorporated within this Agreement, or if no location is listed on Exhibit “A,” at the location agreed upon in writing between Licensor and Licensee (the “Licensed Location”).

Section 1.3. Territorial Protection. During the term of this Agreement, and provided that Licensee is in compliance with the terms and conditions of this Agreement, Licensor

shall not establish, nor license another to establish, a System Restaurant within a two (2) mile radius of the Licensed Location (the “Assigned Territory”) except as otherwise provided in this Agreement. The restrictions contained in this Section 1.3 apply only to Licensor and do not apply to restaurants identified in whole or in part by the Proprietary Marks under construction or in operation in the Assigned Territory as of the date of this Agreement. Licensor reserves to itself and its affiliates all rights to use and license the System and the Proprietary Marks other than those expressly granted under this Agreement.

Section 1.4. Rights Reserved by Licensor. Except as expressly granted to Licensee in Section 1.2, Licensor and its affiliates retain all rights with respect to the System and the Proprietary Marks, the sale of similar or dissimilar products and services, and any other activities Licensor deems appropriate whenever and wherever Licensor desires, including, but not limited to, the right to:

- A. Award national or regional licenses to third parties to sell products under the Proprietary Marks in foodservice facilities primarily identified by the third party’s trademark within and outside the Assigned Territory;
- B. Merchandise and distribute products, services or merchandise identified by some or all of the Proprietary Marks within and outside the Assigned Territory through any other method or channel of distribution including, but not limited, to sales made at retail locations, supermarkets, gourmet shops, and on the Internet;
- C. Operate, and license others to operate, during the term of this Agreement, restaurants identified in whole or in part by the Proprietary Marks at any location outside of the Assigned Territory;
- D. Operate, and license others to operate, after this Agreement terminates or expires, restaurants identified in whole or in part by the Proprietary Marks at any location within and outside the Assigned Territory;
- E. Operate, and license others to operate, restaurants identified in whole or in part by the Proprietary Marks and/or utilizing the System within and outside the Assigned Territory that are located in airports, train stations, bus stations, service plazas, stadiums, arenas, convention centers, military facilities, schools, colleges, universities, hospitals, theme parks, office buildings, food courts, venues in which foodservice is or may be provided by a master concessionaire or contract foodservice provider, Indian reservations, casinos or any similar captive market location; and
- F. Operate, and license others to operate, at any location within and outside the Assigned Territory, during the term of this Agreement or after this Agreement terminates or expires, any type of restaurant other than a restaurant identified in whole or in part by the Proprietary Marks.

Section 1.5. Relocation. Licensee shall not relocate the Restaurant without the prior written approval of Licensor which approval shall not be unreasonably withheld provided:

- A. The relocation is within the Assigned Territory and does not infringe upon the territory of another System Restaurant;
- B. Licensee's lease, if any, from the new location complies with Licensor's then-current requirements; and
- C. Licensee complies with Licensor's then-current requirements for furnishing the Restaurant at the new location.

Licensee agrees that the Assigned Territory shall not be modified as a result of any relocation of the Restaurant.

Section 1.6. Best Efforts. Licensee agrees that it will at all times faithfully, honestly and diligently perform its obligations under this Agreement, that it will continuously exert its best efforts to promote and enhance the business of the Restaurant.

Section 1.7. Forms of Agreement. Licensee acknowledges that, over time, Licensor has entered, and will continue to enter, into agreements with other System licensees that may contain provisions, conditions and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that Licensor and its affiliates and other System licensees may have different rights and obligations does not affect the duties of the parties to this Agreement to comply with the terms of this Agreement.

## **Article 2. Term and Renewal.**

Section 2.1. Initial Term. Unless sooner terminated or modified as provided in this Agreement, the term of this Agreement shall expire fifteen (15) years from the date the Restaurant opens for business.

Section 2.2. Renewal. Upon the expiration of the initial term of this Agreement, Licensee shall have the option to renew this Agreement for one (1) additional consecutive term of fifteen (15) years, provided Licensee complies with the following conditions prior to renewal:

- A. Licensee shall give Licensor written notice of its election to renew not less than twelve (12) months nor more than eighteen (18) months prior to the end of the initial term;
- B. Licensor may inspect the Restaurant at least six (6) months prior to expiration of the initial term and Licensee shall complete, to Licensor's satisfaction, all maintenance, refurbishing, renovating, and remodeling of the premises as Licensor shall reasonably require no later than sixty (60) days prior to the end of the initial term;
- C. All monetary obligations owed to Licensee's landlord, if any, must be current;

D. Licensee shall not be in default of any provision of this Agreement, including any amendment or successor to this Agreement, or any other agreement between Licensee and Licensor or any affiliate of Licensor, and shall have substantially complied with all of the terms and conditions of such agreements during their respective terms;

E. Licensee shall have satisfied all monetary obligations owed by Licensee to Licensor and its affiliates and shall have timely met those obligations throughout the term of this Agreement;

F. Licensee shall execute, for the renewal term, Licensor's then-current form of renewal license agreement, which agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement, including, without limitation, higher rates for continuing fees which shall not be less favorable to Licensee than Licensor is then offering to new System licensees or franchisees; provided, however, that Licensee shall pay, in lieu of an initial license fee, a renewal fee equal to one-third (1/3) of Licensor's then-current initial license fee;

G. Licensee shall execute a general release, in a form prescribed by Licensor, of any and all claims against Licensor, its affiliates, and the officers, directors, agents, and employees of Licensor and each of its affiliates; provided, however, that all rights enjoyed by Licensee and any causes of action arising in its favor from the provisions of any applicable license or franchise laws and regulations shall remain in force; it being the intent of this proviso that any non-waiver provisions of such laws be satisfied;

H. Licensee's managers and other employees shall comply with Licensor's then-current qualification and training requirements; and

I. If applicable law requires that Licensor give notice to Licensee prior to the expiration of the term of this Agreement, this Agreement shall remain in effect on a week-to-week basis until Licensor has given the notice required by such applicable law. If Licensor is not offering new licensed restaurants, is in the process of revising, amending, or renewing its form of license agreement or offering documents, or is not lawfully able to offer Licensee its then-current form of license agreement at the time Licensee delivers its renewal notice, Licensor may, in its sole subjective discretion, (i) offer to renew this Agreement upon the same terms set forth in this Agreement for a renewal term determined in accordance with this Section 2.2, or (ii) offer to extend the term of this Agreement on a week-to-week basis following the expiration of the initial term for as long as it deems necessary or appropriate so that it may lawfully offer its then-current form of license agreement.

**Article 3. Fees and Royalties.**

Section 3.1. Fees. In consideration of the rights and License granted herein, Licensee shall pay Licensor the following:

A. A license fee of Thirty-Five Thousand Dollars (US\$35,000) (“License Fee”), payable concurrent with the execution of this Agreement. Licensee acknowledges and agrees that such License Fee has been fully earned and is nonrefundable in consideration of expenses incurred, rights granted, services rendered, and other valuable consideration, the receipt and sufficiency of which is acknowledged by Licensee, immediately upon opening for retail operations of the Restaurant.

B. A periodic royalty fee continuing throughout the initial term of this Agreement in an amount equal to four and one-half percent (4.5%) of Licensee’s Gross Receipts (as defined in Section 3.3).

C. A periodic technology support fee continuing throughout the initial term of this Agreement in an amount not to exceed One Hundred Dollars (US \$100) (“Technology Support Fee”). Licensor shall use the Technology Support Fee to help defray the costs of or otherwise provide consideration for those technology products and/or services Licensor decides to associate or utilize in connection with the System. Licensor may modify the Technology Support Fee upon thirty (30) days’ prior written notice to Licensee.

D. Licensor has established a National Marketing and Advertising Fund (the “Marketing Fund”) for the System. Licensee will pay to Licensor a periodic Marketing Fund contribution in the amount of one and a half percent (1.5%) of Licensee’s Gross Receipts for use by Licensor for advertising and marketing purposes, as set forth in Section 8.3 of this Agreement (the “Marketing Fund Contribution”). Upon thirty (30) days’ notice from Licensor, the Marketing Fund Contribution may change but, except as otherwise provided in this Agreement, Licensee’s maximum periodic Marketing Fund Contribution may not exceed three percent (3.0%) of Licensee’s Gross Receipts. In addition, Licensor reserves the right to increase the Marketing Fund Contribution above three percent (3.0%) with an affirmative vote by sixty-six percent (66%) of all then-existing company-owned and franchised System Restaurants or by an affirmative vote by fifty-one percent (51%) of the then-existing franchised System Restaurants.

E. Such other amounts due and owing to Licensor as required hereunder, including, but not limited to, training fees as required in Section 6.2 and all costs for products and goods purchased from Licensor as required in Section 7.1.

Section 3.2. Payment of Fees. Except as may otherwise be specified by Licensor from time-to-time, all periodic payments required by 3.1 shall be due to Licensor by the third (3rd) day after the end of each consecutive week within each twenty eight (28)-day operating

period as established from time to time by Licensor (each such twenty eight (28)-day operating period being hereinafter referred to herein as a “28-day period”) in which such Gross Receipts were received by Licensee, and shall be submitted to Licensor together with any report required under Article 9 of this Agreement in the manner specified in Section 3.2.B below (including, but not limited to, the initiation by Licensor of debit entries and/or credit correction entries from and to the Restaurant’s bank operating account (the “Account”).

A. If any payment is overdue, Licensee shall pay to Licensor immediately upon demand the overdue amount together with interest on such amount from the date it was due until paid, at the lesser of one and one-half percent (1.5%) per 28-day period, or the maximum rate permitted by law. Licensee acknowledges that nothing contained in this Section 3.2 shall constitute an agreement by Licensor to accept such payments after the same are due or a commitment by Licensor to extend credit to, or otherwise finance Licensee’s operation of, the Restaurant. Licensee acknowledges that Licensee’s failure to pay all such amounts when due shall constitute grounds for termination of this Agreement, as provided in Article 13 of this Agreement, notwithstanding the provisions of this Section 3.2. The foregoing shall be in addition to any other remedies Licensor may have.

B. Licensee shall make all payments to Licensor under this Agreement payable to Freddy’s, L.L.C., and, except as provided in the next sentence, shall be tendered to Licensor in person at the address set forth in Article 17 below, or by making such payment by mail, postage prepaid, to that address. At Licensor’s option, Licensee shall give Licensor authorization in the form designated by Licensor, to initiate debit entries and/or credit correction entries from and to the Account for payment of all sums due Licensor under any of the provisions of this Agreement, including, without limitation, royalty fees, Marketing Fund contributions, purchases, and any interest charges due thereon. Licensee agrees to make funds available in the Account for withdrawal by electronic transfer no later than the date immediately preceding the due date therefor. All payments received by Licensor from Licensee shall be applied to the oldest obligation, regardless of any contrary designation by Licensee. Licensee agrees that Licensee will not, on grounds of the alleged non-performance by Licensor of any of its obligations hereunder, withhold payment of any royalty fees, Marketing Fund contributions, amounts due to Licensor for purchases by Licensee, or any other amounts due Licensor.

C. No payment by Licensee or acceptance by Licensor of any monies under this Agreement for a lesser amount than due shall be treated as anything other than a partial payment on account. Licensee’s payment of a lesser amount than due with an endorsement, statement or accompanying letter to the effect that payment of the lesser amount constitutes full payment shall be given no effect, and Licensor may accept the partial payment without prejudice to any rights or remedies it may have against Licensee. Acceptance of payments by Licensor other than as set forth in this Agreement shall not constitute a waiver of Licensor’s right to demand payment in accordance with the requirements of this Agreement or a waiver by Licensor of any other remedies or rights available to it pursuant to this Agreement or under

applicable law. Licensor has the right to accept payment from any other entity as payment by Licensee. Acceptance of that payment by Licensor will not result in that other entity being substituted for Licensee.

Section 3.3. Gross Receipts. As used in this Agreement, “Gross Receipts” shall mean all gross revenue during each week of each 28-day period of every kind or nature related to the Restaurant, including, without limitation, all restaurant revenue posted whether it is collected or remains uncollected, all charges for other products, services, and facilities and vending machine receipts, and any amounts payable from insurance policies to compensate Licensee for loss of the same, but excluding sales taxes or other taxes collected by Licensee from customers for transmittal to appropriate taxing authorities. Notwithstanding the foregoing, amounts received for gift certificates and gift cards shall be included in Gross Receipts at the time of the redemption of the gift certificate and gift card (or portion thereof) and not at the time of the sale of the gift certificate and gift card. Gross Receipts do not include loyalty points earned or redeemed at the Restaurant. “Gross Receipts” shall be determined in accordance with the accounting procedures set forth in the Freddy’s Operations Manual (together with Freddy’s Management Training Manual and any other manuals to which Licensee is provided access, collectively, the “Licensor Manual”), as it may exist from time to time.

Section 3.4. Collection Costs and Expenses. Licensee agrees to pay to Licensor on demand any and all costs and expenses incurred by Licensor in enforcing the terms of this Agreement, including, without limitation, collecting any monies owed by Licensee to Licensor. These costs and expenses include, but are not limited to, costs and commissions due a collection agency, reasonable attorneys’ fees (including attorneys’ fees for in-house counsel employed by Licensor or its affiliates and any attorneys’ fees incurred by Licensor in bankruptcy proceedings), costs incurred in creating or replicating reports demonstrating Gross Receipts of the Restaurant, court costs, expert witness fees, discovery costs and reasonable attorneys’ fees and costs on appeal, together with interest charges on all of the foregoing.

#### **Article 4. Restaurant Construction and Opening.**

Section 4.1. Site Approval. Prior to commencing construction of a Restaurant under this Agreement, Licensee shall have (i) requested written approval of Licensor of the proposed site for the Restaurant, (ii) provided Licensor with blueprints for the proposed site adequate for use by Licensor in determining that the site layout is consistent with the System, and (iii) received the written approval of the proposed site from Licensor. Licensor’s approval of the proposed site shall solely be for the purpose of verifying that the proposed site is located in the Assigned Territory and that Licensee has complied with the other terms and conditions of this Agreement with respect to the proposed site. Licensor shall have no obligation to actually review or express any opinion with respect to the desirability of Licensee’s proposed site or the compliance of the blueprints and the proposed site with any applicable laws, rules, regulations, or ordinances, it being the intent of the parties that Licensee shall be solely responsible for determining whether the proposed site is acceptable for Licensee’s use as a Restaurant and compliance with all applicable laws, rules, regulations, and ordinances. Any assistance or suggestions with regard to the location or obtaining of the proposed site or its approval by Licensor

shall not be construed to ensure or guarantee the profitable or successful operation of the location by Licensee, and Licensor expressly disclaims any responsibility therefore.

Section 4.2. Pre-Construction Requirements. At least thirty (30) days prior to commencing construction of Licensee's improvements for the Restaurant (or, where applicable, the building for the Restaurant) under this Agreement, Licensee shall have requested and received approval of Licensor of each of the following:

- A. The lease or purchase agreement for the proposed site, which must not contain any provision that is inconsistent with or interferes with the performance of any provision of this Agreement, which in the case of leases will require provisions in the lease or addendum to lease on Licensor's then-standard form of addendum to lease agreement, which is attached as Exhibit "E", or as otherwise specified by Licensor in writing, the terms of which may include (i) authorizing Licensor to enter the premises and make any modifications necessary to protect the Proprietary Marks, (ii) granting to Licensor the right (but not the duty) to assume the lease if Licensee is in default under the terms and provisions of the lease and/or if this Agreement expires or is terminated, (iii) requiring concurrent notice from the lessor to Licensor of any lease default or termination, and (iv) providing for a term of at least fifteen (15) years including option periods in favor of Licensee;
- B. Plans and specifications adapted to the proposed site;
- C. Satisfactory evidence that all permits, licenses, and certifications required for the lawful construction and operation of the proposed Restaurant, including, without limitation, all applicable building permits, zoning access, sign, and fire requirements, have been obtained;
- D. Evidence of insurance naming Licensor as an additional insured subject to the provisions of Section 11.1 of this Agreement; and
- E. Such other information as Licensor may reasonably request.

Section 4.3. Licensor's Approval of Pre-Construction Requirements. Within thirty (30) days of the submission of the foregoing items, Licensor will approve or disapprove and provide written notice of such action to Licensee.

Section 4.4. No Liability. Licensor's provision of site layout plans and specifications and its exercise of its rights to inspect construction of the Restaurant shall be solely for the purpose of assuring compliance with the terms and conditions of this Agreement, and Licensor shall have no liability or obligation to Licensee or any other person with respect to construction of the Restaurant or the compliance therewith with any applicable laws, rules, regulations, or ordinances.

Section 4.5. Furnishings, Fixtures and Equipment. Licensee shall order, purchase, and/or lease and install all fixtures, equipment, furnishing, furniture, signs, supplies, and



other items necessary for completion and opening of the Restaurant according to specifications, if any, in the Licensor Manual.

Section 4.6. Opening Deadline. Licensee shall diligently and continuously pursue the completion of the Restaurant premises in accordance with the plans and specifications in order for the Restaurant to be ready to open for business not later than one (1) year after the Effective Date.

Section 4.7. Opening Requirements. The Restaurant shall be opened for business immediately upon satisfaction of the following requirements:

A. All furnishings, furniture, equipment, signs, supplies, and other items required for the opening of the Restaurant in accordance with this Agreement and the standards of Licensor shall have been installed, and Licensee shall have submitted to Licensor a certificate of occupancy or equivalent certificate from appropriate regulatory authorities;

B. Licensee (or a qualified general manager employed by Licensee) and each of Licensee's required assistant managers have each completed to Licensor's satisfaction a training program conducted by Licensor, and Licensee has employed qualified personnel sufficient to operate the Restaurant;

C. Licensee has paid all sums due Licensor and its affiliates;

D. Licensee is not in default under any existing license agreement or other agreement with Licensor or its affiliates;

E. Licensor shall be satisfied as to Licensee's compliance with requirements necessary for opening the Restaurant by such on-site inspection and investigation as Licensor deems appropriate, which shall be made and completed within fifteen (15) days of receipt of written notice from Licensee certifying to Licensor that all terms and conditions relating to the opening of the Restaurant have been satisfied and the Restaurant is complete and ready to open as a System Restaurant.

F. Licensee shall conduct a grand opening advertising and promotional program in accordance with the grand opening advertising and promotional guidelines set forth in the Licensor Manual during the period commencing fourteen (14) days before and ending one hundred eighty (180) days after the opening of the Restaurant and expend not less than two thousand five hundred dollars (US\$2,500) and, at the demand of Licensor, not less than five thousand dollars (US\$5,000), on such program.

**Article 5. Duties of Licensor.**

In addition to the other obligations and duties set forth in this Agreement, Licensor agrees as follows:

Section 5.1. Initial Training.

A. Licensor will provide initial training for one (1) general manager and one (1) assistant manager for each Restaurant and grant the rights to use the Proprietary Marks and System as provided in this Agreement. Licensee understands that the License is granted as a “name and concept” license in which ongoing Licensor services are not a substantial factor in Licensee’s decision to enter into this Agreement. Licensor shall, however, have the right and duty to provide such oversight and related functions as it deems appropriate to maintain Licensee’s standards of operation in compliance with Licensor’s System and standards of quality, cleanliness, and service for the Restaurant. Consistent with this purpose, Licensor shall have the right to add to and otherwise modify authorized products or services (or specifications therefor), equipment requirements, quality standards, and operating procedures of the Restaurant as determined by Licensor from time to time.

B. If the Restaurant is Licensee’s and its ownership groups’ first System Restaurant, then Licensor shall provide a grand opening training program for the Restaurant’s opening. Licensor will provide up to eight (8) of its staff members on site to assist with various operational and training matters. Licensee must pay for all of the staff members’ travel costs and other expenses, plus all payroll expenses Licensor incurs for the time its staff members travel to and from and train in the Restaurant.

Section 5.2. Licensor Manual. Licensor shall provide Licensee electronic access to the Licensor Manual setting forth standards of operation for the System and standards of quality, cleanliness, and service for the Restaurant.

Section 5.3. Marketing Fund and Review of Advertising Materials. Licensee acknowledges and agrees that Licensor may (but shall not be required to) establish, maintain, and administer the Marketing Fund for the System subject to the provisions of Article 8 of this Agreement. Licensor shall review all other advertising materials which Licensee proposes to use in accordance with the procedures prescribed in Section 8.1 of this Agreement.

Section 5.4. Restaurant Inspections. Licensor will seek to maintain the high standards of quality, cleanliness, appearance, and service of the System, and to that end shall conduct, as it deems advisable, inspections of the Restaurant, evaluations of the services rendered at the Restaurant, and interviews of Licensee’s employees, agents, and customers.

Section 5.5. Right to Delegate. Licensee acknowledges and agrees that any duty or obligation imposed on Licensor by this Agreement may be performed by a designee, employee, or agent of Licensor, as Licensor may direct.

Section 5.6. No Day-To-Day Control. Notwithstanding anything to the contrary in this Agreement, Licensor and Licensee recognize and agree that: (i) Licensor and its affiliates do not have actual or apparent authority to control the day-to-day conduct and operation of the Restaurant or employment decisions; and (ii) the parties do not intend for Licensor or its affiliates to incur any liability in connection with or arising from any aspect of the System or Licensee's use of the System, whether or not in accordance with the requirements of the Licensor Manual.

**Article 6. Duties of Licensee.**

In addition to the other obligations and duties set forth in this Agreement, Licensee agrees as follows:

Section 6.1. Restaurant Construction and Opening. Licensee covenants and agrees to commence, diligently pursue, and complete construction of the Restaurant and open for business in accordance with Article 4 hereof.

Section 6.2. General Manager; Training.

A. Licensee shall serve as general manager or shall employ a qualified general manager whose responsibilities shall include those prescribed in the Licensor Manual, if any, and Licensee shall also employ such other personnel as Licensor may reasonably specify from time to time in the Licensor Manual.

B. Licensee or Licensee's general manager, one of Licensee's assistant managers, and any other personnel employed by Licensee in the positions designated in the Licensor Manual shall, prior to assuming their positions, attend and complete to Licensor's reasonable satisfaction the initial training program conducted by Licensor at such time and place and for such duration as Licensor may prescribe, at the expense of Licensee. Each person subsequently employed by Licensee to fill a position for which initial training is required by Licensor must also satisfactorily complete an adequate training program satisfactory to Licensor (which training program shall be conducted by Licensor or by others with the prior acceptance of Licensor) prior to assuming that position; provided that, if a new general manager is hired in an emergency situation without having an opportunity to complete the training course, Licensor may give written permission for such person to attend such a training course within sixty (60) days of employment with Licensee. If the training course is conducted by Licensor, Licensee shall pay to Licensor a training fee at the then-current rate imposed by Licensor for the initial training of any replacement personnel and for such other training programs as Licensor may require or offer as optional training for Licensee's management, which fee shall be in addition to any other training costs to be borne by Licensee as provided in this Agreement.

C. Licensor may, but is not obligated to, provide additional required or optional training courses, programs, conferences, seminars, and materials as Licensor deems appropriate. If Licensor requires additional training, Licensee must require its

management to successfully complete the training. Any additional courses, programs, conferences, and seminars may be conducted in Wichita, Kansas, or another location as Licensor may designate. Licensor may contract with other persons or firms to provide such training.

Section 6.3. Use of the Licensed Location. Licensee shall use the Licensed Location solely for the operation of the Restaurant and shall not use or allow the use of the Licensed Location for any other purpose or activity at any time without the prior written consent of Licensor, which may be granted or withheld in Licensor's sole discretion.

Section 6.4. System Standards. Licensee expressly acknowledges that adherence to each and every provision of the System is reasonable, necessary, and essential to maintain the uniform image and favorable reputation of each System Restaurant and the success of Licensor's license program. Accordingly, Licensee expressly agrees to comply with each and every requirement of the System during the term of this Agreement, as the same may be modified or changed from time to time by Licensor in its sole discretion. Licensee shall operate the Restaurant strictly in conformity with such standards, techniques, and procedures as Licensor may from time to time prescribe in the Licensor Manual or otherwise in writing, and shall refrain from deviating therefrom without Licensor's prior written consent. Licensee and its owners shall not take any action or operate the Restaurant in any manner which reflects adversely on the System, the Proprietary Marks, the goodwill associated therewith, or Licensor's rights therein.

Section 6.5. Restaurant Premises. The Restaurant and everything located at the Licensed Location shall be maintained in first class condition and repair and shall be kept neat, clean, and sanitary in accordance with Licensor's standards as specified in the Licensor Manual, and consistent with the image of a System Restaurant as a clean, sanitary, attractive, and efficiently operated restaurant offering high quality food and beverages and courteous service. The Restaurant shall be constructed, maintained, and operated in compliance with all applicable fire, safety, health, and sanitation laws, ordinances, and regulations. Licensee shall place or display at the Restaurant (interior or exterior) only such signs, emblems, lettering, and logos and display only such advertising and materials that are from time to time approved in writing by Licensor. Licensee shall not install or have installed at the Restaurant any vending machines, video games, or similar devices without the prior written approval of Licensor.

Section 6.6. Upkeep of the Restaurant. Licensee shall make such additional alterations and replacements and perform such maintenance and repairs of the Restaurant and the Licensed Location as is required from time to time to maintain such condition, appearance, and efficient operation, including, without limitation:

- A. Continuous and thorough cleaning and sanitation of the interior and exterior of the Restaurant;
- B. Interior and exterior repair of the Restaurant;
- C. Maintenance of equipment at peak performance;

D. Replacement of worn out or obsolete improvements, fixtures, furnishings, equipment, and signs with approved improvements, fixtures, furnishings, equipment, and signs; and

E. Periodic painting and decorating.

At Licensor's request, which shall not be more often than once every five (5) years, Licensee shall upgrade the Restaurant at Licensee's expense to conform to the building décor, trade dress, and presentation of Proprietary Marks consistent with Licensor's then-current public image for System Restaurants, including, without limitation, such structural changes, remodeling, and redecoration and such modifications to existing improvements as may be deemed necessary by Licensor. Except as described above, Licensee shall make no additions, alterations, or replacements to the Restaurant or anything located on the Restaurant premises without the prior written consent of Licensor.

Section 6.7. Point of Sale and Computer Systems. Licensee shall acquire and maintain at its cost a computerized point of sale system, computer equipment and related software meeting Licensor's specifications, which may be connected with Licensor's computer equipment by a method specified by Licensor, and which may be used to transmit data and other information electronically between Licensor or its designee and Licensee. There are no limitations of Licensor's right to use such data. Licensee further agrees to the following:

A. Licensor shall not, without the prior written consent of Licensee, disclose such information or the financial information to be provided by Article 9 of this Agreement to any person except its own employees, agents, attorneys, accountants, or contractors having a need to know, and shall not use such information for any purpose except as permitted under this Agreement. Notwithstanding the foregoing, Licensor may use any such confidential information which relates to the sales, earnings, profits, expenses, or other financial results of operations of the Restaurant opened pursuant to this Agreement in System communications and in any Franchise Disclosure Document Item 19 disclosure, or other permitted financial performance representations, or may disclose such information if required by law or by order from any court or arbitrator of competent jurisdiction; provided, however, that, except for System communications, without Licensee's consent, no such financial performance representation(s) will individually identify the financial results of Licensee (i.e., it is acceptable to provide such information in aggregate form combined with the results of other licensees', Licensee's, or Licensor's Restaurants), unless required by law or by order from any court or arbitrator of competent jurisdiction. The obligation set forth in this Section 6.7.A shall not apply to any information that is generally available to the public without default by Licensor under this Agreement or is lawfully acquired by Licensor from a source that is not under obligation to Licensee regarding disclosure of such information. Licensor may also designate the exclusive provider of any point of sale system, computer equipment or software, which may be Licensor or its affiliates.

B. Licensor may, from time to time and at Licensor's sole discretion, require Licensee to update, upgrade, or change its point of sale system, computer equipment or software at Licensee's cost and expense.

C. Within a reasonable period of time following Licensor's request, Licensee shall accept debit cards, credit cards, stored value gift cards or other non-cash payment systems, including participation in loyalty programs, specified by Licensor to enable customers to purchase authorized products and shall obtain all necessary hardware and/or software used in connection with these non-cash payment systems. Licensee shall comply with all policies and procedures set forth by Licensor in the Licensor Manual with respect to these non-cash payment systems.

D. Licensee shall maintain, at all times, credit-card relationships with the credit- and debit-card issuers or sponsors, check or credit verification services, financial-center services, merchant service providers, and electronic-fund-transfer systems (together, "Credit Card Vendors") that Licensor may periodically designate as mandatory. Licensee shall not to use any Credit Card Vendor for which Licensor has not given its prior written approval or as to which Licensor has revoked its earlier approval. The term "Credit Card Vendors" includes, among other things, companies that provide services for electronic payment, such as near field communication vendors (e.g., "Apple Pay" and "Google Wallet"). Licensor has the right to modify its requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke its approval of any service provider.

E. Licensee shall comply with the then-current Payment Card Industry Data Security Standards as those standards may be revised and modified by the PCI Security Standards Council, LLC (see [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org)), or any successor organization or standards that Licensor may reasonably specify. Among other things, Licensee agrees to implement the enhancements, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards.

F. Licensee agrees that Licensor shall have the free and unfettered right to retrieve any data and information from Licensee's point of sale and computer systems as Licensor, in its sole discretion, deems appropriate, including electronically polling the daily sales, menu mix and other data of the Restaurant (excluding payment card information associated with in-restaurant customer transactions made in the Restaurant).

G. Licensor may periodically specify in the Licensor Manual or otherwise in writing the information that Licensee will collect and maintain on its computer and point of sale systems and Licensee agrees to provide to Licensor such reports as Licensor may reasonably request from the data so collected and maintained. Licensee agrees that all data that Licensee collects from customers in connection

with the Restaurant including, but not limited to, names, addresses, email addresses, phone numbers, birth dates, transaction data, demographic data, behavioral data, customer service history, correspondence and other data but excluding payment card information associated with in-restaurant customer transactions made in the Restaurant (“Customer Data”) and all other data that Licensee creates and/or collects in connection with the System, or in connection with Licensee’s operation of the Restaurant (including, but not limited to, transaction data) is and will be owned exclusively by Licensor. Copies and/or originals of such data must be provided to Licensor upon Licensor’s request. Licensor hereby licenses use of such data back to Licensee, at no additional cost, solely for the term of this Agreement and solely for Licensee’s use in connection with the business franchised under this Agreement. Licensee agrees not to publish, disseminate, implement, revise, or rescind a data privacy policy without Licensor’s prior written consent with respect to such policy.

H. In connection with any use of data in the Restaurant, Licensee agrees to comply with all applicable laws pertaining to the privacy of customer, employee, and transactional information (“Privacy Laws”). Licensee also agrees to comply with Licensor’s standards and policies pertaining to Privacy Laws. If there is a conflict between Licensor’s standards and policies pertaining to Privacy Laws and actual applicable law, Licensee will: (i) comply with the requirements of applicable law; (ii) immediately give Licensor written notice of said conflict; and (iii) promptly and fully cooperate with Licensor and Licensor’s counsel in determining the most effective way, if any, to meet Licensor’s standards and policies pertaining to Privacy Laws within the bounds of applicable law.

I. Licensee shall participate in Licensor’s online or mobile application ordering system, if established, on such terms and conditions that Licensor may specify in the Licensor Manual, and to pay the fees for such online ordering or mobile application system that Licensor and/or its vendor reasonably specify.

J. Licensee acknowledges that point of sale and computer systems are designed to accommodate a finite amount of data and terminals, and that, as these limits are reached, or as technology or software is developed in the future, Licensor may, in its sole discretion, mandate that Licensee: (i) add memory, ports and other accessories or peripheral equipment or additional, new or substitute software to the original point of sale and computer systems purchased by Licensee; and (ii) replace or upgrade the point of sale and computer systems in their entirety with larger systems capable of assuming and discharging the technology-related tasks and functions specified by Licensor. Licensee acknowledges that point of sale and computer system designs and functions change periodically and that Licensor may desire to make substantial modifications to its point of sale and computer system specifications or to require installation of entirely different systems during the term of this Agreement or upon renewal of this Agreement.

Section 6.8. System Website. Licensor has established, or may establish, and maintain an Internet Website that provides information about the System and the products and services provided by System restaurants. Licensor will have sole discretion and control over the Website (including timing, design, contents, and continuation). Licensor may use part of the Marketing Fund contributions it collects to pay or reimburse the costs associated with the development, maintenance, and update of the Website. At Licensee's expense, Licensor will include at the Website an interior page containing information about Licensee's Restaurant. Licensor may require Licensee to prepare all or a portion of the page, at Licensee's expense, using a template that Licensor provides. All such information will be subject to Licensor's prior written approval prior to posting. Except for this interior page, Licensee may not maintain a presence on the Internet for the Restaurant. Licensor also may (but is not required to) develop an Intranet network through which Licensor and its licensees can communicate by e-mail or similar electronic means. If Licensor develops such an Intranet network, Licensee agrees to use the facilities of the Intranet in strict compliance with the standards, protocols, and restrictions that Licensor includes in the Licensor Manual (including, without limitation, standards, protocols, and restrictions relating to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory, or defamatory statements).

Section 6.9. Compliance with Laws. Licensee shall, at Licensee's expense, comply with all other requirements set forth in this Agreement and the Licensor Manual, and shall operate the Restaurant in compliance with all federal, state, and local laws, rules, and regulations, and shall timely obtain, and keep in force as required throughout the term of this Agreement, any and all permits, certificates, licenses, and approvals necessary for the full and proper conduct of the Restaurant.

Section 6.10. Notice of Actions. Licensee shall notify Licensor in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any inquiry, subpoena, order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, arising out of, concerning, or which may affect the operation or financial condition of the Restaurant, including, without limitation, any criminal action or proceeding brought against Licensee by employees, customers, or other persons.

Section 6.11. Taxes. Licensee shall pay when due all taxes levied or assessed in connection with the possession, ownership, or operation of the Restaurant and all taxes payable on royalty fees and other payments made to Licensor or to any of its affiliates (excluding income taxes payable by Licensor). Licensee shall pay to Licensor an amount equal to any sales tax, gross receipts tax, or similar tax imposed on or required to be collected by Licensor with respect to any payments to Licensor required under this Agreement, unless the tax is credited against income tax otherwise payable by Licensor. In the event of any *bona fide* dispute respecting any tax assessed against Licensee, the Restaurant, any personal property located at the Restaurant, or any payments due to Licensor, Licensee may contest the validity or amount of the tax in accordance with procedures of the taxing authority; provided, however, that Licensee shall act with all due diligence and shall in no event permit a tax sale or seizure against the Restaurant or any equipment, goods, or property located at the Restaurant, or any impoundment of payments due to Licensor.



Section 6.12. Licensee's Organization; Guaranty. If Licensee is at any time a corporation, limited liability company, or partnership, Licensee agrees and represents that:

A. Licensee has the authority to execute and deliver this Agreement and to perform its obligations hereunder and is duly organized or formed and validly existing in good standing under the laws of the state of its formation or organization;

B. Licensee's organizational documents or partnership agreement will recite that the issuance and transfer of the ownership interests of Licensee are restricted by the terms and conditions of this Agreement, and all certificates and other documents representing an ownership interest in Licensee will bear a legend referring to the restrictions of this Agreement;

C. Exhibit "B" to this Agreement will completely and accurately describe all of the owners of Licensee and their interests in Licensee. Licensee and its owners agree to sign and deliver to Licensor such revised Exhibits "B" as may be necessary to reflect any changes in the information contained therein and to furnish such other information about Licensee's organization or formation as Licensor may request;

D. Each of the following persons will sign a Guaranty ("Guaranty") in the form that Licensor prescribes undertaking to be bound jointly and severally by all provisions of this Agreement and a material breach of such Guaranty shall be deemed a material breach of this Agreement: (i) all holders of a beneficial interest of five percent (5.0%) or more of the securities of Licensee, and of any corporation directly or indirectly controlling Licensee, if Licensee is a corporation; (ii) the general partners and any limited partners (including any corporation or other entity, and the holders of a beneficial interest of five percent (5.0%) or more of the securities of any corporation or other entity which controls, directly or indirectly, any general or limited partner), if Licensee is a partnership; (iii) the managers and members (including any corporation or other entity, and the holders of a beneficial interest of five percent (5.0%) or more of the securities of any corporation or other entity which controls, directly or indirectly, any member or manager), if Licensee is a limited liability company. Licensor's current form of Guaranty is attached to this Agreement as Exhibit "C";

E. Licensee shall furnish Licensor with its articles or certificate of incorporation or organization, bylaws, operating agreement, and partnership or limited liability documentation or similar organization documents, and any other documents Licensor may reasonably request, and any amendments thereto; and

F. Licensee shall confine its activities, and shall at all times provide that its activities are confined exclusively to operating the Restaurant and any other System Restaurant operated by Licensee pursuant to a License Agreement with Licensor.

## **Article 7. Quality Control and Supervision.**

Section 7.1. Approved Products, Services and Suppliers. Licensee agrees that substantial uniformity of quality at all System Restaurants is necessary and desirable for purposes of establishing and protecting the shared identity, reputation, and goodwill associated with the System. In order to better accomplish these objectives, Licensee agrees that:

A. The Restaurant shall offer for sale only the products and services, and shall only purchase, lease, install, and use the types and/or brands of food products, beverages, ingredients, flavorings, and garnishes used to prepare food products, cartons, bags, boxes, napkins, other containers, paper and plastic goods, packaging supplies, equipment, fixtures, furnishings, concept, supply, building design or layout, color schemes, concepts, and other items or services specified in this Agreement and the Licensors Manual, or approved in writing by Licensor as being consistent with Licensor's standards and specifications and with the System.

B. Licensor may from time to time designate approved suppliers of products and services, which may include Licensor and its affiliates. If Licensee (i) desires to purchase or lease products or services from sources not previously approved in writing by Licensor for such items, or (ii) proposes to sell any food product or beverage or use any ingredients, flavorings, garnishes, or containers, cartons, bags, boxes, paper or plastic goods, packaging supplies or other materials, of a type or brand not previously approved by Licensor, Licensee shall submit to Licensor a written request for approval and provide to Licensor such information and specifications as Licensor requests. Licensor may require, as a condition of its approval, that samples of the item be submitted to Licensor for inspection and testing, and Licensee or the proposed source shall pay the reasonable expenses of such inspection and testing. Licensor may also require submission of evidence that the proposed source carries insurance sufficient to reasonably protect Licensor and Licensee from liability arising out of the use or sale of the product or service. Licensor shall have the right to approve or disapprove an alternate supplier in its sole discretion.

C. Licensee agrees that it shall purchase and offer for sale all products that Licensor may uniformly designate for all System licensees to purchase and offer for sale in accordance with the Licensors Manual, which may include products that Licensor and/or its affiliates have developed or may develop in the future.

Section 7.2. Supplier Policies. Licensee acknowledges that the manufacturers, distributors, suppliers, and/or dealers of the products or supplies to be used and/or offered for sale by Licensee from time to time may have policies and procedures regarding the use and sale of such products or supplies, and Licensee agrees to comply with any and all such policies and procedures.

Section 7.3. Restaurant Sales. Licensee shall only make sales over-the-counter at retail and via delivery at retail in the Assigned Territory, in all cases only to the ultimate consumer of the products to be offered for sale by the Restaurant.

Section 7.4. No Guarantee of Availability of Products. Licensee acknowledges and agrees that products and supplies to be used and/or offered for sale are subject to availability, and Licensor is not responsible for supplying, and does not guarantee the availability of, products or supplies for Licensee's inventory.

Section 7.5. Licensor Manual. Licensee shall operate the Restaurant in accordance with the Licensor Manual, as updated, supplemented, and modified from time to time. Licensee further acknowledges that establishing, maintaining, and protecting the goodwill, reputation, and uniformity of the System requires strict adherence to this Agreement and the Licensor Manual in all respects, it being agreed that every detail is significant and material.

Section 7.6. Inspections. Licensee hereby grants to Licensor or its designee the right to enter upon the premises of the Restaurant at any reasonable time for the purpose of conducting inspections. Licensee agrees to cooperate fully with Licensor or its designee in connection with any such inspections and agrees to take such steps as may be reasonably necessary to correct any deficiencies detected during such an inspection, upon the written request of Licensor or its agents, within such reasonable time as may be specified in such request. Licensee agrees to pay all then-current fees and costs for any re-inspection following a failed inspection as set forth in the Licensor Manual.

Section 7.7. Innovations. If Licensee develops any products, services, procedures, or inventions deemed by Licensor to be appropriate for use in other System Restaurants, it is understood and agreed that Licensor may perpetually use such products, services, procedures, or inventions in other System Restaurants without obligation to compensate Licensee, it being understood and agreed that the benefit to Licensee from the overall enhancement of the System is sufficient consideration for granting this right to Licensor. Licensee promptly shall take all actions deemed necessary or desirable by Licensor to vest in Licensor ownership of such products, services, procedures, or inventions.

Section 7.8. Business and Advertising Practices. All marketing and promotion by Licensee shall be factual, ethical, and in good taste in the judgment of Licensor and shall be subject to Licensor's approval as provided in Section 8.1. Licensee shall in all dealings with its customers, suppliers, Licensor, and the public adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct. Licensee agrees to refrain from any business or advertising practice which, in the subjective opinion of Licensor, may be injurious to the business of Licensor and the goodwill associated with the Proprietary Marks and other System Restaurants.

Section 7.9. Governmental Reports. Within seven (7) days of the receipt by Licensee of any report from any health department or other comparable agency, Licensee shall mail a complete copy of such report to Licensor. Licensee shall notify Licensor in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of Licensee or the Restaurant or of any notice of violation of any law, ordinance, or regulation relating to health or sanitation.

Section 7.10. Prices. Licensor may from time to time suggest prices for the goods and services offered by Licensee. Licensor and Licensee agree that the prices suggested by Licensor are recommendations only and are not mandatory. Licensor reserves the right to designate mandatory maximum charges for the products offered by Licensee at the Restaurant from time to time in order to facilitate the marketing of the System, the goodwill, reputation, and uniformity of the System and consumer acceptance and recognition of System Restaurants, as determined by Licensor from time to time, and Licensee agrees to comply with such designations. Nothing contained in this Agreement shall be deemed a representation or warranty by Licensor that the use of Licensor's suggested prices shall produce, increase, or optimize profits.

## **Article 8. Advertising.**

Licensee and Licensor recognize the value of advertising and the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the System. In order to better accomplish these objectives, the parties agree as follows:

Section 8.1. Local Advertising. Licensee shall expend for local advertising an amount to be determined by Licensor from time to time, not to exceed two percent (2.0%) of Licensee's Gross Receipts, upon Licensee's receipt of thirty (30) days' written notice from Licensor announcing such decision, which obligation may be off-set to the extent of any required payments to Cooperatives (as defined in Section 8.4). All advertising by Licensee in any medium shall be conducted in such manner, and shall conform to such standards and requirements, as Licensor may specify. Licensee shall submit to Licensor (electronically through Licensor's marketing service desk platform, or such other medium as designated in the Licensor Manual), for its prior written approval (except with respect to prices to be charged), samples of all advertising and promotional plans and materials and all other materials displaying the Proprietary Marks that Licensee desires to use which have not been prepared or previously approved by Licensor. If written approval thereof is not received by Licensee within fifteen (15) days from the date of receipt by Licensor of such plans and materials, Licensor shall be deemed to have rejected such plans and materials.

