

FRANCHISE DISCLOSURE DOCUMENT

SUB ZERO FRANCHISING, INC.

a Utah corporation
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Provo, UT 84601

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We offer franchises to qualified individuals and entities to operate Sub Zero franchises under the “Sub Zero Ice Cream” service marks, trade names, programs, and systems. Our franchises specialize in the preparation and sale of food and beverage items, currently including ice cream using a unique “instant freezing” method, and related products and services using our distinctive business formats, systems, methods, procedures, designs, layouts, standards and specifications, and proprietary recipes (the “Method of Operation”). We also offer a multiple purchase addendum under which qualified individuals and entities may operate multiple Sub Zero franchises within a specific territory.

The total investment necessary to begin operation of a Sub Zero storefront franchised business is \$107,450 to \$267,000. This includes \$39,000 to \$41,500 that must be paid to us or our affiliate. For storefront franchises purchased with the multiple purchase addendum, multiply the estimated initial investment range times the number of franchises purchased. This includes \$20,500 to \$26,500 that must be paid to us or our affiliate for each additional franchise purchased. The total investment necessary to begin operation of a Sub Zero mobile unit franchised business is \$44,750 to \$191,500. This includes \$24,000 to \$26,500 that must be paid to us or our affiliate. For mobile unit franchises purchased with the multiple purchase addendum, multiply the estimated initial investment range times the number of franchises purchased. This includes \$15,500 to \$21,500 that must be paid to us or our affiliate for each additional franchise purchased.

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 payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact our CEO, 62 W. Center St., Provo, UT 84601, (385) 208-4353. The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “*A Consumer’s Guide to Buying a Franchise*,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission (FTC). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information on franchising.

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

ISSUANCE DATE: January 12, 2021

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

We are **SUB ZERO FRANCHISING, INC.** (“we,” “us,” or “our”). SUB ZERO FRANCHISING, INC. is called “we” or “us” in this Disclosure Document. “You” means the prospective purchaser of a Sub Zero franchise, whether a person, corporation, partnership, or other entity and includes owners or partners of a corporation, partnership, or other legal entity that purchases a Sub Zero individual unit franchise from us. If you are a corporation, partnership or other entity, your owners must sign our “Owner’s Guaranty,” which means that all of the provisions of our Franchise Agreement also will apply to your owners.

Who We Are

We were organized in Utah as a corporation on October 19, 2010. Our principal business address is 62 W. Center St., Provo, UT 84601. Our telephone number is (385) 208-4353. We operate under our corporate name, the name “Sub Zero”, and the Marks, as defined below. We are the franchisor of the Sub Zero franchise system. We license our franchisees to own and operate franchises under the “Sub Zero” names and the Marks. We authorize our franchisees to promote, advertise, sell, and provide quality food and beverage products, currently including ice cream using a unique “instant freezing” method, and related products and services to the public and to use our Method of Operations and our Marks in the operations of the franchisee’s business.

We have offered franchises since November 2010. We currently own and operate a Sub Zero store at 62 W. Center St., Provo, Utah 84601 since July 2016. We operated the Sub Zero store at Provo Towne Centre, Provo, Utah from March to November 2020. We have operated other Sub Zero store and catering locations in the past. These operations are the same as the type being franchised. We reserve the right to operate additional stores and mobile unit operations. We do not have any other business activities. We have not and do not offer franchises in any other line of business. We produce and sell innovative advertising and sales promotion materials. We may attempt to negotiate group discount rates for the benefit of our franchisees for advertising products and services and marketing and sales materials.

Our registered agents for service of process are outlined in Exhibit E to this Disclosure Document.

Our affiliate Genesis Ice Cream TM, LLC is a Utah limited liability company formed on September 21, 2017 that owns and operates a Sub Zero store at 1873 W Traverse Pkwy, Lehi, Utah that is the same as the type being franchised. This entity operated the Lehi, Utah store as an unaffiliated franchisee from February 2018 until it closed the store in April 2020. Our affiliate Sub Zero Traverse Lehi, LLC is a Utah limited liability company formed on August 17, 2020 whose principal address is 301 S 400 E, American Fork, Utah 84003. It acquired ownership in and control of Genesis Ice Cream TM, LLC in August 2020, which then re-opened and has continued to operate the Lehi, Utah store location since October 2020. These affiliates have not and do not offer franchises in this or any other line of business.

Our predecessor and parent company, Sub Zero Franchise Company, LLC, a Utah limited liability company (our “predecessor”) offered Sub Zero franchises from March 2010 to October 2010. Our former affiliate, Sub 0 Ice Cream, Inc., a Utah company offered Sub Zero franchises from 2006 to March 2010. Our predecessor and former affiliate assigned all rights to certain Sub Zero intellectual property and franchise agreements for their franchisees to us in November 2010. Our predecessor and former affiliate no longer offer franchises in this or any other line of business. Our predecessor’s and affiliate’s principal business addresses are 301 S 400 E, American Fork, Utah 84003. Our predecessor and affiliates are not currently but may be approved or designated suppliers of products and services for our franchisees.

Our affiliate Sub-Nitro, LLC, is a Utah limited liability company formed on October 16, 2015. It has a principal address of 301 South 400 East, American Fork, Utah 84003. In 2016, our Founder Jerry Hancock transferred to Sub-Nitro, LLC the patent for the method of making frozen confections that we license to our franchisees to use in the operation of their franchises. This affiliate also owns a patent that is licensed to and utilized by an unaffiliated business not connected to us or the Sub Zero franchise system that offers and sells to the public machines that mix liquid nitrogen ice cream, under the Nitro Cream name. This affiliate has never owned or operated a business the same as the type being franchised and has and does not offer franchises in this or any other line of business.

We, our predecessor and our affiliates have never been involved in any line of business other than as disclosed in this Disclosure Document.

The Sub Zero Franchise

Sub Zero franchises currently sell ice cream (including using our unique instant freezing technique) and related products and services, including ice cream toppings and beverages, as part of a standardized menu.

Storefront Opportunity

We offer a storefront franchise opportunity through which our franchisees operate a franchised store (“Sub Zero Stores” or “Franchised Stores”) at a designated location that we approve (the “Site”) using our Method of Operation and approved products (the “Products”) and our proprietary trademarks, service marks, logos, trade dress and slogans, including Sub Zero™ and the Sub Zero Logo™ (the “Marks”). Sub Zero Stores provide quick service in an inviting atmosphere.

Mobile Opportunity

Since 2021, we also offer a mobile franchise opportunity (“Mobile Units”) through which our franchisees operate high-quality mobile restaurants and food services from a food truck or trailer and offer and sell Sub Zero catering products and services and school presentations using our Method of Operation. Our franchisees only operate Mobile Units at specific, approved locations within a specified territory using our Marks and our Method of Operation and approved Products.

Multiple Units

We may also offer the right to open multiple Franchised Stores or Mobile Units within a specified territory. There is no minimum or maximum number of units to be developed. However, if you desire to open multiple Franchised Stores or Mobile Units, you must show the financial and management capability to build out, open, and operate the number of Franchised Stores desired and the desired territory must be legally and contractually available in accordance with federal and state law and with our contractual commitments with other Sub Zero™ franchises, and in compliance with our franchise placement, market, development, and demographic criteria, standards and guidelines. You must sign our standard franchise agreement for each franchise in your specified territory and a “Multiple Purchase Addendum”. Under the Multiple Purchase Addendum, there is a reduced Initial Franchise Fee for each additional franchise, after your first, but the entire Initial Franchise Fee for each franchise must be paid together upon signing. You must also comply with a franchise development schedule outlined in the Multiple Purchase Addendum.

Some or all of our initial and ongoing obligations to you may be performed by a Sub Zero Area Developer Franchisee or other service representative in your area that is not a party to your Franchise Agreement.

We are consistently seeking ways to evolve and improve. As we continue to grow, you should expect to see changes in our business operations, philosophies and programs.

The Sub Zero Area Developer Franchise

Until 2014, we offered qualified Area Developers the right to develop Sub Zero franchises in a specified Development Area. If we decide to offer the Area Developer franchise again, the offering will be made through a separate franchise disclosure document. These franchises may only be offered in a franchise registration state once the Area Developer offering is registered in that state. Area Developers train and support other franchisees in their Development Area.

International Master Franchise Rights

We have offered international master franchise rights to qualified candidates outside of the United States since 2011. The master franchisee operates as a subfranchisor to open and develop Sub Zero franchises in a specified international master territory. Currently, we have a master franchisee in the People's Republic of China. The master franchise opportunity is not offered in the United States.

Market and Competition

The market for restaurants and ice cream and related products is well-established and very competitive. The market for mobile restaurant businesses is developing and largely fragmented. You will compete with national and local ice cream, dessert and frozen dessert stores and mobile restaurants, as well as supermarkets, grocery and convenience stores. You may face competition from other Sub Zero franchisees, from outlets that we or our affiliates own, or from other channels of distribution or competitive brands that we control. Sub Zero products and services appeal to people of all ages. Adverse weather conditions such as cold, rain, snow, and extreme heat may affect sales and performance. Cold weather climates may experience some seasonal fluctuations in sales. The uncertainty regarding the pandemic and the state and local government response in a given location may directly affect your Sub Zero franchise.

Laws and Regulations

Most jurisdictions have specific laws and regulations pertaining to the Sub Zero food-service business, including laws and regulations relating to health and sanitation, food service permits, mobile vending laws, "ice cream truck" laws and related certification or licensing requirements, access by persons with disabilities, wages and labor, equal employment opportunity, occupational health and safety, building and construction, hazardous materials, hazardous waste, environmental, and zoning. Some jurisdictions and private parties (such as owners of business office parks, parking lots and other venues) limit where you may park your Mobile Unit or otherwise establish vending corridors, rules and regulations. Some jurisdictions have regulations related to the manufacturing specifications of your Mobile Unit. During the COVID-19 pandemic, certain states and localities have enacted laws, regulations, or mandates that directly affected our Sub Zero franchises, and in some instances, required or recommended the closure, disruption or other operational limitations or requirements; these include fluctuating and varied state and local rules such as shelter-in-place, business and essential services opening and operations restrictions, social distancing, masking, sanitation, and safety requirements and precautions. It is your responsibility to identify and comply with any and all laws applicable to your Sub Zero franchise and we urge you to investigate these laws and regulations before becoming a Sub Zero franchisee.

This Disclosure Document contains a summary of some material provisions of the franchise agreement (the "Franchise Agreement", see Exhibit B). However, the Franchise Agreement expresses and governs the actual legal relationship between us and you.

The Franchise Agreement does not make you our agent, legal representative, joint venturer, partner, employee, or servant for any purpose. You will be an independent contractor and will not be authorized to make any contract, agreement, warranty or representation or to create any obligation, express or implied, for us.

ITEM 2 BUSINESS EXPERIENCE

Jerry Hancock – Founder; CEO and Chairman of the Board

Jerry Hancock has served as the Chairman of our Board of Directors in Provo, Utah since July 2012 and as our Chief Executive Office in Provo, Utah since October 2012. He served as our President from our inception in October 2010 until July 2012. He has served as owner of our predecessor since its inception March 2010. He has served as founder and President with our affiliate, Sub Zero Ice Cream Inc., since June 2004. Since December 2004, Mr. Hancock has owned and operated a Sub Zero operation at 1774 N. University Pkwy., Unit 56B, Provo, UT 84604. From February 2003 to April 2016, Mr. Hancock served as an information assurance specialist for the Air National Guard in Salt Lake City, Utah.

Vern Hancock – Board Member; Site Design Coordinator

Mr. Vern Hancock has served as member of our Board of Directors since October 2012. He has managed our franchise site design and construction process in Utah since January 2008.

Naomi Hancock – Founder; Board Member; Franchisee Trainer

Naomi Hancock has served as member of our Board of Directors since October 2012. She has served as one of our trainers in Utah since July 2012. Since August 2012, Mrs. Hancock has managed our financial, reporting, and accounting programs and systems. She has served as founder and Secretary with our affiliate, Sub Zero Ice Cream Inc., since June 2004. Since December 2004, Mrs. Hancock has owned and operated a Sub Zero operation in Utah.

Dana Del Francia – Managing Director

Mr. Del Francia has served as our Managing Director in Provo, Utah since August 2020. He also serves as President of The Board Room Executive Think Tanks, Inc. in Midway, Utah since September 2013.

ITEM 3 LITIGATION

Kenneth Bobbs, Jr. v. Sub Zero Franchising, Inc. Case No. 2016-4844-J (15th Judicial District Court, Parish of Lafayette, Louisiana, September 12, 2016). In October 2016, Kenneth Bobbs, Jr., our franchisee in Lafayette, Louisiana, served us with a Petition for Declaratory Judgment concerning the non-competition provisions in franchise contracts between Mr. Bobbs and us. In June 2018, in a partial summary judgment, the court declared the non-competition provisions in the franchise contracts unenforceable and inapplicable to the operations of a nitrogen ice cream and coffee business in Lafayette, Louisiana affiliated with Mr. Bobbs. In a supplemental answer to the petition, we have requested payment of past-due royalties and attorney fees. Mr. Bobbs has amended his petition to add breach of contract claims related to interference with his development obligations and supplier relationships and non-payment of fee-sharing amounts and to seek rescission of the contracts and damages of approximately

\$300,000. As of the date of this disclosure document, the case is in discovery and we continue to vigorously defend against the remaining claims.

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

ITEM 4 BANKRUPTCY

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

ITEM 5 INITIAL FEES

A. Initial Franchise Fees.

Storefront Franchises. You pay us a **\$35,000** Initial Franchise Fee upon signing the Franchise Agreement. If you are the first franchisee in a given state or metropolitan area, we may require that you concurrently purchase a minimum of three franchises, all of which are to be opened and operated within the same metropolitan area. If you purchase more than one franchise concurrently, the Initial Franchise Fee is \$35,000 for the first franchise and \$20,000 for each additional franchise. To be eligible to pay the reduced initial franchise fees for multiple franchises, you must pay to us the entire Initial Franchise Fee upfront for each franchise when you sign the relevant franchise agreement. Until December 31, 2021, we intend to offer to existing Sub Zero™ franchisees the opportunity to purchase additional standard, storefront franchises for the reduced initial fee of \$20,000 for each franchise. If you are an existing franchisee of ours, you must be fully compliant under all agreements with us and in good standing and you must qualify financially to open an additional franchised store.

Mobile Unit Franchises. You pay us a **\$20,000** Initial Franchise Fee upon signing the Franchise Agreement. If you purchase more than one Mobile Unit franchise concurrently, the Initial Franchise Fee is \$20,000 for the first franchise and \$15,000 for each additional franchise. To be eligible to pay the reduced initial franchise fees for multiple franchises, you must pay to us the entire Initial Franchise Fee upfront for each franchise when you sign the relevant franchise agreement. Until December 31, 2021, we intend to offer to existing Sub Zero™ franchisees the opportunity to purchase Mobile Unit franchises for the reduced initial fee of \$15,000 for each Mobile Unit franchise. If you are an existing franchisee of ours, you must be fully compliant under all agreements with us and in good standing and you must qualify financially to open an additional franchise.

We offer a **\$5,000** discount on the Initial Franchise Fee for the first franchise purchased by an honorably discharged veteran of the United States military and by community first responders, such as police, fire & rescue, nurses, doctors, and similarly situated professionals.