Section 8.2. Electronic Presence and Social Media. Licensee shall not establish or maintain or allow others to establish or maintain without Licensor's prior written approval, directly or indirectly, any presence on the internet, including any electronic or social media platform (or any electronic medium similar to or established in replacement of any of the foregoing), utilizing any of the Proprietary Marks or featuring the Restaurant, including, but not limited to, as part of any URL, domain name, website, meta-tag, download, application, posting, social networking profile, directory listing, screen name, anonymous name, blog, vlog, e-mail account, instant messaging account, texting identity, user generated content, or any other identification of Licensee or the Restaurant in any electronic medium. Licensor shall have the option, but not the obligation, to mention the Restaurant in one or more locations in conjunction with Licensor's electronic presence on the internet and similar electronic and social media. Licensee shall obtain telephone and related directory listings for the Restaurant at Licensee's expense in the print and on-line directories specified by Licensor in the Licensor Manual. Licensee shall also pay its share of the cost of any multiple-restaurant local directory listing, to be

apportioned equally among all System Restaurants listed in such advertising. All expenditures made by Licensee pursuant to this Section 8.2 shall be considered a portion of the minimum required advertising expenditure set forth in Section 8.1.

Section 8.3. Marketing Fund. During this term of this Agreement, Licensee shall make periodic contributions to the Marketing Fund as specified by Section 3.1.D. Licensor administers the Marketing Fund, which may be used by Licensor to meet any and all costs of developing and preparing national, regional, point of sale, and local advertising materials for use within the System, including, without limitation, costs associated with developing, preparing, directing, administering, maintaining, and disseminating advertising, marketing, promotional, and public relations materials; website and social media platform development and maintenance; development, implementation and maintenance of search engine optimization strategies; conducting marketing research; maintaining a sales and marketing staff and related expenses; and preparing, producing, broadcasting, and disseminating advertising and promotions, including, without limitation, online, radio, television, newspaper, and magazine advertising, market surveys, public relations activities, and employment of advertising agencies. Licensor may receive payment from the Marketing Fund for providing goods or services to the Marketing Fund. Licensor will choose and determine, in its sole discretion, the nature, theme, and timing of advertising and the kind and quality of advertising materials to be provided to System licensees through the Marketing Fund. The advertising may be disseminated via any channel at Licensor's discretion including digital media, traditional media, sponsorships and public relations.

A. Licensor shall have no obligation to maintain such payments or income in an account separate from Licensor's other funds. Licensor will, for each of its company-owned System restaurants, make contributions to the Marketing Fund at the same percentage of Gross Receipts required of comparable licensees within the System. Licensor will direct all expenditures of the Marketing Fund through an in-house advertising department and/or Licensor's designee, a national or regional advertising agency, all advertising and promotional programs and activities, with sole discretion over the concepts, materials, and media used in such programs and activities and the placement and allocation thereof.

B. Licensee acknowledges that the primary intent of the Marketing Fund is to maximize general public recognition and acceptance of the Proprietary Marks for the benefit of the System, and Licensor or its designee would have no obligation, in administering the Marketing Fund, to make expenditures for Licensee that are equivalent or proportionate to any payments by Licensee or to ensure that any particular System licensee or any particular licensed System Restaurant benefits directly or *pro rata* from advertising or promotion conducted under the Marketing Fund.

C. Licensor may spend, on behalf of the Marketing Fund, in any fiscal year an amount greater or less than the aggregate contribution of all System Restaurants to the Marketing Fund in that year, and the Marketing Fund may borrow from Licensor or others to cover deficits or invest any surplus for future use. Any surplus in the Marketing Fund for a given year will be carried over to subsequent years.

Section 8.4. Cooperatives. Licensor shall have the right, in its sole discretion, to designate geographic areas for purposes of establishing local or regional advertising cooperatives (“Cooperatives”). If the Restaurant is within the territory of an existing Cooperative at the time the Restaurant opens for business, Licensee shall immediately become a member of the Cooperative. If a Cooperative applicable to the Restaurant is established during the term of this Agreement, Licensee shall become a member no later than thirty (30) days after the date approved by Licensor for the Cooperative to commence operation. Licensor or its affiliates shall participate in any Cooperatives established for geographic regions that include System Restaurants owned by Licensor or its affiliates. The following provisions shall apply to each Cooperative:

A. Each Cooperative shall be organized and governed in a form and manner, and shall commence operations on a date, approved in advance by Licensor in writing. Subject to the approval of Licensor to the extent contemplated herein, decisions of the Cooperative shall be made by majority vote of the members of the Cooperative, with each member entitled to one (1) vote for each Restaurant owned by such member included in the Cooperative. Upon any tie vote, Licensee agrees that Licensor shall have the right to cast the deciding vote with respect to any such decision. No changes in the bylaws or other governing documents of a Cooperative shall be made without Licensor’s prior written consent.

B. Each Cooperative shall be organized for the exclusive purpose of administering local and regional advertising programs and developing, subject to Licensor’s approval, promotional materials for use by the members in local advertising.

C. No advertising or promotional plans or materials may be used by a Cooperative or furnished to its members without prior approval of Licensor pursuant to Section 8.4.E below.

D. Licensee and each member of the Cooperative shall contribute to the Cooperative, commencing on the fifteenth (15th) day of each 28-day period after the Cooperative commences operations, the amount determined by the membership. Said amount shall not exceed two percent (2.0%) of Licensee’s Gross Receipts. Licensee’s obligation to make local advertising expenditures under Section 8.1 above shall be reduced by the amount of Licensee’s contributions to the Cooperative. Each required contribution shall be based on Gross Receipts for the immediately preceding 28-day period, and shall be submitted together with such statements or reports as may be required by Licensor, or by the Cooperative with Licensor’s prior written approval.

E. All advertising and promotion by Cooperatives shall be in such media and of such type and format as Licensor may approve and shall conform to such standards and requirements as Licensor may specify. The Cooperative shall submit to Licensor (by mail, return receipt requested or such other medium as designated in the Licensor Manual), for its prior written approval (except with respect to prices

to be charged), samples of all advertising and promotional plans and materials and all other materials displaying the Proprietary Marks that the Cooperative desires to use which have not been prepared or previously approved by Licensor. If written approval thereof is not received by the Cooperative within fifteen (15) days from the date of receipt by Licensor of such plans and materials, Licensor shall be deemed to have rejected such plans and materials.

F. Upon the designation of geographic areas for Cooperatives, Licensor shall have the right, in its sole discretion, to require the prospective members of any Cooperative to take all necessary action to form the Cooperative. Licensor shall also have the right, in its sole discretion, to require the members of any Cooperative to cause any Cooperative to: (i) change the bylaws or other governing documents of the Cooperative; (ii) to dissolve the Cooperative; and (iii) merge with another Cooperative. Licensor shall also have the right to re-designate geographic areas for any Cooperatives and in connection with such re-designation to require the members of any Cooperative to cause the Cooperative to take any of the actions set forth in this Section 8.4.F.

Section 8.5. Promotional Campaigns. From time to time during the term of this Agreement, Licensor shall have the right to establish and conduct promotional campaigns on a national or regional basis, which may by way of illustration and not limitation promote particular products or marketing themes. Licensee agrees to participate in such promotional campaigns upon such terms and conditions as Licensor may establish. Licensee acknowledges and agrees that such participation may require Licensee to purchase reasonable point-of-sale advertising material, posters, flyers, product displays, and other promotional material.

## **Article 9. Financial Reporting.**

Section 9.1. Books and Records. Licensee shall keep and maintain, in accordance with any procedures set forth in the Licensor Manual, complete and accurate books and records of the Restaurant. Licensee shall use a point of sale system meeting Licensor's specifications to record the sale of all goods and services at or from the Licensed Location. Licensee shall retain at the Restaurant or Licensee's corporate offices for a period of at least twenty-four (24) 28-day periods, all sales and purchase records (including daily sales records and vendor invoices), books of account, business and payroll records, and vendor financial information relating to the Restaurant and any corporation, partnership, or other business association owning the License to operate the Restaurant.

Section 9.2. Reports. During the term of this Agreement, Licensee shall submit the following reports and financial information to Licensor in the format specified by Licensor:

A. On a weekly basis, Licensee shall supply Licensor, at Licensor's request, with a report in the format prescribed by Licensor of all sales of goods and services at or from the Restaurant during the preceding week of each 28-day period and, if available, information respecting the comparable period during the preceding fiscal

year (consisting of fifty-two (52) or fifty-three (53) weeks, as designated by Licensor);

B. On or before the third (3rd) day after the end of each week within each 28-day period, Licensee shall furnish Licensor with a written sales report and statement of Gross Receipts in the format prescribed by Licensor for all sales made and services provided at or from the Restaurant during the preceding week;

C. Licensee shall submit to Licensor (i) within thirty (30) days following the 28-day period for which such statement is compiled, a period profit and loss statement and a cumulative profit and loss statement from the beginning of Licensee's fiscal year to the end of such period, together with such other financial, operating, marketing, and other information as Licensor may require, (ii) within thirty (30) days after each fiscal quarter of Licensee, an unaudited quarterly balance sheet; and (iii) on or before March 31 of each calendar year, a profit and loss statement, a balance sheet, and a statement of Gross Receipts reflecting Gross Receipts and the results of operations for the preceding fiscal year (consisting of fifty-two (52) or fifty-three (53) weeks, as designated by Licensor). All such profit and loss statements and balance sheets shall comply with any format prescribed by Licensor; at Licensor's request, shall be prepared in accordance with generally accepted accounting principles consistently applied; and shall be signed and verified as true and correct by Licensee or, if Licensee is a corporation, partnership, or other business association, by its duly authorized chief financial officer. In addition, at Licensor's request, Licensee shall submit to Licensor true copies of all state sales tax returns relating to sales made at the Restaurant at the same time the returns are filed with state authorities, and such other records as Licensor may reasonably request from time to time, including, without limitation, state and federal income tax returns of Licensee; and

D. Licensee shall submit to Licensor, for review or auditing, such other forms, reports, records, information and data as Licensor may reasonably designate, in the form and at the times and places reasonably required by Licensor, upon request and as specified from time to time in the Licensor Manual or otherwise in writing.

Section 9.3. Audit Rights. Licensor or its designee, at Licensor's expense, shall at all reasonable times have the right to inspect or audit Licensee's books, accounts, records, returns, and such other forms, reports, information and data as Licensor reasonably may designate, applicable to the operation of the Restaurant. The foregoing records may include, but are not limited to, state and federal income tax returns, credit card, or any other third party charge account statements, and any bank, savings and loan, or financial checking money market, or savings account used for the Restaurant. Licensee shall fully cooperate with Licensor and its representatives or agents conducting such inspections or audits and, upon request, Licensee shall submit a written response to any issues raised in connection with said audits. If an inspection or audit reveals an understatement of the Gross Receipts of the Restaurant of two percent (2%) or more, Licensee must, in addition to the payment of all monies owed with interest on the understated amount due from the date such amount was due until paid at the lesser of one and one-half percent



(1.5%) per 28-day period or the maximum rate permitted by applicable law, reimburse Licensor for all costs connected with the inspection or audit (including expenses for travel, lodging and wages, and reasonable accounting and legal costs). In addition, Licensor may require an audit in the following year and Licensee shall reimburse Licensor for all costs of the audit, including travel, lodging, and wages of personnel of Licensor or third parties required to conduct such audit. Licensee shall also promptly reimburse Licensor for the cost of any audit (including salaries, travel and living expenses) necessitated by Licensee's failure to file any financial report due under this Agreement and any deficiency in royalty fees or Marketing Fund contributions disclosed by such audit. If an inspection or audit reveals an understatement of the Gross Receipts of the Restaurant for any period by two percent (2%) or more two (2) or more times during any fifty-two (52) week period, or by more than five percent (5%) on any one occasion, then in addition to Licensee's obligations to pay the amounts owed as referenced above, Licensor may immediately terminate this Agreement. The foregoing remedies are in addition to any other remedies Licensor may have.

Section 9.4. Disclosure Authorization. Licensee hereby authorizes all banks and/or other financial institutions with which Licensee does business to disclose to Licensor any requested financial information in their possession relating to the Restaurant, and hereby authorizes Licensor to release to Licensee's lenders or prospective lenders, financial and operational information relating to the Restaurant. Licensee further authorizes Licensor to disclose such information to prospective licensees and state regulatory agencies provided that such information is not identified as relating to the Restaurant unless required by law or regulation and then only if Licensee requests that such identification be held in confidence.

#### **Article 10. Proprietary Marks and Trade Secrets; Competition.**

Section 10.1. Proprietary Marks. Licensee's right to use the Proprietary Marks is limited to its use of the Proprietary Marks in the operation of the Restaurant at the Licensed Location and as expressly provided in this Agreement and the Licensor Manual. Licensee acknowledges and agrees that:

- A. Nothing in this Agreement gives it any right, title or interest in the Proprietary Marks (except the right to use the Proprietary Marks in accordance with the terms of this Agreement);
- B. The License granted in this Agreement to use the Proprietary Marks is nonexclusive;
- C. Ownership of all right, title, and interest in the System, the Proprietary Marks, the design, decor, and image of all System Restaurants, and any parts thereof, is and shall remain vested solely in Licensor;
- D. Licensee shall not directly or indirectly contest the validity or ownership of the Proprietary Marks or Licensor's right to license the Proprietary Marks;
- E. Licensor makes no representations or warranties and hereby disclaims any warranties with regard to whether any of the Proprietary Marks are protectable or

registerable and with regard to whether any of the Proprietary Marks infringe upon the rights of others;

F. Licensee expressly disclaims any right, title, or interest therein or in any goodwill derived from the Proprietary Marks;

G. Licensee's License to use the Proprietary Marks is personal to Licensee, and Licensee shall not assign, license, sublicense, or allow the Proprietary Marks to be used by any other person, firm, or business association without Licensor's prior written approval; and

H. All uses of the Proprietary Marks by Licensee inure to the benefit of Licensor.

Section 10.2. Notice of Infringement. Licensee shall not, directly or indirectly, at any time during the term of this Agreement or thereafter, do, cause or suffer to be done any act or thing disputing, attacking or in any way impairing or tending to impair the right, title, or interest of Licensor in the Proprietary Marks or the System. Licensee shall immediately notify Licensor in writing of all infringements or imitations of the Proprietary Marks, and Licensor shall exercise absolute discretion in deciding what action, if any, should be taken. Licensee shall fully cooperate with Licensor in the prosecution of any action to prevent the infringement, imitation, or illegal use of the Proprietary Marks and agrees to be named as a party in any such action at Licensor's request. Licensee shall cooperate with Licensor in the perfection, application, and securing of Licensor's ownership and rights of the Proprietary Marks in all legal jurisdictions in which Licensor shall seek the same, including, but not limited to, promptly executing and delivering all documents presented to Licensee for signature and giving such true information and testimony, under oath if requested, as may be requested by Licensor. Licensor shall bear any and all legal expenses incident to Licensee's participation in or cooperation with, at Licensor's request, any action to prevent the infringement or illegal use of the Proprietary Marks or perfection of Licensor's rights in the Proprietary Marks, except for the cost of any legal counsel separately retained by Licensee. Except as expressed in this Section 10.2, Licensor shall not be liable to Licensee for any damages, costs, expenses, loss of profits or business opportunities, or incidental or consequential damages of any kind or nature whatsoever relating to any action involving the Proprietary Marks.

Section 10.3. Use of the Proprietary Marks. Licensee shall use the Proprietary Marks as the sole identification of the Restaurant; provided, however, that in all public records and in its relationship with other persons, on stationery, business forms, checks, or as otherwise required by Licensor, Licensee shall indicate Licensee's independent ownership of the Restaurant. Licensee shall file so-called assumed name or doing business certificates with local or state authorities, as required by applicable law, showing its independent ownership of the Restaurant. In no event shall Licensee use the Proprietary Marks in connection with the sale of any product or service not authorized for sale at the Restaurant. Licensee shall not license, sublicense, or allow the Proprietary Marks to be used by any other person or business entity without Licensor's prior written approval at Licensor's discretion. In adopting any corporate, proprietorship, or partnership name, Licensee shall not use the Proprietary Marks or any variation or abbreviation thereof, or any words confusingly similar thereto. Licensee has no right to register any of the Proprietary Marks. If it becomes advisable at any time in Licensor's sole discretion for Licensor and/or Licensee to

modify or discontinue use of the Proprietary Marks (or any of them), and/or use one or more additional or substitute trade or service marks, Licensee agrees to comply therewith within a reasonable time after written notice thereof by Licensor.

Section 10.4. Trade Secrets. Licensee further acknowledges and agrees as follows:

A. Licensor possesses certain confidential information, including, without limitation, the design of the System Restaurants, methods of operation and service at System Restaurants, secret recipes, methods of preparation, and service of food products sold at System Restaurants, knowledge of sales and profit performance at any one or more System Restaurants, knowledge of test programs, concepts, or results relating to new menu items, and advertising and promotional programs, sources of food products and suppliers of equipment, advertising, promotion and marketing techniques, the selection and training of restaurant managers and, in general, methods, techniques, formulas, formats, specifications, procedures, information systems and knowledge, in the operation and licensing of System Restaurants. All of the foregoing are hereinafter referred to as the “Trade Secrets.”

B. Licensor will disclose the Trade Secrets to Licensee in furnishing Licensee with standard plans for the Restaurant, in the Licensor Manual and any temporary operating manuals, by providing training to Licensee and in the performance of the Licensor’s other obligations and the exercise of its other rights under this Agreement. Licensee hereby agrees that all materials lent or otherwise made available to Licensee by Licensor and all disclosures made to Licensee including, without limitation, the Trade Secrets, Licensor Manual, and other confidential commercial information identified as such by Licensor are trade secrets of Licensor and Licensor’s confidential and proprietary information and shall be kept confidential and used by Licensee only in the operation of the Restaurant. Licensee will not, nor permit anyone else to, reproduce, copy, or exhibit any portion of the Licensor Manual, Trade Secrets, or any other confidential or proprietary information received from Licensor. Licensee shall not divulge any such Trade Secrets to any person other than Licensee’s employees and then only to the extent necessary for the operation of the Restaurant.

C. Licensee shall acquire no interest in the Trade Secrets, other than the right to utilize them in the development and operation of the Restaurant during the term of this Agreement. The use or duplication of the Trade Secrets in any other business will constitute an unfair method of competition. The Trade Secrets are proprietary and are disclosed to Licensee in confidence and solely on the condition that Licensee agrees, and Licensee hereby agrees that Licensee (i) will not use the Trade Secrets in any other business or capacity; (ii) will maintain the absolute confidentiality of the Trade Secrets during and after the term of this Agreement; (iii) will not make unauthorized copies of any portions of the Trade Secrets disclosed in written form, including, without limitation, any plans, the Licensor Manual, and any bulletins or supplements and additions thereto; and (iv) will

operate and implement all reasonable procedures prescribed from time to time by Licensor to prevent the unauthorized use and disclosure of the Trade Secrets. Licensee shall immediately notify Licensor of any unauthorized use or disclosure of the Licensor Manual or any of the Trade Secrets or if the Licensor Manual or any other manuals or materials containing any Trade Secrets are lost or stolen.

D. The foregoing restrictions on Licensee's disclosure and use of Trade Secrets shall not apply to information, processes, or techniques that are or become generally known and used by other similar restaurants, other than through disclosure (whether deliberate or inadvertent) or other breach by Licensee, and disclosure of Trade Secrets in judicial or administrative proceedings to the extent that Licensee is legally compelled to disclose such information, provided, Licensee shall have used its best efforts, and shall have afforded Licensor the opportunity, to obtain an appropriate protective order or other assurance satisfactory to Licensor of confidential treatment for the information required to be so disclosed.

Section 10.5. Covenants against Competition. During the term of this Agreement, Licensee shall not compete, or be associated, directly or indirectly, as an owner, officer, director, employee, consultant, or otherwise, in any Competitive Business (as defined below) located within the United States of America. For a period of two (2) years after any transfer, the expiration of this Agreement, or the termination of this Agreement for any reason, Licensee shall not compete, or be associated, directly or indirectly, as an owner, officer, director, employee, consultant, or otherwise, in any Competitive Business that is located within (i) the Assigned Territory, (ii) the Designated Market Area or Areas identified by the then-current Nielsen Wall Map published by the A.C. Nielson Company ("DMA"), in which the Assigned Territory is located, or (iii) the DMA of any other System Restaurant then existing.

A. The term "Competitive Business" shall mean any retail food establishment (including, but not limited to, any restaurant or ice cream, custard, or yogurt parlor or shop) (a) that offers for sale custard-style products or (b) in which any of the following categories (singly or in the aggregate) constitutes more than ten percent (10%) of its food revenues: (1) ice cream or yogurt or (2) ground-beef or hot dog sandwiches; provided, however, that passive ownership of less than five percent (5.0%) of the outstanding voting securities of a publicly held corporation (which for purposes of this Agreement means a corporation registered under the Securities Exchange Act of 1934) shall not be deemed a violation of this Section 10.5. In the event the A.C. Nielson Company discontinues the publication of Nielsen Wall Maps for any reason, Licensor shall have the right to designate an alternate generally recognized market identification resource for use in connection with this Section 10.5.

B. Licensor acknowledges that Licensee's owners and Affiliates are experienced restaurant operators and it is not the intent of the parties to limit Licensee's or Licensee's owners' and Affiliates' ability to continue operating the businesses they operate as of the Effective Date because of conflicts with such businesses and the System as it evolves. Therefore, the provisions of this Section 10.5 shall not apply to a business, including a Competitive Business that, as of the

Effective Date, serves a food product that Licensor introduces as a menu item to System Restaurants after the Effective Date merely because of such introduction by Licensor.

C. For purposes of this Agreement, the term “Affiliate” in regard to Licensee means any corporation, partnership, limited liability company or partnership, association, trust or other organization or individual which, directly or indirectly, controls, is controlled by, or is under common control with, Licensee. For purposes of the preceding sentence, “control” (including, with correlative meanings, the terms “controlled by” and “under common control with”), as used with respect to any entity or organization, shall mean the possession, directly or indirectly, of the power (i) to vote more than ten percent (10%) of the securities having ordinary voting power for the election of directors of the controlled entity or organization, or (ii) to direct or cause the direction of the management and policies of the controlled entity or organization, whether through the ownership of voting securities or by contract or otherwise.

Section 10.6. Applicability to Licensee’s Officers and Owners. Unless the context otherwise requires, the term “Licensee” as used in this Article 10 shall include, individually and collectively, all partners, officers, directors, managers, members, and holders, directly or indirectly (and any partners, officers, or directors of any such holder), of any beneficial interest in the License granted hereunder and Licensee, and any immediate family members of any of such persons. At Licensor’s request, Licensee shall require and obtain execution of a covenant agreement in the form substantially similar to that attached hereto as Exhibit “D”, except for reasonable changes as may be necessary to comply with applicable law, from time to time (including a covenant agreement applicable upon the termination of a person’s relationship with Licensee), from any or all of the following persons: (i) all officers, directors, and holders of a beneficial interest of five percent (5.0%) or more of the securities of Licensee, and of any corporation directly or indirectly controlling Licensee, if Licensee is a corporation; (ii) the general partners and any limited partners (including any corporation or other entity, and the officers, directors, and holders of a beneficial interest of five percent (5.0%) or more of the securities of any corporation or other entity which controls, directly or indirectly, any general or limited partner), if Licensee is a partnership; (iii) the managers and members (including any corporation or other entity, and the officers, directors, and holders of a beneficial interest of five percent (5.0%) or more of the securities of any corporation or other entity which controls, directly or indirectly, any member or manager), if Licensee is a limited liability company; and (iv) the general manager(s) of the Licensed Location. Failure by Licensee to obtain execution of the covenant agreement required by this Section 10.6, or to deliver such covenant agreement to Licensor, shall constitute a material breach of this Agreement.

Section 10.7. Applicability to Licensee’s Employees. Licensee shall require every person employed as general manager of the Restaurant to devote full time to such employment and to agree to be bound by the restrictions set forth in this Article 10. Licensee shall also take all reasonable steps to require other employees to be bound by the confidentiality provisions of this Article 10, and, if requested by Licensor, to be bound by the noncompetition provisions of this Article 10. Upon Licensor’s request, Licensee shall promptly provide copies of all such agreements to Licensor.

Section 10.8. Enforcement. In the event any provision of this Article 10 is deemed by a court of competent jurisdiction to be more restrictive than permissible at law or equity, then Licensee agrees that the provisions of this Article 10 may be reformed and modified and enforced by such court to the maximum extent permissible under applicable law and principles of equity. Licensee agrees that specific performance and injunctive relief are necessary and appropriate remedies for violations of this Article 10 and agrees to the enforcement of such remedies, but without prejudice to the right of Licensor to recover money damages, which are in no event a full and adequate remedy for such violations.

**Article 11. Insurance and Indemnity.**

Section 11.1. Procurement of Insurance. Licensee shall procure, prior to the commencement of any operations under this Agreement, and maintain in full force and effect during the term of this Agreement, at Licensee's expense, in form and with insurers having a Best's rating of "A" or better, and in compliance with the terms of any mortgage or lease covering the Restaurant premises:

- A. Fire, vandalism, and extended coverage insurance (including, without limitation, business interruption insurance) for the full replacement value of the Restaurant, all improvements on the Restaurant premises, and all furniture, furnishings, fixtures, and equipment.
- B. Comprehensive general liability insurance, including product liability, completed operations, and independent contractors' coverage, and comprehensive automobile liability coverage for both owned and non-owned vehicles, and hired automobiles in the amount of one million dollars (US\$1,000,000), and naming Licensor, its officers, directors, and employees (collectively, "Indemnitees") as additional insureds in each such policy or policies.
- C. Workers' compensation and employer's liability insurance, as well as such other insurance as may be required by statute or rule of the state in which the Restaurant is located.
- D. During any significant construction at the Restaurant, Licensee will maintain or cause the general contractor to maintain with a reputable insurer comprehensive general liability insurance (with comprehensive automobile liability coverage for both owned and non-owned vehicles, builder's risk, product liability, completed operations, and independent contractors' coverage) in at least the amount of one million dollars (US\$1,000,000) with Indemnitees named as additional insureds, and workers' compensation and employer's liability insurance and any other insurance as may be required by law.
- E. An Umbrella liability insurance policy providing an additional three million dollars (US\$3,000,000) in coverage over and above the limits set forth above with Indemnitees named as additional insureds.

Section 11.2. General Insurance Requirements. The insurance policies required by subparts B, D, and E of Section 11.1 of this Agreement shall (i) be endorsed to be primary to and non-contributory with any insurance maintained by Indemnitees, (ii) contain a waiver of any rights of subrogation against Indemnitees, and (iii) contain a severability of interest provision in favor of Indemnitees. Upon obtaining the insurance required by this Agreement and on each policy renewal date thereafter, Licensee shall promptly submit evidence of satisfactory insurance and proof of payment therefor to Licensor, and, if requested by Licensor, copies of all policies and policy amendments. The evidence of insurance shall include a statement by the insurer that the policy or policies will not be canceled or materially altered without at least thirty (30) days' prior written notice to Licensor. Licensor may increase the minimum protection or coverage requirements of any policy required under Section 11.1, as of its renewal date, and may require different or additional kinds of insurance at any time to reflect inflation, identification of special risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances.

Section 11.3. Licensor's Right to Obtain Coverage. If Licensee does not obtain and maintain the insurance coverage required by this Agreement, as revised from time to time by the Licensor Manual or otherwise in writing, Licensor may, but shall not be obligated to, procure such insurance, and the cost or expense thereof, together with a reasonable fee for Licensor's expenses in so acting, shall be payable by Licensee immediately upon demand.

Section 11.4. Indemnification. Licensee shall indemnify and hold Licensor harmless from and against any and all actual or threatened claims, penalties, assessments, regulatory proceedings, and litigation, including, without limitation, all costs and expenses and reasonable attorneys' fees incurred by Licensor in connection therewith, arising from or out of the operation of the Restaurant or any occurrence at the Restaurant premises, including, without limitation, claims, penalties, assessments, regulatory proceedings, and litigation arising in whole or in part out of the negligence or willful acts of Licensor or its agents, employees, directors, officers, or representatives and including any allegation that Licensor or another indemnified party is the employer, co-employer, or joint employer of Licensee, its owners, or employees or otherwise responsible for Licensee's acts or omissions relating to Licensee's employees (collectively, the "Claims"). Licensor shall have the option, at its sole discretion, to request Licensee to undertake, in Licensor's name, the defense of any action relating to such Claims wherein Licensor is named as a defendant or otherwise made a party or to assume such defense with counsel satisfactory to Licensor. In either case, Licensee shall remain responsible for paying Licensor's costs of defense and of any judgment or settlement in any such action. Licensee's obligations to indemnify and hold Licensor harmless shall not be limited in any way by reason of any insurance which may be maintained by Licensor, nor shall Licensee's performance of the obligation to maintain insurance relieve Licensee of liability under this indemnity provision or be construed to be a limitation on the amount of Licensee's indemnity obligations. Licensor's right to indemnity under this Agreement shall arise notwithstanding that joint or concurrent liability may be imposed on Licensor by statute, ordinance, regulation, or other law. Notwithstanding any provisions of this Section 11.4 to the contrary, Licensor shall have no right to indemnification for Claims arising solely out of Licensor's gross negligence or willful misconduct.

Section 11.5. Notice of Claims. Licensee shall notify Licensor in writing within five (5) days of receipt of notice or knowledge of any claim, dispute, loss or damage, real or

alleged, arising from Licensee’s activities in, at or around the Restaurant, whether or not such claim names Licensor. Licensee has no authority to, and shall not, accept any service of process on behalf of Licensor or its affiliates.

Section 11.6. Acknowledgment. Licensee acknowledges that the provisions of this Article 11 constitute separately negotiated provisions whereby the parties have mutually agreed to a reasonable allocation of risk based on generally accepted industry loss experience and are supported by adequate consideration.

Freddy’s, L.L.C.

By: \_\_\_\_\_  
“Licensor”

\_\_\_\_\_  
By: \_\_\_\_\_  
“Licensee”

**Article 12. Transfer of Interest.**

Section 12.1. Transfer by Licensor. Licensor shall have the right to transfer or assign all or any part of its rights or obligations in this Agreement to any person or legal entity.

Section 12.2. Licensor’s Right of First Refusal. Before any interest in the License or Licensee may be sold to a third party, it must first be offered for sale to Licensor by written notice delivered to Licensor in accordance with this Agreement by Licensee specifying the price and terms of any such sale. At any time within thirty (30) days after the service of such notice, Licensor may elect to purchase such interest on similar terms and conditions by notifying Licensee in writing of its election to purchase the same. If Licensor does not elect to purchase such interest in the foregoing manner, Licensee may, subject to Licensee’s compliance with the provisions of this Article 12 and the other provisions of the Agreement, sell such interest to a third party at a price that is not less than the price specified in said written notice and upon terms not substantially different from the terms specified in said written notice. If such sale is not effected within six (6) months following the expiration of the thirty (30)-day option period set out above, such interest in the License or Licensee may not be sold to any third party at any price without again complying with the aforesaid procedure, in the same manner as if such interest had never before been offered for sale to the Licensor. The provisions of this Section 12.2 shall not apply to a transfer to a corporation, partnership, or limited liability company formed by Licensee for the convenience of ownership and not involving a change of beneficial ownership, which transfer meets the conditions set forth in Section 12.5, and transfers to Licensee’s employees which meet the conditions set forth in Section 12.8.

Section 12.3. Transfer by Licensee. The rights and duties set forth in this Agreement are personal to Licensee and are granted in reliance on the individual and collective business skill, financial capacity, and personal character of Licensee and its principals.



Accordingly, neither Licensee nor any immediate or remote successor to any part of Licensee's interest in the License, nor any individual, partnership, corporation, or other legal entity which directly or indirectly owns any interest in such entity, in the License or in Licensee, shall sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber any interest in the License or in Licensee without the prior written consent of Licensor, which consent Licensor may grant or withhold in its sole discretion based solely upon what Licensor deems is in its best interests. Any purported assignment or transfer, by operation of law or otherwise, not having the written consent of Licensor required by this Section 12.3 shall be null and void and shall constitute a material breach of this Agreement, for which Licensor may then terminate in accordance with Section 13.2.C without opportunity to cure. Licensor, in its sole discretion, may require any or all of the following as conditions of its approval:

A. All of Licensee's accrued monetary obligations to Licensor and its affiliates and all other outstanding obligations related to the Restaurant shall have been satisfied;

B. Licensee shall not be in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Licensee or its Affiliates and Licensor or its affiliates;

C. The transferor shall have executed a general release, in a form prescribed by Licensor, of any and all claims against Licensor and its officers, directors, shareholders, and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules, and ordinances; provided, however, that all rights enjoyed by Licensee and any causes of action arising in its favor from the provisions of any applicable license/franchise laws and regulations shall remain in force; it being the intent of this proviso that any non-waiver provisions of such laws be satisfied;

D. The transferee (and, if transferee is other than an individual, such owners of a beneficial interest in the transferee as Licensor may request) shall enter into a written assignment and assumption agreement, in a form satisfactory to Licensor, assuming and agreeing to discharge all of Licensee's obligations under this Agreement;

E. The transferee (or, if transferee is other than an individual, all owners of any beneficial interest in transferee) shall demonstrate to Licensor's satisfaction that the transferee meets Licensor's educational, managerial, and business standards; possesses a good moral character, business reputation, financial capacity, and credit rating; has the aptitude and ability to operate the Restaurant (as may be evidenced by prior related business experience or otherwise); and has adequate financial resources and capital to operate the Restaurant;

F. The transferee (and, if transferee is other than an individual, such owners of a beneficial interest in the transferee as Licensor may request) shall execute, for a term ending on the expiration date of this Agreement and with such renewal term

as may be provided by this Agreement, the standard form license agreement then being offered to new System licensees and such other ancillary agreements as Licensor may require for the Restaurant, which agreements shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement; provided, however, that the transferee shall not be required to pay any initial license fee, the royalties and advertising fees payable pursuant to Section 3.1 of this Agreement shall remain the same, and the Assigned Territory provided for in this Agreement shall remain the same;

G. Licensee shall remain liable for all of the obligations to Licensor in connection with the Restaurant prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by Licensor to evidence such liability;

H. At the transferee's expense, the transferee or, if requested by transferee and consented to by Licensor, the transferee's manager shall complete any training program then in effect for licensees upon such terms and conditions as Licensor may reasonably require; and

I. Except in the case of (i) a transfer to a corporation, partnership, or limited liability company formed by Licensee for the convenience of ownership and not involving a change of beneficial ownership, which transfer meets the conditions set forth in Section 12.5 of this Agreement, (ii) a transfer to Licensor pursuant to Section 12.2, or (iii) a transfer of minority interests to Licensee's employees pursuant to Section 12.8, Licensee shall pay to Licensor a transfer fee in an amount equal to Five Thousand Dollars (US \$5,000), to cover Licensor's administrative and other expenses in connection with the transfer.

Section 12.4. Security Interests. Licensee shall grant no security interest in the Restaurant or in any of its assets unless the secured party agrees (i) that in the event of any default by Licensee under any documents related to the security interest, Licensor shall have the option, but shall not be obligated, to be substituted as obligor to the secured party and to cure any default of Licensee; and (ii) that upon termination of this Agreement for any reason or upon expiration of this Agreement, Licensor shall have the option to purchase set forth in Section 14.2 of this Agreement.

Section 12.5. Transfers for Convenience of Ownership. In the event that Licensee proposes, subsequent to the execution of this Agreement, to transfer the License to a corporation, partnership, or limited liability company formed by Licensee, Licensor's consent to such transfer shall be conditioned upon satisfaction of and compliance with Section 12.7 of this Agreement and to the following additional requirements:

A. Licensee shall be the owner of all of the voting stock, interests, or units of the corporation, partnership, or limited liability company; and, if Licensee is more than one individual, each individual shall have the same proportionate ownership

interest in the corporation, partnership, or limited liability company as s/he had in Licensee prior to the transfer;

B. All transferees shall execute a written agreement personally guaranteeing the full payment and performance of Licensee's obligations to Licensor from the date of transfer and agreeing to be bound by all the terms and conditions of this Agreement; and

C. The transferee shall comply with all of the terms and conditions set forth in Section 12.3 of this Agreement.

Section 12.6. Death or Mental Incompetency. Upon the death or mental incompetency of any person with an interest in the License or an ownership interest in Licensee, the executor, administrator, or personal representative of such person shall transfer his or her interest within six (6) months after such death or mental incompetency to a third party approved by Licensor. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as any *inter vivos* transfer. However, in the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions in this Agreement, the personal representative of the deceased shall have a reasonable time to dispose of the deceased's interest in the License or in Licensee, which disposition shall be subject to all the terms and conditions for transfers contained in this Agreement. If the interest is not disposed of within a reasonable time, Licensor may terminate this Agreement.

Section 12.7. Private Offerings. Securities, units, or other ownership interests in Licensee may be offered by private offering only with the prior written consent of Licensor (whether or not Licensor's consent is required under Section 12.3 of this Agreement), which consent Licensor may grant or withhold in its sole discretion based solely upon what Licensor deems is in its best interests. All materials to be used in any exempt offering, including, but not limited to, materials required for such private offering by federal or state law, shall be submitted to Licensor for review and prior to their use or being filed with any governmental agency, if applicable. Licensee shall be prohibited from offering securities, units, or other ownership interests in Licensee by any public offering (as that term is defined in the Securities Act of 1933 and the regulations promulgated by the SEC thereunder). No Licensee offering shall imply (by use of the Proprietary Marks or otherwise) that Licensor is participating in an underwriting, issuance, or offering of Licensee or Licensee securities, and Licensor's review of any offering shall be limited solely to the subject of the relationship between Licensee and Licensor. Licensee and the other participants in the offering must fully indemnify Licensor in connection with the offering. For each private offering of securities, Licensee shall pay to Licensor a fee in a reasonable amount determined by Licensor to reimburse Licensor for time and expense associated with reviewing and approving or disapproving the proposed private offering. Licensee shall give Licensor written notice at least ninety (90) days prior to the date of commencement of any private offering or other transaction covered by this Section 12.7. Fees required by this Section 12.7 are in addition to transfer fees otherwise required by this Article 12. The individual owners of Licensee described in Section 6.12.C shall at all times following the completion of any private offering under this Section 12.7 maintain, in the aggregate, at least fifty-one percent (51.0%) of the issued and outstanding capital stock or equity interest of all classes of Licensee.

Section 12.8. Transfer to Employees of Licensee. Notwithstanding any provision to the contrary contained in this Article 12, Licensee may transfer not more than an aggregate of twenty-five percent (25%) of the outstanding voting shares, units, or ownership interests of Licensee operating as a corporation, partnership, or limited liability company to employees of Licensee who are actively engaged in Licensee's Restaurant operations, if such transfers, alone or together with other previous, simultaneous, or proposed transfers, do not have the effect of transferring a controlling interest (as reasonably determined by Licensor) in Licensee. The ownership of such shares, units, or ownership interests by such employees will be subject to all of the terms and conditions of this Agreement, including, without limitation, Article 10 and Article 12. Licensee shall provide Licensor with written notice of any such proposed transfer and all pertinent information regarding the same not later than thirty (30) days prior to the proposed date of transfer.

Section 12.9. No Waiver. Licensor's consent to a transfer of any interest in the License or Licensee shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Licensor's right to demand exact compliance with any of the terms of this Agreement by the transferee.

### **Article 13. Default and Termination.**

Section 13.1. Effect of Termination. This Agreement may not be terminated except as provided in this Agreement. Termination of this Agreement shall not relieve Licensee of any unfulfilled obligations to Licensor created hereunder unless it is so agreed by Licensor in writing.

Section 13.2. Expiration, Default and Termination. This Agreement may be terminated as follows:

- A. Upon the expiration of its term.
- B. Upon the mutual agreement in writing signed by authorized representatives of the parties to a termination.
- C. At Licensor's option, effective immediately upon the giving of written notice to Licensee, if Licensee: (i) fails to open the Restaurant and commence operations or pay the License Fee within the maximum time or in accordance with the Schedule under Article 4 hereof; (ii) ceases to operate the Restaurant or otherwise abandons the business, or forfeits the legal right to do business in the jurisdiction where the Restaurant is located; (iii) or any owner is convicted of a felony or other crime involving moral turpitude, consumer fraud, or crime or offense Licensor believes is likely to have an adverse effect on Licensee's ability to carry out the duties imposed by this Agreement or to have an adverse effect on the System and the goodwill associated therewith; (iv) transfers (including transfers following death or incompetency) any rights or obligations in violation of the terms of Article 12 hereof; (v) misuses or discloses confidential information in violation

of Article 10 hereof, (vi) knowingly makes any false statements in any report or document submitted to Licensor; (vii) understates Gross Receipts of the Restaurant for any period by two percent (2%) or more two (2) or more times during any fifty-two (52) week period, or by more than five percent (5%) on any one occasion; (viii) suffers a final judgment to remain unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed), or has execution levied against Licensee's business or property, or any suit is filed to foreclose any lien or mortgage against the premises or equipment and not dismissed within thirty (30) days; or (ix) becomes insolvent or has a receiver appointed to take possession of Licensee's business or property or any part thereof or makes a general assignment for benefit of creditors.

D. At Licensor's option, without notice, in the event Licensee shall become bankrupt or become subject to a proceeding under any chapter of the United States Bankruptcy Code, unless Licensee shall: (i) timely undertake to reaffirm the obligations under this Agreement, (ii) timely comply with all conditions as legally may be imposed by Licensor upon such an undertaking to reaffirm this Agreement, and (iii) timely comply with such other conditions and provide such assurance as may be legally required in or under relevant provisions of the United States Bankruptcy Code; provided, however, that the parties acknowledge that this Agreement constitutes a personal services contract made in reliance on the qualifications and personal characteristics of Licensee and its directors, officers, shareholders, members, or owners, as the case may be, and in the expectation of a material degree of personal involvement in the management and operation of the Restaurant, and consequently, the parties agree that any attempt by any other party, including a trustee in bankruptcy or any other third party, to assume or accept a transfer or assignment of this Agreement shall be void, and that in no event shall this Agreement or any rights or duties of Licensee hereunder, be transferred to any individual or entity who does not comply with all requirements for transfer specified in this Agreement.

E. At Licensor's option, effective upon: (i) the expiration of ten (10) days after giving of written notice, in the event Licensee defaults, and does not cure to Licensor's reasonable satisfaction within the ten (10)-day notice period, in the obligation to pay when due any financial obligation to Licensor; or (ii) the expiration of thirty (30) days after giving of written notice, in the event Licensee defaults, and does not cure to Licensor's reasonable satisfaction within the thirty (30)-day notice period, in the performance of any other covenant or provision of this Agreement or any other license agreement with Licensor, including, without limitation, the obligation to make reports and provide information when due or failure to maintain any of the standards or procedures prescribed for the Restaurant in this Agreement, the Licensor Manual, or otherwise. Notwithstanding the foregoing, Licensee shall be entitled to notice and opportunity to cure any such default only once in any six (6) 28-day periods, and any subsequent occurrence of the same or substantially similar default within such six (6) 28-day periods shall

entitle Licensor, at its option, to terminate this Agreement effective immediately upon the giving of notice and without opportunity to cure.