You must pay to us a **\$2,500** initial training fee to attend and complete our initial training program at our headquarters or another location we designate. For additional or multiple franchise purchases, you must pay this fee for your first franchise and for any additional franchise for which you will have a new manager that needs to complete our initial training program. The initial training fee is non-refundable. You are exclusively responsible to pay for or otherwise reimburse us for all travel, lodging, and meal expenses that we or our representatives reasonably incur to conduct the required initial on-site training at your franchise location. We estimate these travel expenses to range from **\$1,000** to **\$3,000**, depending on the distance of your franchise location from our headquarters and the prevailing travel and lodging rates at the time of such training. This reimbursement is non-refundable. This reimbursement amount is in addition to your travel, lodging, and meal expenses that you incur to attend the portion of initial training at our headquarters or another location we designate.

If you have not opened your Franchised Store or commenced operating your Mobile Unit within the earlier of: (1) 6 months from signing Franchise Store lease or 2 month from obtaining the Mobile Unit vehicles, trailers, carts and equipment; or (2) 12 months of signing the Franchise Agreement (unless excused or extended per the Franchise Agreement), then we may terminate the Franchise Agreement and retain the entire Initial Franchise Fee that you paid to us. If we determine that your managing owner or Manager has attended but has not successfully completed the initial training program, then we may terminate the Franchise Agreement upon refunding half of the Initial Franchise Fee.

Except as described above, the initial franchise fees are uniform for all franchisees. We intend to raise the Initial Franchise Fee at some point in the future after certain growth levels have been attained. The increased fee and timing have not been determined as of the issuance date of this Disclosure Document.

We may offer franchises at a reduced rate to prospective franchisees who in our opinion possess the knowledge and experience to conduct business with minimal assistance from us or who are purchasing multiple franchises. Occasionally, we may grant new franchises to our owners, affiliates, and employees and their family members with reduced or no initial fees.

B. Initial Inventory.

Although not required to do so, you may purchase from us certain initial cup and product mix inventory, uniforms, and apparel merchandise such as shirts and hats. The range of fees associated with such inventory, uniforms, and merchandise is generally **\$500 to \$1,000**.

No initial fees are refundable or transferable in whole or in part except under the specific circumstances listed above.

**ITEM 6
OTHER FEES**

TYPE OF FEE¹	AMOUNT	DUE DATE²	REMARKS
Weekly Royalty	6% of Gross Sales ³	By Wednesday of each week	Paid to us. See note below.
Brand Development Fee	2% of Gross Sales ³	By Wednesday of each week	Paid to us.
Local Advertising Expenditure	At least 2% of Gross Sales	Expenditure report due within 10 days of each quarter	Amounts spent to fulfill this Local Advertising Requirement shall be used by Franchisee to conduct continuing local advertising in form, content and media as outlined in the Confidential Operations Manual and as approved by us. Any amounts spent in a Sub Zero advertising cooperative will count toward your Local Advertising Requirement.
Grand Opening Advertising	\$3,000	During the period beginning two weeks prior to and ending two weeks following the opening of the Franchise.	You must use a marketing company that we endorse and approve. This amount is spent on promotion and advertising of the Franchise. Franchisee shall submit to Sub Zero evidence of such Grand Opening Advertising no later than twenty (20) days following the opening of the Franchise. If Franchisee fails to expend the Grand Opening Advertising in whole or in part, then Sub Zero may, immediately upon notice provided to Franchisee, assess Franchisee for any such deficiency, which shall be expended by Sub Zero on advertising of Sub Zero locations.
Loyalty Program	Currently \$10 to \$20 per month	Monthly, by the 5th day of each month.	Currently paid through the Brand Development Fees.

TYPE OF FEE ¹	AMOUNT	DUE DATE ²	REMARKS
Advertising Cooperative Contribution	Up to 2% of Gross Sales.	As voted and approved by your local advertising cooperative (only if we create an advertising cooperative in your area).	Any advertising cooperative contributions will be credited toward your Local Advertising Requirement. If at any meeting of the franchises in an advertising region, 75 percent of the franchises vote to contribute to a regional advertising program, all franchises within that region will be obligated to make a contribution to a regional advertising fund in the amount established by the vote. Each company-owned location will have one vote, the same as each franchisee-owned location.
Additional Training or Assistance	\$1,000 per person plus travel expenses	Payment is due when services are provided	Paid to us. This fee is subject to change at any time and is applied to train people beyond the three individuals included in our initial training.
Additional On-Site Training or Assistance	\$500 per day per trainer plus our travel, lodging, and meal expenses	Before	Paid to us. This fee is subject to change at any time. This training is in addition to initial training program and initial onsite training
Architect Design Set	\$2,000	After signing the lease, but before commencing construction	Paid to our system design architect.
POS Software	\$65 per month	Monthly	This is a service provided by the vendor for our required point-of-sale (POS). This fee is paid directly to the point-of-sale vendor. Currently, we pay \$20 of this monthly fee out of the franchise system Brand Development Fees. Includes remote help desk support and software maintenance services provided by the vendor.
Transfer Fee ⁴	Then-current transfer fee, currently \$5,000	At time of permitted transfer	Paid to us.
Extension/Renewal Fee	Then-current renewal fee, currently \$2,500	Upon renewal	Paid to us upon renewal. This fee will reimburse us for our reasonable administrative, legal, and other expenses that result from the renewal.

TYPE OF FEE ¹	AMOUNT	DUE DATE ²	REMARKS
Relocation Fee	\$5,000	Upon relocation	Paid to us in consideration for our administrative costs and activities in connection with the new franchise location, including review and approval of the proposed franchise locations and the associated lease.
Audit	Cost of the audit plus any shortfall amount found to be due	On demand	Paid to us. Franchisee will be responsible for the full costs of the audit if it reveals a discrepancy of 3% or greater.
Late Charges	At the lesser of 1.5% per month and the highest rate allowed by law plus a \$50 service fee	On demand	Paid to us. Late charges are accrued until paid on all amounts owed to us that are past due 5 days.
Cure Fee	\$500 for the first breach, \$1,000 for the second breach, and \$2,500 for the third breach and any other breach.	On demand	Paid to us. We may charge this fee if you breach any of the terms, conditions, or policies outlined in the Franchise Agreement or the Operations Manual, otherwise fail to comply with our standards and specifications, or use unauthorized products, suppliers, or vendors. We may collect this fee using our standard ACH/EFT processes.
Liquidated Damages	The amount of royalty fees that would have been owed from the date of termination through the end of the term of the franchise agreement.	Within 15 days after termination	This amount will be calculated based on the average monthly royalty fees (whether or not actually paid by you) for the 12 months immediately before the date of termination. Or, if you operated your franchise for less than 12 months immediately before the date of termination, then these liquidated damages will be calculated based on the average monthly royalty fees (whether or not actually paid) during the period you operated the franchise.
Accounting and Legal Fees	Will vary under circumstances	As incurred	Payable to us if you fail to comply with the Franchise Agreement; these protect our system by not diverting money from support services.

TYPE OF FEE ¹	AMOUNT	DUE DATE ²	REMARKS
Conference or Convention Fee	Currently \$500	Upon demand	Paid to us. This fee is subject to change at any time.
Missed Conference or Convention Fee	\$2,000	As incurred	Payable to us if you fail to attend any annual franchise system convention or conference. We may collect this fee using our standard ACH/EFT processes.