Section 13.3. No Waiver; Rights and Remedies not Exclusive. No forbearance of Licensor from asserting any default or giving any permitted notice of termination shall constitute a waiver of such default or right to terminate or an estoppel against such right as to any continuing default or subsequent occurrence of a default, whether similar or dissimilar in nature to the prior default. The rights of Licensor to terminate this Agreement are in addition to, and not in lieu of, other remedies available at law or equity for defaults by Licensee in the payment and performance of its obligations under this Agreement.

Section 13.4. Cross Default. Except for a default or termination of any multi-unit development agreement or other multi-unit agreement solely due to Licensee's failure to meet the development schedule thereunder, any default by Licensee or any of its Affiliates under the terms and conditions of this Agreement or any other agreement between Licensor and Licensee or any of its affiliates shall be deemed to be a default of each and every said agreement. Furthermore, in the event of termination, for any cause, of this Agreement, Licensor may, at its option, terminate any or all said agreements.

Section 13.5. Statutory Limitations. If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement requires a notice or cure period prior to termination longer than set forth in this Article 13, this Agreement will be deemed amended to conform to the minimum notice or cure period required by the applicable law or regulation.

**Article 14. Obligations upon Expiration or Termination.**

Section 14.1. Effect of Expiration or Termination. Upon the expiration or termination of this Agreement for any reason:

- A. All rights granted under this Agreement to Licensee shall terminate;
- B. Licensee shall immediately and permanently cease to operate the Restaurant, and shall not thereafter, directly or indirectly, represent itself to the public or hold itself out as a licensee of Licensor. The rights granted to Licensee in the Assigned Territory immediately shall terminate, and Licensor shall have the right to operate, or license others to operate, System Restaurants anywhere in the Assigned Territory;
- C. Licensee shall immediately and permanently discontinue the use of all Proprietary Marks, all confusingly or colorably similar names and marks thereto, or any other designation or mark indicating or tending to indicate that Licensee is or was a licensee of Licensor. Licensee shall promptly amend or terminate any filings or registrations with any governmental authorities containing or pertaining to the use of the Proprietary Marks. Licensee shall not promote or advertise the fact that it was formerly a licensee of Licensor;

D. Licensee shall surrender and transfer to Licensor or its designee any and all rights to use the telephone numbers, domain names, e-mail addresses, and other business listings used by Licensee for the Restaurant. Licensee agrees to cooperate and execute any and all documents required to effect transfer of the telephone numbers and other business listings from Licensee to Licensor or its designee;

E. Licensee shall immediately turn over to Licensor all materials, including, without limitation, the Licensor Manual, all manuals and all Customer Data, marketing materials, instructions, and brochures, and any and all other materials relating to the operation of the Restaurant in Licensee's possession, custody, or control, and all copies thereof (all of which are acknowledged to be Licensor's property, and shall retain no copy, excerpt, or record of the foregoing, excepting only Licensee's copy of this Agreement and of any correspondence between the parties related to contractual obligations or provisions, and any other documents which Licensee reasonably needs for compliance with any provision of law;

F. Licensee shall immediately and permanently discontinue all advertising related to the Restaurant, including, but not limited to, removal of all signs and other identifying marks and colors, and shall destroy or surrender to Licensor any letterheads, forms, printed matter, and advertising materials containing the Proprietary Marks and any confusingly or colorably similar or related names marks or designations tending to indicate that Licensee is or was an authorized licensee of Licensor;

G. If Licensor does not elect to purchase the assets of the Restaurant pursuant to Section 14.2, Licensee shall, at its expense, immediately make such modifications or alterations as may be necessary to distinguish the Restaurant so clearly from its former appearance and from other System Restaurants as to prevent any likelihood or possibility of confusion with System Restaurants by the public, and to prevent the operation of any business at the Licensed Location by Licensee or others in derogation of this Section 14.1.G (including, without limitation, removal of all distinctive physical and structural features identifying Restaurant in the System, removal of all signs and emblems, and changing of telephone numbers and other directory listings). Licensee shall, at Licensee's expense, make such specific additional changes as Licensor may reasonably request for this purpose. If Licensee fails to initiate immediately and complete such alterations when required, Licensee agrees that Licensor or its designated agents may enter the Restaurant and adjacent areas, and hereby grants Licensor an irrevocable license and permit to go upon the Restaurant premises for such purposes, at any time to make such alterations, at Licensee's sole risk and expense, without responsibility for any actual or consequential damages to the property of Licensee or others. Licensee acknowledges that such actions by Licensor are authorized and permitted and shall not be deemed a violation of any civil or criminal law or any basis for an action under such laws by Licensee or others. Licensee expressly acknowledges that its failure to make such alterations will cause irreparable injury to Licensor, and

consents to entry, at Licensee's expense, of an ex parte order by any court of competent jurisdiction authorizing Licensor or its agents to take such action, if Licensor seeks such an order;

H. Licensee shall immediately and permanently cease using the System, including, but not limited to, the Licensor Manual, any other operating or training manuals or aids, advertising and promotional materials, and all Trade Secrets and confidential material delivered to Licensee pursuant to this Agreement; and

I. Licensee shall promptly pay all sums owing to Licensor and its affiliates. In the event of termination for any default of Licensee, such sums shall include payment of all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Licensor as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in favor of Licensor against any and all of the personal property (including, without limitation, signs, equipment, furnishings, furniture, and supplies) owned and used by Licensee in connection with the Restaurant at the time of default.

#### Section 14.2. Option to Purchase.

A. Licensor shall have the right, at its sole option, for a period of sixty (60) days following termination of this Agreement, to purchase at the lesser of Licensee's cost or fair market value as determined by an independent appraiser to be selected by Licensor, all or any portion of usable materials owned by Licensee bearing the Proprietary Marks and/or Licensee's equipment, furniture, fixtures, inventory, and moveable signs used in the Restaurant or at the Licensed Location, free and clear of all liens and encumbrances. Licensee shall not during such sixty (60) day period remove from the Restaurant or the Licensed Location, transfer, assign, hypothecate, pledge, or otherwise encumber such equipment, furniture, fixtures, inventory, and moveable signs. Licensor shall have the right to set-off against and reduce the purchase price by any and all amounts owed by Licensee to Licensor, and the amount of any encumbrances or liens against such assets or any obligations assumed by Licensor.

B. Licensee shall, if Licensor elects to purchase the assets of the Restaurant pursuant to Section 14.2.A above, at Licensor's option, assign to Licensor any interest that Licensee has in any lease for the Restaurant; provided that Licensor agrees to use reasonable efforts to effect a termination of the existing lease for the premises and enter into a new lease on reasonable terms with the landlord. In the event Licensor is unable to negotiate an acceptable new lease, Licensor will indemnify and hold Licensee harmless from any ongoing liability under the lease from the date on which Licensor assumes possession of the premises. The assignment of the lease shall be made at the same time as Licensor purchases the assets of the Restaurant pursuant to Section 14.2.A. If Licensee owns the Restaurant, it will lease the Restaurant to Licensor or one of its affiliates or assigns on reasonable fair market terms.



Section 14.3. Enforcement Costs. Licensee shall pay to Licensor all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Licensor in connection with obtaining injunctive or other relief for the enforcement of any provisions of this Article 14.

Section 14.4. Early Termination Damages. If Licensor terminates this Agreement for any reason, Licensee shall pay to Licensor a lump sum payment (as liquidated damages and not as a penalty or in lieu of any other payments required under this Agreement) equal to the total of all amounts required under Article 3 (License Fees, royalty fees, Marketing Fund contributions, etc.) for (i) the thirty-six (36) 28-day periods of operation of the Restaurant preceding Licensee's default, or (ii) the period of time the Restaurant has been in operation preceding the notice, if less than thirty-six (36) 28-day periods, projected on a thirty-six (36) 28-day period basis. Notwithstanding the foregoing sentence, if the number of 28-day periods remaining between the date of termination and the date on which the term of this Agreement would otherwise have ended pursuant to Article 2 is less than thirty-six (36) 28-day periods, then the time period for calculating the amount of liquidated damages shall be the number of 28-day periods remaining in such term. The parties acknowledge that a precise calculation of the full extent of the damages which Licensor will incur in the event of termination of this Agreement as a result of Licensee's default is difficult in the extreme, and agree that the lump sum payment provided under this Section 14.3 is reasonable in light of the damages for premature termination which Licensor will incur in such event. Such payment of liquidated damages shall be in addition to amounts otherwise payable to Licensor by Licensee under this Agreement. The payment of liquidated damages shall not affect Licensor's rights to obtain appropriate equitable relief and remedies, such as injunctive relief to enforce Article 10 of this Agreement and specific performance to enforce this Article 14.

Section 14.5. Preservation of Records. Termination of this Agreement shall not relieve Licensee of the obligations under Article 9 of this Agreement to maintain and preserve financial and other records and to make them available for inspection and audit by Licensor.

Section 14.6. Survival of Obligations. This Article 14 and all covenants, obligations, and agreements of Licensee which by their terms or by reasonable implication are to be performed, in whole or in part, after the termination or expiration of the term of this Agreement, shall survive such termination or expiration.

## **Article 15. Relationship of the Parties.**

Section 15.1. Efforts of Licensee. Licensee agrees and acknowledges that, prior to executing this Agreement, Licensee has made such investigation of the System as Licensee deems necessary, that Licensee understands that the results of operations of the Restaurant are dependent upon the efforts and management of Licensee, and Licensee hereby assumes full responsibility for such operations. Licensee shall retain and exercise management and control over the Restaurant and its operations and shall require its general manager to devote full time and attention to the operations and business of the Restaurant.

Section 15.2. Independent Contractor. It is understood and agreed by Licensor and Licensee that this Agreement does not create a fiduciary relationship between them; that

Licensee shall be an independent contractor; and, that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer, or servant of the other for any purpose whatsoever. Neither this Agreement nor Licensor's course of conduct is intended, nor may anything in this Agreement (nor Licensor's course of conduct) be construed to state or imply that Licensor is the employer of Licensee's employees and/or independent contractors, nor vice versa. Licensee shall hold itself out to the public as an independent contractor operating the Restaurant pursuant to a license from Licensor. Licensee agrees to take such affirmative action as may be necessary to do so, including, without limitation, exhibiting a notice of that fact in a conspicuous place on the Restaurant premises, and, as directed by Licensor, in Licensee's advertising materials, agreements, forms, stationery, and promotional materials.

Section 15.3. No Obligations on Licensor's Behalf. Licensee understands and agrees that nothing in this Agreement authorizes Licensee to make any contract, agreement, warranty, or representation on Licensor's behalf, or to incur any debt or other obligation in Licensor's name or on Licensor's behalf; and Licensor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action, or by reason of any act or omission of Licensee in its operation of the Restaurant, or any claim or judgment arising therefrom against Licensor.

Section 15.4. Personnel Matters. Licensee acknowledges that the System and the System standards set forth in the Licensor Manual or otherwise do not include any personnel policies or procedures. If Licensor makes any sample personnel policies or procedures available, Licensee alone will determine to what extent, if any, those policies or procedures might apply to its operations. Licensor neither dictates nor controls labor or employment matters for developers, Licensees, or their employees. Licensee must clearly inform all workers, before hiring and periodically thereafter, that Licensee, and not Licensor, is their employer and that Licensor does not assume and will not accept any employer, co-employer, or joint employer obligations.

## **Article 16. Approvals and Waivers.**

Section 16.1. Approvals. Whenever this Agreement requires the prior approval or consent of Licensor, Licensee shall make a timely written request to Licensor therefor, and such approval or consent shall be obtained in writing. Except as otherwise expressly provided in this Agreement, Licensor may withhold any consent or approval at its discretion.

Section 16.2. No Warranties or Guarantees. Licensor shall have no liability for withholding any consent or approval or for any delay or inaction in connection therewith, and the granting of any approval or consent shall not imply or constitute any representation, warranty, guaranty, or endorsement of the matter approved or consented to or an assumption of any liability in connection therewith.

Section 16.3. No Waivers. No delay, waiver, omission, or forbearance on the part of Licensor to exercise any right, option, duty, or power arising out of any breach or default by Licensee, or any other System licensee, of any of the terms, provisions, covenants, or conditions hereof shall constitute a waiver by Licensor to enforce any such right, option, duty, or power as

against Licensee, or as to subsequent breach or default by Licensee. Subsequent acceptance by Licensor of any obligations due to it under this Agreement shall not be deemed to be a waiver by Licensor of any preceding breach by Licensee of any terms, provisions, covenants, or conditions of this Agreement.

**Article 17. Notices.**

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, mailed by certified or registered mail, postage prepaid, return receipt requested, sent by electronic mail with delivery confirmation receipt, or sent via a nationally recognized overnight delivery service, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Licensor:	Freddy’s, L.L.C. 3020 N. Cypress Street, Suite 200 Wichita, KS 67226 Email: andrewt@freddysusa.com Attention: Andrew Thengvall
Notices to Licensee:	_____ _____ _____ Email: _____ Attention: _____

Any notice by certified or registered mail or recognized overnight delivery service shall be deemed to have been given at the date and time of mailing.

**Article 18. Dispute Resolution.**

Section 18.1. Mediation. Licensee and Licensor agree to submit, prior to arbitration, all unsettled claims, disputes, controversies, and other matters in question between them arising out of or relating to this Agreement (including, but not limited to, any claim that the Agreement or any of its provisions is invalid, illegal, or otherwise voidable or void), the dealings or relationship between Licensee and Licensor, or Licensee’s operation of the Restaurant (“Disputes”) to mediation in Wichita, Kansas and in accordance with the Commercial Mediation Rules of the American Arbitration Association currently in effect. Demand for mediation shall be made within a reasonable time after cessation of negotiations.

A. Mediation shall be private, voluntary, and nonbinding. Any party may withdraw from the mediation at any time before signing a settlement agreement upon written notice to each other party and to the mediator. The mediator shall be neutral and impartial. The mediator’s fees shall be shared equally by the parties. The mediator shall be disqualified as a witness, consultant, expert, or counsel for either party with respect to the matters in Dispute and any related matters.

B. Unless the parties agree otherwise, the entire mediation process shall be confidential and without prejudice. The parties and the mediator shall not disclose any information, documents, statements, positions, or terms of settlement. Nothing said or done or provided by the parties in the course of mediation shall be reported or recorded or, except as ordered by a court of competent jurisdiction, placed in any legal proceeding or construed for any purpose as an admission against interest. Nevertheless, evidence otherwise discoverable or admissible is not excluded from discovery or admission as a result of its use in mediation.

C. If a Dispute cannot be resolved through mediation, the parties agree to submit the Dispute to arbitration, subject to the terms and conditions of this Article 18.

Section 18.2. Arbitration. Subject to Section 18.1, all Disputes between Licensee and Licensor will be submitted for binding arbitration to the American Arbitration Association on demand of either party. Such arbitration proceeding will be conducted in Wichita, Kansas and, except as otherwise provided in this Agreement, will be heard by one (1) arbitrator in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. All matters relating to arbitration will be governed by the federal Arbitration Act (9 U.S.C. §§ 1 *et. seq.*) and not by any state arbitration law.

A. The arbitrator will have the right to award or include in his award any relief which the arbitrator deems proper under the circumstances, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and reasonable attorneys' fees and costs, provided that the arbitrator will not have the right to amend or modify the terms of this Agreement, declare any Proprietary Marks generic or otherwise invalid, or to award exemplary or punitive damages. The award and decision of the arbitrator will be conclusive and binding upon all parties, and judgment upon the award may be entered in any court of competent jurisdiction.

B. Licensee and Licensor agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law. Licensee and Licensor further agree that, in connection with any such arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed as described above will be forever barred.

C. Licensee and Licensor agree that arbitration will be conducted on an individual, not a class-wide, basis, and that an arbitration proceeding between Licensee and Licensor may not be consolidated with any other arbitration proceeding involving Licensee or Licensor and another party.

Section 18.3. Injunctive Relief. Notwithstanding anything to the contrary contained in this Article 18, Licensee and Licensor each have the right in a proper case to obtain temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that Licensee and Licensor must contemporaneously submit the Disputes for non-binding mediation under Section 18.1 and then for arbitration under Section 18.2 on the merits as provided herein if such Disputes cannot be resolved through mediation. Licensee acknowledges that a proper case to obtain temporary restraining orders and temporary or permanent injunctive relief from a court of competent jurisdiction contemporaneously with submitting the Disputes to mediation and then to arbitration shall include, but not be limited to, the following:

- A. Any Dispute involving actual or threatened disclosure or misuse of the contents of the Licensor Manual or any other confidential information or Trade Secrets of Licensor;
- B. Any Dispute involving the ownership, validity, use of, or right to use or license the Proprietary Marks;
- C. Any action by Licensor to enforce the covenants set forth in Article 10 and Article 12 of this Agreement; and
- D. Any action by Licensor to stop or prevent any threat or danger to public health or safety resulting from the construction, maintenance, or operation of the Restaurant.

Section 18.4. Choice of Law. This Agreement is governed by and shall be construed in accordance with the laws of the State of Kansas, without regard to the rules governing conflict of laws.

Section 18.5. Choice of Forum. In the event that Licensee commences any action against Licensor with respect to any Dispute, such action shall be brought only in a federal or state court sitting within the City of Wichita, Sedgwick County, Kansas. Licensee consents to the exercise of jurisdiction by courts within the City of Wichita, Sedgwick County, Kansas over any claims or counterclaims against Licensee.

Section 18.6. Applicability to Third Parties. The provisions of this Article 18 are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Unless the context otherwise requires, the term "Licensee" as used in this Article 18 shall include individually and collectively, all partners, officers, directors, managers, members, and holders, directly or indirectly (and any partners, officers, or directors of any such holders), of any beneficial interest in Licensee, and any immediate family members of any such persons.

Section 18.7. Costs and Expenses. In the event Licensor incurs legal fees or costs or other expenses to enforce any obligation of Licensee under this Agreement, or to defend against any claim, demand, action, or proceeding by reason of Licensee's failure to perform or observe

any obligation imposed upon Licensee by this Agreement, then Licensor shall be entitled to recover from Licensee the amount of all legal fees, costs, and expenses, including reasonable attorneys' fees, whether incurred prior to, or in preparation for or contemplation of the filing of any claim, demand, action, or proceeding to enforce any obligation of Licensee hereunder or thereafter or otherwise.

**Article 19. Entire Agreement.**

This Agreement, the documents referred to in this Agreement, and the attachments to this Agreement, if any, constitute the entire, full, and complete agreement between Licensor and Licensee concerning the subject matter of this Agreement, and supersede any and all prior or contemporaneous negotiations, discussions, understandings or agreements. There are no promises, representations, inducements, or agreements between the parties of any nature that are not contained in this Agreement. No amendments, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Nothing in this Agreement is intended to disclaim any of the representations contained in the Franchise Disclosure Document.

**Article 20. Construction and Severability.**

Section 20.1. Advice of Counsel. Licensee acknowledges and agrees that it received ample time and opportunity to review this Agreement and seek legal counsel with respect to the terms of this Agreement and the License granted by this Agreement and is making this Agreement based solely on its terms and not on any collateral representation or promise, including, without limitation, any projections of profits to be obtained by making this Agreement, which Licensee acknowledges have not been made, represented, or warranted to Licensee.

Section 20.2. Construction and Severability.

A. Should any one or more parts of this Agreement be declared invalid for any reason by a court of competent jurisdiction, such decision shall not affect the validity of any remaining portions of this Agreement, which shall remain in full force and effect as if this Agreement had been executed without such invalid parts, except to the extent the absence of the provisions invalidated would frustrate or make it impossible to achieve the purposes for which this Agreement was made. Should the requirements of any applicable law or regulation change or modify the terms of this Agreement or conflict with its provisions, such change or modification shall not be applicable to this Agreement unless such change is lawfully mandated by the authority making the same, in which case only the provisions affected by such law or regulation shall be affected, and this Agreement shall otherwise remain in full force and effect, as modified to be consistent with such law or regulation.

B. Licensor and Licensee and the persons signing the Guaranty attached to this Agreement as Guarantors acknowledge that various provisions of this Agreement specify certain matters that are within the discretion or judgment of Licensor or are otherwise to be determined unilaterally by Licensor. In the exercise of Licensor's

discretion or judgment as to any such matter, the parties expressly agree, if Licensor has considered any lawful business reason in the exercise of its discretion or judgment, the decision is a reasonable and proper exercise of such discretion or judgment that should not be, and may not be, second guessed by a fact-finder in dispute resolution proceedings. It is the intent of the parties that any fact finder shall uphold and enforce such a decision or judgment, regardless of the existence of other reasons for the decision and regardless of whether the fact-finder would have given different weight to the potential reasons for decision, would have considered other reasons not taken into account, or otherwise would have made a different decision if asked to make the decision in the first instance.

C. Unless otherwise expressly provided in this Agreement to the contrary, any consent, approval, or authorization of Licensor that Licensee may be required to obtain may be given or withheld by Licensor in its sole discretion, and on any occasion where Licensor is required or permitted under this Agreement to make any judgment or determination, including any decision as to whether any condition or circumstance meets Licensor's standards or satisfaction, Licensor may do so in its sole subjective judgment.

D. As used in this Agreement, the words "include," "includes" or "including" are used in a non-exclusive sense.

E. Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties. Licensor and Licensee intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

F. This Agreement is made solely for the benefit of the parties to this Agreement and their respective successors and permitted assigns, and nothing in this Agreement shall create any right to rely upon the terms of this Agreement in favor of any third party nor confer any right or remedy upon any third party.

G. All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provisions of this Agreement.

H. All terms and words used in this Agreement, regardless of numbers and genders in which they are used, shall be deemed to include singular or plural and all genders as the context or sense of this Agreement or any paragraph or clause in this Agreement may require.

I. All acknowledgments, promises, covenants, agreements, and obligations herein made or undertaken by Licensee shall be deemed jointly and severally undertaken by all those executing this Agreement on behalf of Licensee.

J. Time is of the essence of this Agreement and all provisions hereof shall be so interpreted.

K. No right or remedy conferred upon or reserved to Licensor or Licensee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

L. Nothing in this Agreement contained shall bar Licensor's right to obtain injunctive relief against threatened conduct that will cause it loss or damage, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

**Article 21. Acknowledgments.**

Licensee acknowledges to Licensor, in order to induce Licensor to enter this Agreement, as follows:

A. Licensor makes no representations or warranties and hereby disclaims any warranties with regard to whether any of the Proprietary Marks are protectable or registerable and with regard to whether any of the Proprietary Marks infringe upon the rights of others; and

B. In all of their dealings with Licensee, the officers, directors, employees, and agents of Licensor act only in a representative capacity, not in an individual capacity, and that this Agreement and all business dealings between Licensee and such individuals as a result of this Agreement are solely between Licensee and Licensor.

**Article 22. Execution of Agreement.**

Section 22.1. This Agreement may be executed in counterparts, which together shall constitute one agreement of the parties. Electronic copies of any signed original Agreement shall be deemed the same as delivery of an original.

Section 22.2. By signing this Agreement, Licensee acknowledges that it has received a complete copy of this Agreement, with any exhibits referred to in this Agreement attached.

[ signatures begin on next page ]



IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Agreement as of the Effective Date.

Freddy's, L.L.C.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

“Licensor”

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

“Licensee”

FREDDY'S, L.L.C.  
LICENSE AGREEMENT

EXHIBIT "A"

LICENSED LOCATION

FREDDY’S, L.L.C.  
LICENSE AGREEMENT

EXHIBIT “B”

OWNERS OF LICENSEE

Name of Owner

Interest in Licensee

TOTAL

---

100%

FREDDY'S, L.L.C.  
LICENSE AGREEMENT

EXHIBIT "C"

GUARANTY

See next page

GUARANTY

As an inducement to Freddy’s, L.L.C. to enter into the foregoing License Agreement, which it is unwilling to do but for this Guaranty, the undersigned (each a “Guarantor” and collectively, “Guarantors”) individually and, if more than one Guarantor, jointly and severally, guarantee the payment and performance of all obligations of Licensee under the License Agreement. This shall be an unconditional, irrevocable, and continuing guaranty for the entire term of the License Agreement, including any renewal terms.

Guarantors agree that they are willing to remain fully bound by this Guaranty notwithstanding any action or inaction of Licensor and Licensee in connection with the License Agreement, and that their obligation shall not be modified, waived, or released by any modification, amendment, or departure from the terms of the License Agreement, or by any forbearance, extension of time, waiver, or release granted by Licensor to Licensee or any Guarantor or with respect to any security held by Licensor. Guarantors expressly waive any notice of all such matters and agree to pay and perform the obligations of Licensee without notice or demand from Licensor and without any requirement that Licensor first proceed against Licensee or any other Guarantor.

IN WITNESS WHEREOF, each of the undersigned has executed this Guaranty as of the date of the License Agreement.

GUARANTORS:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

FREDDY'S, L.L.C.  
LICENSE AGREEMENT

EXHIBIT "D"

COVENANT AGREEMENT

FREDDY’S, L.L.C.  
LICENSE AGREEMENT

EXHIBIT “E”

ADDENDUM TO LEASE AGREEMENT

THIS ADDENDUM TO LEASE AGREEMENT (this “Addendum”) is made as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ (“Landlord”), and \_\_\_\_\_ (“Tenant”).

RECITALS

The parties hereto acknowledge and agree that Tenant is a party to a License Agreement with Freddy’s, L.L.C., a Kansas limited liability company (the “License Agreement”) in connection with the Freddy’s Frozen Custard & Steamburgers restaurant located at \_\_\_\_\_. Pursuant to the License Agreement, Tenant agreed to cause the provisions contained in this Addendum to be made a part of the lease agreement between Tenant and Landlord, a copy of which is attached hereto and incorporated herein by reference (the “Lease Agreement”).

In order to induce Tenant to enter into the Lease Agreement, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant hereby agree to the following additional terms and provisions to the Lease Agreement, and further agree that, to the extent that the terms and conditions of the Lease Agreement conflict with the terms and provisions of this Addendum, the terms and provisions of this Addendum shall control:

1. Notice of Default. Upon the occurrence of any default by Tenant under the terms and provisions of the Lease Agreement, Landlord shall concurrently give written notice of such default to Tenant at the address specified in the Lease Agreement and to Freddy’s, L.L.C., a Kansas limited liability company, and its successors and assigns (“Freddy’s”), at 3020 N. Cypress Street, Suite 200, Wichita, Kansas 67226, or such other address as may be designated in writing by Freddy’s.
2. Franchisor’s Right to Enter Leased Premises. Upon the occurrence of any default by Tenant under the terms and provisions of the Lease Agreement and/or the License Agreement, Freddy’s shall have the right (but not the duty) to enter the leased premises to remove signage and to otherwise make such modifications or alterations to the leased premises which Freddy’s deems reasonably necessary to protect its proprietary marks and distinguishing characteristics of Freddy’s locations.
3. Assumption of Lease. Upon the occurrence of any default by Tenant under the terms and provisions of the Lease Agreement or the License Agreement, or upon the expiration or termination of the License Agreement, Freddy’s shall have the right (but not the duty) to assume Tenant’s rights and obligations under the Lease Agreement, but Freddy’s must exercise such right no more than fifteen (15) business days after the later of (i) the expiration of any cure period under the Lease Agreement or the License Agreement without cure by Tenant, or (ii) the receipt of

written notice of such default under the Lease Agreement by Freddy's. Upon the exercise of such right by Freddy's, Tenant hereby assigns to Freddy's, with Landlord's irrevocable and unconditional consent, all of Tenant's right, title, and interest to and under the Lease Agreement.

4. Third-Party Beneficiary. The parties hereto acknowledge and agree that Freddy's is intended to be a third-party beneficiary under the Lease Agreement and this Addendum.

IN WITNESS WHEREOF, the parties hereto have executed this Addendum as of the date first above written.

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

“Landlord”

“Tenant”



**EXHIBIT C**

**FREDDY'S, L.L.C. COVENANT AGREEMENT**

**FREDDY'S L.L.C.  
COVENANT AGREEMENT**

THIS COVENANT AGREEMENT (this "Agreement") is entered into by and among Freddy's, L.L.C. ("Licensor") and those persons listed on the signature page of this Agreement (whether one or more "Covenantors") on the date and year executed by Licensor below (the "Effective Date").

Recital

Covenantors have agreed to enter into this Agreement to induce Licensor to enter into a franchise relationship for the Freddy's System that includes or could include development agreements, license agreements, and other proprietary information about the System between Licensor and \_\_\_\_\_ ("Licensee").

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, Covenantors covenant and agree as follows:

1. Capitalized terms used in this Agreement and not otherwise defined shall have the same meaning as defined in the Freddy's L.L.C. Development Agreement and/or Freddy's L.L.C. License Agreement, as applicable (the "Licensee Documents"), between Licensor and Licensee.
2. During the term of the Licensee Documents and thereafter, except as otherwise approved in writing by Licensor, Covenantors shall not, either directly or indirectly, individually, or through, or on behalf of, or in conjunction with any person, persons, or entity:
  - a. Copy or disclose to any person other than Licensee's employees (and then only to employees who have a need to know) (i) any Trade Secrets, (ii) any knowledge, information, or know-how concerning the System, or (iii) all or any portion of the Development Manual and/or Licensor Manual (individually or jointly "Licensor Manual") or any other confidential materials, including, without limitation, the design of System Restaurants, methods of operation and service at System Restaurants, secret recipes, methods of preparation, and service of food products sold at System Restaurants, knowledge of sales and profit performance at any one or more System Restaurants, knowledge of test programs, concepts or results relating to new menu items, and advertising and promotional programs, sources of food products and suppliers of equipment, advertising, promotion and marketing techniques, the selection and training of store managers and, in general, methods, techniques, formulas, formats, specifications, procedures, information systems and knowledge, in the operation and licensing of System Restaurants, or other materials deemed confidential by Licensor. Covenantors shall at all times treat the Trade Secrets, Licensor Manual, and the information contained therein as confidential, and shall use all reasonable efforts to maintain such information as secret and confidential and shall use the same only in the development and operation of the Restaurant. The Trade Secrets and Licensor Manual shall at all times remain the sole property of Licensor, and shall be returned to Licensor immediately upon

expiration or termination of the Licensee Documents. Any and all information, knowledge, know-how, and other data that Licensor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Covenantors can demonstrate came to their attention prior to disclosure thereof by Licensor; or which, at or after the time of disclosure by Licensor to Covenantors, had become a part of the public domain, through publication or communication by others.

- b. During the term of the Licensee Documents, Covenantors shall not compete, or be associated, directly or indirectly, as an owner, officer, director, employee, consultant, or otherwise, in any Competitive Business (as defined below) and there is no geographic limitation on this restriction. For a period of two (2) years after any transfer, the expiration of the Licensee Documents, or the termination of the Licensee Documents for any reason, Covenantors shall not compete, or be associated, directly or indirectly, as an owner, officer, director, employee, consultant, or otherwise, in any Competitive Business that is located within (i) the Assigned Area or Assigned Territory, (ii) the Designated Market Area or Areas identified by the then-current Nielsen Wall Map published by the A.C. Nielsen Company (“DMA”), in which the Assigned Area or Assigned Territory is located, or (iii) the DMA of any other System Restaurant then existing. The term “Competitive Business” shall mean any retail food establishment (including, but not limited to, any restaurant or ice cream, custard, or yogurt parlor or shop) (a) that offers for sale custard-style products or (b) in which any of the following categories (singly or in the aggregate) constitutes more than ten percent (10%) of its food revenues: (1) ice cream or yogurt or (2) ground-beef or hot dog sandwiches; provided, however, that passive ownership of less than five percent (5.0%) of the outstanding voting securities of a publicly held corporation (which for purposes of this Agreement means a corporation registered under the Securities Exchange Act of 1934) shall not be deemed a violation of this Section 2.b. In the event the A.C. Nielsen Company discontinues the publication of Nielsen Wall Maps for any reason, Licensor shall have the right to designate an alternate generally recognized market identification resource for use in connection with this Section 2.b.
- c. In the event any provision of this Agreement is deemed by a court of competent jurisdiction to be more restrictive than permissible at law or equity, Covenantors agree that the provisions of this Agreement may be reformed and modified and enforced by such court to the maximum extent permissible under applicable law and principles of equity. Covenantors agree that specific performance and injunctive relief are necessary and appropriate remedies for violations of this Agreement and agree to the enforcement of such remedies, but without prejudice to the right of Licensor to recover money damages, which are in no event a full and adequate remedy for such violations.

3. Covenantors agree that the existence of any claim that any of them may have against Licensor shall not constitute a defense to the enforcement by Licensor of this Agreement or any covenants contained in the Licensee Documents. In the event that Covenantors commence any

action against Licensor arising out of or related to this Agreement, or the dealings or relationship of the parties under this Agreement or otherwise, such action shall be brought only in a federal or state court sitting within the City of Wichita, Sedgwick County, Kansas. Covenantors consent to the exercise of jurisdiction by courts within the City of Wichita, Sedgwick County, Kansas over any claims or counterclaims against Covenantors. In the event Licensor incurs legal fees or costs or other expenses to enforce any obligation of Covenantors under this Agreement, or to defend against any claim, demand, action, or proceeding by reason of Covenantors' failure to perform or observe any obligation imposed upon Covenantors by this Agreement, then Licensor shall be entitled to recover from Covenantors the amount of all legal fees, costs, and expenses, including reasonable attorneys' fees, whether incurred prior to, or in preparation for or contemplation of the filing of any claim, demand, action, or proceeding to enforce any obligation of Covenantors under this Agreement or thereafter or otherwise.

4. This Agreement and the documents provided for in this Agreement contain the entire agreement of the parties with respect to the subject matter of this Agreement and supersede all prior negotiations, agreements, and understandings. This Agreement may only be amended by a written document duly executed by all parties.

5. This Agreement shall be governed by and construed in accordance with the laws of the State of Kansas, without reference to the rules governing conflicts of law.

6. This Agreement shall inure to the benefit of and shall be binding upon the respective successors, heirs, administrators, executors, personal representatives, trustees, and assigns of the parties hereto.

7. This Agreement may be executed in multiple counterparts, each considered an original, but all of which shall constitute but one agreement. Electronic copies of any signed original Agreement shall be deemed the same as delivery of an original.

[ signatures begin on next page ]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the Effective Date.

Freddy's, L.L.C.

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

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

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

“Licensor”

\_\_\_\_\_, individually

\_\_\_\_\_, individually

\_\_\_\_\_, individually

\_\_\_\_\_, individually

\_\_\_\_\_, individually

\_\_\_\_\_, individually

\_\_\_\_\_, individually

“Covenantors”

**EXHIBIT D**

**FINANCIAL STATEMENTS AND GUARANTEE**

**FREDDY'S ACQUISITION HOLDINGS, INC. AND SUBSIDIARIES**

Consolidated Financial Statements

Fiscal Years Ended December 27, 2023 and December 28, 2022

**FREDDY'S ACQUISITION HOLDINGS, INC. AND SUBSIDIARIES**

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KPMG LLP  
Suite 900  
10 South Broadway  
St. Louis, MO 63102-1761

## Independent Auditors' Report

The Board of Directors  
Freddy's Acquisition Holdings, Inc.:

### *Opinion*

We have audited the consolidated financial statements of Freddy's Acquisition Holdings, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 27, 2023 and December 28, 2022, and the related consolidated statements of operations and comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 27, 2023 and December 28, 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a



substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

*KPMG LLP*

St. Louis, Missouri  
March 15, 2024

**FREDDY'S ACQUISITION HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(Amounts in thousands, except share and par value data)

	Fiscal Year Ended	
	December 27, 2023	December 28, 2022
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 14,830	\$ 23,263
Accounts receivable	3,993	4,494
Prepaid expenses and other current assets	3,702	2,856
Total current assets	22,525	30,614
Property and equipment, net	22,884	19,641
Goodwill	97,964	97,799
Right-of-use assets under operating leases, net	37,699	28,451
Intangible assets, net	211,756	215,883
Other assets, net	371	248
Total assets	\$ 393,198	\$ 392,636
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 3,724	\$ 3,730
Accrued expenses and other current liabilities	4,067	2,739
Gift card liability	4,151	3,698
Current portion of deferred revenue	1,022	672
Operating lease liabilities	694	409
Current maturities of long-term debt	5,750	1,250
Total current liabilities	19,409	12,497
Deferred revenue, net of current portion	11,239	10,001
Deferred income tax liability, net	6,099	1,700
Operating lease liabilities, net of current portion	37,070	27,731
Long-term debt, net of current portion	105,502	114,610
Other liabilities	902	1,112
Total liabilities	180,221	167,652
<b>Stockholders' equity</b>		
Common stock: \$10,000 par value. Authorized shares of 50,000.0 and 21,962.5 shares issued and outstanding as of December 27, 2023 and December 28, 2022	219,625	219,625
Retained earnings (deficit)	(6,647)	5,360
Total stockholders' equity	212,978	224,985
Total liabilities and stockholders' equity	\$ 393,198	\$ 392,636

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

**FREDDY'S ACQUISITION HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**

(Amounts in thousands)

	Fiscal Year Ended	
	December 27, 2023	December 28, 2022
Revenue		
Restaurant sales - company-owned	\$ 76,118	\$ 70,009
Franchise royalty revenue and fees	39,899	34,478
Advertising funds revenue	12,602	10,825
Total revenue	128,619	115,312
Costs and expenses		
Restaurant costs and expenses	62,239	58,086
Selling, general and administrative	18,541	18,737
Advertising	12,669	10,753
Depreciation and amortization	8,908	8,330
Loss (gain) on sale of company-owned restaurants and lease terminations	115	(98)
Total costs and expenses	102,473	95,808
Operating income	26,147	19,504
Interest expense, net	9,821	8,742
Loss on extinguishment of debt	1,794	—
Income before income tax expense	14,531	10,763
Income tax expense	4,575	1,624
Net income and comprehensive income	\$ 9,956	\$ 9,139

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

**FREDDY'S ACQUISITION HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

*(Amounts in thousands, except share data)*

	<u>Common Stock</u>		<u>Retained Earnings (Deficit)</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>		
Balances at December 29, 2021	21,962.5	\$ 219,625	\$ (3,779)	\$ 215,846
Net income	—	—	9,139	9,139
Balances at December 28, 2022	<u>21,962.5</u>	<u>\$ 219,625</u>	<u>\$ 5,360</u>	<u>\$ 224,985</u>
Net income	—	—	9,956	9,956
Dividends declared on common stock	—	—	(21,963)	(21,963)
Balances at December 27, 2023	<u>21,962.5</u>	<u>\$ 219,625</u>	<u>\$ (6,647)</u>	<u>\$ 212,978</u>

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

**FREDDY'S ACQUISITION HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Amounts in thousands)

	Fiscal Year Ended	
	December 27, 2023	December 28, 2022
Cash flows from operating activities		
Net income	\$ 9,956	\$ 9,139
Adjustments to reconcile net income to cash provided by (used in) operating activities		
Depreciation and amortization	8,908	8,330
Deferred income taxes	4,397	1,267
Noncash interest expense	331	619
Loss on extinguishment of debt	1,762	—
Loss (gain) on sale of company-owned restaurants and lease terminations	115	(98)
Changes in operating assets and liabilities		
Accounts receivable, net	501	(1,832)
Right-of-use asset	1,658	625
Prepaid expense and other current assets	(801)	(1,970)
Other assets	(123)	(248)
Accounts payable	(6)	(51)
Other accrued expenses	1,781	453
Other noncurrent liabilities	1,379	1,526
Operating lease liabilities	(157)	(125)
Net cash provided by operating activities	<u>29,700</u>	<u>17,635</u>
Cash flows from investing activities		
Payments made for business acquisition; net of cash acquired	(5,386)	—
Purchases of property and equipment	(4,085)	(5,090)
Proceeds from sale of property and equipment	—	892
Net cash used in investing activities	<u>(9,470)</u>	<u>(4,199)</u>
Cash flows from financing activities		
Proceeds from issuance of term loan	115,000	—
Repayments of term loan	(120,688)	(1,250)
Borrowings on revolving line-of-credit	7,200	—
Repayment of revolving line-of-credit	(7,200)	—
Payment of debt issuance costs	(1,013)	—
Dividends paid	(21,963)	—
Net cash used in financing activities	<u>(28,663)</u>	<u>(1,250)</u>
Net increase (decrease) in cash	(8,433)	12,186
Cash at beginning of period	23,263	11,077
Cash at end of period	<u>\$ 14,830</u>	<u>\$ 23,263</u>
Supplemental information		
Cash paid for interest	\$ 9,733	\$ 8,215
Cash paid for taxes	1,210	420
Non-cash recognition of right-of-use assets and related lease liabilities	\$ 11,217	\$ 28,482

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

**FREDDY'S ACQUISITION HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Description of Business**

Freddy's Acquisition Holdings, Inc. ("Holdings") together with its consolidated subsidiaries, (collectively, "Freddy's", the "Company", "we," "us," or "our"), is in the business of franchising and operating Freddy's Frozen Custard and Steakburger restaurants. The Company is headquartered in Wichita, Kansas. As of December 27, 2023, the Company had a total of 517 restaurants including 33 corporate owned restaurants, 470 franchised restaurants and 14 franchised non-traditional locations. The Company operates as a single segment for reporting purposes.

**2. Basis of Presentation and Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Certain monetary amounts, percentages, and other figures included in these consolidated financial statements have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries as of December 27, 2023, and December 28, 2022. All intercompany accounts and transactions have been eliminated in consolidation.

**Fiscal Year End**

The Company uses a 52/53-week fiscal year that ends on the last Wednesday of the calendar year. Fiscal years ended December 27, 2023 and December 28, 2022 both consisted of 52 weeks.

**Use of Estimates**

The preparation of the consolidated financial statements in accordance with US GAAP requires management to make estimates and assumptions that are primarily related to: long-lived asset valuation, indefinite and finite lived intangible asset valuation, income taxes, and the incremental borrowing rate for lease liabilities. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of certain assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Although management bases its estimates on historical experience and assumptions that are believed to be reasonable under the circumstances, actual results could differ from those estimates.

**Business Combinations**

The Company applies the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 805, *Business Combinations*, in the accounting for its acquisitions whereby the Company records assets acquired, and liabilities assumed at their respective fair value at the date of acquisition. Goodwill is recognized as the excess of the consideration transferred over the fair value of the

**FREDDY'S ACQUISITION HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

assets acquired and liabilities assumed. Management uses its best estimates and assumptions to accurately value assets acquired, and liabilities assumed at the acquisition date. Such estimates are inherently uncertain and may be subject to refinement.

Accounting for business combinations requires the Company to make estimates and assumptions at the acquisition date, including estimates of the fair value of property plant and equipment, acquired intangible assets and contractual obligations assumed, where applicable. Critical assumptions relevant to the determination of the fair value of the assets acquired and liabilities assumed include, but are not limited to, replacement cost of property acquired less normal depreciation, future cash flows of the operation of acquired business, discount rates, royalty rates, customer attrition and other assumptions.

In addition, the Company applies FASB Accounting Standard Update ("ASU") 2021-08, *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which provides an exception to fair value measurement for contract assets and contract liabilities related to revenue contracts acquired in a business combination. The ASU requires an entity (acquirer) to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with FASB ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606").

**Cash**

The Company maintains cash deposits with high credit quality financial institutions. The deposits with these financial institutions may exceed the federally insured limits; however, these deposits typically are redeemable upon demand. The Company has not experienced any loss because of these deposits and does not expect to incur any losses in the future.

**Accounts Receivable**

Accounts receivable are recorded at net realizable value, which includes an appropriate allowance for doubtful accounts. Credit is extended to customers based on an evaluation of their financial condition, credit rating, and trade references. The Company monitors exposure to credit losses and maintains an allowance for anticipated losses based on each customer's credit condition and payment behavior. The Company had no allowance for doubtful accounts at December 27, 2023 or December 28, 2022.

**Inventory**

Inventories consist of food and beverage products and supplies held for resale by the Company's company-owned restaurants. Inventories are valued at lower of cost (first-in, first-out) or market.

**Property and Equipment, Net**

Additions of property and equipment are recorded at cost less accumulated depreciation. Additions, replacements, and leasehold improvements are capitalized, while maintenance and repairs that do not extend the useful life of an asset are expensed as incurred. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term or the estimated useful life of the improvement. When assets are retired or otherwise disposed, the cost and accumulated depreciation are removed from the respective accounts and any related gain or loss is recognized. Depreciation and amortization are computed using the following estimated useful lives:



**FREDDY'S ACQUISITION HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

<b>Asset</b>	<b>Years</b>
Computer equipment and software	3
Vehicles	5
Furniture and equipment	7
Leasehold improvements	Lesser of Lease Term or 15 years

**Impairment or Disposal of Long-Lived Assets**

The Company periodically reviews long-lived assets for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. In order to assess recoverability, the Company compares the estimated undiscounted future pre-tax cash flows from the use of the group of assets, as defined, to the carrying amount of such assets. Measurement of an impairment loss is based on the excess of the carrying amount of the group of assets over the long-lived asset's fair value. The Company did not recognize any impairment charges associated with long-lived assets during the fiscal years ended December 27, 2023, and December 28, 2022.

**Leases**

The Company evaluates whether its contractual arrangements contain leases at the inception of such arrangements. The Company made an accounting policy election to exclude short term leases with a term of 12 months or less and which do not include a purchase option that the Company is reasonably certain to exercise, from the consolidated balance sheets. Operating leases are reported as right-of-use ("ROU") lease assets under operating leases, net, operating lease liabilities, and operating lease liabilities, net of current portion on the Company's consolidated balance sheets.

ROU lease assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Both the ROU lease asset and liability are recognized as of the lease commencement date based on the present value of the lease payments over the lease term. The Company's leases do not provide an implicit borrowing rate that can readily be determined. Therefore, the Company applies a discount rate based on the incremental borrowing rate, which is determined using the Company's synthetic credit rating and other information available at the lease commencement date. ROU lease assets also include any lease payments made before their contractual due dates and exclude any lease incentives.

The Company's lease agreements may include options to extend the lease term or to terminate the lease early. The Company includes options to extend or terminate leases upon determination of the ROU lease asset and liability when it is reasonably certain the Company will exercise these options. Operating lease expense attributable to lease payments is recognized on a straight-line basis over the lease term and is recorded in the consolidated statements of operations and comprehensive income based on the nature of the underlying lease as follows: rental expense related to leases for company-owned restaurants is recorded to restaurant costs and expenses and rental expense related to leases for corporate offices is recorded to selling, general and administrative ("SG&A").

The Company has lease arrangements that include lease and non-lease components. For all leases, the Company accounts for the lease and non-lease components as a separate component and does not include non-lease components in its calculation of ROU assets and corresponding lease liabilities.

The Company evaluates ROU assets for impairment consistent with the impairment or disposal of long-lived assets policy.

**FREDDY'S ACQUISITION HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The Company had no finance leases as of December 27, 2023, and December 28, 2022.

Refer to Note 9 for additional information.

**Goodwill and Indefinite-Lived Intangible Assets**

Goodwill represents the excess purchase price over the estimated fair value of net assets acquired in a business combination. The Company tests goodwill for impairment on an annual basis (October 1st of each fiscal year) or when there is a triggering event (e.g., a deterioration in general economic conditions or in the environment in which the Company operates). When impairment indicators are identified, the Company compares the reporting unit's fair value to its carrying amount, including goodwill. An impairment loss is recognized as the difference, if any, between the reporting unit's carrying amount and its fair value, to the extent the difference does not exceed the total amount of goodwill allocated to the reporting unit.

Non-amortizable intangible assets consist of trademarks and a domain name which represents the Company's exclusive ownership of the Freddy's Frozen Custard and Steakburgers® brand used in connection with the ownership and franchising of its restaurants. Intangible assets not subject to amortization are evaluated for impairment annually, or sooner if management believes such assets may be impaired. An impairment loss is recognized if the asset's carrying amount exceeds its estimated fair market value. For the fiscal years ended December 27, 2023, and December 28, 2022, no impairment losses were recorded for either goodwill or non-amortizable intangible assets.

**Definite-Lived Intangible Assets**

Intangible assets subject to amortization consist of franchise agreements, which are amortized on a straight-line basis over their estimated useful lives. Intangible assets with definite lives are treated as a long-lived asset and are evaluated for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable. If impaired, the asset is written down to its estimated fair market value, which is generally measured by discounting future cash flows.

**Deferred Financing Fees**

The costs incurred in connection with securing the Company's revolving line of credit and term loan are capitalized. These costs are amortized over the term of the term loan. Amortization for fiscal years ended December 27, 2023, and December 28, 2022, was \$0.3 million and \$0.6 million respectively. These costs are included in interest expense, net on the consolidated statements of operations and comprehensive income.

As of December 27, 2023, and December 28, 2022, the Company has presented the net deferred financing fees associated with the term loan, of \$0.9 million and \$2.0 million, respectively, as a direct deduction to the debt balance.

**Revenue Recognition**

***Revenue from Franchised Restaurants***

Revenue from franchised restaurants consists primarily of royalties, advertising fees, sourcing fees, initial and renewal franchise license fees, and fees from area development agreements. The Company's performance obligations under its franchise license agreements consist of (a) a franchise license, (b) pre-opening services, such as training, c) ongoing services, such as advertising, development of training materials and menu items, and restaurant monitoring. These performance obligations are highly interrelated, so they are not considered to be individually distinct and therefore are accounted for as a single performance obligation, which is satisfied

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by providing a right to use the Company's intellectual property over the term of each franchise license agreement. The Company's performance obligation under area development agreements generally consists of an obligation to grant exclusive development rights over a stated term. Initial and renewal franchise license fees are payable by the franchisee prior to the restaurant opening or at the time of a renewal of an existing franchise license agreement. Area development fees are payable to the Company at the time the development agreement is signed. Franchise license and area development fee payments received by the Company before the restaurant opens are recorded as deferred revenue in the consolidated balance sheets.

Royalty fees are calculated as a percentage of franchised restaurant sales over the term of the franchise license agreement. These fees represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchised restaurant sales occur. Separately, the Company charges an advertising fee, calculated as a percentage of sales, to all franchised restaurants. This advertising fee is to support marketing efforts by Freddy's that increase brand recognition for all Freddy's restaurants and is related entirely to the Company's performance obligation under the franchise agreement and the revenues are recognized as franchised restaurant sales occur. These sales-based franchise royalties are billed on a weekly basis and collected on a one week lag.

Sourcing fees are based on a percentage of purchases made by Franchisees through the distributor that the Company has coordinated a relationship with. These also represent sales and usage-based revenues that relate entirely to the Company's performance obligation under the franchise agreement and are recognized as these purchases by the franchisee from the distributor occur.

Initial franchise license fees are billed at the restaurant opening date. Fees received for initial franchise licenses are included in deferred revenue in the consolidated balance sheets and amortized over the life of the initial franchise license agreements, which is typically 15 years. Area development exclusivity fees are billed upon execution of the development agreements which grant the right to develop franchised restaurants in future periods in specific geographic areas. Area development exclusivity fees are included in deferred revenue in the consolidated balance sheets and allocated on a pro rata basis to all restaurants opened under that specific development agreement. The pre-opening services provided to franchisees do not contain separate and distinct performance obligations from the franchise right; thus, the fees collected will be amortized on a straight-line basis beginning at the restaurant opening date through the term of the franchise agreement, which is typically 15 years. Franchise license renewal fees, which generally occur every 15 years, are billed before the renewal date. Fees received for future license renewal periods are included in deferred revenue in the consolidated balance sheets and amortized over the life of the renewal period.

***Revenue from Company-Owned Restaurants***

The Company records food and beverage revenues from company-owned restaurants upon sale to the customer. The Company collects and remits sales taxes on transactions with customers and reports such amounts as liabilities on the consolidated balance sheets. Accordingly, these taxes are not included in gross revenue.

***Deferred Contract Costs***

Deferred contract costs represent sales commissions that are incremental and recoverable costs of obtaining a contract with a customer for a new franchise agreement. Deferred contract costs are amortized on a straight-line basis over the expected period of benefit, which is the life of the franchise license agreement, typically 15 years. Deferred contract costs are recorded in other assets on the consolidated balance sheets. Amortization of deferred contract costs is recognized in selling, general and administrative expense.

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***Gift Cards***

The Company records a liability in the period in which a gift card is sold. As gift cards are redeemed, the liability is reduced. When there is no legal obligation to remit the unredeemed gift card balance, we recognize gift card breakage income under the proportional method, where recognition of breakage income is based upon the historical breakage rate of unredeemed gift cards.

***Loyalty Program***

Eligible customers who enroll in the Freddy's Rewards loyalty program generally earn points based on their spending at Freddy's restaurants. We may also periodically offer promotions, which provide the customer with the opportunity to earn bonus points, or may offer additional incentives and awards. Customers may redeem earned points for various rewards, primarily food and drink items. Loyalty points generally expire after one year and certain promotional points or awards may expire sooner.

We defer revenue associated with the estimated selling price of points earned by customers as each point is earned, net of estimated unredeemed points, and a corresponding liability is included in the current portion of deferred revenue on the consolidated balance sheets. When a customer redeems an earned reward, we recognize revenue for the redeemed product and reduce the related deferred revenue.

***Delivery***

The Company offers its customers delivery in almost all of its geographic regions. Delivery services are fulfilled by third-party service providers. In some cases, we make delivery sales through our website [Freddys.com](http://Freddys.com) or the Freddy's App. In other cases, we make delivery sales through a non-Freddy's owned channel, such as the delivery partner's website or mobile app. With respect to sales made through the Freddy's website, we control the delivery services and generally recognize revenue, including delivery fees, when the delivery partner transfers food to the customer. For these sales, we receive payment directly from the customer at the time of sale. With respect to non-Freddy's owned channels, we generally recognize revenue, excluding delivery fees collected by the delivery partner, when control of the food is transferred to the delivery partner. We receive payment from the delivery partner subsequent to the transfer of food and the payment terms are short-term in nature.

***Restaurant Costs and Expenses***

Restaurant costs and expenses include all operating expenses of company-owned restaurants, including advertising expenses, and excludes depreciation and amortization, which are presented separately.

***Advertising***

The Company administers a National Advertising Fund ("NAF"), in which a percentage of net sales is collected from restaurant franchisees and company-owned restaurants to be used for various forms of advertising for the Freddy's brand. Contribution rates to the NAF range from 0.5% to 1.5% of net sales.

The Company administers and directs the development of all advertising and promotional programs in the NAF for which it collects advertising contributions in accordance with the provisions of its franchise agreements. Use of NAF contributions relate to advertising, public relations, merchandising, similar activities and administrative expenses to increase sales and further enhance the public awareness of the Freddy's brand. The aforementioned administrative expenses may also include personnel expenses and allocated costs incurred by the Company that are directly associated with administering the NAF.

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The Company charges the cost of advertising to expense as incurred within the consolidated statements of operations and comprehensive income. Advertising expense for fiscal years ended December 27, 2023, and December 28, 2022 was \$12.7 million and \$10.8 million, respectively. The majority of these expenses are recaptured through the aforementioned advertising contributions charged to franchisees.

Advertising expenses incurred by company-owned restaurants are included within restaurant costs and expenses in the consolidated statements of operations and comprehensive income. Company-owned restaurants incurred advertising expenses of \$2.3 million and \$2.1 million for fiscal years ended December 27, 2023, and December 28, 2022, respectively.

**Income Taxes**

Income taxes are accounted for under the asset and liability method. Under this method, a deferred tax asset or liability is recognized for the estimated future tax effects attributable to temporary differences between the financial statement basis and the tax basis of assets and liabilities as well as tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period of the change. The Company files a consolidated federal income tax return including all of its subsidiaries.

Judgment is required in evaluating the Company's uncertain tax positions and determining the Company's income tax expense. The Company assesses the income tax position and records the liabilities for all years subject to examination based upon management's evaluation of the facts, circumstances, and information available at the reporting date.

**Recent Accounting Pronouncements**

**ASU 2023-09, *Income Taxes***

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The ASU includes amendments requiring enhanced income tax disclosures, primarily related to standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction. The guidance is effective for fiscal years beginning after December 15, 2024, with early adoption permitted, and can be applied either prospectively or retrospectively. We are currently evaluating the impact of adopting this ASU on our disclosures.

We reviewed all other recently issued accounting pronouncements and concluded that they were either not applicable or not expected to have a significant impact on our consolidated financial statements.

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**3. Revenues**

The following table represents a disaggregation of revenue by type for fiscal years ended:

<i>(Amounts in thousands)</i>	Fiscal Year Ended	
	December 27, 2023	December 28, 2022
Restaurant sales - company-owned	\$ 76,118	\$ 70,009
Royalty revenue	35,946	31,353
Advertising funds	12,602	10,825
Sourcing fees	2,565	2,014
Franchise fees	1,389	1,111
Net revenue	\$ 128,619	\$ 115,312

Initial franchise license fees and area development exclusivity fee payments (collectively, "franchise fees") received by the Company are recorded as deferred revenue on the consolidated balance sheets, which represents a contract liability. Deferred revenue is reduced as fees are recognized in revenue over the term of the franchise license agreement for the respective restaurant. As the term of the franchise license is typically fifteen years, substantially all of the license fee revenue recognized in the current fiscal year was included in the deferred revenue balance as of December 27, 2023. As of December 27, 2023, and December 28, 2022, \$5.5 million and \$4.8 million in deferred revenue relates to restaurants that have not yet opened, respectively, so the fees are not yet being amortized. The weighted average remaining amortization period for deferred franchise and renewal fees related to open restaurants is 8.7 years. The Company did not have any material contract assets as of December 27, 2023, and December 28, 2022.

The following table represents the changes in deferred revenue balances for fiscal years ended:

<i>(Amounts in thousands)</i>	December 27, 2023	December 28, 2022
Balance, beginning of period	\$ 10,672	\$ 9,088
New franchise fees, net	2,072	2,263
Amortization of deferred revenue	(723)	(678)
Loyalty points liability, net	240	—
Balance, end of period	\$ 12,261	\$ 10,672

Deferred contract costs, which consist of deferred sales commissions, were \$0.4 million and \$0.2 million as of December 27, 2023 and December 28, 2022, respectively. Amortization expense for the deferred contract costs was \$20.8 thousand and \$11.5 thousand for fiscal years ended December 27, 2023 and December 28, 2022, respectively. There was no impairment loss in relation to the costs capitalized for the periods presented.

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**4. Accounts Receivable**

Accounts receivable consisted of the following:

<i>(Amounts in thousands)</i>	<u>December 27, 2023</u>	<u>December 28, 2022</u>
Royalties receivable	\$ 910	\$ 1,675
Vendor rebates receivable	1,118	876
Other receivables	1,966	1,944
Accounts receivable	<u>\$ 3,993</u>	<u>\$ 4,494</u>

**5. Property and Equipment, Net**

Property and equipment consisted of the following:

<i>(Amounts in thousands)</i>	<u>December 27, 2023</u>	<u>December 28, 2022</u>
Construction in process	\$ 759	\$ 1,460
Vehicles	34	34
Equipment	15,666	12,531
Capitalized software	1,220	1,220
Leasehold improvements	15,619	10,656
Land	775	775
	<u>34,073</u>	<u>26,677</u>
Less: accumulated depreciation and amortization	(11,189)	(7,036)
Property and equipment, net	<u>\$ 22,884</u>	<u>\$ 19,641</u>

For the fiscal years ended December 27, 2023 and December 28, 2022, depreciation expense, including the amortization of leasehold improvements, amounted to \$4.2 million and \$3.6 million, respectively, and is included under depreciation and amortization in the accompanying consolidated statements of operations and comprehensive income.

During the fiscal year ended December 28, 2022, the Company completed the sale of one company owned restaurant for proceeds of \$0.9 million in exchange for fixed assets with a book value of \$0.8 million for a pre-tax gain of \$0.1 million. The gain was recorded as loss (gain) on sale of company-owned restaurants in the consolidated statement of operations and comprehensive income.

**6. Business Acquisition**

The Company acquired three restaurants from a franchisee during fiscal year ended December 27, 2023. The total purchase price is reflected in the table below.



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The following table summarizes the allocation of the purchase price to the estimated fair value of assets acquired and liabilities assumed as a result of the acquisition:

*(Amounts in thousands)*

Current assets	\$	48
Property and equipment		3,328
Intangible assets		610
Goodwill		165
Deferred tax liability		(2)
Favorable leasehold interest		1,635
Unfavorable leasehold interest		(395)
Total purchase consideration	<u>\$</u>	<u>5,390</u>

The results of operations of these restaurants are included in the consolidated statements of operations and comprehensive income since the date of acquisition, May 18, 2023. The acquisition was accounted for as a business combination.

The excess of the purchase price over the aggregate fair value of assets acquired was allocated to goodwill and is attributable to the benefits expected as a result of the acquisition, including sales and growth opportunities.

**7. Goodwill and Intangible Assets, Net**

The Company's goodwill and intangible assets arose from the acquisition of Freddy's LLC, Freddy's Frozen Custard, LLC and all company owned restaurants on March 4, 2021, as well as the May 18, 2023 acquisition of three restaurants from a franchisee.

The following is a summary of goodwill balances and activity:

*(Amounts in thousands)*

	<u>December 27, 2023</u>	<u>December 28, 2022</u>
Balance, beginning of period	\$ 97,799	\$ 97,799
Acquisition of restaurants, net	165	—
Balance, end of period	<u>\$ 97,964</u>	<u>\$ 97,799</u>

Intangible assets, excluding goodwill, consisted of the following:

*(Amounts in thousands)*

	<u>Useful lives</u>	<u>December 27, 2023</u>	<u>December 28, 2022</u>
Franchise agreements	15 years	\$ 71,110	\$ 70,500
Accumulated amortization		(13,371)	(8,617)
Trademarks and other indefinite-lived assets	Indefinite	154,017	154,000
Total		<u>\$ 211,756</u>	<u>\$ 215,883</u>



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Total amortization expense amounted to \$4.8 million and \$4.7 million for the fiscal years ended December 27, 2023, and December 28, 2022, respectively.

Estimated amortization expense, principally related to franchise agreements for the five succeeding fiscal years and the aggregate amount thereafter:

*(Amounts in thousands)*

Fiscal year 2024	\$	4,782
Fiscal year 2025		4,782
Fiscal year 2026		4,782
Fiscal year 2027		4,782
Fiscal year 2028		4,782
Thereafter		33,831
Total	\$	<u>57,739</u>

## 8. Debt

The Company's long-term debt, net of current portion is as follows as of December 27, 2023, and December 28, 2022:

*(Amounts in thousands)*

	<u>December 27, 2023</u>	<u>December 28, 2022</u>
<b>New Facilities:</b>		
New Term Loan	\$ 112,125	\$ —
<b>Senior Credit Facilities:</b>		
Term Loan	—	117,813
Less: unamortized debt issuance costs:	(873)	(1,952)
	111,252	115,860
Less: current maturities	(5,750)	(1,250)
Long-term debt, net of current portion	<u>\$ 105,502</u>	<u>\$ 114,610</u>

Future maturities of gross long-term debt are as follows:

*(Amounts in thousands)*

Fiscal year 2024	\$	5,750
Fiscal year 2025		5,750
Fiscal year 2026		7,188
Fiscal year 2027		8,625
Fiscal year 2028		84,813
Total	\$	<u>112,125</u>

### New Facilities

The Company entered into a new credit agreement, dated as of April 14, 2023, (the "New Credit Agreement"), which provides for (i) a \$115.0 million term loan facility (the "New Term Loan") and (ii) a \$20.0 million revolving

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credit facility (the "New Revolver" and together with the New Term Loan, collectively, the "New Facilities"). The New Facilities mature on April 14, 2028. The New Revolver had no outstanding borrowings as of December 27, 2023 and the entire \$20.0 million commitment was available to be borrowed.

The New Term Loan is subject to amortization of principal, payable in quarterly installments on the last business day of each fiscal quarter, commencing on September 6, 2023, equal to (i) 1.25% of the original principal amount funded through June 17, 2026 (ii) 1.875% of the original principal amount funded through March, 22, 2028. The remaining aggregate principal amount outstanding (together with accrued and unpaid interest on the principal amount) is payable at the maturity of the New Term Loan.

Borrowings under the New Facilities bear interest, at the option of the Company at either (i) the base rate plus a margin of between 100 and 175 basis points depending on the consolidated lease-adjusted leverage ratio of the Company or (ii) the term secured overnight financing rate plus a margin of between 210 and 285 basis points depending on the consolidated lease-adjusted leverage ratio of the Company (rate of 7.45% as of December 27, 2023). In addition, an unused commitment fee of 0.25% will be paid on the undrawn commitments of the New Revolver.

### **Senior Credit Facilities**

The Company entered into a credit agreement, dated as of March 3, 2021, (the "Credit Agreement"), which provided for (i) a \$125.0 million term loan facility (the "Term Loan") and (ii) a \$10.0 revolving credit facility (the "Revolver" and together with the Term Loan, collectively, the "Facilities"). The Facilities were set to mature on March 3, 2027.

The Term Loan was subject to amortization of principal, payable in quarterly installments on the last business day of each fiscal quarter, commencing on June 16, 2021, equal to 0.25% of the original principal amount funded. The remaining aggregate principal amount outstanding (together with accrued and unpaid interest on the principal amount) was payable at the maturity of the Term Loan.

Borrowings under the Facilities bore interest, at the option of the Company at either (i) the index rate plus a margin of between 400 and 500 basis points depending on the total net leverage ratio of the Company or (ii) the London interbank offer rate ("LIBOR") plus a margin of between 500 and 600 basis points depending on the total net leverage ratio of the Company, with LIBOR not being less than 1.0%. In addition, an unused commitment fee of 0.5% was to be paid on the undrawn commitments of the Revolver.

The proceeds from the New Facilities were used to repay in full the outstanding indebtedness of the Senior Credit Facilities on April 14, 2023. This repayment was accounted for as a debt extinguishment and a loss on debt extinguishment of \$1.8 million was recorded in fiscal year ended December 27, 2023.

### **Debt Covenants**

The New Facilities are secured by associated collateral agreements that pledge a lien on substantially all the Company's assets, including fixed assets and intangibles, in each case, subject to customary exceptions. Under the New Credit Agreement, the company is subject to customary affirmative, negative and financial covenants, maintenance of certain ratios, restrictions on additional indebtedness and events of default for facilities of this type (with customary grace periods, as applicable, and lender remedies). The Company was in compliance with the covenants under the New Credit Agreement as of December 27, 2023. The Company was in compliance with the covenants under the Credit Agreement as of December 28, 2022.

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**9. Leases**

The Company determines whether an arrangement is a lease at inception and currently has operating leases for office and restaurant space. The Company does not currently have any financing leases. The Company's leases have remaining terms of 0.9 years to 31.1 years, all of which include options to extend the lease term based on renewals. Lease terms include options to renew when it is reasonably certain that the Company will exercise that option. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available on the commencement date in determining the present value of future lease payments. For real estate leases, the Company accounts for lease components separately and thus, does not combine lease and non-lease components together (e.g., common-area maintenance).

The Company's recognized lease costs include:

*(Amounts in thousands except for year and rate information)*

	<u>December 27, 2023</u>	<u>December 28, 2022</u>
<b>Liabilities</b>		
Current	\$ 694	\$ 409
Non-current	37,070	27,731
Total operating lease liabilities	<u>\$ 37,765</u>	<u>\$ 28,140</u>

**Statements of Operations and Comprehensive Income**

Operating lease cost	\$ 3,708	\$ 3,252
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**Other Information**

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 1,502	\$ 500
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 11,812	\$ 594
Weighted average remaining lease term (years)	23.8	21.7
Weighted average discount rate	8.7%	9.4%

Maturities of lease payments under non-cancellable leases were as follows:

*(Amounts in thousands)*

2024	\$	3,965
2025		3,505
2026		3,553
2027		3,597
2028		3,648
Thereafter		76,448
Total future minimum lease payments		<u>94,715</u>
Less: imputed interest		(56,950)
Present value of lease liabilities	<u>\$</u>	<u>37,765</u>

The Company does not have any variable lease costs and short-term lease costs were inconsequential.

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The Company gave notice on August 30, 2023 that it would not extend the lease on an office facility which triggered reassessment of lease factors. The lease classification did not change as a result of the lease modification. The impact of the modification to future cash flows is included in the maturities of lease payments table.

**10. Capital Structure**

As of December 27, 2023, and December 28, 2022, the Company has authorized 50,000 shares of Class A Common Stock for issuance, respectively, with a par value of \$10,000 per share. As of December 27, 2023, and December 28, 2022, the Company had 21,962.5 shares of Class A Common Stock issued and outstanding. The Class A Common Stock was issued at \$10,000 face value. The holders of common stock are entitled to one vote for each share of common stock. The Company also has a cash incentive plan with defined triggering events, or performance conditions. As of fiscal years ended December 27, 2023 and December 28, 2022, there have been no triggering events.

On March 17, 2023, the Company's board of directors declared and paid a dividend of \$1,000 per share of common stock, payable to stockholders of record as of March 17, 2023, totaling \$22.0 million.

**11. Commitments and Contingencies**

**Purchase Obligations**

Purchase obligations include agreements related to the construction of restaurant facilities, the purchase of food, beverages, paper goods and other supplies, equipment purchases, marketing-related contracts and software license commitments and service contracts in the normal course of business. These obligations are generally of short-term nature at prevailing market prices and are recorded as liabilities when the related goods are received, or services rendered. These commitments are cancellable and there are no material financial penalties associated with these commitments in the event of early termination.

**Legal Proceedings**

The Company is involved from time to time in various claims, proceedings, and litigation. The Company establishes reserves for specific legal proceedings when it determines that the likelihood of an unfavorable outcome is probable, and the amount of loss can be reasonably estimated. Management has not identified any legal matters where it believes an unfavorable outcome is reasonably possible and/or for which an estimate of possible losses can be made. Management does not believe that the resolution of these matters would have a material adverse impact on the Company's financial position, results of operations, or cash flows.

**12. Employee Benefit Plan**

The Company has a 401(k) plan for its employees who meet certain age and length of service requirements. The Company agrees to match 100% of the participant's eligible contribution up to 3% of the participant's compensation, plus 50% of the participant's contributions that exceed 3% but not to exceed 5% of the participant's compensation. In connection with the matching contributions, the Company recognized compensation expense of \$0.5 million and \$0.4 million for fiscal years ended December 27, 2023, and December 28, 2022, respectively.

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**13. Related-Party Transactions**

**Operating lease agreements**

The Company maintains certain operating lease agreements with two of its board members, who are also noncontrolling shareholders of the Company. Payments under these agreements totaled \$2.1 million and \$1.9 million for fiscal years ended December 27, 2023, and December 28, 2022, respectively.

**14. Balance Sheet Components**

**Prepaid expense and other current assets**

Prepaid expense and other current assets consisted of the following:

<i>(Amounts in thousands)</i>	<u>December 27, 2023</u>	<u>December 28, 2022</u>
Refundable deposits	\$ 31	\$ 1,847
Income tax receivable	1,032	—
Other prepaid expenses	1,460	593
Inventory and other	1,179	416
<b>Total</b>	<b>\$ 3,702</b>	<b>\$ 2,856</b>

Refundable deposits consist of cash deposits made to equipment suppliers to avoid supply disruptions for the construction of new restaurants. These deposits are fully refunded upon supply of the equipment.

**Accrued expenses and other current liabilities**

Accrued expenses and other current liabilities consisted of the following:

<i>(Amounts in thousands)</i>	<u>December 27, 2023</u>	<u>December 28, 2022</u>
Accrued payroll, taxes & benefits	\$ 3,516	\$ 1,810
Other taxes payable	250	180
Other accrued expenses	302	749
<b>Total</b>	<b>\$ 4,067</b>	<b>\$ 2,739</b>

**15. Income Taxes**

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law on March 7, 2020. The CARES Act, among other things, included tax provisions that the Company applied relating to refundable payroll tax credits, the deferral of employer's social security payments, and modifications to net operating loss carryback provisions. On December 27, 2020, the Consolidated Appropriations Act of 2021 (the "CAA"), which includes the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act and the American Rescue Plan Act of 2021, was signed into law and provided further COVID-19 economic relief with an expansion of the employee retention credit. As a result, we recorded operating income of \$2.8 million and \$2.2 million related to the employee retention credit for fiscal years ended December 27, 2023 and December 28, 2022, respectively.

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Income tax expense for fiscal years ended December 27, 2023, and December 28, 2022 consisted of the following:

<i>(Amounts in thousands)</i>	<u>December 27, 2023</u>	<u>December 28, 2022</u>
Current expense:		
Federal	\$ 134	\$ 115
State	45	242
Deferred expense:		
Federal	3,672	1,253
State	725	15
Income tax expense	<u>\$ 4,575</u>	<u>\$ 1,624</u>

A reconciliation of the Company's U.S. federal statutory income tax rate to the Company's effective income tax rate is as follows:

<i>(Amounts in thousands)</i>	<u>December 27, 2023</u>	<u>December 28, 2022</u>
Federal statutory rate	21.0%	21.0%
Non-deductible expenses	0.4%	1.6%
State tax, net of federal benefit	3.5%	4.5%
Valuation allowance	5.6%	(12.0%)
Other	1.0%	0.0%
Total	<u>31.5%</u>	<u>15.1%</u>

The components of deferred tax assets (liabilities) are as follows:

<i>(Amounts in thousands)</i>	<u>December 27, 2023</u>	<u>December 28, 2022</u>
Deferred tax assets:		
Debt issuance costs	\$ —	\$ 88
Employee retention credit	—	804
Lease liability	10,181	7,624
Deferred revenue	2,472	2,223
Interest limitation	4,506	2,292
Others	927	615
Federal and state net operating loss	921	1,242
Gross deferred tax assets	19,007	14,888
Less: valuation allowance	(1,176)	(219)
Total deferred tax assets	<u>17,831</u>	<u>14,669</u>
Deferred tax liabilities:		
Intangible assets and goodwill	9,032	5,834
Property and equipment	4,840	2,949
Right of use asset	10,058	7,586
Total deferred tax liability	<u>23,930</u>	<u>16,369</u>
Net deferred tax liability	<u>\$ (6,099)</u>	<u>\$ (1,700)</u>

The Company had a gross net operating loss carry-forward of \$1.3 million and \$3.6 million at December 27, 2023 and December 28, 2022, respectively, and gross state operating losses of \$13.9 million and \$10.0 million at December 27, 2023 and December 28, 2022, respectively, of which \$3.9 million may be carried forward for

**FREDDY'S ACQUISITION HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

10-20 years and \$10.0 million may be carried forward indefinitely. The Company had a valuation allowance of \$1.2 million and \$0.2 million against its deferred tax assets as of December 27, 2023 and December 28, 2022, respectively. In assessing whether a deferred tax asset will be realized, the Company considers whether it is more likely than not that either some portion or all of the deferred tax assets will be realized. The Company considers the reversal of existing taxable temporary differences, projected future taxable income and tax planning strategies in making this assessment. Based on the initial taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is not more likely than not that the Company will realize the benefits of these deductible differences, thus the Company recorded a valuation allowance at December 27, 2023 and December 28, 2022. As of December 27, 2023 and December 28, 2022, the Company had total deductible goodwill in the amount of \$52.2 million and \$56.3 million available for the current and future tax years, respectively.

### **16. Segment Reporting**

The Company applies FASB ASC Topic 280, *Segment Reporting*, in determining reportable segments for its financial statement disclosure. The Company has a single reportable operating segment which operates as a product portfolio with a single business platform. In reaching this conclusion, management considered the definition of the Chief Operating Decision Maker ("CODM"); how the business is defined by the CODM; the nature of the information provided to the CODM and how that information is used to make operating decisions; and how resources and performance are accessed. The Company's CODM is the Chief Executive Officer. The results of the operations provided to and analyzed by the CODM at the Company level and accordingly, key resource decisions and assessment of performance are performed at the Company level. The Company has a common management team across all product lines and the Company does not manage these products as individual businesses and as a result, cash flows are not distinct.

For the fiscal years ended December 27, 2023, and December 28, 2022, the Company did not have any revenue from geographic regions outside of the United States.

### **17. Major Customers, Account Receivable and Vendor Concentration**

The Company had no customers which accounted for 10% or more of consolidated revenues for fiscal years ended December 27, 2023, and December 28, 2022. As of December 27, 2023, the Company had one main inline distributor of food, packaging and beverage products, excluding breads, that serviced all company-owned restaurants. We believe that our vulnerability to risk concentrations related to significant vendors and sources of our raw materials is mitigated as we believe that there are other vendors who would be able to service our requirements. However, if a disruption of service from our main in-line distributor was to occur, we could experience short-term increases in our costs while distribution channels were adjusted.

### **18. Subsequent Events**

The Company has evaluated subsequent events from the balance sheet date through March 15, 2024, the date at which the consolidated financial statements were available to be issued and determined no other items require disclosure.

**FREDDY'S ACQUISITION HOLDINGS, INC. AND SUBSIDIARIES**  
**ADDITIONAL NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**19. Event (Unaudited) Subsequent to the Date of Independent Auditors' Report**

On March 21, 2024, the Company entered into a new credit agreement consisting of a term loan facility in the amount of \$198.5 million and a \$20.0 million revolving credit facility. This term loan and revolving credit facility matures on March 19, 2027. Proceeds from the term loan, \$5.0 million borrowed from the new revolver, and \$10.7 million of cash from the Company's balance sheet, were used to payoff all of the outstanding debt, and interest, under the New Facilities, pay for fees incurred related to this new credit agreement, and repurchase 4,280 shares of common stock from shareholders for \$97.4 million.



**FREDDY'S ACQUISITION HOLDINGS, INC. AND SUBSIDIARIES**

Consolidated Financial Statements

Fiscal Year Ended December 28, 2022 and Period of March 4, 2021 through  
December 29, 2021

# FREDDY'S ACQUISITION HOLDINGS, INC. AND SUBSIDIARIES

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KPMG LLP  
Suite 900  
10 South Broadway  
St. Louis, MO 63102-1761

## Independent Auditors' Report

The Board of Directors  
Freddy's Acquisition Holdings, Inc.:

### *Opinion*

We have audited the consolidated financial statements of Freddy's Acquisition Holdings, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 28, 2022 and December 29, 2021, and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for the year ended December 28, 2022 and the period of March 4, 2021 through December 29, 2021, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 28, 2022 and December 29, 2021, and the results of its operations and its cash flows for the year ended December 28, 2022 and the period of March 4, 2021 through December 29, 2021 in accordance with U.S. generally accepted accounting principles.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated 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*

As discussed in Note 2 to the consolidated financial statements, effective December 30, 2021, the Company adopted Financial Accounting Standards Board, Accounting Standards Codification, Topic 842, *Leases*, as amended. Our opinion is not modified with respect to this matter.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and



therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

*KPMG LLP*

St. Louis, Missouri  
April 10, 2023

**FREDDY'S ACQUISITION HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(Amounts in thousands, except share and par value data)

	Fiscal Year Ended	
	December 28, 2022	December 29, 2021
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 23,263	\$ 11,077
Accounts receivable	4,494	2,662
Prepaid expenses and other current assets	2,856	886
Total current assets	30,614	14,626
Property and equipment, net	19,641	18,974
Goodwill	97,799	97,799
Favorable lease asset	—	1,828
Right-of-use assets under operating leases, net	28,451	—
Intangible assets, net	215,883	220,583
Other assets, net	248	—
Total assets	\$ 392,636	\$ 353,811
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 3,730	\$ 3,780
Accrued expenses and other current liabilities	2,739	2,594
Gift card liability	3,698	3,390
Current portion of deferred revenue	672	622
Operating lease liabilities	409	—
Current maturities of long-term debt	1,250	1,250
Total current liabilities	12,497	11,637
Deferred revenue, net of current portion	10,001	8,466
Deferred income tax liability, net	1,700	433
Unfavorable lease liability	—	1,017
Operating lease liabilities, net of current portion	27,731	—
Long term debt, net of current portion	114,610	115,241
Other liabilities	1,112	1,170
Total liabilities	167,652	137,965
<b>Stockholders' equity</b>		
Common stock: \$10,000 par value. Authorized shares of 50,000 and 21,962.5 shares issued and outstanding as of December 28, 2022 and December 29, 2021	219,625	219,625
Retained earnings (deficit)	5,360	(3,779)
Total stockholders' equity	224,985	215,846
Total liabilities and stockholders' equity	\$ 392,636	\$ 353,811

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

**FREDDY'S ACQUISITION HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**

*(Amounts in thousands)*

	<u>Fiscal Year Ended December 28, 2022</u>	<u>Period of March 4, 2021 - December 29, 2021</u>
<b>Revenue</b>		
Restaurant sales - company-owned	\$ 70,009	\$ 64,367
Franchise royalty revenue and fees	34,478	25,141
Advertising funds revenue	10,825	2,190
Total revenue	<u>115,312</u>	<u>91,698</u>
<b>Costs and expenses</b>		
Restaurant costs and expenses	58,086	52,899
Selling, general and administrative	18,737	14,189
Advertising	10,753	1,333
Depreciation and amortization	8,330	7,817
Acquisition related expenses	—	4,332
Loss (gain) on sale of company-owned restaurants	(98)	6,659
Total costs and expenses	<u>95,808</u>	<u>87,230</u>
Operating income	19,504	4,468
Interest expense, net	<u>8,742</u>	<u>7,517</u>
Income (loss) before income tax expense	10,763	(3,048)
Income tax expense	1,624	731
Net income (loss) and comprehensive income (loss)	<u>\$ 9,139</u>	<u>\$ (3,779)</u>

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

**FREDDY'S ACQUISITION HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

*(Amounts in thousands, except share data)*

	Common Stock		Retained Earnings (Deficit)	Total Stockholders' Equity
	Shares	Amount		
Balances at March 4, 2021	—	\$ —	\$ —	\$ —
Capital contributions	21,962.5	219,625	—	219,625
Net loss	—	—	(3,779)	(3,779)
Balances at December 29, 2021	21,962.5	\$ 219,625	\$ (3,779)	\$ 215,846
Net income	—	—	9,139	9,139
Balances at December 28, 2022	21,962.5	\$ 219,625	\$ 5,360	\$ 224,985

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

**FREDDY'S ACQUISITION HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Amounts in thousands)

	Fiscal Year Ended December 28, 2022	Period of March 4, 2021 - December 29, 2021
Cash flows from operating activities		
Net income (loss)	\$ 9,139	\$ (3,779)
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities		
Depreciation and amortization	8,330	7,817
Deferred income taxes	1,267	731
Noncash interest expense	619	524
(Gain) / loss on sale of company-owned restaurants	(98)	6,659
Changes in operating assets and liabilities		
Accounts receivable, net	(1,832)	(898)
Right-of-use asset	625	—
Prepaid expense and other current assets	(1,970)	(89)
Other assets	(248)	—
Accounts payable	(51)	1,452
Other accrued expenses	453	143
Other noncurrent liabilities	1,526	307
Operating lease liabilities	(125)	—
Net cash provided by operating activities	<u>17,635</u>	<u>12,866</u>
Cash flows from investing activities		
Payments made for business acquisition; net of cash acquired	—	(335,640)
Purchase of property and equipment	(5,090)	(1,741)
Proceeds from sale of property and equipment	892	—
Net cash used in investing activities	<u>(4,199)</u>	<u>(337,381)</u>
Cash flows from financing activities		
Proceeds from issuance of common stock	—	219,625
Proceeds from issuance of term loan	—	125,000
Repayments of term loan	(1,250)	(5,938)
Borrowings on revolving line-of-credit	—	(2,000)
Repayment of revolving line-of-credit	—	2,000
Payment of debt issuance costs	—	(3,095)
Net cash provided by (used in) financing activities	<u>(1,250)</u>	<u>335,593</u>
Net increase in cash	12,186	11,077
Cash at beginning of period	11,077	—
Cash at end of period	<u>\$ 23,263</u>	<u>\$ 11,077</u>
Supplemental information		
Cash paid for interest	\$ 8,215	\$ 6,999
Cash paid for taxes	420	—
Non-cash recognition of right-of-use assets and related lease liabilities upon adoption of FASB ASC 842	\$ 28,482	\$ —

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



**FREDDY'S ACQUISITION HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Description of Business**

Freddy's Acquisition Holdings, Inc. ("Holdings") together with its consolidated subsidiaries, (collectively, "Freddy's", the "Company", "we," "us," or "our"), is in the business of franchising and operating Freddy's Frozen Custard and Steakburger restaurants. The Company is headquartered in Wichita, Kansas. As of December 28, 2022, the Company had a total of 456 restaurants including 29 corporate owned restaurants, 419 franchised restaurants and 8 franchised non-traditional locations. The Company operates as a single segment for reporting purposes.

On the close of business on March 3, 2021, Holdings was established by its shareholders to acquire all the member interests of Freddy's LLC, Freddy's Frozen Custard, LLC and all its company owned restaurants (the "Acquisition") and pay certain transaction-related costs in connection with the Acquisition. The capitalization of Holdings was completed through issuance of common stock in return for capital contributions of \$219.6 million from Thompson Street Capital Partners VI, L.P. ("TSCP") and other noncontrolling members, along with borrowings of \$125.0 million.

**2. Basis of Presentation and Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Certain monetary amounts, percentages, and other figures included in these consolidated financial statements have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries as of December 28, 2022, and December 29, 2021, and for the periods from December 30, 2021 to December 28, 2022 and from March 4, 2021 to December 29, 2021. All intercompany accounts and transactions have been eliminated in consolidation.

**Fiscal Year End**

The Company uses a 52/53-week fiscal year that ends on the last Wednesday of the calendar year. Fiscal year ended 2022 consisted of 52 weeks and the period ended 2021 consisted of 43 weeks from date of the Acquisition through December 29, 2021. For the purposes of these consolidated financial statements, the period ended 2021 ("Fiscal year ended December 29, 2021") covers the period from March 4, 2021 through December 29, 2021. Fiscal year ended 2022 consisted of 52 weeks concluding on December 28, 2022 ("Fiscal year ended December 28, 2022").