Explanatory Notes:

1. All fees are non-refundable, non-transferable and are uniformly imposed.
2. You must participate in the electronic funds transfer program under which we automatically deduct the amounts you owe us from your account. We will deduct these amounts on Wednesday of each calendar week for the preceding calendar week. Our “Authorization for Electronic Funds Transfer” is Exhibit J.
3. “Gross Sales” means all sales you derive from operating your Franchised Store or Mobile Unit, including the sale of goods and services sold by you at or from the Site, or elsewhere, or from business conducted under the Franchise Agreement, including the sale of products or services, whether in cash or credit transactions, but excluding all federal, state or municipal excise, sales or service taxes collected from customers and paid to the appropriate taxing authority, and all customer refunds and credits.
4. If you obtain a franchise by purchasing the business of one of our existing franchisees, you must pay us a transfer fee. In the event that you sell your Franchised Store or Mobile Unit, a separate transfer fee may apply. The transfer fee relieves you of your obligation to pay the initial franchise fee, but you must still pay the initial training fee. We note that you may also incur certain remodeling and equipment costs associated with bringing your Franchised Store or Mobile Unit into compliance with our requirements.

ITEM 7
ESTIMATED INITIAL INVESTMENT

TABLE I: YOUR ESTIMATED INITIAL INVESTMENT (Storefront Franchise)

TYPE OF EXPENDITURE	ESTIMATED AMOUNT OR LOW-HIGH RANGE ¹	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAID
Initial Franchise Fee ²	\$35,000	Lump Sum	When you sign the Franchise Agreement ²	Us
Site Selection	\$0 – 5,000	As Agreed	As Incurred	Us or Advisors
Real Estate/ Rent/Deposits ³	\$5,200– 20,000	As Arranged	As Incurred	Landlord, Contractor, Vendors, Utility Companies
Construction, Remodeling and Leasehold Improvements ⁴	\$20,000 – 80,000	As Arranged	As Incurred	Vendors or Contractors
Furniture, Fixtures, POS System, Signage & Equipment ⁵	\$20,000 - 50,000	As Arranged	As Incurred	Approved Vendors
Architect Design Set	\$2,000	As Arranged	After lease signing, but before beginning construction	System Design Architect
Local Architect	\$3,500 – 18,000	As Arranged	As Incurred	Local Architects
Office Equipment & Supplies ⁶	\$1,000 – 2,500	As Arranged	As Incurred	Approved Vendors
Inventory to Begin Operating ⁷	\$3,000 – 7,500	Lump Sum per order	Paid upon placing order	Us and Approved Suppliers
Initial Advertising ⁸	\$3,000 – 7,500	As Arranged	First 3 Months of Operation	Vendors
Initial Training Fee	\$2,500	Lump Sum	When you sign the Franchise Agreement ²	Us
Training Expenses (our reimbursement and your out-of-pocket expenses) ⁹	\$1,750 – 6,000	As Arranged	As Incurred	Vendors, Travel Agents, etc.
Insurance ¹⁰	\$1,000 – 3,000	As Arranged	As Incurred	Insurance Companies
Miscellaneous Expenses ¹¹	\$1,000 – 5,000	As Arranged	As Incurred	Advisors and Others
Additional Funds -- 3 months ¹²	\$10,000 – 25,000	As Arranged	As Incurred	Vendors, Employees, Us, Our Affiliates
TOTAL¹³	\$107,450 – 267,000	N/A	N/A	N/A

Explanatory Notes:

The termination of your Franchise Agreement will not relieve you of any of your obligations under any leases or contracts you enter into with third parties and we will not be responsible for any damages you incur as a result of your failure to comply with any of those obligations.

1. Your actual costs will vary depending on factors such as the location and condition of the Site, the size of your Franchised Store, the availability of financing, your creditworthiness, and other factors. We do not know whether or not the costs and expenses you incur with third parties are refundable. You should inquire about the refund policies of suppliers before the time of purchasing or leasing. We do not provide financing for any of these fees or other amounts (See Item 10).

2. We describe the initial franchise fee and initial training fee in Item 5. The fees may be reduced for additional franchise purchases, depending on when such franchises are purchased.

3. The disclosed low-high range includes estimated costs to lease a Sub Zero Store, but not the purchase of land and building (because we do not require you to purchase your premises). You must lease appropriate space if you do not own adequate space. Typically, the franchised store will range in size from 650 to 1,000 square feet. Some franchised store locations will be located in a kiosk format. The typical size for such a kiosk is 200 to 400 square feet. A larger footprint store will range in size from over 1,000 to 1,700 square feet. It is difficult to estimate lease acquisition costs because of the wide variation in these costs between various locations. Lease costs will vary based upon square footage, cost per square foot and required maintenance costs. These estimates are based upon a Site in a small to medium sized city or suburban area.

The amount you pay for real estate security deposits may vary greatly and may exceed the estimate in this table. The low estimate is based on an assumption that you will have to pay a security deposit equal to one month's rent and is based on leasing a facility of less than 1,000 square feet. The high estimate is based on an assumption that you will have to pay a security deposit equal to 2 months' rent to lease the facility and is based on leasing a facility of up to 1,700 square feet at a higher cost per square foot. Some landlords may refund the security deposit if you cancel the lease before you occupy the premises. The estimated range of cost in this category only includes your costs to enter into a lease agreement for the facility. These estimates are based upon a Site in a small to medium sized city or suburban area.

4. The amounts listed are estimates based upon our affiliate's experiences. Construction and remodel costs vary widely depending on the condition of your Site and its size and, in the case of new construction, the amount of tenant improvements allowed by the landlord, and other factors. The low estimate is based on a store of fewer than 1,000 square feet and we estimate the range for a smaller facility to be \$20,000 to 30,000. The high estimate is based on a store up to 1,700 square feet.

5. You must purchase and/or lease and install furniture, fixtures and equipment and décor necessary to operate your franchised restaurant. The cost of the furniture, fixtures and equipment will vary according to local market conditions, the size of the facility, suppliers and other related factors. The low estimate is based on a store of fewer than 1,000 square feet. The high estimate is based on a store up to 1,700 square feet and we estimate the range for a larger facility to be \$24,000 to \$50,000. We do not know if the amounts you pay for furniture, fixtures or equipment are refundable. Factors determining whether furniture, fixtures and equipment are refundable typically include the condition of the items, level of use, length of time of possession and other variables.

In most instances, we highly recommend that you rent or purchase a smaller 230-liter nitrogen tank from suppliers. We do not recommend that you rent or purchase a larger micro-bulk liquid nitrogen tank. This

cost range to rent or purchase a smaller nitrogen tank is included in the Furniture, Fixtures, POS System, Signage & Equipment estimate in the table above. We estimate the cost of the tank lease at \$350 to \$600 per month. The low end of the initial investment range assumes that you are leasing the tank, piping, vents, and accessories from suppliers.

You must purchase the computer equipment, hardware and software necessary for operating the franchised restaurant. Our specifications for computer equipment, hardware and software are described in Item 11 of this disclosure document. We do not know if the amounts you pay for the computer equipment may be refundable. The amounts you pay for computer equipment are typically non-refundable, or if refundable, may be subject to a “restocking” fee.

This range includes the cost of all signage used in the franchised restaurant. The high range estimate assumes two outside signs. The signage requirements and costs will vary based upon the size and location of the franchised restaurant, local zoning requirements, landlord requirements and local wage rates for installation.

6. You must purchase general office supplies including typical computer and office equipment and stationery, business cards, etc. Factors that may affect your cost of office equipment and supplies include market conditions, competition among suppliers and other factors. We do not know if the amounts you pay for office equipment and supplies are refundable. Factors determining whether office equipment and supplies are refundable typically include the condition of the items at time of return, level of use and length of time of possession.

7. Inventory to begin operating includes items such as ice cream mix, toppings, and food products and spoons and cups and other paper products.

8. You must spend the minimum amount we specify on grand opening advertising and the local marketing requirement, as described in Item 6, above. You may choose to spend more. (See Item 11 of this disclosure document). Factors that may affect the actual amount you spend include the type of media used, the size of the area you advertise to, local media cost, location of the franchised restaurant, time of year and customer demographics in the surrounding area.

Although our experience indicates that an initial grand opening campaign followed by local advertising at the levels described in this Agreement is adequate in many cases, market conditions vary widely, both in terms of competition, familiarity with our franchise system and in terms of media availability and costs.

9. The initial training program is included in your initial franchise fee; however, you must pay all travel, lodging, and living expenses for you and your managers and for us or our representative for on-site training. These estimates cover out-of-pocket expenses that you incur associated with attending our initial training program and for our reasonable travel, lodging, and living expenses for the initial on-site training at your franchise location. These estimates are based on two people attending the initial training program and one corporate representative traveling to your franchise location. The low end accounts for expenses incurred if both trainees live within Utah and the franchise location is in Utah. We charge an additional \$1,000 to train each person in excess of the three individuals included in your initial training.

10. You must purchase at least the types and minimum amounts of insurance required in the Franchise Agreement. Factors that may affect your costs of insurance include the size and location of the franchised restaurant, value of the leasehold improvements, equipment, inventory, number of employees and other factors.

11. Miscellaneous expenses may vary greatly and may exceed the estimate in this table. These may include without limitation business licenses and other prepaid expenses. You should hire an attorney, an accountant and other consultants to assist you in establishing your franchised store. These fees may vary from location to location depending on the prevailing rates of local attorneys, accountants and consultants.

You could incur financing costs if you finance your initial investment. Finance costs and expenses may be refundable depending on the arrangement you have with your lender or vendor.

12. Additional funds include working capital and other initial start-up expenses and are provided only as estimates and apply only to your initial three-months of operations. This is only an estimate and we cannot guarantee that the amounts specified will be adequate. This estimate includes utilities and payroll costs, but does not include any draw or salary for you or your living expenses. Your actual costs will depend on how much you follow our methods and procedures; your management skills, experience and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and the sales level reached during the initial phase. We have made certain assumptions based on revenue, operating costs and payments and costs for building rents in reaching this estimate.

We cannot estimate how long it may take for your revenues to exceed your expenses, if ever. You should not infer that your revenues will exceed your expenses at the end of the three-month initial phase or by the time your additional funds have been completely expended. We make no projections or estimate of the amount of additional funds you may need for the operation of your Franchised Store beyond the initial phase.

13. To compile these estimates, we relied on our and our affiliate's knowledge and experience. This total does not include costs to purchase real estate, as we do not require you to own your Franchised Store. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing will depend on many factors, including the availability of financing generally, your creditworthiness and collateral and lending policies of financial institutions from which you request a loan.

If you purchase multiple franchises under the multiple purchase addendum, multiply the estimated initial investment range times the number of franchises purchased. There is no minimum number of units required to be purchased or developed.

TABLE II: YOUR ESTIMATED INITIAL INVESTMENT (Mobile Unit Franchise)

TYPE OF EXPENDITURE	ESTIMATED AMOUNT OR LOW-HIGH RANGE ¹	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAID
Initial Franchise Fee ²	\$20,000	Lump Sum	When you sign the Franchise Agreement ²	Us
Commissary Lease ³	\$2,000 – 5,000	As Agreed	As Incurred	Us or Advisors
Mobile Unit ⁴	\$5,000 – 125,000	As Arranged	As Incurred	Approved Vendors
Shipping of Mobile Unit	\$1,000 – 5,000	As Arranged	As Incurred	Approved Vendors
Office Equipment & Supplies ⁵	\$1,000 – 2,500	As Arranged	As Incurred	Approved Vendors
Inventory to Begin Operating ⁶	\$1,500 – 5,000	Lump Sum per order	Paid upon placing order	Us and Approved Suppliers
Initial Advertising ⁷	\$1,500 – 5,000	As Arranged	First 3 Months of Operation	Vendors
Initial Training Fee ²	\$2,500	Lump Sum	When you sign the Franchise Agreement ²	Us
Training Expenses (our reimbursement and your out-of-pocket expenses) ⁸	\$1,750 – 6,000	As Arranged	As Incurred	Vendors, Travel Agents, etc.
Insurance ⁹	\$1,500 – 5,000	As Arranged	As Incurred	Insurance Companies
Miscellaneous Expenses ¹⁰	\$1,000 – 3,000	As Arranged	As Incurred	Advisors and Others
Additional Funds -- 3 months ¹¹	\$5,000 – 10,000	As Arranged	As Incurred	Vendors, Employees, Us, Our Affiliates
TOTAL¹²	\$44,750 – 191,500	N/A	N/A	N/A

Explanatory Notes:

The termination of your Franchise Agreement will not relieve you of any of your obligations under any leases or contracts you enter into with third parties and we will not be responsible for any damages you incur as a result of your failure to comply with any of those obligations.

1. Your actual costs will vary depending on factors such as the location of the territory, the size, quality and condition of your Mobile Unit vehicle and equipment, the availability of financing, your creditworthiness, and other factors. We do not know whether or not the costs and expenses you incur with third parties are refundable. You should inquire about the refund policies of suppliers before the time of purchasing or leasing. We do not provide financing for any of these fees or other amounts (See Item 10).

2. We describe the initial franchise fee and initial training fee in Item 5. The fees may be reduced for additional franchise purchases, depending on when such franchises are purchased.

3. The disclosed low-high range includes estimated costs to lease a ready-to-use commissary, but not the purchase of land and building (because we do not require you to purchase your premises) or any costs to improve the space. You must lease appropriate space if you do not own adequate space. Typically, the commissary will provide a food preparation area of at least 100 square feet and access to equipment and storage facilities. Lease costs will vary based upon square footage, cost per square foot

and required maintenance costs. These estimates are based upon a small, ready-to-use commissary in a medium sized city or suburban area.

4. You must purchase or lease a vehicle and the equipment necessary to operate your Mobile Unit. The cost of the vehicles and equipment will vary according to local market conditions, the size of the facility, suppliers and other related factors. The low estimate assumes that you already own an appropriate vehicle that meets our minimum guidelines and purchase only the catering equipment package, including a portable nitrogen tank. The high estimate is based on the purchase of the Mobile Truck option. We do not know if the amounts you pay for the vehicle, trailer, or equipment are refundable. Factors determining whether vehicles, trailers, and equipment are refundable typically include the condition of the items, level of use, length of time of possession and other variables. We estimate the high-low range for the various Mobile Unit vehicles, trailers, and equipment as follows:

MOBILE UNIT	RANGE	NOTES
Catering Equipment Package	\$5,000	For catering and school presentation operations. Includes portable nitrogen tank and serving equipment.
Vehicle and Trailer	\$10,000 - \$45,000	You must have an appropriate vehicle and trailer/hauling equipment that meets our minimum guidelines (as described in our Operations Manual). The low estimate in the table above assumes you already have a vehicle and hauling equipment that meets our guidelines.
Mobile Cart (single system)	\$5,500	Single freezing station with internal dewar and mixing storage.
Mobile Cart (dual system)	\$7,800 – 9,650	Dual freezing station, with internal dewar and plumbing for external tank, mixing storage, and insulated storage cabinet.
Mobile Trailer	\$45,000 – 57,350	20-24 ft dual-axle trailer. Includes three sink station, hand wash station, POS counter, mixing counter, dual freezing station, roof mounted air conditioning, electrical panel, potable water tank and grey water tank.
Mobile Van	\$85,000 – 98,300	Dodge 2500-3500 or similar cargo van conversion. Approximately 14-ft. Three sink station, hand wash station, POS counter, mixing counter, dual freezing station, roof mounted air conditioning, electrical panel, potable water tank and grey water tank.
Mobile Truck	\$95,000 – 125,000	Conventional foot truck step van, approximately 20-26 ft. Three sink station, hand wash station, POS counter, mixing counter, dual freezing station, roof mounted air conditioning, electrical panel, potable water tank, and grey water tank.