**Use of Estimates**

The preparation of the consolidated financial statements in accordance with US GAAP requires management to make estimates and assumptions that are primarily related to: long-lived asset valuation, indefinite and finite lived intangible asset valuation, income taxes, and the incremental borrowing rate for lease liabilities. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of certain assets

**FREDDY'S ACQUISITION HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Although management bases its estimates on historical experience and assumptions that are believed to be reasonable under the circumstances, actual results could differ from those estimates.

**Business Combinations**

The Company applies the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 805, *Business Combinations*, in the accounting for its acquisitions whereby the Company records assets acquired, and liabilities assumed at their respective fair value at the date of acquisition. Goodwill is recognized as the excess of the consideration transferred over the fair value of the assets acquired and liabilities assumed. Management uses its best estimates and assumptions to accurately value assets acquired, and liabilities assumed at the acquisition date. Such estimates are inherently uncertain and may be subject to refinement. As a result, during the measurement period of up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill, to the extent such facts were present, however, information was not available to the Company at the acquisition date to determine such amounts. The measurement period subsequently expired on March 3, 2022, and all material adjustments are reflected in the accompanying consolidated financial statements.

Accounting for business combinations requires the Company to make estimates and assumptions at the acquisition date, including estimates of the fair value of property plant and equipment, acquired intangible assets and contractual obligations assumed, where applicable. Critical assumptions relevant to the determination of the fair value of the assets acquired and liabilities assumed include, but are not limited to, replacement cost of property acquired less normal depreciation, future cash flows of the operation of acquired business, discount rates, royalty rates, customer attrition and other assumptions.

In addition, the Company applies FASB Accounting Standard Update ("ASU") 2021-08, *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which provides an exception to fair value measurement for contract assets and contract liabilities related to revenue contracts acquired in a business combination. The ASU requires an entity (acquirer) to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with FASB ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"). As part of the Acquisition, the Company accounted for the related revenue contracts in accordance with ASC 606 as if it had originated the contracts.

**Cash**

The Company maintains cash deposits with high credit quality financial institutions. The deposits with these financial institutions may exceed the federally insured limits; however, these deposits typically are redeemable upon demand. The Company has not experienced any loss because of these deposits and does not expect to incur any losses in the future.

**Accounts Receivable**

Accounts receivable are recorded at net realizable value, which includes an appropriate allowance for doubtful accounts. Credit is extended to customers based on an evaluation of their financial condition, credit rating, and trade references. The Company monitors exposure to credit losses and maintains an allowance for anticipated losses based on each customer's credit condition and payment behavior. Any such amounts would be in violation of the underlying franchise agreements. The Company had no allowance for doubtful accounts at December 28, 2022 or December 29, 2021.

**FREDDY'S ACQUISITION HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Inventory**

Inventories consist of food and beverage products and supplies held for resale by the Company's company-owned restaurants. Inventories are valued at lower of cost (first-in, first-out) or market.

**Property and Equipment, Net**

Property and equipment acquired as part of the Acquisition were recorded at fair value. Subsequent to the Acquisition, additions of property and equipment are recorded at cost less accumulated depreciation. Additions, replacements, and leasehold improvements are capitalized, while maintenance and repairs that do not extend the useful life of an asset are expensed as incurred. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term or the estimated useful life of the improvement. When assets are retired or otherwise disposed, the cost and accumulated depreciation are removed from the respective accounts and any related gain or loss is recognized. Depreciation and amortization are computed using the following estimated useful lives of the assets:

<b>Asset</b>	<b>Years</b>
Computer equipment and software	3
Vehicles	5
Furniture and equipment	7
Leasehold improvements	Lesser of Lease Term or 15 years

**Impairment or Disposal of Long-Lived Assets**

The Company periodically reviews long-lived assets for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. In order to assess recoverability, the Company compares the estimated undiscounted future pre-tax cash flows from the use of the group of assets, as defined, to the carrying amount of such assets. Measurement of an impairment loss is based on the excess of the carrying amount of the group of assets over the long-lived asset's fair value. The Company did not recognize any impairment charges associated with long-lived assets during the fiscal years ended December 28, 2022, and December 29, 2021.

**Leases**

Effective December 30, 2021, the Company began accounting for leases in accordance with FASB ASC Topic 842, *Leases*, ("ASC 842") which requires lessees to recognize lease liabilities and right-of-use ("ROU") lease assets on the consolidated balance sheets for contracts that provide lessees with the right to control the use of identified assets. The Company evaluates whether its contractual arrangements contain leases at the inception of such arrangements. Specifically, management considers whether the Company can control the underlying asset and has the right to obtain substantially all of the economic benefits or outputs from the asset. As part of this adoption, the Company made an accounting policy election to exclude short term leases with a term of 12 months or less and which do not include a purchase option that the Company is reasonably certain to exercise, from the consolidated balance sheets. Operating leases are reported as ROU lease assets under operating leases, net, operating lease liabilities, and operating lease liabilities, net of current portion on the Company's consolidated balance sheets.

ROU lease assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Both the ROU lease asset and liability are recognized as of the lease commencement date based on the present value of the lease payments over the lease term. The Company's leases do not provide an implicit borrowing rate that can readily be determined.

**FREDDY'S ACQUISITION HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Therefore, the Company applies a discount rate based on the incremental borrowing rate, which is determined using the Company's synthetic credit rating and other information available as of the lease commencement date. ROU lease assets also include any lease payments made before their contractual due dates and exclude any lease incentives.

The Company's lease agreements may include options to extend the lease term or to terminate the lease early. The Company includes options to extend or terminate leases upon determination of the ROU lease asset and liability when it is reasonably certain the Company will exercise these options. Operating lease expense attributable to lease payments is recognized on a straight-line basis over the lease term and is recorded in the consolidated statements of operations and comprehensive income (loss) based on the nature of the underlying lease as follows: rental expense related to leases for company-owned restaurants is recorded to restaurant costs and expenses and rental expense related to leases for corporate offices is recorded to selling, general and administrative ("SG&A").

The Company has lease arrangements that include lease and non-lease components. For all leases, the Company accounts for the lease and non-lease components as a separate component and does not include non-lease components in its calculation of ROU assets and corresponding lease liabilities.

The Company evaluates ROU assets for impairment consistent under the impairment or disposal of long-lived assets policy.

The Company had no finance leases as of December 28, 2022, and December 29, 2021.

Refer to Note 9 for additional information.

**Goodwill and Indefinite-Lived Intangible Assets**

The Company accounts for goodwill and other intangible assets in conformity with FASB ASC Topic 350, *Intangibles – Goodwill and Other*. Goodwill represents the excess purchase price over the estimated fair value of net assets acquired in a business combination. The Company tests goodwill for impairment on an annual basis (October 1st of each fiscal year) or when there is a triggering event (e.g., a deterioration in general economic conditions or in the environment in which the Company operates). When impairment indicators are identified, the Company compares the reporting unit's fair value to its carrying amount, including goodwill. An impairment loss is recognized as the difference, if any, between the reporting unit's carrying amount and its fair value, to the extent the difference does not exceed the total amount of goodwill allocated to the reporting unit.

Non-amortizable intangible assets consist of a trademark which represents the Company's exclusive ownership of the Freddy's Frozen Custard and Steakburgers® brand used in connection with the ownership and franchising of its restaurants. Intangible assets not subject to amortization are evaluated for impairment annually, or sooner if management believes such assets may be impaired. An impairment loss is recognized if the asset's carrying amount exceeds its estimated fair market value. For the fiscal years ended December 28, 2022, and December 29, 2021, no impairment losses were recorded for either goodwill or non-amortizable intangible assets.

**Definite-Lived Intangible Assets**

Intangible assets subject to amortization consist of franchise agreements, which are amortized on a straight-line basis over their estimated useful lives. Intangible assets with definite lives are treated as a long-lived asset and are evaluated for impairment whenever events or changes in circumstances indicate that the asset's

**FREDDY'S ACQUISITION HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

carrying amount may not be recoverable. If impaired, the asset is written down to its estimated fair market value, which is generally measured by discounting future cash flows.

**Deferred Financing Fees**

The costs incurred in connection with securing the Company's revolving line of credit and term loan are capitalized. These costs are amortized over the term of the term loan. Amortization for fiscal years ended December 28, 2022, and December 29, 2021, was \$0.6 million and \$0.5 million respectively. These costs are included in interest expense, net on the consolidated statements of operations and comprehensive income (loss).

As of December 28, 2022, and December 29, 2021, the Company has presented the net deferred financing fees associated with the term loan, of \$2.0 million and \$2.6 million, respectively, as a direct deduction to the debt balance.

**Revenue Recognition**

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which superseded previous revenue recognition guidance. ASU No. 2014-09 and its amendments were included in ASC 606. ASC 606 requires that a company recognizes revenue at an amount that reflects the consideration to which the company expects to be entitled in exchange for transferring goods or services to a customer. The Company adopted ASC 606 effective March 4, 2021, using the modified retrospective approach, with no impact to the opening retained earnings (deficit).

**Revenue from Franchised Restaurants**

Revenue from franchised restaurants consists primarily of royalties, advertising fees, sourcing fees, initial and renewal franchise license fees, and fees from area development agreements. The Company's performance obligations under its franchise license agreements consist of (a) a franchise license, (b) pre-opening services, such as training, c) ongoing services, such as advertising, development of training materials and menu items, and restaurant monitoring. These performance obligations are highly interrelated, so they are not considered to be individually distinct and therefore are accounted for as a single performance obligation, which is satisfied by providing a right to use the Company's intellectual property over the term of each franchise license agreement. The Company's performance obligation under area development agreements generally consists of an obligation to grant exclusive development rights over a stated term. Initial and renewal franchise license fees are payable by the franchisee prior to the restaurant opening or at the time of a renewal of an existing franchise license agreement. Area development fees are payable to the Company at the time the development agreement is signed. Franchise license and area development fee payments received by the Company before the restaurant opens are recorded as deferred revenue in the consolidated balance sheets.

Royalty fees are calculated as a percentage of franchised restaurant sales over the term of the franchise license agreement. These fees represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchised restaurant sales occur. Separately, the Company charges an advertising fee, calculated as a percentage of sales, to all franchised restaurants. This advertising fee is to support marketing efforts by Freddy's that increase brand recognition for all Freddy's restaurants and is related entirely to the Company's performance obligation under the franchise agreement and the revenues are recognized as franchised restaurant sales occur. These sales-based franchise royalties are billed on a weekly basis and collected on a one week lag.

Sourcing fees are based on a percentage of purchases made by Franchisees through the distributor that the Company has coordinated a relationship with. These also represent sales and usage-based revenues that

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relate entirely to the Company's performance obligation under the franchise agreement and are recognized as these purchases by the franchisee from the distributor occur.

Initial franchise license fees are billed at the restaurant opening date. Fees received for initial franchise licenses are included in deferred revenue in the consolidated balance sheets and amortized over the life of the initial franchise license agreements, which is typically 15 years. Area development exclusivity fees are billed upon execution of the development agreements which grant the right to develop franchised restaurants in future periods in specific geographic areas. Area development exclusivity fees are included in deferred revenue in the consolidated balance sheets and allocated on a pro rata basis to all restaurants opened under that specific development agreement. The pre-opening services provided to franchisees do not contain separate and distinct performance obligations from the franchise right; thus, the fees collected will be amortized on a straight-line basis beginning at the restaurant opening date through the term of the franchise agreement, which is typically 15 years. Franchise license renewal fees, which generally occur every 15 years, are billed before the renewal date. Fees received for future license renewal periods are included in deferred revenue in the consolidated balance sheets and amortized over the life of the renewal period.

***Revenue from Company-Owned Restaurants***

The Company records food and beverage revenues from company-owned restaurants upon sale to the customer. The Company collects and remits sales taxes on transactions with customers and reports such amounts as liabilities on the consolidated balance sheets. Accordingly, these taxes are not included in gross revenue.

***Deferred Contract Costs***

Deferred contract costs represent sales commissions that are incremental and recoverable costs of obtaining a contract with a customer for a new franchise agreement. Deferred contract costs are amortized on a straight-line basis over the expected period of benefit, which is the life of the franchise license agreement, typically 15 years. Deferred contract costs are recorded in other assets on the consolidated balance sheets. Amortization of deferred contract costs is recognized in selling, general and administrative expense.

***Gift Cards***

The Company records a liability in the period in which a gift card is sold. As gift cards are redeemed, the liability is reduced. When there is no legal obligation to remit the unredeemed gift card balance, we recognize gift card breakage income under the proportional method, where recognition of breakage income is based upon the historical breakage rate of unredeemed gift cards.

***Delivery***

The Company offers its customers delivery in almost all of its geographic regions. Delivery services are fulfilled by third-party service providers. In some cases, we make delivery sales through our website [Freddys.com](http://Freddys.com) or the Freddy's App. In other cases, we make delivery sales through a non-Freddy's owned channel, such as the delivery partner's website or mobile app. With respect to sales made through the Freddy's website, we control the delivery services and generally recognize revenue, including delivery fees, when the delivery partner transfers food to the customer. For these sales, we receive payment directly from the customer at the time of sale. With respect to non-Freddy's owned channels, we generally recognize revenue, excluding delivery fees collected by the delivery partner, when control of the food is transferred to the delivery partner. We receive payment from the delivery partner subsequent to the transfer of food and the payment terms are short-term in nature.

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**Restaurant Costs and Expenses**

Restaurant costs and expenses include all operating expenses of company-owned restaurants, including advertising expenses, and excludes depreciation and amortization, which are presented separately.

**Advertising**

The Company administers a National Advertising Fund ("NAF"), in which a percentage of net sales is collected from restaurant franchisees and company-owned restaurants to be used for various forms of advertising for the Freddy's brand. Contribution rates to the NAF range from 0.375% to 1.5% of net sales.

The Company administers and directs the development of all advertising and promotional programs in the NAF for which it collects advertising contributions in accordance with the provisions of its franchise agreements. Use of NAF contributions relate to advertising, public relations, merchandising, similar activities and administrative expenses to increase sales and further enhance the public awareness of the Freddy's brand. The aforementioned administrative expenses may also include personnel expenses and allocated costs incurred by the Company that are directly associated with administering the NAF.

The Company charges the cost of advertising to expense as incurred within the consolidated statements of operations and comprehensive income (loss). Advertising expense for fiscal years ended December 28, 2022, and December 29, 2021 was \$10.8 million and \$1.3 million, respectively. The majority of these expenses are recaptured through the aforementioned advertising contributions charged to franchisees.

Advertising expenses incurred by company-owned restaurants are included within restaurant costs and expenses in the consolidated statements of operations and comprehensive income (loss). Company-owned restaurants incurred advertising expenses of \$2.1 million and \$1.4 million for fiscal years ended December 28, 2022, and December 29, 2021, respectively.

**Income Taxes**

Income taxes are accounted for under the asset and liability method. Under this method, a deferred tax asset or liability is recognized for the estimated future tax effects attributable to temporary differences between the financial statement basis and the tax basis of assets and liabilities as well as tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period of the change. The Company files a consolidated federal income tax return including all of its subsidiaries.

Judgment is required in evaluating the Company's uncertain tax positions and determining the Company's income tax expense. The Company assesses the income tax position and records the liabilities for all years subject to examination based upon management's evaluation of the facts, circumstances, and information available at the reporting date.

***Correction of Prior Year Income Tax Provision***

Certain deferred tax assets and liabilities in prior periods were corrected to properly reflect the Company's computation of prior year income tax expense, deferred income tax liability, net, and the related impact to goodwill, and the valuation allowance associated with the Company's deferred tax assets. To properly reflect the computation of the Company's income tax provision in the prior year, the Company made the following corrections as follows: 1) \$0.1 million decrease to deferred income tax liability, net, 2) \$1.9 million increase to

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goodwill, and 3) \$2.0 million reduction to income tax expense. Additionally, as a result of these corrections, the Company's valuation allowance recorded against its deferred tax assets, was reduced by \$1.9 million.

The revisions related to the income tax provision also reduced the Company's prior year net loss and retained earnings (deficit) and increased total stockholders' equity, by \$2.0 million. The revisions had no impact to the Company's income (loss) before income tax expense or cash for the fiscal year ended December 29, 2021.

**Recent Accounting Pronouncements**

**ASU 2016-02, Leases ("Topic 842")**

In February 2016, the FASB issued ASC 842, as amended. ASC 842 amended the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. The new guidance also required additional disclosures concerning leases. The Company adopted the requirements of the new standard as of December 30, 2021, using the modified retrospective approach without restating comparative periods. As part of our adoption, we elected the package of practical expedients, as well as the transition disclosure relief, permitted under the new guidance, which, among other things, allowed the Company to continue utilizing historical classification of leases.

The adoption of the new standard resulted in the recording of a ROU asset of approximately \$28.5 million and lease liabilities of approximately \$27.7 million and had no impact on retained earnings (deficit) as of the beginning of fiscal year ended December 28, 2022. The standard did not materially impact our consolidated statements of operations and comprehensive income (loss) and had no impact on consolidated statements of cash flows.

**ASU 2020-10, Codification Improvements**

In October 2020, the FASB issued ASU 2020-10, *Codification Improvements*, which contained amendments that improve the consistency of the Codification by including all disclosure guidance in the appropriate Disclosure Section as well as various codifications improvements that vary in nature.

The Company adopted this new guidance effective December 29, 2021 and the adoption did not have a material impact on the consolidated financial statements.

**ASU 2020-04, Reference Rate Reform**

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform ("Topic 848")*, which addresses concerns about certain accounting consequences that could result from the global markets' anticipated transition away from the use of the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. The ASU establishes a general contract modification principle that entities can apply in other areas that may be affected by reference rate reform as well as certain elective hedge accounting expedients.

The Company adopted this new guidance effective December 29, 2021 and the adoption did not have a material impact on the consolidated financial statements.



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**3. Revenues**

The following table represents a disaggregation of revenue by type for fiscal years ended:

<i>(Amounts in thousands)</i>	<u>Fiscal Year Ended December 28, 2022</u>	<u>Period of March 4, 2021 - December 29, 2021</u>
Restaurant sales - company-owned	\$ 70,009	\$ 64,367
Royalty revenue	31,353	24,506
Advertising funds	10,825	2,190
Sourcing fees	2,014	—
Franchise fees	1,111	636
Net revenue	<u>\$ 115,312</u>	<u>\$ 91,698</u>

Initial franchise license fees and area development exclusivity fee payments (collectively “franchise fees”) received by the Company are recorded as deferred revenue on the consolidated balance sheets, which represents a contract liability. Deferred revenue is reduced as fees are recognized in revenue over the term of the franchise license agreement for the respective restaurant. As the term of the franchise license is typically fifteen years, substantially all of the license fee revenue recognized in the current fiscal year was included in the deferred revenue balance as of December 29, 2021. Approximately \$4.8 million and \$3.4 million in deferred revenue as of December 28, 2022, and December 29, 2021, respectively, relates to restaurants that have not yet opened, so the fees are not yet being amortized. The weighted average remaining amortization period for deferred franchise and renewal fees related to open restaurants is 8.6 years. The Company did not have any material contract assets as of December 28, 2022, and December 29, 2021.

The following table represents the changes in deferred revenue balances for fiscal years ended:

<i>(Amounts in thousands)</i>	<u>December 28, 2022</u>	<u>December 29, 2021</u>
Balance, beginning of period	\$ 9,088	\$ —
New franchise fees, net	2,263	9,601
Amortization of deferred revenue	(678)	(513)
Balance, end of period	<u>\$ 10,672</u>	<u>\$ 9,088</u>

Deferred contract costs, which consist of deferred sales commissions, were \$0.2 million as of December 28, 2022 and there were no deferred contract costs as of December 29, 2021. Amortization expense for the deferred contract costs was \$11.5 thousand for fiscal year ended December 28, 2022 and there was no amortization expense for fiscal year ended December 29, 2021. There was no impairment loss in relation to the costs capitalized for the periods presented.

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**4. Accounts Receivable**

Accounts receivable consisted of the following:

<i>(Amounts in thousands)</i>	<u>December 28, 2022</u>	<u>December 29, 2021</u>
Royalties receivable	\$ 1,675	\$ 1,214
Vendor rebates receivable	876	349
Other receivables	1,944	1,099
Accounts receivable	<u>\$ 4,494</u>	<u>\$ 2,662</u>

**5. Property and Equipment, Net**

Property and equipment consisted of the following:

<i>(Amounts in thousands)</i>	<u>December 28, 2022</u>	<u>December 29, 2021</u>
Construction in process	\$ 1,460	\$ 249
Vehicles	34	34
Equipment	12,531	11,252
Capitalized software	1,220	—
Leasehold improvements	10,656	10,921
Land	775	30
	<u>26,677</u>	<u>22,487</u>
Less: accumulated depreciation and amortization	(7,036)	(3,512)
Property and equipment, net	<u>\$ 19,641</u>	<u>\$ 18,974</u>

For the fiscal years ended December 28, 2022 and December 29, 2021, depreciation expense, including the amortization of leasehold improvements, amounted to approximately \$3.6 million and \$3.9 million, respectively, and is included under depreciation and amortization in the accompanying consolidated statements of operations and comprehensive income (loss).

During the fiscal year ended December 28, 2022, the Company completed the sale of one company owned restaurant for proceeds of approximately \$0.9 million in exchange for fixed assets with a book value of approximately \$0.8 million for a pre-tax gain of \$0.1 million. The gain was recorded as loss (gain) on sale of company-owned restaurants in the consolidated statement of operations and comprehensive income (loss).

During the fiscal year ended December 29, 2021, the Company completed the sale of five company owned restaurants to two existing franchisees. No proceeds were exchanged in the transaction. In connection with the sale, the Company recorded a pre-tax loss of \$6.7 million on the sale related to fixed assets and a reduction of favorable lease assets. The loss was recorded as loss (gain) on sale of company-owned restaurants in the consolidated statement of operations and comprehensive income (loss).

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**6. Business Acquisition**

The Acquisition was accounted for as a business combination, which requires an allocation of the total consideration to the identifiable assets and liabilities measured at fair value at the acquisition date.

The total consideration was allocated as follows:

*(Amounts in thousands)*

Current assets	\$	4,804
Property and equipment		26,182
Intangible assets		224,500
Goodwill		97,799
Deferred tax assets		298
Favorable leasehold interest		3,439
Current liabilities		(6,105)
Gift card liability		(2,065)
Unfavorable leasehold interest		(1,017)
Long-term liabilities		(1,455)
Deferred revenue		(8,496)
Total purchase consideration	\$	<u>337,883</u>

Goodwill resulting from the transaction was largely attributed to the value to be generated from expected synergies.

The Company estimated the fair value of its goodwill, tradename and franchise agreements as of the acquisition date. Such fair value was determined in accordance with FASB ASC Topic 820, *Fair Value Measurement* ("ASC 820"), using unobservable inputs, which represent Level 3 inputs under ASC 820. In connection with the Acquisition, TSCP incurred total transaction costs of \$4.3 million on the Company's behalf. Subsequent to the close of the Acquisition, TSCP assessed the Company for these costs which were incurred and expensed. The aforementioned costs were expensed and paid as of December 29, 2021.

**7. Goodwill and Intangible Assets, Net**

The Company's goodwill and intangible assets arose from the acquisition of Freddy's LLC, Freddy's Frozen Custard, LLC and all company owned restaurants on March 4, 2021.

The following is a summary of goodwill balances and activity:

*(Amounts in thousands)*

	<u>December 28, 2022</u>	<u>December 29, 2021</u>
Balance, beginning of period	\$ 97,799	\$ —
The Acquisition	—	97,799
Balance, end of period	<u>\$ 97,799</u>	<u>\$ 97,799</u>

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Intangible assets, excluding goodwill, consisted of the following:

<i>(Amounts in thousands)</i>	<u>Useful lives</u>	<u>December 28, 2022</u>	<u>December 29, 2021</u>
Franchise agreements	15 years	\$ 70,500	\$ 70,500
Accumulated amortization		(8,617)	(3,917)
Trademarks	Indefinite	154,000	154,000
Total		<u>\$ 215,883</u>	<u>\$ 220,583</u>

Total amortization expense amounted to approximately \$4.7 million and \$3.9 million for the fiscal years ended December 28, 2022, and December 29, 2021, respectively.

Estimated amortization expense, principally related to franchise agreements for the five succeeding fiscal years and the aggregate amount thereafter:

<i>(Amounts in thousands)</i>	
Fiscal year 2023	\$ 4,700
Fiscal year 2024	4,700
Fiscal year 2025	4,700
Fiscal year 2026	4,700
Fiscal year 2027	4,700
Thereafter	38,383
Total	<u>\$ 61,883</u>

**8. Debt**

**Credit Facility**

In connection with the Acquisition, the Company entered into a credit agreement, dated as of March 3, 2021, (the "Credit Agreement"), which provides for (i) a \$125.0 million term loan facility (the "Term Loan") and (ii) a \$10.0 revolving credit facility (the "Revolver" and together with the Term Loan, collectively, the "New Facilities"). The New Facilities mature on March 3, 2027. The Revolver was undrawn as of December 28, 2022.

The Term Loan is subject to amortization of principal, payable in quarterly installments on the last business day of each fiscal quarter, commencing on June 16, 2021, equal to 0.25% of the original principal amount funded (\$0.3 million). The remaining aggregate principal amount outstanding (together with accrued and unpaid interest on the principal amount) is payable at the maturity of the Term Loan. The Company made voluntary principal payments of \$5.0 million for the fiscal year ended December 29, 2021.

In accordance with the provisions of the Credit Agreement, the Company is required to make annual mandatory principal prepayments, depending upon total net leverage ratio of the Company, on the Term Loan to the extent

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the Company realizes consolidated excess cash flows, as defined by the Credit Agreement, in a given fiscal year. The Company does not have a mandatory principal prepayment due as of December 28, 2022.

Borrowings under the New Facilities bear interest, at the option of the Company at either (i) the index rate plus a margin of between 400 and 500 basis points depending on the total net leverage ratio of the Company or (ii) the London interbank offer rate ("LIBOR") plus a margin of between 500 and 600 basis points depending on the total net leverage ratio of the Company, with LIBOR not being less than 1.0% (rate of approximately 8.2% as of December 28, 2022). In addition, an unused commitment fee of 0.5% will be paid on the undrawn commitments of the Revolver. The Credit Agreement has LIBOR fallback language and may be amended to replace the LIBOR with another alternate benchmark rate upon reference rate reform and the occurrence of certain LIBOR cessation events.

**Debt Covenants**

The New Facilities are secured by associated collateral agreements that pledge a lien on substantially all the Company's assets, including fixed assets and intangibles, in each case, subject to customary exceptions.

Under the Credit Agreement, the company is subject to customary affirmative, negative and financial covenants, maintenance of certain ratios, restrictions on additional indebtedness and events of default for facilities of this type (with customary grace periods, as applicable, and lender remedies). The Company was in compliance with covenants as of December 28, 2022 and December 29, 2021.

The Company's long-term debt is as follows as of December 28, 2022, and December 29, 2021:

<i>(Amounts in thousands)</i>	<u>December 28, 2022</u>	<u>December 29, 2021</u>
Term Loan	\$ 117,813	\$ 119,063
Less: unamortized debt issuance costs:	(1,952)	(2,571)
	<u>115,860</u>	<u>116,491</u>
Less: current maturities	(1,250)	(1,250)
Long-term debt, less current maturities	<u>\$ 114,610</u>	<u>\$ 115,241</u>

Future maturities of gross long-term debt are as follows:

<i>(Amounts in thousands)</i>	
Fiscal year 2023	\$ 1,250
Fiscal year 2024	1,250
Fiscal year 2025	1,250
Fiscal year 2026	1,250
Fiscal year 2027	1,250
Thereafter	111,563
Total	<u>\$ 117,813</u>

**9. Leases**

The Company determines whether an arrangement is a lease at inception and currently has operating leases for office and restaurant space. The Company does not currently have any financing leases. The Company's leases have remaining terms of 6.4 years to 29.3 years, all of which include options to extend the lease term based on renewals. Lease terms include options to renew when it is reasonably certain that the Company will

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exercise that option. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available on the commencement date in determining the present value of future lease payments. For real estate leases, the Company accounts for lease components separately and thus, does not combine lease and non-lease components together (e.g., common-area maintenance).

The Company's recognized lease costs include:

*(Amounts in thousands except for monthly and rate information)*

	<b>December 28, 2022</b>
<b>Liabilities</b>	
Current	\$ 409
Non-current	27,731
Total operating lease liabilities	\$ 28,140

**Statement of Operations**

Operating lease cost	\$ 3,252
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**Other Information**

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 500
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 594
Weighted average remaining lease term (years)	21.7
Weighted average discount rate	9.4%

Maturities of lease payments under non-cancellable leases were as follows:

*(Amounts in thousands)*

2023	\$ 3,036
2024	2,848
2025	2,910
2026	2,956
2027	2,994
Thereafter	55,088
Total future minimum lease payments	69,833
Less: imputed interest	(41,693)
Present value of lease liabilities	\$ 28,140

Prior to the Company's adoption of ASC 842, the Company accounted for leases in accordance with FASB ASC Topic 840, *Leases*, ("ASC 840"). Rent expense for operating leases was \$2.5 million for fiscal year ended December 29, 2021.

Future minimum lease payments under noncancellable operating leases with initial or remaining lease terms in excess of one year as of fiscal year ended December 29, 2021 were:

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*(Amounts in thousands)*

2022	\$	2,686
2023		2,736
2024		2,766
2025		2,813
2026		2,862
Thereafter		54,309
Total future minimum lease payments	\$	<u>68,172</u>

The Company does not have any variable lease costs and short-term lease costs were inconsequential.

### **10. Capital Structure**

As of December 28, 2022, and December 29, 2021, the Company has authorized 50,000 shares of Class A Common Stock for issuance, respectively, with a par value of \$10,000 per share. As of December 28, 2022, and December 29, 2021, the Company had 21,962.5 shares of Class A Common Stock issued and outstanding. The Class A Common Stock was issued at \$10,000 face value. The holders of common stock are entitled to one vote for each share of common stock. The Company also has a cash incentive plan with defined triggering events. As of fiscal years ended December 28, 2022 and December 29, 2021, there have been no triggering events.

### **11. Commitments and Contingencies**

#### **Purchase Obligations**

Purchase obligations include agreements related to the construction of restaurant facilities, the purchase of food, beverages, paper goods and other supplies, equipment purchases, marketing-related contracts and software license commitments and service contracts in the normal course of business. These obligations are generally of short-term nature at prevailing market prices and are recorded as liabilities when the related goods are received, or services rendered. These commitments are cancellable and there are no material financial penalties associated with these commitments in the event of early termination.

#### **Legal Proceedings**

The Company is involved from time to time in various claims, proceedings, and litigation. The Company establishes reserves for specific legal proceedings when it determines that the likelihood of an unfavorable outcome is probable, and the amount of loss can be reasonably estimated. Management has not identified any legal matters where it believes an unfavorable outcome is reasonably possible and/or for which an estimate of possible losses can be made. Management does not believe that the resolution of these matters would have a material adverse impact on the Company's financial position, results of operations, or cash flows.

### **12. Employee Benefit Plan**

The Company has a 401(k) plan for its employees who meet certain age and length of service requirements. The Company agrees to match 100% of the participant's eligible contribution up to 3% of the participant's compensation, plus 50% of the participant's contributions that exceed 3% but not to exceed 5% of the participant's compensation. In connection with the matching contributions, the Company recognized

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compensation expense of \$0.4 million and \$0.3 million for fiscal years ended December 28, 2022, and December 29, 2021, respectively.

**13. Related-Party Transactions**

**Operating lease agreements**

The Company maintains certain operating lease agreements with two of its board members, who are also noncontrolling shareholders of the Company. Payments under these agreements totaled \$1.9 million and \$1.7 million for fiscal years ended December 28, 2022, and December 29, 2021, respectively.

**14. Balance Sheet Components**

**Prepaid expense and other current assets**

Prepaid expense and other current assets consisted of the following:

*(Amounts in thousands)*

	<u>December 28, 2022</u>	<u>December 29, 2021</u>
Refundable deposits	\$ 1,847	\$ 31
Other prepaid expenses	593	306
Inventory	416	548
Total	<u>\$ 2,856</u>	<u>\$ 886</u>

Refundable deposits consist of cash deposits made to equipment suppliers to avoid supply disruptions for the construction of new restaurants. These deposits are fully refunded upon supply of the equipment.

**Accrued expenses and other current liabilities**

Accrued expenses and other current liabilities consisted of the following:

*(Amounts in thousands)*

	<u>December 28, 2022</u>	<u>December 29, 2021</u>
Accrued payroll, taxes & benefits	\$ 1,810	\$ 1,699
Taxes payable	180	157
Other accrued expenses	749	738
Total	<u>\$ 2,739</u>	<u>\$ 2,594</u>

**15. Income Taxes**

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law on March 7, 2020. The CARES Act, among other things, included tax provisions that the Company applied relating to refundable payroll tax credits, the deferral of employer's social security payments, and modifications to net operating loss carryback provisions. On December 27, 2020, the Consolidated Appropriations Act of 2021 (the "CAA"), which includes the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act and the American Rescue Plan Act of 2021, was signed into law and provided further COVID-19 economic relief with an expansion of the employee retention credit. As a result, we



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recorded operating income of \$2.2 million and \$2.3 million related to the employee retention credit for fiscal years ended December 28, 2022, and December 29, 2021, respectively.

Income tax expense for fiscal years ended December 28, 2022, and December 29, 2021 consisted of the following:

<i>(Amounts in thousands)</i>	<u>December 28, 2022</u>	<u>December 29, 2021</u>
Current expense:		
Federal	\$ 115	\$ —
State	242	—
Deferred expense (benefit)		
Federal	1,253	596
State	15	135
Income tax expense	<u>\$ 1,624</u>	<u>\$ 731</u>

A reconciliation of the Company's U.S. federal statutory income tax rate to the Company's effective income tax rate is as follows:

<i>(Amounts in thousands)</i>	<u>December 28, 2022</u>	<u>December 29, 2021</u>
Federal statutory rate	21.0%	21.0%
Permanent differences	1.6%	(0.1%)
State tax, net of federal benefit	4.5%	4.7%
Valuation allowance	(12.0%)	(49.6%)
Total	<u>15.1%</u>	<u>(24.0%)</u>

The components of deferred tax assets (liabilities) are as follows:

<i>(Amounts in thousands)</i>	<u>December 28, 2022</u>	<u>December 29, 2021</u>
Deferred tax assets:		
Debt issuance costs	\$ 88	\$ 43
Employee retention credit	804	1,372
Deferred revenue	2,223	2,032
Interest limitation	2,292	271
Others	743	653
Federal net operating loss	755	1,213
State net operating loss	487	276
Gross deferred tax assets	7,391	5,861
Less: valuation allowance	(219)	(1,513)
Total deferred tax assets	<u>7,172</u>	<u>4,348</u>
Deferred tax liabilities:		
Intangible assets and goodwill	5,834	1,897
Property and equipment	2,949	2,863
Prepaid expense	23	21
Contract assets	66	—
Total deferred tax liability	8,872	4,781
Net deferred tax liability	<u>\$ (1,700)</u>	<u>\$ (433)</u>

**FREDDY'S ACQUISITION HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The Company had a gross net operating loss carry-forward of \$3.6 million and \$5.8 million at December 28, 2022 and December 29, 2021, respectively and gross state operating losses of \$10.0 million and \$6.5 million at December 28, 2022 and December 29, 2021, respectively, of which \$3.2 million may be carried forward for 10-20 years and \$6.8 million may be carried forward indefinitely. The Company had a valuation allowance of \$0.2 million and \$1.5 million against its deferred tax assets as of December 28, 2022 and December 29, 2021, respectively. In assessing whether a deferred tax asset will be realized, the Company considers whether it is more likely than not that either some portion or all of the deferred tax assets will be realized. The Company considers the reversal of existing taxable temporary differences, projected future taxable income and tax planning strategies in making this assessment. Based on the initial taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is not more likely than not that the Company will realize the benefits of these deductible differences, thus the Company recorded a valuation allowance at December 28, 2022 and December 29, 2021. As of December 28, 2022 and December 29, 2021, the Company had total deductible goodwill in the amount of \$53.2 million and \$57.1 million available for the current and future tax years, respectively.

**16. Segment Reporting**

The Company applies FASB ASC Topic 280, *Segment Reporting*, in determining reportable segments for its financial statement disclosure. The Company has a single reportable operating segment which operates as a product portfolio with a single business platform. In reaching this conclusion, management considered the definition of the Chief Operating Decision Maker ("CODM"); how the business is defined by the CODM; the nature of the information provided to the CODM and how that information is used to make operating decisions; and how resources and performance are accessed. The Company's CODM is the Chief Executive Officer. The results of the operations provided to and analyzed by the CODM at the Company level and accordingly, key resource decisions and assessment of performance are performed at the Company level. The Company has a common management team across all product lines and the Company does not manage these products as individual businesses and as a result, cash flows are not distinct.

For the fiscal years ended December 28, 2022, and December 29, 2021, the Company did not have any revenue from geographic regions outside of the United States.

**17. Major Customers, Account Receivable and Vendor Concentration**

The Company had no customers which accounted for 10% or more of consolidated revenues for fiscal years ended December 28, 2022, and December 29, 2021. As of December 28, 2022, the Company had one main inline distributor of food, packaging and beverage products, excluding breads, that serviced all company-owned restaurants. We believe that our vulnerability to risk concentrations related to significant vendors and sources of our raw materials is mitigated as we believe that there are other vendors who would be able to service our requirements. However, if a disruption of service from our main in-line distributor was to occur, we could experience short-term increases in our costs while distribution channels were adjusted.

**18. Subsequent Events**

The Company has evaluated subsequent events from the balance sheet date through April 7, 2023, the date at which the consolidated financial statements were available to be issued. Subsequent to the end of fiscal year ended December 28, 2022, on March 17, 2023, the Company's board of directors declared a special dividend of \$1,000 per share of common stock, to be paid to stockholders of record as of March 17, 2023, totaling approximately \$22.0 million.

## GUARANTEE OF PERFORMANCE

For value received, Freddy's Acquisition Holdings, Inc., a Delaware corporation (the "**Guarantor**"), located at 7676 Forsythe Boulevard, Suite 2700, Saint Louis, Missouri 63105, absolutely and unconditionally guarantees to assume the duties and obligations of Freddy's, L.L.C., located at 3020 N. Cypress Street, Suite 200, Wichita, Kansas 67226 (the "**Franchisor**"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its Franchise Disclosure Document issued April 5, 2024, as amended July 29, 2024, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, which ever occurs first. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor executes this guarantee at Wichita, Kansas, on the 29th day of July, 2024.

**Guarantor: Freddy's Acquisition Holdings, Inc.**

By: William W. Valentas

Print Name: William W. Valentas

Print Title: Chief Financial Officer

**EXHIBIT E**

**LIST OF STATE ADMINISTRATORS**

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

<p><b>CALIFORNIA</b>          Commissioner of Financial Protection and Innovation          Department of Financial Protection and Innovation          320 West Fourth Street, Suite 750          Los Angeles, California 90013-2344          (213) 576-7500 / Toll Free: (866) 275-2677          Email: ASK.DFPI@dfpi.ca.gov          Website: <a href="http://www.dfpi.ca.gov">http://www.dfpi.ca.gov</a></p>	<p><b>NEW YORK</b>          NYS Department of Law          Investor Protection Bureau          28 Liberty St. 21st Fl          New York, NY 10005          (212) 416-8222</p>
<p><b>HAWAII</b>          Commissioner of Securities          Department of Commerce &amp; Consumer Affairs          Business Registration Division          Securities Compliance Branch          335 Merchant Street, Room 203          Honolulu, Hawaii 96813          (808) 586-2722</p>	<p><b>NORTH DAKOTA</b>          North Dakota Securities Department          State Capitol          Department 414          600 East Boulevard Avenue, Fourteenth Floor          Bismarck, North Dakota 58505-0510          (701) 328-4712</p>
<p><b>ILLINOIS</b>          Illinois Office of the Attorney General          Franchise Bureau          500 South Second Street          Springfield, Illinois 62706          (217) 782-4465</p>	<p><b>RHODE ISLAND</b>          Department of Business Regulation          Securities Division, Building 69, First Floor          John O. Pastore Center          1511 Pontiac Avenue          Cranston, Rhode Island 02920          (401) 462-9527</p>
<p><b>INDIANA</b>          Secretary of State          Franchise Section          302 West Washington, Room E-111          Indianapolis, Indiana 46204          (317) 232-6681</p>	<p><b>SOUTH DAKOTA</b>          Division of Insurance          Securities Regulation          124 South Euclid Avenue, 2<sup>nd</sup> Floor          Pierre, South Dakota 57501          (605) 773-3563</p>
<p><b>MARYLAND</b>          Office of the Attorney General          Securities Division          200 St. Paul Place          Baltimore, Maryland 21202-2020          (410) 576-6360</p>	<p><b>VIRGINIA</b>          State Corporation Commission          Division of Securities and Retail Franchising          1300 East Main Street, 9th Floor          Richmond, Virginia 23219          (804) 371-9051</p>
<p><b>MICHIGAN</b>          Michigan Attorney General’s Office          Corporate Oversight Division, Franchise Section          525 West Ottawa Street          G. Mennen Williams Building, 1<sup>st</sup> Floor          Lansing, Michigan 48913          (517) 335-7567</p>	<p><b>WASHINGTON</b>          Department of Financial Institutions          Securities Division          P.O. Box 41200          Olympia, Washington 98504-1200          (360) 902-8760</p>
<p><b>MINNESOTA</b>          Minnesota Department of Commerce          85 7<sup>th</sup> Place East, Suite 280          St. Paul, Minnesota 55101          (651) 539-1600</p>	<p><b>WISCONSIN</b>          Division of Securities          4822 Madison Yards Way, North Tower          Madison, Wisconsin 53705          (608) 266-2139</p>

**EXHIBIT F**

**LIST OF AGENTS FOR SERVICE OF PROCESS**

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states. There may be states in addition to those listed below in which we have appointed an agent for service of process. There may also be additional agents in some of the states listed.

<p><b>CALIFORNIA</b>          Commissioner of Financial Protection and Innovation          Department of Financial Protection and Innovation          320 West Fourth Street, Suite 750          Los Angeles, California 90013-2344          (213) 576-7500 / Toll Free: (866) 275-2677          Email: ASK.DFPI@dfpi.ca.gov          Website: <a href="http://www.dfp.ca.gov">http://www.dfp.ca.gov</a></p>	<p><b>NEW YORK</b>          New York Secretary of State          One Commerce Plaza          99 Washington Avenue          Albany, NY 12231          (518) 473-2492</p>
<p><b>HAWAII</b>          Commissioner of Securities          Department of Commerce &amp; Consumer Affairs          Business Registration Division          Securities Compliance Branch          335 Merchant Street, Room 203          Honolulu, Hawaii 96813          (808) 586-2722</p>	<p><b>NORTH DAKOTA</b>          North Dakota Securities Commissioner          State Capitol          Department 414          600 East Boulevard Avenue, Fourteenth Floor          Bismarck, North Dakota 58505-0510          (701) 328-4712</p>
<p><b>ILLINOIS</b>          Illinois Attorney General          500 South Second Street          Springfield, Illinois 62706          (217) 782-4465</p>	<p><b>RHODE ISLAND</b>          Director of Department of Business Regulation          Department of Business Regulation          Securities Division, Building 69, First Floor          John O. Pastore Center          1511 Pontiac Avenue          Cranston, Rhode Island 02920          (401) 462-9527</p>
<p><b>INDIANA</b>          Secretary of State          Franchise Section          302 West Washington, Room E-111          Indianapolis, Indiana 46204          (317) 232-6681</p>	<p><b>SOUTH DAKOTA</b>          Division of Insurance          Director of the Securities Regulation          124 South Euclid Avenue, 2<sup>nd</sup> Floor          Pierre, South Dakota 57501          (605) 773-3563</p>
<p><b>MARYLAND</b>          Maryland Securities Commissioner          200 St. Paul Place          Baltimore, Maryland 21202-2020          (410) 576-6360</p>	<p><b>VIRGINIA</b>          Clerk of the State Corporation Commission          1300 East Main Street, 1<sup>st</sup> Floor          Richmond, Virginia 23219          (804) 371-9733</p>
<p><b>MICHIGAN</b>          Michigan Attorney General’s Office          Corporate Oversight Division, Franchise Section          525 West Ottawa Street          G. Mennen Williams Building, 1<sup>st</sup> Floor          Lansing, Michigan 48913          (517) 335-7567</p>	<p><b>WASHINGTON</b>          Director of Department of Financial Institutions          Securities Division – 3<sup>rd</sup> Floor          150 Israel Road, Southwest          Tumwater, Washington 98501          (360) 902-8760</p>
<p><b>MINNESOTA</b>          Commissioner of Commerce          Minnesota Department of Commerce          85 7<sup>th</sup> Place East, Suite 280          St. Paul, Minnesota 55101          (651) 539-1600</p>	<p><b>WISCONSIN</b>          Division of Securities          4822 Madison Yards Way, North Tower          Madison, Wisconsin 53705          (608) 266-2139</p>

**EXHIBIT G**

**LIST OF FRANCHISEES**



**FRANCHISED AND AFFILIATE OWNED RESTAURANTS  
AS OF DECEMBER 27, 2023**

**FRANCHISED RESTAURANTS**

<b>FRANCHISEE</b>	<b>ADDRESS</b>	<b>CITY</b>	<b>ST.</b>	<b>ZIP</b>	<b>PHONE NO.</b>
BAMA Custard, LLC	3730 Mary Taylor Road	Birmingham	AL	35235	205-508-5248
HLI Foods Inc	2804 Spring Avenue SW	Decatur	AL	35603	256-686-0746
Baldwin Custard, LLC	1009 South McKenzie Street	Foley	AL	36536	251 943-1067
BAMA Custard, LLC	2556 Helena Road, Suite A	Helena	AL	35080	205-358-7366
BAMA Custard, LLC	301 Doug Baker Boulevard	Hoover	AL	35242	205-739-2282
BAMA Custard, LLC	5634 Grove Boulevard	Hoover	AL	35226	205-989-7989
BAMA Custard, LLC	2059 Highway 78	Jasper	AL	35501	205-512-1070
HLI Foods, Inc.	1075 Balch Road	Madison	AL	35758	256-325-2951
JRI Restaurant Holdings, LLC	1701 Capps Landing	Opelika	AL	36804	334-203-1618
BAMA Custard, LLC	190 Vaughan Lane	Pell City	AL	35125	659-658-4083
Baldwin Custard, LLC	70 Shell Road	Saraland	AL	36571	251-508-4115
Baldwin Custard, LLC	30860 State Highway 181	Spanish Fort	AL	36527	251-644-6824
BAMA Custard, LLC	315 15 <sup>th</sup> Street	Tuscaloosa	AL	35401	205-764-9097
Something “New”, LLC	1190 South Saint Louis Street	Batesville	AR	72501	870-569-8171
FFC Midwest, LLC	20240 Interstate 30 North	Benton	AR	72019	501-794-6668
Something “New”, LLC	1200 West Main	Cabot	AR	72023	501-286-6301
FFC Midwest, LLC	820 East Oak Street	Conway	AR	72032	501-205-4091
3Pointe Restaurant Group, LLC	1049 North Salem Road	Fayetteville	AR	72704	479-966-4360
FFC Midwest, LLC	7719 Rogers Avenue	Fort Smith	AR	72903	479-478-8700
FFC Midwest, LLC	102 Buena Vista Road	Hot Springs	AR	71913	501-359-3066
FFC Midwest, LLC	2104 South Caraway Road	Jonesboro	AR	72401	870-206-7695
FFC Midwest, LLC	610 South Bowman Road	Little Rock	AR	72211	501-353-2058
FFC Midwest, LLC	4305 East McCain Boulevard	North Little Rock	AR	72117	501-955-5577
FFC Midwest, LLC	2307 West Kings Highway	Paragould	AR	72450	870-573-8008

<b>FRANCHISEE</b>	<b>ADDRESS</b>	<b>CITY</b>	<b>ST.</b>	<b>ZIP</b>	<b>PHONE NO.</b>
3Pointe Restaurant Group, LLC	4507 West Walnut Street	Rogers	AR	72756	479-903-7197
FFC Midwest, LLC	2220 East Main Street	Russellville	AR	72802	479-567-5485
Something "New", LLC	2812 East Race Avenue	Searcy	AR	72143	501-203-0365
FFC Midwest, LLC	3511 Highway 412 East	Siloam Springs	AR	72761	479-373-2127
3Pointe Restaurant Group, LLC	6800 West Sunset	Springdale	AR	72762	479-927-6901
FFC Midwest, LLC	1906 Fayetteville Road	Van Buren	AR	72956	479-922-2070
JayToo Enterprises, Inc.	39520 North Daisy Mountain	Anthem	AZ	85086	623-476-7584
JayToo Enterprises, Inc.	3476 West Frye Road	Chandler	AZ	85226	480-857-8815
JRI Restaurant Holdings, LLC	2675 South Beulah Blvd.	Flagstaff	AZ	86001	928-779-7100
JayToo Enterprises, Inc.	129 East Williams Field Rd.	Gilbert	AZ	85295	480-899-3500
JayToo Enterprises, Inc.	1405 North Arizona Avenue	Gilbert	AZ	85233	480-284-8142
JRI Restaurant Holdings, LLC	2065 East Baseline Road	Gilbert	AZ	85234	602-843-2663
JRI Restaurant Holdings, LLC	4929 West Bell Road	Glendale	AZ	85308	602-843-2663
JRI Restaurant Holdings, LLC	7670 West Bell Road	Glendale	AZ	85308	623-878-2763
JRI Restaurant Holdings, LLC	5052 North 83 <sup>rd</sup> Avenue	Glendale	AZ	85305	602-661-8171
JRI Restaurant Holdings, LLC	1340 Litchfield Road	Goodyear	AZ	85395	623-547-2563
JRI Restaurant Holdings, LLC	773 South Cotton Lane	Goodyear	AZ	85338	623-248-5638
JayToo Enterprises, Inc.	5125 North Dysart Road	Litchfield Park	AZ	86340	623-248-7510
JayToo Enterprises, Inc.	21467 North John Wayne Parkway	Maricopa	AZ	85139	520-568-5060
JayToo Enterprises, Inc.	6846 East Hampton Avenue	Mesa	AZ	85209	480-654-8009
JRI Restaurant Holdings, LLC	11143 North Oracle Road	Oro Valley	AZ	85737	520-989-0067
JayToo Enterprises, Inc.	9790 West Happy Valley Road	Peoria	AZ	85383	623-566-0517
JayToo Enterprises, Inc.	7000 E. Mayo Boulevard, #5	Phoenix	AZ	85054	480-563-6429
JayToo Enterprises, Inc.	41020 North Ironwood Drive	Queen Creek	AZ	85140	480-454-3601

<b>FRANCHISEE</b>	<b>ADDRESS</b>	<b>CITY</b>	<b>ST.</b>	<b>ZIP</b>	<b>PHONE NO.</b>
JayToo Enterprises, Inc.	1746 West Hunt Highway	San Tan Valley	AZ	85143	480-882-2900
JRI Restaurant Holdings, LLC	14029 West Waddell Road	Surprise	AZ	85379	623-214-9624
JayToo Enterprises, Inc.	1818 East Elliot Road	Tempe	AZ	85284	480-755-2207
JRI Restaurant Holdings, LLC	405 North 99 <sup>th</sup> Avenue	Tolleson	AZ	85353	623-440-4775
JRI Restaurant Holdings, LLC	3725 West Orange Grove Rd.	Tucson	AZ	85741	520-989-0314
JRI Restaurant Holdings, LLC	7120 East Broadway Blvd.	Tucson	AZ	85710	520-298-9337
JRI Restaurant Holdings, LLC	10205 East Old Vail Road	Tucson	AZ	85747	520-647-9816
JRI Restaurant Holdings, LLC	2744 East Broadway Blvd.	Tucson	AZ	85716	520-771-6407
JayToo Enterprises, Inc.	1785 East 16 <sup>th</sup> Street	Yuma	AZ	85365	928-783-5641
Crispy Patty Inc.	2649 Calloway Drive	Bakersfield	CA	93312	661-587-3374
Salim Development Group, LLC	2567 Commerce Pkwy., #1	Barstow	CA	92311	760-307-5091
Table Mountain Casino	777 Jackpot Lane	Friant	CA	93626	559-822-7777
FFC San Diego, LLC	327 Mile of Cars Way	National City	CA	91950	619-434-5649
3Pointe Restaurant Group, LLC	767 Center Drive	San Marcos	CA	92069	442-248-8636
JRI Restaurant Holdings, LLC	12032 Amargosa Road	Victorville	CA	92392	760-244-2400
ERC Development, LLC	1103 South Iola Street	Aurora	CO	80012	303-368-8331
ERC Development, LLC	15705 East Briarwood Circle	Aurora	CO	80016	303-593-7992
ERC Development, LLC	2203 Prairie Parkway	Brighton	CO	80601	720-798-1129
ERC Development, LLC	2300 Coalton Road	Broomfield	CO	80027	303-951-8120
ERC Development, LLC	1346 New Beale Street	Castle Rock	CO	80108	303-951-8300
ERC Development, LLC	8260 South Quebec Street	Centennial	CO	80112	303-694-0870
CO Steakburgers, LLC	3232 I-70 Business Loop	Clifton	CO	81520	970-620-4110
KMG FFC, LLC	5825 Stetson Hills Boulevard, Suite 150	Colorado Springs	CO	80923	719-597-5878
KMG FFC, LLC	511 Garden of the Gods Road	Colorado Springs	CO	80907	719-266-6455
KMG FFC, LLC	1264 Interquest Parkway	Colorado Springs	CO	80921	719-266-6878

<b>FRANCHISEE</b>	<b>ADDRESS</b>	<b>CITY</b>	<b>ST.</b>	<b>ZIP</b>	<b>PHONE NO.</b>
KMG FFC, LLC	4445 Venetucci	Colorado Springs	CO	80817	719-576-3368
KMG FFC, LLC	7875 Silicon Heights, Suite 150	Colorado Springs	CO	80939	719-645-8863
ERC Development, LLC	6000 Victory Way	Commerce City	CO	80022	620-242-6033
ERC Development, LLC	4952 Central Park Boulevard	Denver	CO	80238	303-371-1923
ERC Development, LLC	6278 Leetsdale Drive	Denver	CO	80224	303-355-5730
CO Steakburgers, LLC	1250 Escalante Drive	Durango	CO	81303	970-422-8655
KMG FFC, LLC	7575 Falcon Marketplace	Falcon	CO	80831	719-698-2012
Northern Colorado Custard, LLC	Colorado State University-Lory Student Center 1101 Center Avenue Mall	Fort Collins	CO	80521	316-617-3411
CO Steakburgers, LLC	737 Horizon Drive	Grand Junction	CO	81506	970-433-7112
CO Steakburgers, LLC	2489 Highway 6 & 50	Grand Junction	CO	81505	970-628-4005
Northern Colorado Custard, LLC	4735 West 25 <sup>th</sup> Street	Greeley	CO	80634	970-702-2985
ERC Development, LLC	900 Sgt Jon Stiles Drive	Highlands Ranch	CO	80129	303-407-1045
ERC Development, LLC	14005 West Colfax Drive	Lakewood	CO	80401	303-279-9609
ERC Development, LLC	2660 West Belleview Avenue	Littleton	CO	80123	303-730-2999
ERC Development, LLC	111 West Mineral Avenue	Littleton	CO	80120	720-798-1177
ERC Development, LLC	8234 South Kipling Parkway	Littleton	CO	80127	303-407-8920
Northern Colorado Custard, LLC	2250 Main Street	Longmont	CO	80501	303-776-4101
Northern Colorado Custard, LLC	3479 Mountain Lion Drive	Loveland	CO	80537	970-292-8206
Northern Colorado Custard, LLC	155 West 64 <sup>th</sup> Street	Loveland	CO	80538	970-685-4575
CO Steakburgers, LLC	2018 South Townsend	Montrose	CO	81401	970-765-2035

<b>FRANCHISEE</b>	<b>ADDRESS</b>	<b>CITY</b>	<b>ST.</b>	<b>ZIP</b>	<b>PHONE NO.</b>
KMG FFC, LLC	15778 Jackson Creek Pkwy.	Monument	CO	80132	719-488-5918
ERC Development, LLC	11140 S Twenty Mile Road	Parker	CO	80134	303-805-0621
ERC Development, LLC	18424 Cottonwood Drive	Parker	CO	80138	303-805-8855
ERC Development, LLC	14255 Lincoln Street	Thornton	CO	80023	720-636-8602
Northern Colorado Custard, LLC	4805 Weitzel Street	Timnath	CO	80547	970-482-2115
Northern Colorado Custard, LLC	435 E Main Street	Windsor	CO	80550	970-561-7495
R. Solution Holdings, LLC	7376 52 <sup>nd</sup> Place East	Bradenton	FL	34203	941-755-1982
KMG FFC, LLC	14016 Beach Boulevard	Jacksonville	FL	32250	904-992-4760
KMG FFC, LLC	4458 Town Center Parkway	Jacksonville	FL	32246	904-647-8987
R. Solution Holdings, LLC	3558 Southwest College Rd.	Ocala	FL	34474	352-512-0577
KMG FFC, LLC	386 Blanding Boulevard	Orange Park	FL	32073	904-375-1370
FFC of Central Florida, LLC	8107 Vineland Avenue	Orlando	FL	32821	407-238-2061
R Solution Holdings, LLC	2670 Creighton Road	Pensacola	FL	32504	850-285-0033
R Solution Holdings, LLC	9002 Pensacola Boulevard	Pensacola	FL	32534	850-857-8025
R. Solution Holdings, LLC	6224 North Lockwood Ridge Road	Sarasota	FL	34243	941-346-6919
JRI Restaurant Holdings, LLC	2050 Oconee Connector	Athens	GA	30606	706-354-0671
JRI Restaurant Holdings, LLC	503 Carl-Bethlehem Road	Bethlehem	GA	30620	470-429-3113
JRI Restaurant Holdings, LLC	120 Main Street Marketplace	Cartersville	GA	30121	770-334-8676
JRI Restaurant Holdings, LLC	2121 Highway 20 SE	Conyers	GA	30013	770-679-4068
JRI Restaurant Holdings, LLC	12200 Town Center Drive	Covington	GA	30014	470-205-1401
JRI Restaurant Holdings, LLC	2405 Peachtree Parkway	Cumming	GA	30041	470-297-3376
JRI Restaurant Holdings, LLC	254 Crossroads Boulevard	Dawsonville	GA	30534	706-265-1436
JRI Restaurant Holdings, LLC	2230 Peachtree Industrial Boulevard	Duluth	GA	30097	678-694-8232
JRI Restaurant Holdings, LLC	1215 Highway 85 North	Fayetteville	GA	30214	470-297-3376
RKS Ventures, Inc.	3561 Battlefield Parkway	Fort Oglethorpe	GA	30742	706-287-2999

<b>FRANCHISEE</b>	<b>ADDRESS</b>	<b>CITY</b>	<b>ST.</b>	<b>ZIP</b>	<b>PHONE NO.</b>
FOMGA, LLC	678 Lake Joy Road	Kathleen	GA	31047	478-287-6360
JRI Restaurant Holdings, LLC	1360 Earnest Barrett Parkway	Kennesaw	GA	30152	470-260-0017
KMG FFC, LLC	1321 Georgia Highway 40	Kingsland	GA	31548	912-510-4924
JRI Restaurant Holdings, LLC	138 Commerce	LaGrange	GA	30241	706-298-0687
JRI Restaurant Holdings, LLC	4245 US-78	Loganville	GA	30052	470-275-9692
FOMGA, LLC	6239 Zebulon Road	Macon	GA	31210	478-238-4111
JRI Restaurant Holdings, LLC	3705 Dallas Highway SW	Marietta	GA	30064	770-627-2834
JRI Restaurant Holdings, LLC	2716 Sandy Plains Road	Marietta	GA	30066	770-763-8253
JRI Restaurant Holdings, LLC	1410 Highway 20 West	McDonough	GA	30253	770-914-5511
FOMGA, LLC	1671 North Columbia Street	Milledgeville	GA	31061	478-295-1017
JRI Restaurant Holdings, LLC	1456 Newnan Crossing Boulevard East	Newnan	GA	30265	770-755-9959
JRI Restaurant Holdings, LLC	1770 Scenic Hwy North	Snellville	GA	30078	480-282-5650
MLY Investments, LLC	2420 Lincoln Way, Suite 102	Ames	IA	50014	515-735-4010
MLY Investments, LLC	2745 Blairs Ferry Road NE	Cedar Rapids	IA	52402	319-393-0010
MLY Investments, LLC	2460 Edgewood Road SW, Suite 100	Cedar Rapids	IA	52404	319-200-2508
MLY Investments, LLC	61 2 <sup>nd</sup> Street	Coralville	IA	52241	319-569-1080
Custard Cats, LLC	3607 Metro Drive	Council Bluffs	IA	51501	712-366-0023
MLY Investments, LLC	916 West Kimberly Road	Davenport	IA	52806	563-345-3000
MLY Investments, LLC	4521 East 53 <sup>rd</sup> Street	Davenport	IA	52807	563-205-8460
MLY Investments, LLC	2589 NW Arterial	Dubuque	IA	52002	563-235-8335
MLY Investments, LLC	2151 E 1 <sup>st</sup> Street	Grimes	IA	50111	515-644-7970
MLY Investments, LLC	2046 Sovia Drive	Waterloo	IA	50702	319-233-3410
EMS Management, LLC	2143 S. Broadway Avenue	Boise	ID	83706	208-807-2336
EMS Management, LLC	5009 Cleveland Boulevard	Caldwell	ID	83605	208-459-2387
EMS Management, LLC	210 Bullock Street	Chubbuck	ID	83202	208-904-1361
EMS Management, LLC	2864 East State Street	Eagle	ID	83616	208-939-3358
EMS Management, LLC	355 North Woodruff Avenue	Idaho Falls	ID	83401	208-523-7690

<b>FRANCHISEE</b>	<b>ADDRESS</b>	<b>CITY</b>	<b>ST.</b>	<b>ZIP</b>	<b>PHONE NO.</b>
EMS Management, LLC	3180 East Lanark Street	Meridian	ID	83642	208-884-6196
EMS Management, LLC	1305 N. Happy Valley Road	Nampa	ID	83687	208-465-1859
EMS Management, LLC	42 North 2 <sup>nd</sup> East	Rexburg	ID	83440	208-538-0518
M&M Custard, LLC	500 North Giant City Road	Carbondale	IL	62902	618-490-2085
Myerscough Payroll Systems, Inc.	420 West Towncenter Boulevard	Champaign	IL	61822	217-607-1203
M&M Custard, LLC	5500 Northwest Highway	Crystal Lake	IL	60014	779-220-2345
MLY Investments, LLC	134 East Spinder Drive	East Peoria	IL	61611	309-322-0625
M&M Custard, LLC	9701 West Lincoln Highway	Frankfort	IL	60423	779-324-5555
M&M Custard, LLC	556 East North Avenue	Glendale Heights	IL	60139	630-474-9428
M&M Custard, LLC	17601 South Halsted Street	Homewood	IL	60430	708-960-0872
M&M Custard, LLC	1095 South Rand Road	Lake Zurich	IL	60047	847-847-7101
M&M Custard, LLC	9901 Orlando Street	Machesney Park	IL	61115	815-315-1200
M&M Custard, LLC	2700 West DeYoung, Unit 1	Marion	IL	62959	618-969-7556
Myerscough Payroll Systems, Inc.	917 East Charleston Avenue	Mattoon	IL	61938	217-235-3820
M&M Custard, LLC	1020 Ogden Avenue	Montgomery	IL	60538	331-208-9300
M&M Custard, LLC	7402 West 159 <sup>th</sup> Street	Orland Park	IL	60462	708-407-8222
M&M Custard, LLLC	440 S Weber Road	Romeoville	IL	60446	815-328-1100
Myerscough Payroll Systems, Inc.	3205 Clear Lake Avenue	Springfield	IL	62702	217-544-5144
Myerscough Payroll Systems, Inc.	3784 Wabash Avenue	Springfield	IL	62711	217-670-2820
M&M Custard, LLC	80 West 63 <sup>rd</sup> Street	Westmont	IL	60559	630-517-5300
M&M Custard, LLC	3307 West 3 <sup>rd</sup> Street	Bloomington	IN	47404	812-318-6820
ICT, LLC	2740 East 146 <sup>th</sup> Street	Carmel	IN	46033	317-218-3304
M&M Custard, LLC	3660 Jonathan Moore Pike	Columbus	IN	47201	812-799-0509
M&M Custard, LLC	2848 North Green River Rd.	Evansville	IN	47715	812-909-4395
M&M Custard, LLC	5501 Pearl Drive	Evansville	IN	47712	812-303-6137

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M&M Custard, LLC	2306 North Morton Street	Franklin	IN	46131	317-786-3237
ICT, LLC	5235 Noggle Way	Indianapolis	IN	46237	317-851-9985
ICT, LLC	9703 Michigan Road	Indianapolis	IN	46032	317-982-7512
ICT, LLC	8235 East 96 <sup>th</sup> Street	Indianapolis	IN	46256	317-288-4478
Synergy Foods, LLC	2800 South Creasy Lane	Lafayette	IN	47905	765-767-4587
M&M Custard, LLC	1940 East Tipton Street	Seymour	IN	47274	812-373-3397
ICT, LLC	2525 Founders Square Drive	Speedway	IN	46224	317-879-5128
Synergy Foods, LLC	2850 US 52	West Lafayette	IN	47906	765-497-4200
Epoch Development, Inc.	1800 West Wyatt Earp	Dodge City	KS	67801	620-371-6700
JRI Restaurant Hospitality LLC	1400 West 6 <sup>th</sup> Street	Emporia	KS	66801	620-341-9009
JRI Restaurant Holdings, LLC	3112 East Kansas Avenue	Garden City	KS	67846	620-805-5900
M&M Custard, LLC	632 East Main Street	Gardner	KS	66030	913-605-1089
JRI Restaurant Holdings, LLC	3008 10 <sup>th</sup> Street	Great Bend	KS	67530	620-603-8610
JRI Restaurant Holdings, LLC	3505 Vine Street	Hays	KS	67601	785-621-4770
Epoch Development, Inc.	1501 East 17 <sup>th</sup> Avenue	Hutchinson	KS	67501	620-669-9484
Custard Cats, LLC	802 East Chestnut Street	Junction City	KS	66441	785-210-1123
Epoch Development, Inc.	237 North Main Street	Lansing	KS	66043	913-727-1160
Custard Cats, LLC	2030 West 23 <sup>rd</sup> Street	Lawrence	KS	66046	785-865-0123
JRI Restaurant Holdings, LLC	1980 North Kansas Avenue	Liberal	KS	67901	620-626-5303
Epoch Development, Inc.	229 McCall Road	Manhattan	KS	66502	785-320-2300
Epoch Development, Inc.	202 South Champlin Street	McPherson	KS	67460	620-504-6565
Epoch Development, Inc.	520 SE 14 <sup>th</sup> Street	Newton	KS	67114	316-804-8811
JRI Restaurant Holdings, LLC	1314 South Broadway	Pittsburg	KS	66762	620-308-6508
JRI Restaurant Holdings, LLC	2420 South 9 <sup>th</sup> Street	Salina	KS	67401	785-827-0900
JRI Restaurant Holdings, LLC	916 East Crawford Street	Salina	KS	67401	785-833-8123
Epoch Development, Inc.	1050 SW Wanamaker Road	Topeka	KS	66604	785-783-3488
Epoch Development, Inc.	2135 SW Gage Boulevard	Topeka	KS	66604	785-730-2485



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Compass Group USA, Inc.	1845 Fairmont Street #56 Rhatigan Student Center	Wichita	KS	67260	303-929-2313
DBH Wichita Concessions, LLC	Wichita Wind Surge Concession 275 South McLean Blvd.	Wichita	KS	67213	928-925-1114
Feed Your Face, LLC	1125 Morton Avenue	Bardstown	KY	40004	502-628-2722
FFC Kentucky, LLC	2940 Scottsville Road	Bowling Green	KY	42104	270-495-1621
FFC Kentucky, LLC	306 NL Rogers Wells Blvd.	Glasgow	KY	42141	270-629-3733
M&M Custard, LLC	120 Clinic Drive	Hopkinsville	KY	42240	270-874-2143
Feed Your Face	1101 Julian Drive	LaGrange	KY	40031	502-265-3739
M&M Custard, LLC	2500 Polo Club Boulevard	Lexington	KY	40509	859-225-0102
M&M Custard, LLC	2217 Nicholasville Road	Lexington	KY	40503	859-523-4703
Green Onions Entertainment LLC	6209 Bardstown Road	Louisville	KY	40291	502-386-0931
Green Onions Entertainment LLC	12929 Shelbyville Road	Middletown	KY	40243	502-618-2463
M&M Custard, LLC	4641 Frederica Street	Owensboro	KY	42301	270-240-4590
M&M Custard, LLC	5005 Hinkleville Road	Paducah	KY	42001	270-558-4534
Feed Your Face, LLC	333 South Dixie Boulevard	Radcliff	KY	40160	270-506-0908
M&M Custard, LLC	853 Easter Bypass	Richmond	KY	40475	859-353-5109
Feed Your Face, LLC	450 Conestoga Parkway	Shepherdsville	KY	40165	502-215-4892
JRI Restaurant Holdings, LLC	6464 Siegen Lane	Baton Rouge	LA	70809	225-757-6257
JRI Restaurant Holdings, LLC	13636 Millerville Greens Boulevard	Baton Rouge	LA	70816	225-960-1310
Crispy Patty Inc.	2578 Airline Drive	Bossier City	LA	71111	318-585-5010
JRI Restaurant Holdings, LLC	14659 Airline Highway	Gonzales	LA	70737	225-313-6286
JRI Restaurant Holdings, LLC	2507 Kaliste Saloom Road	Lafayette	LA	70508	337-534-0059
JRI Restaurant Holdings, LLC	521 Bertrand Drive	Lafayette	LA	70506	337-456-4744
AOM, LLC	3112 Cypress Street	West Monroe	LA	71291	318-350-6837
Raine Development, LLC	4076 Alpine Avenue NW	Comstock Park	MI	49321	616-258-8580
Raine Development, LLC	3777 Plainfield Avenue NE	Grand Rapids	MI	49525	616-916-2638

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Raine Development, LLC	25 Lake Michigan Drive NW	Grand Rapids	MI	49534	616-288-6388
Raine Development, LLC	6006 28 <sup>th</sup> Street SE	Grand Rapids	MI	49546	616-591-3354
Compass Group USA	CMU 103 East Preston Street	Mount Pleasant	MI	48858	303-929-2313
Innercore Restaurant Holdings, LLC	9901 Xenia Avenue North	Brooklyn Park	MN	55443	763-432-9860
Innercore Restaurant Holdings, LLC	16076 Pilot Knob Road	Lakeville	MN	55044	952-423-3866
Innercore Restaurant Holdings, LLC	11600 Fountains Drive	Maple Grove	MN	55369	763-600-6713
Innercore Restaurant Holdings, LLC	13105 Main Street	Rogers	MN	55374	763-205-0274
Innercore Restaurant Holdings, LLC	14165 Highway 13 South	Savage	MN	55378	952-440-2222
Innercore Restaurant Holdings, LLC	4110 West Division Street	St. Cloud	MN	56301	320-774-1649
Meyer and Lovinger Restaurant Partners, LLC	1725 West Durango	Bolivar	MO	65613	417-777-2914
3Pointe Restaurant Group, LLC	1185 Branson Hills Parkway	Branson	MO	65616	417-332-2099
M&M Custard, LLC	100 Brickton Road, Suite 110	Columbia	MO	65201	573-442-2415
M&M Custard, LLC	3922 South Providence Road	Columbia	MO	65203	573-818-1584
M&M Custard, LLC	6031 Mid Rivers Mall Drive	Cottleville	MO	63304	636-922-0961
M&M Custard, LLC	15676 Manchester Road	Ellisville	MO	63011	636-220-4322
M&M Custard, LLC	1955 North Highway 67	Florissant	MO	63033	314-222-3200
M&M Custard, LLC	2103 Missouri Boulevard Suite A	Jefferson City	MO	65106	573-556-5571
JRI Restaurant Holdings, LLC	3118 South Range Line Road	Joplin	MO	64804	417-659-8115
M&M Custard, LLC	13628 Washington Avenue	Kansas City	MO	64145	816-934-4100
M&M Custard, LLC	1021 Southern Ridge Lane	Lake St. Louis	MO	63367	636-486-0200
Meyer and Lovinger Restaurant Partners, LLC	305 South Johnson Drive	Nevada	MO	64772	417-448-6300
M&M Custard, LLC	2675 Highway K	O'Fallon	MO	63368	636-294-5567

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3Pointe Restaurant Group, LLC	1915 West Marler Lane	Ozark	MO	65721	417-485-4980
M&M Custard, LLC	3171 West Broadway	Sedalia	MO	65302	660-826-5626
3Pointe Restaurant Group, LLC	615 West El Camino Alto St.	Springfield	MO	65810	417-881-2099
3Pointe Restaurant Group, LLC	3757 South Glenstone	Springfield	MO	65804	417-881-8328
3Pointe Restaurant Group, LLC	2305 North Glenstone Ave.	Springfield	MO	65803	417-831-3304
Compass Group USA, Inc.	901 South National Avenue Plaster Student Union	Springfield	MO	65897	303-929-2313
M&M Custard, LLC	1365 Jungermann Road	St Peters	MO	63376	636-447-2496
M&M Custard, LLC	180 Old Route 66	St Roberts	MO	65584	573-336-4440
St. Louis Sportservice, LLC	Busch Stadium, 700 Clark Avenue	St. Louis	MO	63102	716-858-5803
M&M Custard, LLC	3889 Veterans Memorial Parkway	St. Peters	MO	63376	636-244-5026
M&M Custard, LLC	1510 Wentzville Parkway	Wentzville	MO	63385	636-628-6964
FFC SEC, LLC	7210 Interstate Boulevard	Horn Lake	MS	38637	662-470-5482
FFC SEC, LLC	8115 Camp Creek Road	Olive Branch	MS	38654	662-892-8483
Montana Steakhburgers, LLC	4855 North Reserve	Missoula	MT	59808	406-926-1040
Carolina Cats, LLC	1421 Boone Station Drive	Burlington	NC	27215	336-586-0106
Carolina Cats, LLC	3811 Corning Place	Charlotte	NC	28216	980-236-7337
Carolina Cats, LLC	8475 Pit Stop Court NW	Concord	NC	28027	704-688-5913
Carolina Cats, LLC	3303 Watkins Road	Durham	NC	27707	919-680-2111
Carolina Cats, LLC	3812 North Roxboro Street	Durham	NC	27704	919-479-4017
Carolina Cats, LLC	4825 Ramsey Street	Fayetteville	NC	28311	910-433-0805
Carolina Cats, LLC	2322 Battleground Avenue	Greensboro	NC	27408	336-897-7261
Carolina Cats, LLC	4106 Brian Jordan Place	High Point	NC	27265	336-883-1888
Carolina Cats, LLC	221 Grand Hill Place	Holly Springs	NC	27540	919-557-3475
Coastal Custard, LLC	4133 Western Boulevard	Jacksonville	NC	28546	910-989-0557
Polo Burger Group, LLC	81 Plaza Parkway	Lexington	NC	27292	336-300-8262
Carolina Cats, LLC	500 North Wesleyan Blvd.	Rocky Mount	NC	27804	252-462-7940
Carolina Cats, LLC	10757 US 15-501	Southern Pines	NC	28387	984-250-8848

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Carolina Cats, LLC	11708 Retail Drive	Wake Forest	NC	27587	919-554-9833
BOTL International, Inc	2653 45 <sup>th</sup> Street South	Fargo	ND	58104	701-356-0279
TR Hospitality Group, LLC	3606 23 <sup>rd</sup> Street	Columbus	NE	68601	402-942-9072
Custard Cats, LLC	1140 Allen Drive	Grand Island	NE	68803	308-381-0676
TR Hospitality Group, LLC	3204 Osborne Drive East	Hastings	NE	68901	402-303-6127
TR Hospitality Group, LLC	1010 3 <sup>rd</sup> Avenue, Suite G	Kearney	NE	68845	308-455-1708
TR Hospitality Group, LLC	2711 South 48 <sup>th</sup> Street	Lincoln	NE	68506	402-261-4277
TR Hospitality Group, LLC	8510 South 30 <sup>th</sup>	Lincoln	NE	68516	402-904-4684
TR Hospitality Group, LLC	3220 North 27 <sup>th</sup> Street	Lincoln	NE	68521	402-904-4142
TR Hospitality Group, LLC	5717 O Street	Lincoln	NE	68510	402-904-4436
TR Hospitality Group, LLC	919 South Dewey	North Platte	NE	69101	308-535-1449
Custard Cats, LLC	3465 North 168 <sup>th</sup> Court	Omaha	NE	68116	402-289-2887
Custard Cats, LLC	5210 South 136 <sup>th</sup> Street	Omaha	NE	68137	402-905-2821
Custard Cats, LLC	2920 South 180 <sup>th</sup> Street	Omaha	NE	68130	402-281-4100
Custard Cats, LLC	7201 Military Avenue	Omaha	NE	68134	531-200-3300
Custard Cats, LLC	7419 Dodge Street	Omaha	NE	68114	402-934-7268
Custard Cats, LLC	11674 South 73 <sup>rd</sup> Street	Papillion	NE	68046	402-597-8909
New Jersey Steakburgers, LLC	810 West Edgard Road	Linden	NJ	07036	908-418-4523
AAA Hospitality Holdings of Ocean County	149 Route 37 East	Toms River	NJ	08753	848-600-2012
ERC New Mexico, LLC	10701 Corrales Road NW, Suite A-1	Albuquerque	NM	87114	505-792-1735
ERC New Mexico, LLC	10201 Central Avenue NE	Albuquerque	NM	87123	505-237-9607
ERC New Mexico, LLC	131 Coors Boulevard NW	Albuquerque	NM	87121	505-839-2946
ERC New Mexico, LLC	2550 Central Avenue SE, Suite 200	Albuquerque	NM	87106	505-268-8942
ERC New Mexico, LLC	6240 Paseo Del Norte NE	Albuquerque,	NM	87113	505-796-9020
ERC New Mexico, LLC	1408 North Riverside Drive	Espanola	NM	87532	505-367-0010
ERC New Mexico, LLC	4530 East Main Street	Farmington	NM	87402	505-326-5885
ERC New Mexico, LLC	601 South Telshor Boulevard	Las Cruces	NM	88011	575-288-1644
JRI Restaurant Holdings, LLC	1290 West Warm Springs Road	Henderson	NV	89014	702-834-7143

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JRI Restaurant Holdings, LLC	9809 South Eastern Avenue	Las Vegas	NV	89183	702-434-3733
JRI Restaurant Holdings, LLC	4675 West Charleston Boulevard	Las Vegas	NV	89102	702-822-6543
JRI Restaurant Holdings, LLC	5600 South Rainbow Blvd.	Las Vegas	NV	89118	725-205-3495
JRI Restaurant Holdings, LLC	1025 East Craig Road	North Las Vegas	NV	89030	725-251-3836
OH Steakburger, LLC	863 Arlington Ridge	Akron	OH	44312	234-571-3303
DJ Steakburgers, LLC	3792 Waterford Parkway	Amelia	OH	45102	513-752-2736
DJ Steakburgers, LLC	35815 Chester Road	Avon	OH	44011	440-695-0128
DJ Steakburgers, LLC	3227 Kempt Road	Beavercreek	OH	45431	937-705-6008
OH Steakburger, LLC	5421 Whipple Avenue NW	Canton	OH	44720	330-526-8202
DJ Steakburgers, LLC	5501 Wilmington Pike	Centerville	OH	45459	937-262-7700
DJ Steakburgers, LLC	9301 Winton Road	Cincinnati	OH	45231	513-521-1643
DJ Steakburgers, LLC	3939 Red Bank Road	Cincinnati	OH	45227	513-271-0650
OH Steakburger, LLC	3020 North Wooster Avenue	Dover	OH	44622	330-364-2299
DJ Steakburgers, LLC	10927 New Haven Road	Harrison	OH	45030	513-202-0145
DJ Steakburgers, LLC	5153 Leavitt Road	Lorain	OH	44053	440 242-0087
DJ Steakburgers, LLC	4047 US-22	Loveland	OH	45140	513-630-1009
DJ Steakburgers, LLC	907 State Route 28	Milford	OH	45150	513-248-0484
DJ Steakburgers, LLC	9315 OH-14	Streetsboro	OH	20166	330-968-3349
DJ Steakburgers, LLC	12380 Pearl Road	Strongsville	OH	44136	440-783-1611
DJ Steakburgers, LLC	7615 Trailside Drive	West Chester	OH	45069	513-755-3730
OH Steakburger, LLC	3182 Maple Avenue	Zanesville	OH	43701	740-868-8460
RAM-Z Restaurant Group, LLC	401 Holiday Drive	Ardmore	OK	73401	580-319-7689
Epoch Development, Inc.	2103 SE Washington Blvd.	Bartlesville	OK	74006	918-876-4150
JRI Restaurant Holdings, LLC	10305 South Memorial Drive	Bixby	OK	74133	918-943-1924
JRI Restaurant Holdings, LLC	1151 East Hillside Drive	Broken Arrow	OK	74012	918-449-0225
JRI Restaurant Holdings, LLC	19341 Haynes Road	Catoosa	OK	74015	918-739-4299
RAM-Z Restaurant Group, LLC	1051 Westside Drive	Durant	OK	74701	580-916-9062
RKS Ventures, Inc.	1925 East 2 <sup>nd</sup> Street	Edmond	OK	73034	405-844-1514

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RKS Ventures, Inc.	624 West Garriott	Enid	OK	73701	580-234-1514
RAM-Z Restaurant Group, LLC	7201 NW Cache Road	Lawton	OK	73505	580-699-2566
RKS Ventures, Inc.	2824 South Douglas Blvd.	Midwest City	OK	73130	405-455-5858
RKS Ventures, Inc.	1525 South Service Road	Moore	OK	73160	405-790-0114
RAM-Z Restaurant Group, LLC	530 West Shawnee Street	Muskogee	OK	74401	918-913-9202
RKS Ventures, Inc.	540 East State Highway 152	Mustang	OK	73064	405-256-0041
RKS Ventures, Inc.	2403 West Main Street, #110	Norman	OK	73069	405-701-1120
RKS Ventures, Inc.	9000 South Western Avenue	Oklahoma City	OK	73139	405-692-7979
RKS Ventures, Inc.	7010 West Hefner Road	Oklahoma City	OK	73162	405-728-4354
RKS Ventures, Inc.	12900 North Pennsylvania Avenue	Oklahoma City	OK	73120	405-751-2355
RKS Ventures, Inc.	6100 SW 3 <sup>rd</sup> Street	Oklahoma City	OK	73128	405-603-6525
Paradies Shops	Will Rodgers World Airport 7100 Terminal Drive, #937	Oklahoma City	OK	73159	404-924-0169
RKS Ventures, LLC	100 West Reno Avenue	Oklahoma City	OK	73102	316-617-9865
JRI Restaurant Holdings, LLC	9053 North 121 <sup>st</sup> East Ave.	Owasso	OK	74055	918-376-4344
RKS Ventures, Inc.	2407 North 14 <sup>th</sup> Street	Ponca City	OK	74601	580-749-5944
RKS Ventures, Inc.	4520 Marketplace Boulevard	Shawnee	OK	74804	405-275-1140
RAM-Z Restaurant Group, LLC	1015 North Boomer Road	Stillwater	OK	74075	405-564-0522
RAM-Z Restaurant Group, LLC	700 West Hall of Fame Ave.	Stillwater	OK	74078	512-783-5177
JRI Restaurant Holdings, LLC	8112 S Olympia Avenue	Tulsa	OK	74132	918-986-9911
RKS Ventures, Inc.	1680 Garth Brooks Boulevard, Suite 115	Yukon	OK	73099	405-265-4879
JRI Restaurant Holdings, LLC	5005 Edgemont Avenue	Brookhaven	PA	19015	484-487-3297
JRI Restaurant Holdings, LLC	2084 South Sproul Road	Broomall	PA	19008	610-325-6725

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JRI Restaurant Holdings, LLC	221 Eagleview Boulevard	Exton	PA	19341	484-874-2345
FMC Foods, LLC	70 Buckwalter Road, #1500	Royersford	PA	19468	484-369-8164
FMC Foods, LLC	220 Forty Foot Road	Towamencin	PA	19446	267-500-2151
JRI Restaurant Holdings, LLC	1302 Wilmington Pike	West Chester	PA	19382	484-315-8606
JRI Restaurant Holdings, LLC	1702 Greenville Street	Anderson	SC	29621	864-375-5043
316 Restaurant Group, LLC	457 Killian Road	Columbia	SC	29203	803-661-8170
JRI Restaurant Holdings, LLC	4845 Calhoun Memorial Hwy	Easley	SC	29640	864-850-9933
316 Restaurant Group, LLC	1104 Pamplico Highway	Florence	SC	29505	803-306-3693
Carolina Cats, LLC	9612 Redstone Drive	Indian Land	SC	29707	803-802-3024
316 Restaurant Group, LLC	10611 Broad River Road	Irmo	SC	29063	803-764-1038
316 Restaurant Group, LLC	111 Swartz Road	Lexington	SC	29072	803-399-1583
316 Restaurant Group, LLC	505 East Martintown Road	North Augusta	SC	29841	803-613-6159
Carolina Cats, LLC	249 Harwich Street	Rock Hill	SC	29730	803-324-0013
Charleston Custard, LLC	4540 Ladson Road	Summerville	SC	29485	843-771-9414
316 Restaurant Group, LLC	2879 Sunset Boulevard	West Columbia	SC	29169	803-851-1964
316 Restaurant Group, LLC	1309 Charleston Highway	West Columbia	SC	29169	803-205-1640
TR Hospitality Group, LLC	600 South Highline Place	Sioux Falls	SD	57110	605-679-7679
TR Hospitality Group, LLC	40055 South Louise Avenue	Sioux Falls	SD	57103	605-910-4383
FFC SEC, LLC	6780 Stage Road	Bartlett	TN	38134	901-425-4762
FFC Kentucky, LLC	2100 Wilma Rudolph Blvd.	Clarksville	TN	37040	931-919-5070
FFC Kentucky, LLC	900 MLK Parkway	Clarksville	TN	37043	931-919-3772
RKS Ventures, Inc.	688 Paul Huff Parkway	Cleveland	TN	37312	423-464-5588
FFC SEC, LLC	849 West Poplar Avenue	Collierville	TN	38017	901-221-7117
FFC SEC, LLC	825 N. Germantown Parkway	Cordova	TN	38018	901-751-4148
RKS Ventures, Inc.	1512 West Elk Avenue	Elizabethton	TN	37643	423-518-1559
M&M Custard, LLC	2841 Highway 45	Jackson	TN	38305	731-736-3007