5. You must purchase general office supplies and computer equipment, hardware and software necessary for operating the franchised Mobile Unit. Our specifications for the computer equipment, hardware and software are described in Item 11 of this disclosure document. Factors that may affect your cost for office and computer equipment include market conditions, competition among suppliers, and other factors. We do not know if the amounts you pay for the computer equipment may be refundable. Factors determining whether office equipment and supplies are refundable typically include the condition of the items at time of return, level of use and length of time of possession and may be subject to a restocking fee.

6. Inventory to begin operating includes items such as ice cream mix, toppings, and food products and spoons and cups and other paper products.

7. You must spend the minimum amount we specify on grand opening advertising and the local marketing requirement, as described in Item 6, above. You may choose to spend more. (See Item 11 of this disclosure document). Factors that may affect the actual amount you spend include the type of media used, the size of the area you advertise to, local media cost, location of the franchise territory, time of year

and customer demographics in the surrounding area. In addition, the high range of this estimate includes the cost of brand decals for your vehicle used in Mobile Unit operations.

Although our experience indicates that an initial grand opening campaign followed by local advertising at the levels described in this Agreement is adequate in many cases, market conditions vary widely, both in terms of competition, familiarity with our franchise system and in terms of media availability and costs.

8. The initial training program is included in your initial franchise fee; however, you must pay all travel, lodging, and living expenses for you and your managers and for us or our representative for on-site training. These estimates cover out-of-pocket expenses that you incur associated with attending our initial training program and for our reasonable travel, lodging, and living expenses for the initial on-site training at your franchise location. These estimates are based on two people attending the initial training program and one corporate representative traveling to your franchise location. The low end accounts for expenses incurred if both trainees live within Utah and the franchise location is in Utah. We charge an additional \$1,000 to train each person in excess of the three individuals included in your initial training.

9. You must purchase at least the types and minimum amounts of insurance required in the Franchise Agreement. Factors that may affect your costs of insurance include the size and location of the franchise territory, value of the vehicle, equipment, inventory, number of employees and other factors.

10. Miscellaneous expenses may vary greatly and may exceed the estimate in this table. These may include without limitation business licenses, permits, and other prepaid expenses. You should hire an attorney, an accountant and other consultants to assist you in establishing your franchised Mobile Unit. These fees may vary from location to location depending on the prevailing rates of local attorneys, accountants and consultants.

You could incur financing costs if you finance your initial investment. Finance costs and expenses may be refundable depending on the arrangement you have with your lender or vendor.

11. Additional funds include working capital and other initial start-up expenses and are provided only as estimates and apply only to your initial three-months of operations. This is only an estimate and we cannot guarantee that the amounts specified will be adequate. This does not include any draw or salary for you or your living expenses. Your actual costs will depend on how much you follow our methods and procedures; your management skills, experience and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and the sales level reached during the initial phase. We have made certain assumptions based on revenue, operating costs and payments and costs for vehicles and equipment in reaching this estimate.

We cannot estimate how long it may take for your revenues to exceed your expenses, if ever. You should not infer that your revenues will exceed your expenses at the end of the three-month initial phase or by the time your additional funds have been completely expended. We make no projections or estimate of the amount of additional funds you may need for the operation of your Mobile Unit beyond the initial phase.

12. To compile these estimates, we relied on our and our affiliate's knowledge and experience as well as the estimates from our approved vehicle and equipment vendor. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing will depend on many factors, including the availability of financing generally, your creditworthiness and collateral and lending policies of financial institutions from which you request a loan.

If you purchase multiple franchises under the multiple purchase addendum, multiply the estimated initial investment range times the number of franchises purchased. There is no minimum number of units required to be purchased or developed.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Products, Equipment and Services

You must develop and operate your Franchised Store and Mobile Unit under the types, models and brands of required or authorized equipment, fixtures, furnishings, signs, Products and supplies that we specify for you to use in your Franchised Store or Mobile Unit (the “Standards”). You may only serve the Products that we authorize, and you may only purchase these items from suppliers that we designate or approve, all of which are subject to change by us. You must purchase and maintain in inventory Products as needed to meet reasonably anticipated consumer demand. Required purchases or leases are estimated to make up approximately 50 to 60% of a franchisee’s total initial investment in establishing the business and 30 to 35% of a franchisee’s annual operating expenses to operate the business. We are not obligated to reveal our trade secrets or the recipes, specifications and/or formulas of Products to you or any third party.

We may approve a single supplier (including us and/or our affiliates) for any equipment, Product or service and may approve a supplier only as to certain equipment, products or services. We must pre-approve the plans and designs for your catering equipment before you actually purchase it. Certain designs for Sub Zero™ branded items that you must use in your Franchise Store and Mobile Unit including marketing brochures, signage, hats, shirts, uniforms, and aprons must be obtained from us, our affiliate and/or approved suppliers and the branded items must be purchased from us, our affiliate or approved suppliers. Likewise, certain inventory and food Products, such as cups, certain equipment and parts such as nitrogen tanks and valves and foot pedals, and sugar free ice cream mix and nitrogen must be obtained from us or other approved suppliers. We are the sole approved supplier for gift cards and timers. We (and our affiliate) may derive revenue from the sales of these items and Products. Our officers Jerry Hancock, Naomi Hancock, and Vern Hancock have ownership interests in us and our affiliate. Other than as provided in this Disclosure Document, our officers do not own an interest in any supplier.

We may concentrate purchases with one or more suppliers to obtain favorable prices and/or advertising support and/or services for any group of Sub Zero Stores or Mobile Units. You must use the software, applications and communications systems we periodically specify. You must use computer, point of sale, and accounting and bookkeeping systems that comply with our computer and software standards in operating your Franchised Store or Mobile Unit. We may designate specific systems and software and specific vendors that you must use to operate the Franchise and to report business and financial information to us. Currently, we require that you use the approved point of sale system and accounting bookkeeping systems from approved suppliers. Any future computer, software, point of sale, or reporting standards, including the main hardware, software and applications you must buy or license, their principal functions, brand names and descriptions will be listed in our Confidential Operating Manuals. You must purchase a license to the most current software version of each required software package. In addition, you must use bookkeeping and professional services that we approve to satisfy the bookkeeping and reporting requirements described in the Franchise Agreement. All documents submitted to us must be submitted in the English language.

Real Estate

The Franchised Store and commissary for Mobile Unit operations must be at a location we have approved in writing. If you lease the site, the lease must: (1) give us notice of and a right to cure your default; (2) allow you to assign your interest under the lease to us without the lessor's consent; (3) authorize and require the lessor to disclose to us, at our request, any information about the Franchised Store or the commissary that you give to the lessor; (4) allow us to assume the lease upon termination of the Franchise Agreement (we will exercise this right only if we acquire the relevant Franchised Store or Mobile Unit); and (5) state that the lessor has agreed to your use of our signage. You may not sign or modify the lease without our prior written approval. You and the landlord for the location at which the Franchised Store will be placed must also sign the approved lease rider outlined in the Franchise Agreement. We provide you with plans and specifications for your Franchised Store, including requirements for dimensions, design, image, interior and exterior layout, building materials, decor, equipment, signs, fixtures, furnishings and color scheme. You must prepare all required construction plans and specifications and ensure that they comply with applicable ordinances, building codes and permit requirements. In order for us to thoroughly review and approve your construction, build-out and design plans, you must use our approved system design architect for the design set, programming, preliminary design, and design development phases of architecture and design. Currently, our approved system design architects are Vern Hancock in Provo, Utah (one of the members of our board of directors) and Rene Balderas in San Antonio, Texas. We may also require you to use a local architect that is approved by us to implement the design developed by our system design architect. At a minimum, you must authorize us to communicate with the local architect you plan to hire for any construction, build-out or design. By signing the Architect Communication Authorization Form attached to the Franchise Agreement, you expressly authorize us to communicate with your architect.