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RKS Ventures, Inc.	928 N. State of Franklin Rd.	Johnson City	TN	37604	423-282-1114
RKS Ventures, Inc.	2624 East Stone Drive	Kingsport	TN	37660	423-392-4454
RKS Ventures, Inc.	7614 Chapman Highway	Knoxville	TN	37920	865-312-9691
RKS Ventures, Inc.	6502 Kingston Pike	Knoxville	TN	37919	865-246-4966
RKS Ventures, Inc.	956 US-321	Lenior City	TN	37771	865-317-1475
FFC SEC, LLC	4700 Poplar Avenue	Memphis	TN	38117	901-590-2068
RKS Ventures, Inc.	140 Hatfield Drive, Suite 101	Morristown	TN	37814	423-839-0874
RKS Ventures, Inc.	347 South Illinois Avenue	Oak Ridge	TN	37830	865-272-5177
RKS Ventures, Inc.	221 East Emory Road	Powell	TN	37849	865-512-7933
RKS Ventures, Inc.	760 Winfield Dunn Parkway	Sevierville	TN	37876	865-280-0907
FFC SEC, LLC	596 Sam Ridley Parkway	Smyrna	TN	37167	615-462-5342
JRI Restaurant Holdings, LLC	5225 South Coulter Street	Amarillo	TX	79119	806-803-9460
Outlaw Management, LLC	1305 Flat Creek Road	Athens	TX	75751	903-292-4348
Lone Star Custard Holdings, LLC	8300 North FM 620, Bldg. C	Austin	TX	78726	512-494-6755
Houston Custard, LLC	10520 I-10 East Service Road	Baytown	TX	77523	281-303-0033
Lone Star Custard Holdings, LLC	2435 North Expressway	Brownsville	TX	78521	956-277-5918
Big Country Custard, LLC	305 West Commerce	Brownwood	TX	76801	325-488-5758
AlMarCo Custard, LLC	930 North Earl Rudder Freeway	Bryan	TX	77802	979-776-3549
Lone Star Custard Holdings, LLC	15530 South IH 35	Buda	TX	78610	512-967-4996
JRI Restaurant Holdings, LLC	608 SW Wilshire Boulevard	Burleson	TX	76028	496 636-6030
Lone Star Custard Holdings, LLC	1465 East Whitestone	Cedar Park	TX	78613	512-259-9292
AlMarCo Custard, LLC	913 William D. Fitch Parkway, Suite 100	College Station	TX	77845	979-690-1157
Lone Star Custard Holdings, LLC	4018 South Padre Island Dr.	Corpus Christi	TX	78411	361-210-7062
KTTT Fred, LLC	794 Lucky Eagle Drive	Eagle Pass	TX	78852	830-421-5388



<b>FRANCHISEE</b>	<b>ADDRESS</b>	<b>CITY</b>	<b>ST.</b>	<b>ZIP</b>	<b>PHONE NO.</b>
ERC New Mexico, LLC	6450 North Desert Blvd. # K	El Paso	TX	79912	915-249-6793
ERC New Mexico, LLC	1860 North Zaragoza Road	El Paso	TX	79938	915-849-8369
AlMarCo Custard, LLC	1211 East Ennis Avenue	Ennis	TX	75119	214-347-9744
JRI Restaurant Holdings, LLC	2820 State Highway 121	Eules	TX	76039	817-685-8807
JRI Restaurant Holdings, LLC	16555 FM 423	Frisco	TX	75034	469-636-6030
RAM-Z Restaurant Group, LLC	901 N Interstate 35	Gainesville	TX	76240	940-668-1899
AlMarCo Custard, LLC	1430 East US Highway 377	Granbury	TX	76048	817 631-9996
Outlaw Management, LLC	7001 I-30 Frontage Road	Greenville	TX	75402	903-408-6668
AlMarCo Custard, LLC	490 East FM 2410	Harker Heights	TX	76548	254-680-5385
Lone Star Custard Holdings, LLC	902 Dixieland Road, #101	Harlingen	TX	78552	956-291-3499
JRI Restaurant Holdings, LLC	3040 Justin Road	Highland Village	TX	75077	972-317-3600
Houston Custard, LLC	12407 FM1960 West	Houston	TX	77065	281-955-5595
Houston Custard, LLC	1111 Dairy Ashford Road	Houston	TX	77079	281-920-9040
Houston Custard, LLC	6125 East Sam Houston Parkway North, Suite A	Houston	TX	77049	832-230-5386
Houston Custard, LLC	3700 Cullen Boulevard	Houston	TX	77204	713-918-9391
Houston Custard, LLC	231 IH 45 South	Huntsville	TX	77340	936-439-6399
Houston Custard, LLC	24433 Katy Freeway, #100	Katy	TX	77494	281-394-2002
Houston Custard, LLC	1705-B Fry Road	Katy	TX	77449	281-944-9854
JRI Restaurant Holdings, LLC	1471 Keller Parkway	Keller	TX	76248	817-741-9876
BSPUB Holdings LLC	500 Sidney Baker Street	Kerrville	TX	78028	830-890-5893
AlMarCo Custard, LLC	3811 South Clear Creek Road	Killeen	TX	76549	254-501-4506
Houston Custard, LLC	4533 Kingwood Drive	Kingwood	TX	77345	346-242-9674
Lone Star Custard Holdings, LLC	2604 Bob Bullock Loop 20	Laredo	TX	78045	956-625-5661
Houston Custard, LLC	2795 Gulf Freeway South	League City	TX	77573	281-309-0309

<b>FRANCHISEE</b>	<b>ADDRESS</b>	<b>CITY</b>	<b>ST.</b>	<b>ZIP</b>	<b>PHONE NO.</b>
JRI Restaurant Holdings, LLC	7732 Milwaukee Avenue	Lubbock	TX	79424	806-783-0285
JRI Restaurant Holdings, LLC	6208 19 <sup>th</sup> Street	Lubbock	TX	79407	806-701-5349
RAM-Z Restaurant Group, LLC	4103 South Medford Drive	Lufkin	TX	75901	936-225-3203
Houston Custard, LLC	32910 F.M. 2978	Magnolia	TX	77354	832-934-2595
Lone Star Custard Holdings, LLC	2624 Expressway 83	McAllen	TX	78501	956-540-2211
JRI Restaurant Holdings, LLC	8850 West Stacy Road	McKinney	TX	75070	469-631-0189
RAM-Z Restaurant Group, LLC	3720 North Street	Nacogdoches	TX	75961	936 622-0270
Lone Star Custard Holdings, LLC	841 North Loop 337	New Braunfels	TX	78130	830-627-2626
Houston Custard, LLC	12007 North Grand Parkway East	New Caney	TX	77357	281-577-4094
Houston Custard, LLC	4637 East Sam Houston Pkwy South	Pasadena	TX	77505	281-998-0001
Houston Custard, LLC	2620 Pearland Parkway	Pearland	TX	77581	281-997-7772
Lone Star Custard Holdings, LLC	2602 West Pecan Street	Pflugerville	TX	78660	512-251-9339
Lone Star Custard Holdings, LLC	2033 West, Interstate 2	Pharr	TX	78577	956-258-5335
Lone Star Custard Holdings, LLC	1131 US-181 Frontage	Portland	TX	78374	361-271-1795
Houston Custard, LLC	20450 Southwest Freeway	Richmond	TX	77469	281-239-6900
Houston Custard, LLC	26840 FM 1093	Richmond	TX	77441	281-239-6900
Lone Star Custard Holdings, LLC	707 Round Rock Avenue	Round Roc	TX	78681	512-388-6552
JRI Restaurant Holdings, LLC	2702 Southwest Boulevard	San Angelo	TX	76904	325-703-6550
Lone Star Custard Holdings, LLC	255 East Basse Road, #1050	San Antonio	TX	78209	210-821-5553
Lone Star Custard Holdings, LLC	16522 San Pedro Avenue/Hwy 281	San Antonio	TX	78232	210-496-1888
Lone Star Custard Holdings, LLC	7707 IH-35 South	San Antonio	TX	78224	210-921-9000
Lone Star Custard Holdings, LLC	4059 North Loop 1604 West	San Antonio	TX	78257	210-479-8833

<b>FRANCHISEE</b>	<b>ADDRESS</b>	<b>CITY</b>	<b>ST.</b>	<b>ZIP</b>	<b>PHONE NO.</b>
Lone Star Custard Holdings, LLC	6626 Blanco Road	San Antonio	TX	78216	210-525-8755
Lone Star Custard Holdings, LLC	8843 Potranco	San Antonio	TX	78251	210-520-2436
Lone Star Custard Holdings, LLC	17303 W IH-10	San Antonio	TX	78257	210-877-1400
Lone Star Custard Holdings, LLC	5415 West Loop 1604 North	San Antonio	TX	78253	210-521-5400
Lone Star Custard Holdings, LLC	310 North IH 35, Suite 101	San Marcos	TX	78666	512-392-6020
Lone Star Custard Holdings, LLC	8379 Agora Parkway	Selma	TX	78154	210-566-1313
Houston Custard, LLC	19370 North Freeway Service Drive	Spring	TX	77373	281-907-6553
Houston Custard, LLC	21420 Kuykendahl Road	Spring	TX	77379	281-771-5208
Houston Custard, LLC	1 Stadium Drive	Sugar Land	TX	77498	316-261-5369
T-5 Enterprise, LLC	9438 N I-20	Sweetwater	TX	79556	325-207-1495
AlMarCo Custard, LLC	7036 West Adams Avenue	Temple	TX	76502	254-935-2178
AlMarCo Custard, LLC	1370 FM 148	Terrell	TX	75160	972-563-4400
Houston Custard, LLC	27645 Tomball Parkway	Tomball	TX	77375	832-843-4079
Epoch Development of Texas, LLC	7707 South Broadway	Tyler	TX	75703	903-630-5480
Outlaw Management, LLC	2111 Houston Highway	Victoria	TX	77901	361-703-4300
AlMarCo Custard, LLC	1515 Hewitt Drive	Waco	TX	76712	254-732-0354
AlMarCo Custard, LLC	817 South Jack Kultgen Expressway	Waco	TX	76706	254-301-7330
Lone Star Custard Holdings, LLC	502 East Expressway 83	Weslaco	TX	78596	956-274-0074
RAM-Z Restaurant Group, LLC	4002 Call Field Road	Wichita Falls	TX	76308	940-247-4117
JRI Restaurant Holdings, LLC	2814 West FM 544	Wylie	TX	75098	469-785-1327
JRI Restaurant Holdings, LLC	1146 East Draper Parkway	Draper	UT	84020	801-571-5252
JRI Restaurant Holdings, LLC	716 West Blue Vista Lane	Midvale	UT	84047	801-255-0501
JRI Restaurant Holdings, LLC	235 12 <sup>th</sup> Street	Ogden	UT	84404	801-627-8222
JRI Restaurant Holdings, LLC	1025 South University Ave.	Provo	UT	84606	385-286-5817

<b>FRANCHISEE</b>	<b>ADDRESS</b>	<b>CITY</b>	<b>ST.</b>	<b>ZIP</b>	<b>PHONE NO.</b>
JRI Restaurant Holdings, LLC	969 North 3050 East, Building E	St George	UT	84790	435-627-8250
JRI Restaurant Holdings, LLC	2001 West Highway 40	Vernal	UT	84078	435-781-8777
JRI Restaurant Holdings, LLC	5502 West High Market Drive	West Valley City	UT	84120	801-968-1308
Coastal Custard, LLC	15518 Highway 529	Chesapeake	VA	77095	281-550-7070
RedPrompt, LLC	10030 Fairfax Boulevard	Fairfax	VA	22030	703-293-2901
RedPrompt, LLC	28 South Gateway Drive	Fredericksburg	VA	22406	540-370-8140
RedPrompt, LLC	Cowan Crossing, 1611 Jefferson Davis Highway	Fredericksburg	VA	22401	540-993-1331
Coastal Custard, LLC	1123 West Mercury Blvd., #A	Hampton	VA	23666	757-504-3545
Coastal Custard, LLC	1007 University Boulevard	Suffolk	VA	23435	757-686-3900
Coastal Custard, LLC	796 Lynnhaven Parkway	Virginia Beach	VA	23452	757-364-0799
Coastal Custard, LLC	1611 Richmond Road	Williamsburg	VA	23185	757-271-4793
PREL Investments, LLC	3633 West College Avenue	Appleton	WI	54914	920-202-3578
PREL Investments, LLC	2415 Costco <u>Way</u>	Bellevue	WI	54311	920-201-3791
Northern Colorado Custard, LLC	1616 Prairie Avenue	Cheyenne	WY	82009	307-514-0107
Northern Colorado Custard, LLC	3225 East Grand Avenue	Laramie	WY	82070	307-460-9292

**AFFILIATE OWNED RESTAURANTS**

<b>AFILIATE</b>	<b>ADDRESS</b>	<b>CITY</b>	<b>ST.</b>	<b>ZIP</b>	<b>PHONE NO.</b>
FFC, LLC	5570 Belleville Crossing St.	Belleville	IL	62226	618-746-2856
FFC, LLC	301 North Bluff Road	Collinsville	IL	62234	618-772-7184
FFC, LLC	2204 Troy Road	Edwardsville	IL	62025	618-692-5096
FFC, LLC	101 Potomac Boulevard	Mt. Vernon	IL	62864	618-816-6169
FFC, LLC	3320 Green Mount Crossing Drive	Shiloh	IL	62269	618-206-6236
FFC, LLC	2100 North Rock Road, Suite 1000	Derby	KS	67037	316-558-5388
FFC, LLC	1809 West Central	El Dorado	KS	67042	316-321-3900

<b>AFILIATE</b>	<b>ADDRESS</b>	<b>CITY</b>	<b>ST.</b>	<b>ZIP</b>	<b>PHONE NO.</b>
FFC, LLC	1931 North 98 <sup>th</sup> Street	Kansas City	KS	66111	913-766-1900
FFC, LLC	16300 West 87 <sup>th</sup> Street	Lenexa	KS	66219	913-859-0700
FFC, LLC	8817 Shawnee Mission Parkway	Mission	KS	66202	913-499-7656
FFC, LLC	11775 S Black Bob Road	Olathe	KS	66062	913-815-3274
FFC, LLC	19020 West 151 <sup>st</sup> Terrace	Olathe	KS	66062	913-782-0503
FFC, LLC	2121 South Princeton	Ottawa	KS	66067	785-242-2800
FFC, LLC	7301 West 135 <sup>th</sup> Street	Overland Park	KS	66223	913-897-1110
FFC, LLC	10690 Roe Avenue	Overland Park	KS	66207	913-383-2533
FFC, LLC	11301 College Boulevard	Overland Park	KS	66210	913-766-0400
FFC, LLC	7831 West 159 <sup>th</sup> Street	Overland Park	KS	66223	913-348-4948
FFC, LLC	8621 West 21 <sup>st</sup> North	Wichita	KS	67205	316-722-2299
FFC, LLC	310 North Rock Road	Wichita	KS	67206	316-691-9998
FFC, LLC	11525 East 13 <sup>th</sup> Street North	Wichita	KS	67206	316-440-5678
FFC, LLC	420 South Ridge Road, Suite 100	Wichita	KS	67209	316-260-2611
FFC, LLC	3450 South Meridian Avenue	Wichita	KS	67217	316-223-4322
FFC, LLC	2021 North Amidon Avenue, #100	Wichita	KS	67203	316-290-9901
FFC, LLC	1822 East North Avenue	Belton	MO	64012	816-425-5735
FFC, LLC	10457 Olive Boulevard	Creve Coeur	MO	63141	314-801-7628
FFC, LLC	9800 NE Barry Road	Kansas City	MO	64157	816-792-9902
FFC, LLC	5150 North Oak Trafficway	Kansas City	MO	64118	816-599-2626
FFC, LLC	8071 NW Roanridge Road	Kansas City	MO	64151	816-599-2794
FFC, LLC	194 NW Oldham Parkway	Lee's Summit	MO	64081	816-525-2277
FFC, LLC	10019 East 350 Highway	Raytown	MO	64138	816-886-5975
FFC, LLC	947 Northwest Plaza Drive	Saint Ann	MO	63074	314-279-7729
FFC, LLC	228 North Belt Highway	St. Joseph	MO	64506	816-671-9322
FFC, LLC	5479 South Southfield Center	St. Louis	MO	63123	636-674-6464

**FRANCHISEES WITH SIGNED DEVELOPMENT AGREEMENTS  
AS OF DECEMBER 27, 2023**

<b>STATE</b>	<b>FRANCHISE NAME</b>	<b>CONTACT</b>	<b>ADDRESS</b>
Alabama	Baldwin Custard, LLC	Jo Nathan Williams	503 Bibb Street Bay Minette, AL 36507

<b>STATE</b>	<b>FRANCHISE NAME</b>	<b>CONTACT</b>	<b>ADDRESS</b>
Alabama	BAMA Custard, LLC	Mark Houghton	922 North Maxwell McPherson, KS 67460
Alabama	HLI Foods, Inc.	Sam Abusaleem	512 Gooch Lane Madison, AL 35758
Alabama, Arizona, Georgia, Nevada, North Carolina, Utah	JRI Restaurant Holdings, LLC	Jason Ingermanson	410 North 5 <sup>th</sup> Street Salina, KS 67401
Arizona	JayToo Enterprises, Inc.	John Lohnes	3459 143 <sup>rd</sup> Street East Wichita, KS 67232
Arkansas	Something “New”, LLC	Kevin Morrow	205 Aberdeen Drive Batesville, AR 72501
Arkansas and Louisiana	Crispy Patty Inc	Mohammed Qassas	10201 West Markham, #210 Little Rock, AR 72205
Arkansas and Texas	ARJ Enterprises Inc	Aaron Reed	600 East Broad Street Texarkana, AR 71854
Arkansas, Missouri, and Oklahoma	FFC Midwest, LLC	Paul Hoover	8100 East 22 <sup>nd</sup> Street North Building 330, Suite 100 Wichita, KS 67226
Arkansas, Oklahoma, and Texas	Ram-Z Restaurant Group, LLC	Justin Ramsey	2709 W. Walnut Street, Suite 200 Rogers, AR 72756
California	Mashie Group, LLC	Ellis Choi	605 Meadow Grove Street LaCanada, CA 91011
California	Salim Development Group, LLC	Tahir Salim	4740 Green River Road Corona, CA 92878
California, Colorado, Florida, and Georgia	KMG FFC, LLC	Kyle Gerstner	6050 North Stetson Hills, #295 Colorado Springs, CO 80923
Canada	North 49 Frozen Custard & Steakburgers Ltd.	Gregg Most	2050 Halifax Street Regina, SK, Canada S4P 1T7
Colorado	ERC Development, LLC	Kent Houghton	811 West First Street McPherson, KS 67460
Colorado and Wyoming	Northern Colorado Custard, LLC	Mark Siffing	2601 South Lemay, Suite 7 Fort Collins, CO 80525
Florida	Core Hospitality Group, LLC	Mitesh Patel	1930 North Timberwood Street Wichita, KS 67206
Florida	FFC of Central Florida, LLC	Robert White	8 Landfall Circle East Hampton, NY 11937
Florida	RSolution Holdings LLC	Gary Grewe	9109 Watson Road, Suite 400 St. Louis, MO 63126
Georgia	DeMersseman Food Group LLC	Daniel DeMersseman	3844 Kinderlou Forest Valdosta, GA 31601

<b>STATE</b>	<b>FRANCHISE NAME</b>	<b>CONTACT</b>	<b>ADDRESS</b>
Georgia, Kentucky, Tennessee, and Virginia	RKS Ventures, Inc.	Robert Rasberry	9340 East Central Avenue, #A Wichita, KS 67206
Idaho, Montana, and Washington	Montana Steakburgers LLC	Michelle Becker	2872 North Ridge Road, #201 Wichita, KS 67205
Idaho, Oregon, and Utah	EMS Management, LLC	Eric Stine	30744 North 120 <sup>th</sup> Avenue Peoria, AZ 85383
Illinois and Indiana	Jam Equities of Illinois, LLC	Asif Poonja	1627 North Wolcott Chicago, IL 60622
Illinois, Indiana, and Missouri	M&M Custard, LLC	Eric Cole	7111 West 151 <sup>st</sup> Street, #112 Overland Park, KS 66223
Illinois, Iowa, Minnesota, and Wisconsin	MLY Investments, LLC	Mike Young	1241 Park Place NE, Suite C Cedar Rapids, IA 52402
Indiana	ICT, LLC	Alex King	2740 East 146 <sup>th</sup> Street Carmel, IN 46033
Indiana	SK Weaver Holdings, LLC	Ken Weaver	13451 Kline Road Mishawaka, IN 46544
Indiana	Synergy Foods, LLC	Marc Clapper	101 West 4 <sup>th</sup> Street Brookston, IN 47923
Indiana, Kentucky, and Tennessee	Feed Your Face, LLC	Jaith Brooking	333 South Dixie Boulevard Radcliff, KY 40160
Indiana, Kentucky, Ohio	DJ Steakburgers, LLC	Jeff Bedlion	4887 Sodom Hutchings Road Farmdale, OH 44417
Iowa, Nebraska, South Dakota	TR Hospitality Group, LLC	Ron Oberg	3500 North Road, Building 2200, Suite 201 Wichita, KS 67226
Kentucky	Green Onions Entertainment Limited Partnership	John E. Williams	105 Rollington Road Pewee Valley, KY 40056
Louisiana and Texas	AOM, LLC	Brandon Thompson	6213 Arden Oaks Alexandria, LA 71301
Michigan	Giesen Family Holdings, LCL	Dave Giesen	10 East Belleview Way Greenwood Village, CO 80121
Missouri	Meyer & Lovinger Restaurant Partners, LLC	Warren Lovinger	305 South Johnson Drive Nevada, MO 64772
New Jersey	AAA Hospitality Holdings of Ocean County, LLC	Edward Abramson	212 Sunset Drive North Pelican Island, NJ 08751
New Jersey	John 316 Burgers, LLC	Brian Bowman	10 Muirfield Court Medford, NJ 08055

<b>STATE</b>	<b>FRANCHISE NAME</b>	<b>CONTACT</b>	<b>ADDRESS</b>
New Jersey	New Jersey Steakburgers, LLC	Ethan Coleman	30 Saint Felix Street, 4A Brooklyn NY 11217
New Mexico and Texas	ERC New Mexico, LLC	Kent Houghton	811 West First Street McPherson, KS 67460
North Carolina	Polo Burger Group, LLC	Jonathan Ashley	535 West End Avenue, #3A New York, NY 10024
North Carolina, South Carolina, and Virginia	Carolina Cats, LLC and Coastal Custard, LLC	Dave Dreiling	520 McCall Road Manhattan, KS 66502
North Dakota	BOTL International Inc.	Gregg Most	2050 Halifax Street Regina, SK, Canada S4P 1T7
Ohio	Ohio Steakburgers, LLC	David Giesen	5303 South Franklin Circle Greenwood Village, CO 80121
Pennsylvania	FMC Foods, LLC	Matt Melvin	845 West Rolling Road Springfield, PA 19064
South Carolina	316 Restaurant Group, LLC	Brett Rickert	2879 Sunset Boulevard West Columbia, SC 29169
South Carolina	Charleston Custard, LLC	Derek DeVera	4500 West 76 <sup>th</sup> Street Prairie Village, KS 66208
South Carolina	Custard & Steakburger Holdings, LLC	Amit Sehgal	15235 Pavlo Place Waterford, VA 20197
Texas	AlMarCo Custard, LLC	Dave Dreiling	520 McCall Road Manhattan, KS 66502
Texas	Big Country Custard, LLC	Clark Wiginton	544 Ranch Road Buffalo Gap, TX 79508
Texas	BSPub Holdings, LLC	Yale Farmer	4003 Avenue H Austin, TX 78751
Texas	Epoch Development of Texas, LLC	Ron Oberg	3500 North Rock Road Building 2200, Suite 201 Wichita, KS 67226
Texas	G&G Real Properties, LLC	Gary Nichols	480 Utley Lane Fairfield, TX 75840
Texas	Houston Custard, LLC	Todd Connell	302 North Road, Suite 200 Wichita, KS 67206
Texas	Lone Star Custard, LLC	Nicholas DePinto	4026 Valley Ridge Road Dallas, TX 75220
Texas	Outlaw Management, LLC	Jason Jones	4261 East University Dr., #30351 Prosper, TX 75078
Texas	TX Fred LLC	Rahil Karedia	611 Vineyard Hollow Court Richmond, TX 77406



STATE	FRANCHISE NAME	CONTACT	ADDRESS
Wisconsin	PREL Investments, Inc.	Nicholas Sternitzky	PO Box 69 Marshfield, WI 54449

**LIST OF FRANCHISEES THAT HAVE SIGNED A FRANCHISE AGREEMENT BUT HAVE NOT OPENED THE RESTAURANT AS OF DECEMBER 27, 2023**

STATE	FRANCHISE NAME	CONTACT	ADDRESS
California	Salim Development Group, LLC	Tahir Salim	10149 Citrus Avenue Fontana, CA 92335
Florida	FFC of Central Florida, LLC	Robert White	23525 Highway 27 Lake Wales, FL 33859
Illinois	M&M Custard, LLC	Eric Cole	1967 Glacier Park Avenue Naperville, IL 60540
Missouri	M&M Custard, LLC	Eric Cole	2945 Dougherty Ferry Road Valley Park, MO 63122
North Carolina	Polo Burger Group, LLC	Jonathan Ashley	1402 South Main Street Laurinburg, NC 28302
Ohio	DJ Steakburgers, LLC	Jeff Bedlion	601 Meijer Drive Fairfield, OH 45014
Ohio	DJ Steakburgers, LLC	Jeff Bedlion	27350 Lorain Road North Olmsted, OH 44070

**FRANCHISEES WHO TRANSFERRED THEIR RESTAURANT, CLOSED A RESTAURANT,  
WERE TERMINATED, OR LEFT THE SYSTEM WITHIN OUR LAST FISCAL YEAR OR  
HAVE NOT COMMUNICATED WITH US WITHIN 10 WEEKS OF DECEMBER 27, 2023**

State	Franchisee Name and Contact Person	Our Unit No.	Contact Person	Last Known Business Address	Telephone Number
Arizona	AC Mehr & Assoc, LLC	95-0003	Bryan Mehr	148 Boca Raton Road Phoenix, AZ 85023	602-661-8171
Iowa	MLY Investments, LLC	50-0007	Mike Young	1241 Park Place NE, Suite C Cedar Rapids, IA 52402	319-361-6090
Kansas	FFC Midwest, LLC	43-0001	Paul Hoover	8100 E 22 <sup>nd</sup> Street, Building 300 Wichita, KS 67226	316-684-8100
Kansas	FFC Midwest, LLC	43-0003			
Missouri	FFC Midwest, LLC	43-0002			
Oklahoma	Cowboy Custard, LLC	24-0001	Mark Thompson	6103 East 127 <sup>th</sup> Place S. Bixby, OK 74008	918-697-7917
Oklahoma	Cowboy Custard, LLC	24-0002			
Oklahoma	Cowboy Custard, LLC	24-0003			
Oklahoma	Cowboy Custard, LLC	24-0004			
Oklahoma	Cowboy Custard, LLC	24-0006			
Texas	Cowboy Custard, LLC	24-0007			
Texas	Cowboy Custard, LLC	24-0008			

**EXHIBIT H**

**ADDITIONAL STATE DISCLOSURES**

## **ADDITIONAL DISCLOSURES REQUIRED BY THE STATE OF CALIFORNIA**

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

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.

SEE THE COVER PAGE OF THE DISCLOSURE DOCUMENT FOR OUR URL ADDRESS. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPI.CA.GOV.

Neither Freddy's, L.L.C. nor any person listed in Item 2 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, 15 U.S.C.A. 78a *et seq.*, suspending or expelling such parties from membership in such association or exchange.

The California Franchise Relations Act, Business and Professions Code Sections 20000 to 20043, provides the franchisee with certain rights on termination or non-renewal of a franchise. The License Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. 101, *et seq.*). If the License Agreement contains a provision that is inconsistent with the law, the law will control. The License Agreement requires application of the law of the State of Kansas. This provision may not be enforceable under California law. The License Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. Prospective franchisees are encouraged to consult 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 license agreement restricting venue to a forum outside the State of California.

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

## **ADDITIONAL DISCLOSURES REQUIRED BY THE STATE OF HAWAII**

**THESE FRANCHISES 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 REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF REGULATORY AGENCIES THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**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 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, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS OFFERING CIRCULAR CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. 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.**

Registered agent in the state authorized to receive service of process: Commissioner of Securities, Department of Commerce and Consumer Affairs, Business Registration Division, Securities Compliance Branch, 335 Merchant Street, Room 203, Honolulu, Hawaii 96813.

## **ADDITIONAL DISCLOSURES REQUIRED BY THE STATE OF ILLINOIS**

Notwithstanding anything to the contrary set forth in the Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Illinois:

Illinois law shall apply to and govern 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.

Franchisees' right 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.

### **ADDITIONAL DISCLOSURES REQUIRED BY THE STATE OF MARYLAND**

**Item 17, Additional Disclosures.** The following statements are added to Item 17:

The franchise agreements provide for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law.

Any provisions requiring you to sign a general release of claims against us, including upon execution of the franchise agreements, renewal or transfer, does not release any claim you may have under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

**Item 22, Additional Disclosures.** The following statements are added to Item 22:

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.

### **ADDITIONAL DISCLOSURES 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.**

- (a) A prohibition on the right of the 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 License 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 License 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 franchise 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 applied only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

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

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

(g) A provision which permits a franchisor to refuse 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 subfranchisor.

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

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the License 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 License 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 provisions have been made for providing the required contractual services.

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

Any questions regarding this notice should be directed to the Michigan Attorney General's Office, Corporate Oversight Division, Franchise Section, 525 West Ottawa Street, G. Mennen Williams Building, 1st Floor, Lansing, Michigan 48913, (517) 335-7567.

### **ADDITIONAL DISCLOSURES REQUIRED BY THE STATE OF MINNESOTA**

Notwithstanding anything to the contrary set forth in the Disclosure Document the following provisions shall supersede and apply to all franchises offered and sold in the State of Minnesota:

1. Trademarks. The following statement is added to Item 13:

Notwithstanding the foregoing, we will indemnify you against liability to a third party resulting from claims that your use of a Mark infringes trademark rights of a third party; provided, that we will not indemnify against the consequences of your use of the Marks unless the use is in accordance with the requirements of the License Agreement and the System.

2. Notice of Termination. The following statement is added to Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, subdivisions 3, 4, and 5 which requires, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreements.

3. Choice of Forum and Law. The following statement is added to the State Cover Page and Item 17:

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreements 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.

4. General Release. The following statement is added to Item 17:



Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22.

5. Additional Disclosures. The following statements are added to Item 22:

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.

**ADDITIONAL DISCLOSURES REQUIRED BY THE STATE OF NEW YORK**

1. The state cover page of the Disclosure Document is amended to add the following statement:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT E 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 THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added to the end of Item 3:

Except as provided in this Item 3, with regard 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 Item 4:

Except as provided in this Item 4, neither the franchisor, its affiliate, its predecessor, or officers during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. Item 5 is amended to add the following language at the end of the Item:

We use the initial fees to cover costs incurred in performing our obligations under the License Agreement and to cover other overhead expenses.

5. Item 17 is amended by the following:

A. The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for 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.

- B. 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.

- C. The following is added to the end of the “Summary” section of Item 17(j), titled “Assignment of contract by franchisor”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the License Agreement and Development Agreement.

- D. 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 upon the franchisee by Article 33 of the General Business Law of the State of New York.

### **ADDITIONAL DISCLOSURES REQUIRED BY THE STATE OF NORTH DAKOTA**

**Item 17, Additional Disclosures.** The North Dakota Securities Commissioner has held the following to be unfair, unjust, or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

- A. Restrictive Covenants: Franchise disclosure documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.
- B. Restriction on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
- C. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
- D. Applicable Laws: Franchise agreements which specify that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.
- E. Waiver of Trial by Jury: Requiring North Dakota franchisees to consent to the waiver of a trial by jury.
- F. Waiver of Exemplary and Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

- G. General Release: Requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.
- H. Limitation of Claims: Requiring that North Dakota franchisees to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
- I. Enforcement of Agreement: Requiring that North Dakota franchisees pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.
- J. Additional Disclosures: The following statements are added to Item 22:

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.

#### **ADDITIONAL DISCLOSURES REQUIRED BY THE STATE OF RHODE ISLAND**

**Item 17, Additional Disclosure.** The following statement is added to Item 17:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act 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 this Act.”

#### **ADDITIONAL DISCLOSURES REQUIRED BY THE COMMONWEALTH OF VIRGINIA**

**Item 17, Additional Disclosure.** The following statement is added to Item 17.h:

Pursuant to 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 ground for default or termination stated in the franchise agreement does 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.

**Item 22, Additional Disclosures.** The following statements are added to Item 22:

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.

**ADDITIONAL DISCLOSURES REQUIRED BY  
REQUIRED BY THE STATE OF WASHINGTON**

**Item 17, Additional Disclosures.** The following statements are added to Item 17:

1. You have the right to terminate the License Agreement and Development Agreement upon any grounds permitted by law.
2. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
3. RCW 19.100.180 may supersede the License Agreement and Development Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the License Agreement and Development Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.
4. 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.
5. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. 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 provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

8. 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.
9. 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.

**EXHIBIT I**

**STATE REQUIRED ADDENDA**

Hawaii  
Illinois  
Maryland  
Minnesota  
New York  
North Dakota  
Rhode Island  
Washington

**ADDENDUM TO FREDDY’S, L.L.C. LICENSE AGREEMENT  
FOR USE IN HAWAII**

THIS ADDENDUM to the Freddy’s, L.L.C. License Agreement dated as of \_\_\_\_\_ is entered into simultaneously with the License Agreement by and between Freddy’s, L.L.C., (“Licensor”) and \_\_\_\_\_ (“Licensee”).

1. Applicability The provisions of this Addendum form an integral part of, and are incorporated into, the License Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to Licensee was made in the State of Hawaii; **(B)** Licensee is a resident of the State of Hawaii; and/or **(C)** Licensee’s Freddy’s Frozen Custard & Steakburgers Restaurant will be located in the State of Hawaii.
  
2. Representations. The following statement is added to the end of Section 21:  
  
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.
  
3. Miscellaneous. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the License Agreement. Except as expressly modified by this Addendum, the License Agreement remains unmodified and in full force and effect.

[Signatures follow on next page.]



**IN WITNESS WHEREOF**, the parties have executed and delivered this Addendum on the day and year first above written.

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

Freddy's, L.L.C.

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

\_\_\_\_\_  
"Licensee"

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

**ADDENDUM TO FREDDY’S, L.L.C. DEVELOPMENT AGREEMENT  
FOR USE IN HAWAII**

THIS ADDENDUM to the Freddy’s, L.L.C. Development Agreement dated as of \_\_\_\_\_ is entered into simultaneously with the Development Agreement by and between Freddy’s, L.L.C., (“Licensor”) and \_\_\_\_\_ (“Developer”).

1. Applicability The provisions of this Addendum form an integral part of, and are incorporated into, the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to Developer was made in the State of Hawaii; **(B)** Developer is a resident of the State of Hawaii; and/or **(C)** Developer’s Assigned Area will be located in the State of Hawaii.
  
2. Representations. The following statement is added to the end of Section XVI:  
  
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.
  
3. Miscellaneous. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

[Signatures follow on next page.]

**IN WITNESS WHEREOF**, the parties have executed and delivered this Addendum on the day and year first above written.

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

Freddy's, L.L.C.

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

“Licensor”

\_\_\_\_\_

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

“Developer”

**ADDENDUM TO FREDDY’S, L.L.C. LICENSE AGREEMENT  
FOR USE IN ILLINOIS**

THIS ADDENDUM to the Freddy’s, L.L.C. License Agreement dated as of \_\_\_\_\_ is entered into simultaneously with the License Agreement by and between Freddy’s, L.L.C., (“Licensor”) and \_\_\_\_\_ (“Licensee”).

1. The provisions of this Addendum form an integral part of, and are incorporated into, the License Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to Licensee was made in the State of Illinois; **(B)** Licensee is a resident of the State of Illinois; and/or **(C)** Licensee’s Freddy’s Frozen Custard & Steakburgers Restaurant will be located in the State of Illinois.
2. The following language is included as part of the License Agreement:

Illinois law shall apply to and govern the License Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a license agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a license agreement may provide for arbitration to take place outside of Illinois.

Franchisees’ right 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.

3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the License Agreement.
4. Except as expressly modified by this Addendum, the License Agreement remains unmodified and in full force and effect.

[Signatures follow on next page.]

**IN WITNESS WHEREOF**, the parties have executed and delivered this Addendum on the day and year first above written.

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

Freddy's, L.L.C.

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

\_\_\_\_\_  
"Licensee"

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

**ADDENDUM TO FREDDY’S, L.L.C. DEVELOPMENT AGREEMENT  
FOR USE IN ILLINOIS**

THIS ADDENDUM to the Freddy’s, L.L.C. Development Agreement dated as of \_\_\_\_\_ is entered into simultaneously with the Development Agreement by and between Freddy’s, L.L.C., (“Licensor”) and \_\_\_\_\_ (“Developer”).

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to Developer was made in the State of Illinois; **(B)** Developer is a resident of the State of Illinois; and/or **(C)** Developer’s Assigned Area will be located in the State of Illinois.
2. The following language is included as part of the Development Agreement:

Illinois law shall apply to and govern the Development Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a development agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a development agreement may provide for arbitration to take place outside of Illinois.

Franchisees’ right 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.

3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.
4. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

[Signatures follow on next page.]

**IN WITNESS WHEREOF**, the parties have executed and delivered this Addendum on the day and year first above written.

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

Freddy's, L.L.C.

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

“Licensor”

\_\_\_\_\_

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

“Developer”

**ADDENDUM TO FREDDY’S, L.L.C. LICENSE AGREEMENT  
FOR USE IN MARYLAND**

THIS ADDENDUM to the Freddy’s, L.L.C. License Agreement dated as of \_\_\_\_\_ is entered into simultaneously with the License Agreement by and between Freddy’s, L.L.C., (“Licensor”) and \_\_\_\_\_ (“Licensee”).

1. Applicability The provisions of this Addendum form an integral part of, and are incorporated into, the License Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to Licensee was made in the State of Maryland; **(B)** Licensee is a resident of the State of Maryland; and/or **(C)** Licensee’s Freddy’s Frozen Custard & Steakburgers Restaurant will be located in the State of Maryland.

2. Releases. The following sentence is added to the end of Sections 2.2.G and 12.3.C:  
  
This release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. Choice of Venue. The following sentence is added to the end of Section 18.2:  
  
Subject to Licensee’s arbitration obligations, Licensee may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Statute of Limitations. The following sentence is added to the end of Section 18.2.B:  
  
Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

5. Choice of Law. The following sentence is added to the end of Section 18.4 :  
  
Notwithstanding the foregoing, the Maryland Franchise Registration and Disclosure Law shall govern any claim arising under that Law.

6. Representations. Section 20.1 of the License Agreement is deleted. The following statements are added to the end of Section 21:

Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. Representations in this Agreement are not intended to, nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

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. Miscellaneous. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the License Agreement. Except as expressly modified by this Addendum, the License Agreement remains unmodified and in full force and effect.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Addendum on the day and year first above written.

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

Freddy's, L.L.C.

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

\_\_\_\_\_  
"Licensee"

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

**ADDENDUM TO FREDDY’S, L.L.C. DEVELOPMENT AGREEMENT  
FOR USE IN MARYLAND**

THIS ADDENDUM to the Freddy’s, L.L.C. Development Agreement dated as of \_\_\_\_\_ is entered into simultaneously with the Development Agreement by and between Freddy’s, L.L.C., (“Licensor”) and \_\_\_\_\_ (“Developer”).

1. Applicability The provisions of this Addendum form an integral part of, and are incorporated into, the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to Developer was made in the State of Maryland; **(B)** Developer is a resident of the State of Maryland; and/or **(C)** Developer’s Assigned Area will be located in the State of Maryland.

2. Releases. The following sentence is added to the end of Section VII.B.3:

This release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. Choice of Venue. The following sentence is added to the end of Section XV.B:

Subject to Developer’s arbitration obligations, Developer may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Statute of Limitations. The following sentence is added to the end of Section XV.B.2:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

5. Choice of Law. The following sentence is added to the end of Section XV.D.:

Notwithstanding the foregoing, the Maryland Franchise Registration and Disclosure Law shall govern any claim arising under that Law.

6. Representations. The following statements are added to the end of Section XVI:

Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. Representations in this Agreement are not intended to, nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

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. Miscellaneous. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Addendum on the day and year first above written.

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

Freddy's, L.L.C.

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

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

“Licensor”

\_\_\_\_\_

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

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

“Developer”

**ADDENDUM TO FREDDY’S, L.L.C. LICENSE AGREEMENT  
FOR USE IN MINNESOTA**

THIS ADDENDUM to the Freddy’s, L.L.C. License Agreement dated as of \_\_\_\_\_ is entered into simultaneously with the License Agreement by and between Freddy’s, L.L.C., (“Licensor”) and \_\_\_\_\_ (“Licensee”).

1. Applicability. The provisions of this Addendum form an integral part of, and are incorporated into, the License Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to Licensee was made in the State of Minnesota; **(B)** Licensee is a resident of the State of Minnesota; and/or **(C)** Licensee’s Freddy’s Frozen Custard & Steakburgers Restaurant will be located in the State of Minnesota.

2. Releases. The following sentence is added to the end of Sections 2.2.G and 12.3.C:

Notwithstanding the foregoing, Licensee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22.

3. Non-Renewal. The following sentence is added to the end of Section 2.2:

With respect to franchises governed by Minnesota law, Licensor will comply with Minnesota Statute § 80C.14, Subdivision 3, 4, and 5 which requires, except in certain cases, that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of franchise agreements.

4. Indemnification. The following sentence is added at the end of Section 10:

Notwithstanding the foregoing, Licensor will indemnify Licensee against liability to a third party resulting from claims that Licensee’s use of a Proprietary Mark infringes trademark rights of a third party; provided, that Licensor will not indemnify against the consequences of Licensee’s use of the Proprietary Marks unless the use is in accordance with the requirements of this Agreement and the System.

5. Termination. The following sentence is added to the end of Section 13.2:

With respect to franchises governed by Minnesota law, Licensor will comply with Minnesota Statute § 80C.14, Subdivisions 3, 4, and 5 which require, except in certain cases, that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the franchise agreements.