Mobile Unit

You must purchase the vehicle, trailers, and equipment for the Mobile Unit from our designated vendor. Currently, the sole designated vendor for Mobile Unit vehicles, trailers and equipment is American Kinetics in Houston, Texas. The approved vendor will follow our plans and specifications for your Mobile Unit, including requirements for dimensions, design, image, interior and exterior layout, building materials, decor, equipment, signage, furnishings and color scheme. You must work with our designated vendor to ensure that they comply with applicable ordinances, codes and permit requirements.

Approval of Suppliers

American Kinetics is the sole designated and approved vendor for Mobile Unit vehicles, trailers, and equipment and we have an exclusivity agreement with this supplier. Accordingly, you must use our designated and approved supplier for Mobile Unit vehicles, trailers, and equipment. If you wish to purchase brands and types of equipment, fixtures, furnishings, products, materials, signs and supplies from suppliers other than those designated by us, then you must submit a written request to us describing the name of the supplier, your reasons for wanting to use that particular supplier and any additional information we request. If we do not have an exclusive relationship with a supplier for a particular product or service and if we determine that the supplier meets our standards and specifications for products, materials and supplies used in operating a Sub Zero franchise, written approval will be granted for you to use that supplier. If we have an exclusive relationship with a supplier for a particular product or service or if the proposed supplier does not meet our standards and specifications for products, materials and supplies used in operating a Sub Zero franchise, approval will be denied. Our standards and specifications for products, materials and supplies used in operating a Sub Zero franchise are issued to approved suppliers. However, we do not provide you with our standards and specifications for products, materials and supplies or the specific criteria used to evaluate potential suppliers. We plan to notify you of our approval or disapproval of your request no later than one month from the date we receive all

information regarding your request. You must reimburse us for our expenses incurred in evaluating all suppliers that you request. Due to the proprietary nature of certain uniform and clothing and marketing and promotional materials and related Products, we and our affiliates are the sole and exclusive suppliers of these Products and we will not approve the use of alternative suppliers for these Products. We reserve the right to revoke a supplier that you requested at any time upon notice to you.

We and/or our affiliate may derive revenue from providing products to you and in the form of rebates from approved suppliers. In fiscal year 2019-20, we received revenues in the approximate amount of \$47,853 from the sale of products or services to our franchisees and rebates from approved suppliers, which was 6.2% of our total revenues of \$766,763.

We may receive rebates from our system design architect based on a percentage of the system design set fees paid to this architect by our franchisees. We and/or our affiliate may receive rebates from your purchases of flavors items. These rebates are based on a percentage of certain inventory purchases. We may also receive a rebate based on a percentage of each credit card transaction made using the designated merchant services. Other than the right to receive the rebates listed above, we currently do not receive credits, fees or any payments from approved suppliers, but we reserve the right to do so in the future. We reserve the right to negotiate volume purchasing and discount arrangements in the future and to require you to participate in these programs. We do not provide material benefits to a franchisee for using designated or approved sources.

We negotiate purchase arrangements with suppliers, including price terms, for the benefit of our franchisees. At the moment, there are no purchasing or distribution cooperatives for Sub Zero Stores or Mobile Units. We reserve the right to institute these cooperatives in the future.

Insurance

You must maintain at your own expense the insurance coverage that we periodically require from acceptable underwriters and brokers we have approved. Insurance policies are subject to our approval. Our requirements for insurance coverage are in the franchise agreements and our Operations Manual.

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.

Standard Franchise Agreement

OBLIGATION	SECTION IN FRANCHISE AGREEMENT("FA") AND MULTIPLE PURCHASE ADDENDUM ("MPA")	DISCLOSURE DOCUMENT ITEM
(a) Site selection and acquisition/lease	Sections 4(a), 4(c) and 4(i)	Items 7, 8, 11 and 12
(b) Pre-opening purchases/leases	FA Sections 4(c), 4(h), 9(f) and 9(h)	Items 5, 7, 8 and 11
(c) Site development and other pre-opening requirements	FA Sections 4(c), 4(f) and 4(h)	Items 5, 7, 8, 11 and 12

OBLIGATION	SECTION IN FRANCHISE AGREEMENT(“FA”) AND MULTIPLE PURCHASE ADDENDUM (“MPA”)	DISCLOSURE DOCUMENT ITEM
(d) Initial and ongoing training	FA Sections 4(e), 5(a), 5(e) and 9(b); MPA Section 5	Items 6 and 11
(e) Opening	FA Sections 4(f) and 4(g); MPA Section 3	Item 11
(f) Fees	FA Sections 4(c), 4(f), 5(e), 6 and 7(c); MPA Section 1	Items 5, 6 and 7
(g) Compliance with standards and policies/operating manual	FA Sections 4(h), 5(d), 9 and 10	Items 8, 11 and 16
(h) Trademarks and proprietary information	FA Sections 8, 12 and 13(c)	Items 11, 13 and 14
(i) Restrictions on products/services offered	FA Sections 2(b), 4(h), 9(c), 9(f) and 9(h)	Items 8, 11, 12 and 16
(j) Warranty and customer service requirements	FA Section 9(j)	Item 9
(k) Territorial development and sales quotas	MPA Section 3	Item 12
(l) On-going product/service purchases	FA Sections 4(h) and 9(h)	Items 8, 11, and 12
(m) Maintenance, appearance and remodeling requirements	FA Sections 2(b), 9(d) and 9(e)	Items 11
(n) Insurance	FA Section 17	Items 7 and 8
(o) Advertising	FA Sections 5(c), 8(b) and 11	Items 6 and 11
(p) Indemnification	FA Section 19(a)	Item 9
(q) Owner’s participation/management/staffing	FA Section 9(b)	Item 11 and 15
(r) Records/reports	FA Sections 4(c) and 7	Items 6, 11 and 12
(s) Inspections/audits	FA Sections 7(e), 9(g) and 20(a)	Item 6
(t) Transfer	FA Section 14	Items 5, 6 and 17
(u) Renewal	FA Section 3(b)	Item 17
(v) Post-termination obligations	FA Sections 13(b) and 16; MPA Section 4	Item 17
(w) Non-competition covenants	FA Sections 13(a), 13(b) and 13(c)	Item 17
(x) Dispute resolution	FA Sections 16(c)(viii) and 20	Item 17

ITEM 10 FINANCING

Except as described below, we do not offer direct or indirect financing. We do not guarantee your note, lease, or obligations.

Summary of Financing Offered

We may offer financing of up to \$10,000 of your first Initial Franchise Fee if you meet our credit standards. This amounts to 28.5% of the Initial Franchise Fee for a Storefront franchise and 50% of the Initial Franchise Fee for a Mobile Unit franchise. For a Storefront franchise, you must pay \$25,000 of the Initial Franchise Fee, and we finance the remaining \$10,000. For a Mobile Unit franchise, you must pay \$10,000 of the Initial Franchise and we finance the remaining \$10,000. The financing terms call for a 5% interest rate, compounded monthly, with monthly installments over a 24-month period.

Item Financed (Source)	Amount Financed	Down Payment	Term (Mos)	APR %	Monthly Payment	Prepay Penalty	Security Required	Liability on Default	Right on Default
Up to 28.5% of your first Initial Franchise Fee for a Storefront Franchise(Us) ¹	\$10,000	\$25,000	24	5% ²	\$438.71 ²	None	Personal Guarantee of Promissory Note	Loss of Franchise	Termination
Up to 50% of your first Initial Franchise Fee for a Storefront Franchise(Us) ¹	\$10,000	\$10,000	24	5% ²	\$438.71 ²	None	Personal Guarantee of Promissory Note	Loss of Franchise	Termination
Other Financing	None	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note 1 — If you meet our credit standards, we may finance, at our sole option, \$10,000 of your Initial Franchise Fee for your first franchise. For a Storefront franchise, the down payment is \$25,000 and the remaining balance of your Initial Franchise Fee will be \$10,000. For a Mobile Unit franchise, the down payment is \$10,000 and the remaining balance of your Initial Franchise Fee will be \$10,000.