6. Choice of Forum. The following sentences are added to the end of Sections 18.5:

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit Licensor from requiring litigation to be conducted outside Minnesota. In addition, nothing in Licensor’s disclosure document or agreements can abrogate or reduce any of Licensee’s rights as provided for in Minnesota Statutes, Chapter 80C, or Licensee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

7. Miscellaneous.

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.

Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the License Agreement. Except as expressly modified by this Addendum, the License Agreement remains unmodified and in full force and effect.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Addendum on the day and year first above written.

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

Freddy's, L.L.C.

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

\_\_\_\_\_  
"Licensee"

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

**ADDENDUM TO FREDDY’S, L.L.C. DEVELOPMENT AGREEMENT  
FOR USE IN MINNESOTA**

THIS ADDENDUM to the Freddy’s, L.L.C. Development Agreement dated as of \_\_\_\_\_ is entered into simultaneously with the Development Agreement by and between Freddy’s, L.L.C., (“Licensor”) and \_\_\_\_\_ (“Developer”).

1. Applicability. The provisions of this Addendum form an integral part of, and are incorporated into, the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to Developer was made in the State of Minnesota; **(B)** Developer is a resident of the State of Minnesota; and/or **(C)** Developer’s Assigned Area will be located in the State of Minnesota.

2. Termination. The following sentence is added to the end of Section VI:

With respect to franchises governed by Minnesota law, Licensor will comply with Minnesota Statute § 80C.14, Subdivisions 3, 4, and 5 which require, except in certain cases, that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the franchise agreements.

3. Releases. The following sentence is added to the end of Section VII.B.3:

Notwithstanding the foregoing, Developer will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22.

4. Choice of Venue. The following sentences are added to the end of Sections XV.E:

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit Licensor from requiring litigation to be conducted outside Minnesota. In addition, nothing in Licensor’s disclosure document or agreements can abrogate or reduce any of Developer’s rights as provided for in Minnesota Statutes, Chapter 80C, or Developer’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

5. Miscellaneous.

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.

Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

[Signatures follow on next page.]

**IN WITNESS WHEREOF**, the parties have executed and delivered this Addendum on the day and year first above written.

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

Freddy's, L.L.C.

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

“Licensor”

\_\_\_\_\_

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

“Developer”

**ADDENDUM TO FREDDY’S, L.L.C. LICENSE AGREEMENT  
FOR USE IN NEW YORK**

THIS ADDENDUM to the Freddy’s, L.L.C. License Agreement dated as of \_\_\_\_\_ is entered into simultaneously with the License Agreement by and between Freddy’s, L.L.C., (“Licensor”) and \_\_\_\_\_ (“Licensee”).

1. The provisions of this Addendum form an integral part of, and are incorporated into, the License Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to Licensee was made in the State of New York; **(B)** Licensee is a resident of the State of New York; and/or **(C)** Licensee’s Freddy’s Frozen Custard & Steakburgers Restaurant will be located in the State of New York.
2. Any provision in the License Agreement that is inconsistent with the New York General Business Law, Article 33, Sections 680 – 695, may not be enforceable.
3. The following sentence is added to the end of Sections 2.2.G and 12.3.C:  
  
Any provision in this Agreement requiring Licensee to sign a general release of claims against Licensor does not release any claim Licensee may have under New York General Business Law, Article 33, Sections 680-695.
4. The following sentence is added to Section 12.1:  
  
Licensor will not assign Licensor’s rights under this Agreement, except to an assignee who in Licensor’s good faith and judgment is willing and able to assume Licensor’s obligations under this Agreement.
5. The following sentence is added to the end of Section 18.3.:  
  
Licensor’s right to obtain injunctive relief exists only after proper proofs are made and the appropriate authority has granted such relief.
6. The following sentence is added to the end of Section 18.4:  
  
Notwithstanding the foregoing, the New York Franchises Law shall govern any claim arising under that law.
7. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the License Agreement.
8. Except as expressly modified by this Addendum, the License Agreement remains unmodified and in full force and effect.



**IN WITNESS WHEREOF**, the parties have executed and delivered this Addendum on the day and year first above written.

Freddy's, L.L.C.

“Licensor”

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

\_\_\_\_\_

“Licensee”

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

**ADDENDUM TO FREDDY’S, L.L.C. DEVELOPMENT AGREEMENT  
FOR USE IN NEW YORK**

THIS ADDENDUM to the Freddy’s, L.L.C. Development Agreement dated as of \_\_\_\_\_ is entered into simultaneously with the Development Agreement by and between Freddy’s, L.L.C., (“Licensor”) and \_\_\_\_\_ (“Developer”).

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to Developer was made in the State of New York; **(B)** Developer is a resident of the State of New York; and/or **(C)** Developer’s Assigned Area will be located in the State of New York.
2. Any provision in the Development Agreement that is inconsistent with the New York General Business Law, Article 33, Sections 680 – 695, may not be enforceable.
3. The following sentence is added to Section VII.A:  
  
Licensor will not assign Licensor’s rights under this Agreement, except to an assignee who in Licensor’s good faith and judgment is willing and able to assume Licensor’s obligations under this Agreement.
4. The following sentence is added to the end of Section VII.B:  
  
Any provision in this Agreement requiring Developer to sign a general release of claims against Licensor does not release any claim Developer may have under New York General Business Law, Article 33, Sections 680-695.
5. The following sentence is added to the end of Section XV.C:  
  
Licensor’s right to obtain injunctive relief exists only after proper proofs are made and the appropriate authority has granted such relief.
6. The following sentence is added to the end of Section XV.D:  
  
Notwithstanding the foregoing, the New York Franchises Law shall govern any claim arising under that law.
7. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.
8. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Addendum on the day and year first above written.

Freddy's, L.L.C.

“Licensor”

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

\_\_\_\_\_

“Developer”

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

**ADDENDUM TO FREDDY’S, L.L.C. LICENSE AGREEMENT  
FOR USE IN NORTH DAKOTA**

THIS ADDENDUM to the Freddy’s, L.L.C. License Agreement dated as of \_\_\_\_\_ is entered into simultaneously with the License Agreement by and between Freddy’s, L.L.C., (“Licensor”) and \_\_\_\_\_ (“Licensee”).

1. Applicability. The provisions of this Addendum form an integral part of, and are incorporated into, the License Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to Licensee was made in the State of North Dakota; **(B)** Licensee is a resident of the State of North Dakota; and/or **(C)** Licensee’s Freddy’s Frozen Custard & Steakhburgers Restaurant will be located in the State of North Dakota.
  
2. Releases. The following sentence is added to the end of Sections 2.G. and 12.3C:  
  
Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.
  
3. Liquidated Damages. The following sentence is added to the end of Section 14.4:  
  
The parties acknowledge that certain parts of this provision might not be enforceable under the North Dakota Franchise Investment Law. However, the parties agree to enforce the provision to the extent the law allows.
  
4. Covenants Not To Compete. The following sentence is added to the end of Section 10.5:  
  
Covenants not to compete are generally considered unenforceable in the State of North Dakota; however, Licensor will enforce the covenants to the maximum extent the law allows.
  
5. Choice of Law. The following sentence is added to the end of Section 18.4:  
  
Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, North Dakota law will apply to claims arising under the North Dakota Franchise Investment Law.
  
6. Choice of Forum. The following sentence is added to the end of Section 18.5:  
  
Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, Licensee may bring an action in North Dakota for claims arising under the North Dakota Franchise Investment Law.
  
7. Miscellaneous.  
  
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, franchisee

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.

Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the License Agreement. Except as expressly modified by this Addendum, the License Agreement remains unmodified and in full force and effect.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Addendum on the day and year first above written.

Freddy's, L.L.C.

“Licensor”

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

\_\_\_\_\_

“Licensee”

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

**ADDENDUM TO FREDDY’S, L.L.C. DEVELOPMENT AGREEMENT  
FOR USE IN NORTH DAKOTA**

THIS ADDENDUM to the Freddy’s, L.L.C. Development Agreement dated as of \_\_\_\_\_ is entered into simultaneously with the Development Agreement by and between Freddy’s, L.L.C., (“Licensor”) and \_\_\_\_\_ (“Developer”).

1. Applicability. The provisions of this Addendum form an integral part of, and are incorporated into, the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to Developer was made in the State of North Dakota; **(B)** Developer is a resident of the State of North Dakota; and/or **(C)** Developer’s Assigned Area will be located in the State of North Dakota.

2. Releases. The following sentence is added to the end of Section VII.B.3:

Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

3. Covenants Not To Compete. The following sentence is added to the end of Section VIII.B:

Covenants not to compete are generally considered unenforceable in the State of North Dakota; however, Licensor will enforce the covenants to the maximum extent the law allows.

4. Choice of Law. The following sentence is added to the end of Section XV.D:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, North Dakota law will apply to claims arising under the North Dakota Franchise Investment Law.

5. Choice of Forum. The following sentence is added to the end of Section XV.E:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, Developer may bring an action in North Dakota for claims arising under the North Dakota Franchise Investment Law.

6. Miscellaneous.

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.

Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Addendum on the day and year first above written.

Freddy's, L.L.C.

“Licensor”

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

\_\_\_\_\_

“Developer”

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

**ADDENDUM TO FREDDY’S, L.L.C. LICENSE AGREEMENT  
FOR USE IN RHODE ISLAND**

THIS ADDENDUM to the Freddy’s, L.L.C. License Agreement dated as of \_\_\_\_\_ is entered into simultaneously with the License Agreement by and between Freddy’s, L.L.C., (“Licensor”) and \_\_\_\_\_ (“Licensee”).

1. The provisions of this Addendum form an integral part of, and are incorporated into, the License Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to Licensee was made in the State of Rhode Island; **(B)** Licensee is a resident of the State of Rhode Island; and/or **(C)** Licensee’s Freddy’s Frozen Custard & Steakburgers Restaurant will be located in the State of Rhode Island.
2. The following language is added to Section 18.4 and 18.5:  
  
Section 19-28.1-14 of the Rhode Island Franchise Investment Act 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 this Act.”
3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the License Agreement.
4. Except as expressly modified by this Addendum, the License Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the parties have executed and delivered this Addendum on the day and year first above written.

Freddy’s, L.L.C.

“Licensor”

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

\_\_\_\_\_

“Licensee”

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



**ADDENDUM TO FREDDY’S, L.L.C. DEVELOPMENT AGREEMENT  
FOR USE IN RHODE ISLAND**

THIS ADDENDUM to the Freddy’s, L.L.C. Development Agreement dated as of \_\_\_\_\_ is entered into simultaneously with the Development Agreement by and between Freddy’s, L.L.C., (“Licensor”) and \_\_\_\_\_ (“Developer”).

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Development Agreement. This Addendum is being executed because: (A) the offer or sale of a franchise to Developer was made in the State of Rhode Island; (B) Developer is a resident of the State of Rhode Island; and/or (C) Developer’s Assigned Area will be located in the State of Rhode Island.
  
2. The following language is added to Section XV.D and XV.E:  
  
Section 19-28.1-14 of the Rhode Island Franchise Investment Act 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 this Act.”
  
3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.
  
4. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the parties have executed and delivered this Addendum on the day and year first above written.

Freddy’s, L.L.C.

“Licensor”

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

\_\_\_\_\_

“Developer”

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

**ADDENDUM TO FREDDY’S, L.L.C. LICENSE AGREEMENT  
FOR USE IN WASHINGTON**

THIS ADDENDUM to the Freddy’s, L.L.C. License Agreement dated as of \_\_\_\_\_ is entered into simultaneously with the License Agreement by and between Freddy’s, L.L.C., (“Licensor”) and \_\_\_\_\_ (“Licensee”).

1. The provisions of this Addendum form an integral part of, and are incorporated into, the License Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to Licensee was made in the State of Washington; **(B)** Licensee is a resident of the State of Washington; and/or **(C)** Licensee’s Freddy’s Frozen Custard & Steakhburgers Restaurant will be located in the State of Washington.
2. The state of Washington has a statute, the Washington Franchise Investment Protection Act, RCW 19.100.180 (“Act”), which may supersede this Agreement in Licensee’s relationship with Licensor, including in the areas of termination and renewal of Licensee’s franchise. There also may be court decisions that may supersede this Agreement in Licensee’s relationship with Licensor, including in the areas of termination and renewal of Licensee’s franchise.
3. In the event of a conflict of laws, the provisions of the Act shall prevail.
4. Licensee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Act, in Washington.
5. A release or waiver of rights executed by Licensee may not include rights under the Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. Transfer fees are collectable to the extent that they reflect Licensor’s reasonable estimated or actual costs in effecting a transfer.
7. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of Licensee, 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 Licensee 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 provisions contained in the License Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
8. RCW 49.62.060 prohibits Licensor from restricting, restraining, or prohibiting Licensee from (i) soliciting or hiring any employee of a franchisee of Licensor or (ii) soliciting or

hiring any employee of Licensor. As a result, any such provisions contained in the License Agreement or elsewhere are void and unenforceable in Washington.

9. 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.
10. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the License Agreement.
11. Except as expressly modified by this Addendum, the License Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the parties have executed and delivered this Addendum on the day and year first above written.

Freddy's, L.L.C.

“Licensor”

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

\_\_\_\_\_

“Licensee”

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

**ADDENDUM TO FREDDY’S, L.L.C. DEVELOPMENT AGREEMENT  
FOR USE IN WASHINGTON**

THIS ADDENDUM to the Freddy’s, L.L.C. Development Agreement dated as of \_\_\_\_\_ is entered into simultaneously with the Development Agreement by and between Freddy’s, L.L.C., (“Licensor”) and \_\_\_\_\_ (“Developer”).

1. The provisions of this Addendum form an integral part of, and are incorporated into, the License Agreement. This Addendum is being executed because: (A) the offer or sale of a franchise to Developer was made in the State of Washington; (B) Developer is a resident of the State of Washington; and/or (C) Developer’s Assigned Area will be located in the State of Washington.
2. The state of Washington has a statute, the Washington Franchise Investment Protection Act, RCW 19.100.180 (“Act”), which may supersede this Agreement in Developer’s relationship with Licensor, including in the areas of termination and renewal of Developer’s franchise. There also may be court decisions that may supersede this Agreement in Developer’s relationship with Licensor, including in the areas of termination and renewal of Developer’s franchise.
3. In the event of a conflict of laws, the provisions of the Act shall prevail.
4. Developer may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Act, in Washington.
5. A release or waiver of rights executed by Developer may not include rights under the Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. Transfer fees are collectable to the extent that they reflect Licensor’s reasonable estimated or actual costs in effecting a transfer.
7. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of Developer, 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 Developer 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 provisions contained in the Development Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
8. RCW 49.62.060 prohibits Licensor from restricting, restraining, or prohibiting Developer from (i) soliciting or hiring any employee of a franchisee of Licensor or (ii) soliciting or

hiring any employee of Licensor. As a result, any such provisions contained in the Development Agreement or elsewhere are void and unenforceable in Washington.

9. 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.
10. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.
11. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the parties have executed and delivered this Addendum on the day and year first above written.

Freddy's, L.L.C.

“Licensor”

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

\_\_\_\_\_

“Developer”

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

**EXHIBIT J**

**CONFIDENTIALITY AGREEMENT**

## CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (“Agreement”) is made and entered into as of the \_\_\_ day of \_\_\_\_\_, 20\_\_ (“Effective Date”), by and between Freddy’s, L.L.C., a Kansas limited liability company (“Freddy’s”), and its affiliates (“Freddy’s and its affiliates,” collectively the “Discloser”), and \_\_\_\_\_ (the “Recipient”). Discloser and Recipient are each a “Party” to this Agreement and collectively the “Parties.”

### Recitals

A. The Parties are considering entering a franchise relationship in which the Discloser will be the franchisor and the Recipient will be the franchisee (the “Purpose”).

B. In connection with the Purpose, the Recipient has requested access to certain non-public, confidential, or proprietary information of the Discloser.

### Agreement

In consideration for and as a condition of the Discloser’s furnishing access to such confidential information of the Discloser, the Recipient agrees as follows:

1. Confidential Information. As used in this Agreement, “Confidential Information” means all information and data in any form (oral, visual, written, electronic, or otherwise) received by, disclosed to, or learned by the Recipient or its Representatives directly or indirectly from the Discloser or its Representatives prior to or during the term of this Agreement. Confidential Information includes, without limitation, any business, commercial, technical, financial, market, or operational information or data; software (both in object and source code), data, statistics, know-how, trade secrets, calculations, formulae, patterns, compilations, devices, methods, techniques, recipes, formulations, materials, nature and performance of products and services, designs, drawings, methods, compositions, processes, procedures, systems, explanations, demonstrations, ideas, and identification and information concerning customers and suppliers; together with any summaries, abstracts, analysis, or other materials created by the Recipient or its Representative that incorporates or is derived from any of the foregoing, in whole or in part. Confidential Information does not include information or data that the Recipient demonstrates by contemporaneous, competent evidence: (1) is generally known to the public at the time of receipt by, disclosure to, or learning by the Recipient; (2) becomes generally known to the public after the time of receipt by, disclosure to, or learning by the Recipient through no wrongful act by the Recipient or its Representatives; (3) is or has been rightfully acquired by the Recipient from any person other than the Discloser or its Representative without an obligation of confidentiality; or (4) is developed completely independently by or on behalf of the Recipient without any access or use of the Confidential Information.

2. Obligations. The Recipient will:

(a) Hold in confidence and safeguard the confidentiality of the Confidential Information for as long as it is in the Recipient’s or its Representatives’ possession or control and

use the same degree of care as it uses to protect its own confidential information of a similar nature, but no less than reasonable care.

(b) Not disclose the Confidential Information to any person, other than (i) as permitted by this Agreement; or (ii) to the Recipient's Representatives who have a need to know the Confidential Information. The Recipient will be responsible for any act or omission of the Recipient's Representative that would constitute a breach of this Agreement if done by the Recipient.

(c) Not use the Confidential Information for any reason other than for the Purpose.

3. Ownership and License. All Confidential Information remains the exclusive property of the Discloser, and nothing contained in this Agreement may be construed as a grant, express or implied or by estoppel, or a transfer, assignment, license, or lease of any right, title, or interest in the Confidential Information.

4. Disclaimer. Nothing in this Agreement will be construed as an obligation of the Discloser to disclose any Confidential Information. No warranty or representation is made by the Discloser concerning the Confidential Information.

5. No Other Relationship. This Agreement does not create, represent, or imply any agreement or commitment to enter into any further business relationship. This Agreement does not create any agency, partnership, joint venture, fiduciary duty, or other relationship between the Parties.

6. Term. This Agreement will terminate thirty (30) days after the earlier of (a) the completion, expiration, or termination of the Purpose, or (b) written notice of termination by one Party to the other Party. The Discloser may terminate this Agreement immediately upon notice to the Recipient for a breach of this Agreement by the Recipient. The Recipient's obligations under this Agreement will survive the termination of this Agreement indefinitely.

7. Actions on Termination. Upon the termination of this Agreement, the Recipient will (a) immediately cease any use of the Confidential Information; (b) promptly return to the Discloser all of the Confidential Information; and (c) neither retain nor allow its Representatives to retain any copies of the Confidential Information; and (d) promptly provide a certification by an officer of the Recipient of its compliance with the obligations of this Section 7.

8. Remedies. The Recipient acknowledges and agrees that the covenants of this Agreement are reasonable and necessary for the protection of the Discloser's business interests, that irreparable injury may result if they are breached, and that in the event of any actual or potential breach of any such covenant that the Discloser may have no adequate remedy at law and will be entitled to seek immediate injunctive or other equitable relief. Nothing herein will be construed as prohibiting any Party from pursuing any other remedies available to it related to such actual or potential breach, including the recovery of damages.



9. General.

(a) Governing Law. This Agreement will be governed and construed in accordance with the laws of the State of Kansas, excluding its conflicts of law principles. Any legal action or proceeding arising out of or related to this Agreement must be brought exclusively in a state or federal court in Sedgwick County, Kansas. Each Party submits itself to the jurisdiction of such courts. However, a Party may seek to enforce an order or judgment of any such court or obtain temporary or preliminary injunction or restraining order in any other court of competent jurisdiction.

(b) Severability. If any provision of this Agreement is adjudged by any court of competent jurisdiction to be unenforceable or invalid, that provision will be limited or eliminated to the minimum extent necessary so that this Agreement will otherwise remain in full force and effect.

(c) Waiver. The failure of either Party to act in the event of a breach of this Agreement by the other will not be deemed a waiver of such breach or a waiver of future breaches, except to the extent such waiver is in writing and signed by the Party against whom enforcement is sought.

*(Signatures on the following page)*

This Confidentiality Agreement has been executed by the Parties as of the day and date first above written.

“Discloser”

“Recipient”

Freddy’s, L.L.C.,  
a Kansas limited liability company

\_\_\_\_\_

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

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

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

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

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

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

Address:  
3020 N. Cypress Street  
Suite 200  
Wichita, Kansas 67226  
Attn: Andrew P. Thengvall

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

**EXHIBIT K**

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## **OPERATIONS MANUAL**

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**EXHIBIT L**

**VETERANS PROGRAM ADDENDUM TO LICENSE AGREEMENT**

**VETERANS PROGRAM ADDENDUM  
TO THE FREDDY’S, L.L.C. LICENSE AGREEMENT**

This Veterans Program Addendum (“Addendum”) to the Freddy’s, L.L.C. License Agreement dated as of \_\_\_\_\_ (“License Agreement”) between Freddy’s, L.L.C. (“Licensor”), a Kansas limited liability company, and \_\_\_\_\_ (“Licensee”), a \_\_\_\_\_, is entered into as of the Effective Date (as indicated on the signature page of this Agreement).

**RECITALS**

In order to recognize the contribution of United States military personnel, attract new licensees and encourage the development of new Freddy’s Frozen Custards & Steakhburgers restaurants (“System Restaurants”), Licensor has implemented a veterans incentive program (“Veterans Program”) for qualified veterans that develop and open a new System Restaurant.

Licensee (or if Licensee is an entity, a holder of at least a fifty-one percent (51%) ownership in Licensee) is a veteran and has provided Licensor with a DD Form 214 or other adequate documentation, as determined by Licensor, demonstrating honorable discharge from the United States military.

Neither Licensee nor its affiliates currently operate or have previously operated any System Restaurants and have not previously received the Veterans Program benefits.

Since Licensee’s development of the System Restaurant under the License Agreement meets the criteria for the Veterans Program, Licensor and Licensee are entering into this Addendum to provide the Veterans Program benefits to Licensee and to modify certain provisions of the License Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, agreements and obligations set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. License Fee Reduction. Notwithstanding the provisions of the Section 3.1.A of the License Agreement, Licensee shall pay a reduced License Fee to Licensor in the amount of Twenty-Six Thousand Two Hundred Fifty Dollars (\$26,250), which reflects a twenty-five percent (25%) discount.
2. Repayment of Reduced License Fee on Transfer or Termination. If, prior to the first anniversary of the opening date of the System Restaurant, (a) Licensee transfers the System Restaurant; or (b) Licensor terminates the License Agreement, then Licensee must pay to Licensor the portion of the Initial License Fee that was waived by Licensor in the amount of Eight Thousand Seven Hundred Fifty Dollars (\$8,750).
3. Miscellaneous.

A. The Recitals are hereby incorporated into this Addendum by this reference. The captions in this Addendum are for convenience only. Any capitalized term that is not defined in

this Addendum shall have the meaning given to it in the License Agreement.

B. The License Agreement and this Addendum constitute the entire, full and complete agreement between the parties concerning the matters herein and supersede any and all prior agreements. In the event of a conflict between the terms of the License Agreement and this Addendum, the terms of this Addendum shall control. Except as amended, modified or supplemented by this Addendum, the terms and conditions of the License Agreement are hereby ratified and confirmed.

C. This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed to be an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Addendum by electronic transmission (including an electronic signature platform such as DocuSign or the transmission of a scanned PDF document) shall be effective as delivery of a manually executed counterpart of this Addendum.

**IN WITNESS WHEREOF**, the parties have duly executed, sealed and delivered this Addendum as of the Effective Date.

**LICENSOR:**  
FREDDY’S, L.L.C.,  
a Kansas limited liability company

**LICENSEE:**  
\_\_\_\_\_,  
a \_\_\_\_\_

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

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

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

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

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

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

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

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

**EXHIBIT M**

**CONSTRUCTION ADVISORY SERVICES AGREEMENT**

## CONSTRUCTION ADVISORY SERVICES AGREEMENT

THIS CONSTRUCTION ADVISORY SERVICES AGREEMENT (this “Agreement”) by and between FREDDY’S, L.L.C., a Kansas limited liability company (“Licensor”) and \_\_\_\_\_, a \_\_\_\_\_ (“Licensee”), is entered into on the date of execution by Licensor as indicated on the signature page hereof (“Effective Date”).

### RECITALS

A. Licensor and Licensee have entered into that certain Freddy’s, L.L.C. Development Agreement dated as of \_\_\_\_\_ (the “Development Agreement”) whereby Licensee agreed to develop Freddy’s Frozen Custard & Steakhburgers restaurants in an Assigned Area.

B. Licensor and Licensee have entered into that certain Freddy’s L.L.C. License Agreement dated as of \_\_\_\_\_ (the “License Agreement”), whereby Licensee agreed to establish and operate a licensed Freddy’s Frozen Custard & Steakhburgers restaurant (the “Restaurant”) located at \_\_\_\_\_ (the “Licensed Location”), subject to the terms and conditions of the License Agreement.

C. Licensee has acquired and/or intends to acquire or lease real property for the construction of the Restaurant (the “Construction Project”) and desires that Licensor provide the services described herein for the purpose of assisting Licensee with the Construction Project.

In consideration of the mutual promises and terms of this Agreement, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Licensor and Licensee affirm the recitals above and agree as follows:

1. Construction Advisory Services. Subject to the terms and conditions of this Agreement and in connection with the Construction Project:

1.1 Licensee hereby engages Licensor to provide to Licensee those advisory services listed in the attached Exhibit A (the “Construction Advisory Services”). The Construction Advisory Services will be furnished in the form of written reports, recommendations, written materials, and/or consultations by telephone, in person at the offices of Licensor or Licensee, on site, or via Internet, Intranet or other electronic means, as determined solely by Licensor in its sole and absolute discretion. Licensee agrees that Licensor will act solely as an advisor for purposes of assisting Licensee with the Construction Project. Additional services may be provided at additional cost, as the parties may mutually agree.

1.2 Licensee will provide to Licensor, on a timely basis, all information that Licensor may request in order to permit Licensor to perform the Construction Advisory Services provided for in this Agreement.

1.3 Licensor will select such personnel as Licensor reasonably believes necessary to perform the Construction Advisory Services and will be solely responsible for deciding their qualifications, time in field, the amount of deployed

resources, and similar logistical decisions. Licensee acknowledges and agrees that any duty or obligation imposed on Licensor by this Agreement may be performed, at Licensor's sole and absolute discretion, by any affiliate, designee, employee, or agent of Licensor, as Licensor may direct.

2. Compensation. Upon execution of this Agreement and before Licensor commences any Construction Advisory Services, Licensee will pay to Licensor Thirty-Five Thousand Dollars (\$35,000) as an Advisory Fee, which is not refundable. In addition to the payment of the Advisory Fee, Licensee will reimburse Licensor for all reasonable and necessary out-of-pocket business expenses incurred in the performance of the Construction Project, which will include Licensor's travel expenses for site visits.

3. Architectural, Engineering and Other Professional Services. This Agreement does not entitle Licensee to any architectural, engineering, or other licensed professional services, and Licensee expressly acknowledges that Licensor does not provide architectural, engineering, or other licensed professional services or hold itself out as a provider of any such services. Licensor will not provide any certification services. Licensee will engage Licensor-approved architects and engineers to handle all matters requiring such services at Licensee's sole cost and expense. Licensee will also engage the architect and engineer of its selection to prepare site drawings and building plans. The selection of Licensor approved professionals, contractors, or vendors will be solely the responsibility of Licensee.

4. Pre-Construction Advisory Services. Licensee is solely responsible for acquiring the land and site for construction of the Restaurant. Licensee acknowledges and agrees that Licensor will coordinate the application and approval process for the required governmental permits and approvals for the Licensed Location; provided, however, Licensee acknowledges that Licensee is solely responsible for taking all actions necessary to obtain such permits and approvals and for paying all costs thereof. Licensor will review Licensee's architect's plans and drawings for compliance with the License Agreement and will review the general contractor's proposed construction schedule for feasibility.

5. Indemnification.

5.1 Liability of Licensor. Except as expressly provided in the License Agreement or this Agreement, subject to Licensor's right of approval and inspection, Licensee retains the ultimate decision-making authority with respect to the Construction Project and operation of the Restaurant. Licensor and its affiliates assume no responsibility under this Agreement other than to render the Construction Advisory Services in a commercially reasonable manner, and Licensor and its affiliates will not be responsible for any action of Licensee in accepting or declining to follow any advice or recommendations of Licensor or its affiliates. Licensor and its affiliates will not be liable to Licensee except by reason of acts constituting willful misfeasance or willful misconduct. LICENSOR AND ITS AFFILIATES DO NOT GUARANTEE OR MAKE ANY REPRESENTATIONS OR WARRANTIES WITH RESPECT TO, AND LICENSEE ACKNOWLEDGES THAT LICENSOR AND ITS AFFILIATES MAKE NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO

AND ARE NOT GUARANTORS OF, THE CONSTRUCTION ADVISORY SERVICES OR OPINIONS, IF ANY, MATERIALS OR WORK OF ANY RELATED COMPANIES OR REPRESENTATIVES, BROKERS, ARCHITECTS, VENDORS, AND ANY OTHER MATERIAL OR SERVICE PROVIDERS.

5.2 Indemnity. In addition to and not in substitution for the indemnity provided in Section X.(B) of the Development Agreement and Section 11.4 of the License Agreement, Licensee will defend, protect, indemnify, and hold harmless Licensor, its affiliates, and their respective employees, officers, directors, principals, successors, assigns, or agents, past or present (“Indemnified Parties”) from all claims, suits, actions, and proceedings whatsoever which may be brought or instituted against any Indemnified Party to recover losses, injuries, including death, damages, costs, or expenses (including reasonable attorneys’ fees and other costs of defending against, investigating, and settling the claims) arising from or in connection with claims arising out of or in connection with this Agreement and/or the Construction Project (collectively, “Claims”). Licensee’s indemnification obligation will include without limitation any claims related to or resulting from the negligence or fault of any Indemnified Party. Licensee’s obligation to indemnify the Indemnified Parties pursuant to this Agreement will survive any termination of the Development Agreement, the License Agreement and/or this Agreement.

5.3 LIMITATION ON DAMAGES. EXCEPT FOR ANY INDEMNITY OBLIGATION, IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES OF ANY KIND OR LOST PROFITS, REGARDLESS OF THE FORM OF ACTION, WHETHER FOR BREACH OF CONTRACT, TORT, OR OTHERWISE, WHICH MAY ARISE OUT OF OR IN CONNECTION WITH THIS AGREEMENT AND EVEN IF THE PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE LIMITATIONS IN THIS SECTION WILL APPLY NOTWITHSTANDING ANY FAILURE OF ANY ESSENTIAL PURPOSE OF ANY REMEDY PROVIDED IN THIS AGREEMENT. THIS LIMITATION WILL NOT EXTEND TO LICENSEE’S INDEMNIFICATION OBLIGATIONS UNDER THIS AGREEMENT, THE DEVELOPMENT AGREEMENT OR THE LICENSE AGREEMENT.

6. No Warranty. Licensee acknowledges that Licensor makes no express or implied warranty regarding (i) the proper performance by the architects, engineers, general contractor, or subcontractors of their contractual obligations; (ii) the compliance with applicable zoning, building code, or similar laws; (iii) adequacy of the Licensed Location to perform its intended purpose; or (iv) the future business success of the Restaurant. Licensee understands that the construction of the Restaurant will not guarantee success of the business which will depend on many factors under Licensee’s control, and Licensor is engaged solely to assist Licensee in completing the Construction Project.

7. Communications. Licensee will initially designate one person (“Licensee Representative”) (which initial Licensee Representative is identified below Licensee’s signature block as shown below), which Licensee may change upon written notice to Licensor, who will be authorized, including without limitation to: (i) make all decisions on behalf of Licensee and receive Licensor’s reports; (ii) execute construction and other contracts in favor of Licensee; and (iii) act for and on behalf of Licensee. Licensee Representative will be the official Licensor liaison with Licensee. Licensor may rely completely on communications and instructions from Licensee Representative. Licensor will communicate with Licensee Representative regarding the construction and the performance of the Construction Advisory Services exclusively through its written reports and will provide all information due Licensee hereunder to Licensee Representative. In order to avoid confusion and miscommunication, Licensor will not take any instructions or direction from any person other than Licensee Representative and will not be obligated to deliver or communicate any information to any person other than Licensee Representative.

8. Entire Agreement; Amendments. This Agreement constitutes the entire agreement between the parties relating to the subject matter of this Agreement. This Agreement supersedes all prior communications (whether expressed, implied, written, or oral), agreements, and understandings between the parties relating to the subject matter of this Agreement. This Agreement may not be modified or amended except by an instrument in writing executed by all of the parties hereto as of the time of the amendment.

9. Binding Effect; Assignment. This Agreement is binding upon and inures to the benefit of the parties hereto and their respective heirs, personal representatives, successors, and permitted assigns. Neither party may assign this Agreement without the other party’s prior written consent. Any change of control or change of ownership by Licensee is deemed an assignment for purposes of this Section. Neither party’s assignment of this Agreement will result in a novation or any release of assignor of its obligations hereunder. No assignment otherwise permitted hereunder is effective unless the assignee party assumes all of the assigned rights or obligations, and a copy of the assignment executed by both assignee and assignor, plus the assignee party’s address, email, and telephone number, is delivered to the other party to this Agreement. Any purported assignment, by operation of law or otherwise, which is not permitted hereunder, is null and void and constitutes a material breach of this Agreement, for which the other party may exercise all of its available rights and remedies without first affording any opportunity to cure.

10. Governing Law. This Agreement is governed by and will be interpreted and construed in accordance with the substantive laws of the State of Kansas, without regard for any conflict of laws principles that might direct the application of the laws of any other jurisdiction. Venue is exclusive in federal or state court sitting within the City of Wichita, Sedgwick County, Kansas.

11. Counterparts; Electronic Signatures. The parties may execute this Agreement in counterparts, each of which will constitute an original, and all of which, when taken together, will constitute one and the same instrument. Electronic copies of any signed original Agreement will be deemed the same as delivery of an original.



12. Section and Paragraph Headings. The section headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement.

13. Termination. This Agreement may not be terminated by Licensee unless Licensor's and its affiliates' actions constitute willful misfeasance or willful misconduct in the performances of the Construction Advisory Services. Upon termination, Licensee will be obligated to reimburse Licensor for any out-of-pocket expenses that Licensor has incurred and . Licensor will deliver to Licensee a copy of its file of the Construction Project and the work Licensor has performed for Licensee. Licensor may at any time discontinue performing Construction Advisory Services for the Construction Project, including if construction has begun for the Construction Project, and may do so for any reason whatsoever. In such event, Licensor will make available to Licensee its file of the Construction Project upon payment of all sums due Licensor.

14. Relationship with License Agreement. The parties acknowledge that they have executed one or more agreements that require Licensee to obtain a development site and to commence construction within a period specified therein. Licensee acknowledges that the assistance provided Licensee hereunder by Licensor does not relieve, absolve, mitigate, or otherwise alter or amend Licensee's obligation under the other agreements with Licensor nor will the failure of Licensor to render services hereunder or otherwise perform its obligations result in any extension of time by Licensor to Licensee to meet its obligations under such agreements. Provided, however, that any reports regarding construction which Licensee is obligated to provide to Licensor will be produced by Licensor as part of the Construction Advisory Services provided hereunder, including the "final inspection" report.

[ signatures begin on next page ]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

LICENSOR:  
FREDDY'S, L.L.C.

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

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

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

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

LICENSEE:

\_\_\_\_\_

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

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

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

The Licensee Representative is: \_\_\_\_\_

**EXHIBIT A**  
**CONSTRUCTION ADVISORY SERVICES**

<b>CONSTRUCTION ADVISORY SERVICES</b>	
Entitlement Project Management	<ul style="list-style-type: none"> <li>• Assist Licensee with obtaining and evaluating third-party reports generally associated with real estate and development diligence including site investigation reports, soils reports, site plans, environmental reports (phase I, etc.), feasibility studies, surveys (ALTA, etc.), and construction documents.</li> <li>• Coordinate with third-party service providers including general contractor, civil engineering, consultants, attorneys, and architectural firms.</li> <li>• Coordinate the application and approval process for required governmental permits and approvals.</li> <li>• Communicate and coordinate with Licensee regarding the necessity of appearances and participation in the governmental approval processes.</li> <li>• Assist with investigating economic incentives that may be available at/for the Licensed Location.</li> <li>• Confirm availability of utilities to the site.</li> <li>• Obtain a design build agreement with Licensor and Licensee approved general contractor for Licensee's execution.</li> <li>• Manage and coordinate with design/builder and design team during pre-construction activities including cost of design, specific site requirements, exterior features, landscaping, access, site improvements, etc.</li> <li>• Assist with negotiations with seller for PSA amendments.</li> <li>• Obtain and/or deliver, as requested, documents for financing and closing of land acquisition contract.</li> <li>• Communicate regularly with Licensee's designated contact including bi-monthly cost, schedule progress reports, and telephone consultations.</li> <li>• Assist with obtaining a final set of construction drawings for Licensee's approval prior to starting construction.</li> </ul>
Construction Project Management	<ul style="list-style-type: none"> <li>• Solicit and negotiate a design/build agreement with the general contractor which will be signed by Licensee.</li> <li>• Solicit and negotiate agreements from third parties necessary for completion of the project (FF&amp;E supplier, signage vendor, final cleaning, low voltage contractor, etc.).</li> <li>• Conduct multiple rounds of general contractor negotiations to arrive at the contractor's guaranteed maximum price.</li> <li>• Manage the general contractor and other third parties throughout the construction process until a certificate of occupancy is received.</li> <li>• Monitor the quality, schedule, and cost of the general contractor through the construction process.</li> <li>• Manage project activities and approvals (RFIs, submittal reviews, change orders, site inspections, and bi-weekly virtual coordination meetings).</li> <li>• Verify contractor's AIA pay applications invoices are in accordance to work performed.</li> <li>• Perform final punch list inspection, facilitate owner/operational training,</li> </ul>

<b>CONSTRUCTION ADVISORY SERVICES</b>	
	<p>and obtain general contractor's close out documents.</p> <ul style="list-style-type: none"> <li>• Visit the project site to assess quality, confirm adherence to brand standards, and validate construction draw requests.</li> <li>• Communicate status of Construction Advisory Services performed regularly with the Licensee Representative, including cost and schedule progress.</li> <li>• Coordinate the operational transfer of the property to Licensee's selected property management company prior to opening.</li> </ul>
Schedule Updates	<ul style="list-style-type: none"> <li>• Monthly progress updates of milestones necessary for entitlement approvals and receipt of building permit.</li> <li>• Monthly progress updates of critical milestones during the construction process.</li> </ul>
Project Budget	<ul style="list-style-type: none"> <li>• Provide an initial estimated project budget.</li> <li>• Provide a monthly forecast of the site entitlement and land approval cost.</li> <li>• Provide updates to initial project budget on monthly intervals.</li> <li>• Provide the Final Budget of the project cost at least ten (10) days before construction financing closing.</li> <li>• Provide updates to Final Budget on monthly intervals during construction.</li> </ul>

State Effective Dates

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

This Franchise Disclosure 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:

CALIFORNIA	April 5, 2024
HAWAII	May 29, 2024, as amended _____
ILLINOIS	April 5, 2024
INDIANA	April 5, 2024
MARYLAND	April 25, 2024, as amended _____
MICHIGAN	April 5, 2024
MINNESOTA	April 22, 2204, as amended _____
NEW YORK	April 5, 2024
NORTH DAKOTA	April 10, 2024, as amended _____
RHODE ISLAND	April 19, 2024, as amended _____
SOUTH DAKOTA	April 5, 2024
VIRGINIA	April 15, 2024, as amended _____
WASHINGTON	May 3, 2024
WISCONSIN	April 5, 2024, as amended _____

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

RECEIPT  
(Your Copy)

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

If Freddy’s, L.L.C. offers you a franchise, Freddy’s, L.L.C. must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that Freddy’s, L.L.C. gives you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Iowa requires that Freddy’s, L.L.C. gives you this disclosure document at the earlier of the first personal meeting or 14 calendar days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. Michigan requires that Freddy’s, L.L.C. gives you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Freddy’s, L.L.C. does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit E.

The franchisor is Freddy’s, L.L.C., 3020 N. Cypress Street, Suite 200, Wichita, Kansas 67226, (316) 719-7854.

Issuance Date: April 5, 2024, as amended July 29, 2024

The franchise sellers for this offering are: M. Chris Dull, Chief Executive Officer and President, William W. Valentas, Chief Financial Officer, Andrew P. Thengvall, Chief Development Officer and Chief Legal Officer, Mary Coots, Vice President of Franchise Development, and W. Brian Wise, Chief Operating Officer, Freddy’s, L.L.C., 3020 N. Cypress Street, Suite 200, Wichita, Kansas 67226, (316) 719-7854.

Freddy’s L.L.C. authorizes the respective state agencies identified on Exhibit F to receive service of process for it in the particular state.

I have received a Disclosure Document dated April 5, 2024, as amended July 29, 2024 that included the following Exhibits:

- |                                 |  |
|---------------------------------|--|
| A Development Agreement         | H Additional State Disclosures             |
| B License Agreement             | I State Addenda                            |
| C Covenant Agreement            | J Confidentiality Agreement                |
| D Financial Statements          | K Table of Contents of the Manual          |
| E List of State Administrators  | L Veterans Program Addendum                |
| F Agents for Service of Process | M Construction Advisory Services Agreement |
| G List of Franchisees           |  |

_____	_____	_____
Date	Signature	Printed Name
_____	_____	_____
Date	Signature	Printed Name

KEEP THIS COPY FOR YOUR RECORDS.

RECEIPT  
(Our Copy)

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

If Freddy’s, L.L.C. offers you a franchise, Freddy’s, L.L.C. must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that Freddy’s, L.L.C. gives you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Iowa requires that Freddy’s, L.L.C. gives you this disclosure document at the earlier of the first personal meeting or 14 calendar days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. Michigan requires that Freddy’s, L.L.C. gives you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Freddy’s, L.L.C. does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit E.

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- |                                 |  |
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| B License Agreement             | I State Addenda                            |
| C Covenant Agreement            | J Confidentiality Agreement                |
| D Financial Statements          | K Table of Contents of the Manual          |
| E List of State Administrators  | L Veterans Program Addendum                |
| F Agents for Service of Process | M Construction Advisory Services Agreement |
| G List of Franchisees           |  |

_____	_____	_____
Date	Signature	Printed Name
_____	_____	_____
Date	Signature	Printed Name

Please sign this copy of the receipt, date your signature, and return it to Freddy’s, L.L.C., 3020 N. Cypress Street, Suite 200, Wichita, Kansas 67226.