We offer a 24-month term at an APR of 5%, compounded monthly. You must sign a Promissory Note for the financed amount. (See Franchise Agreement Section 6(a) and Exhibit 4).

The only security we require is a personal guarantee of the Promissory Note by you and your spouse or by all the shareholders of your company (See Exhibit 4 to the Franchise Agreement). The note can be prepaid without penalty at any time during its 24-month term.

Note 2 —

Your minimum monthly payment may be more or less than these amounts, depending upon the amount financed.

If you do not pay on time and default under the Promissory Note, we can:

- declare the entire principal amount plus accrued interest to be immediately due and payable;
- charge additional interest on the entire principal balance and accrued interest, up to 18% per annum (not to exceed the maximum rate permitted by law);
- obligate you to pay any and all court costs and other expenses, including reasonable attorney fees, incurred in collecting the debt; or
- terminate your franchise agreement.

(See Franchise Agreement, Sections 6(a) and 15(c) and Exhibit 4).

The Promissory Note will require you to waive and bar you from asserting the following defenses and legal rights: presentment for payment; notice of dishonor; protest; notice of protect; and diligence in collection. It will also require you to consent that the time of payment on any part of the note may be extended without otherwise modifying, altering, releasing, affecting or limiting your liability.

Commercial paper from franchisees has not been and is not sold or assigned to anyone, and we have no plans to do so.

We do not receive direct or indirect payments for placing financing.

We do not guarantee your obligations to third parties.

ITEM 11

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

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

Before you open your Sub Zero franchise, we will:

1. Consent to locations and mobile units that meet our requirements.

- a. For Franchised Stores, within 90 days of your signing the Franchise Agreement, you must submit to us a written plan, including a site location approval package, detailing the proposed location of your Franchised Store, including proposed financial projections, total investment and any other information that we reasonably request. The factors that we consider in approving or rejecting a proposed location may include, without limitation, the general location, neighborhood, area demographics, traffic patterns, size of the Franchised Store, physical characteristics of the Franchised Store and surrounding buildings, neighboring tenants, signage visibility, accessibility, parking and lease terms. In order for us to thoroughly review and approve your construction, build-out and design plans, you must use our approved system design architect for the design set, programming, preliminary design, and design development phases of architecture and design. We may also require you to use a local architect approved by us to implement the design developed by our system design architect. At a minimum, you must authorize us to communicate with the local architect you plan to hire for any construction, build-out or design. By signing the Architect Communication Authorization Form attached

to the Franchise Agreement, you expressly authorize us to communicate with your local architect. If your proposed Site meets our minimum site criteria, the likelihood of approval is fairly high. However, the Site will only be approved after you sign the Franchise Agreement and after we have followed our formal approval process. We will approve or reject in writing a proposed location within 30 days after we have completed our review of the proposed location. (Franchise Agreement - Section 4) If you do not open your Franchised Store within six months from the date you sign the Franchise Agreement (unless excused or extended per the Franchise Agreement), then we can terminate the Franchise Agreement and retain fees paid. (Franchise Agreement - Section 4(f)) If we do, we can also terminate any other agreement between you and us, including other franchise agreements or any area developer agreements. You may not sign or modify any lease in connection with the Site without our prior written approval.

b. For a Mobile Unit, you must use our approved design and vendor for any truck, van, cart, or catering equipment package and any related equipment. At a minimum, you authorize us to communicate with the manufacturer and vendor for any construction, build-out or design of the proposed Mobile Unit vehicle, trailer, cart, or equipment. By signing the Mobile Unit Communication Authorization Form attached to the Franchise Agreement, you expressly authorizes us to communicate with the manufacturer and vendor of your Unit vehicles, trailers, carts, and equipment.

2. Provide you with layout and design standards for your Franchised Store. You will be responsible for procuring a local architect and all of the costs and fees associated with the general contractor and the build out. (Franchise Agreement – Section 4)

3. For Mobile Units, introduce you to our designated vendor for mobile-unit vehicles, trailers, and equipment and help to arrange for your purchase of the necessary vehicles, trailers, and/or equipment from such designated vendor.

4. Provide you with a list of Products, signs, fixtures, furnishings and equipment, including standards and specifications needed in the operation of the Franchised Store or Mobile Unit and a list of approved suppliers for these items, which lists we may update periodically in our sole discretion. (Franchise Agreement – Sections 4(h) and 5(a))

5. Provide you with our Confidential Operating Manual, or access to it, as amended periodically. (Franchise Agreement – Section 5(a))

6. Provide you with forms for reporting transactions to us. Subsequent supplies will be available at our cost plus handling charges (Franchise Agreement – Section 5(a)); and

7. Provide initial training for your managing owner and/or Manager, for a total of up to three persons. We describe this training later in this Item (Franchise Agreement – Section 5(a)).

During your operation of your franchise, we will provide you with:

1. Periodic assistance in local advertising and marketing.

2. Advice and guidance with respect to new and improved methods of operation or business procedures as may be developed by Sub Zero, use of the Confidential Operating Manual, management materials, promotional materials, advertising formats and the Marks. Much of the assistance will be provided through our annual convention, franchise system newsletter, and monthly system-wide conference calls.

3. The opportunity to participate in group purchasing programs for inventory, supplies, insurance and equipment that we may periodically use, develop, sponsor or provide and upon the terms and conditions as may be determined solely by us; and

4. Issue and modify the System for Sub Zero franchises.

5. Inspect and observe the Franchised Store's or Mobile Unit's operations to assist you in complying with the Franchise Agreement and the System.

Franchise Opening

The time required to open the Franchised Store after you sign the Franchise Agreement will depend on the Site's location and condition, the length of lease negotiation, the Franchised Store's construction schedule, the delivery schedule for equipment and supplies, securing financing, completing training and your compliance with local laws and regulations. You cannot open the Franchised Store until: (1) we approve the Franchised Store and your lease; (2) pre-opening training is complete to our satisfaction; (3) you have paid all amounts due to us; (4) we have received copies of all required insurance policies or other evidence of insurance coverage and payment of premiums; and (5) we have received verification that you comply with all applicable laws, regulations, code and ordinances and that you have received all necessary permits. Subject to these requirements, you must begin operating the Franchised Store within the earlier of: (1) 6 months from signing lease; or (2) 12 months after you sign the Franchise Agreement (unless excused or extended per the Franchise Agreement). If you do not meet these requirements to open and begin operation of your Franchised Store, we can terminate your Franchise Agreement and retain the initial fees. (Franchise Agreement – Section 4(f)).

The time required to open the Mobile Unit after you sign the Franchise Agreement will depend on the manufacturing and delivery schedule for the Mobile Unit vehicle, trailer, and/or equipment and supplies, securing financing, completing training and your compliance with local laws and regulations. You cannot being to operate the Mobile Unit until: (1) we approve the commissary; (2) pre-opening training is complete to our satisfaction; (3) you have paid all amounts due to us; (4) we have received copies of all required insurance policies or other evidence of insurance coverage and payment of premiums; and (5) we have received verification that you comply with all applicable laws, regulations, code and ordinances and that you have received all necessary permits. Subject to these requirements, you must begin operating the Mobile Unit within the earlier of: (1) 90 days after delivery of the Mobile Unit vehicle, trailer, and/or equipment necessary to operate the Mobile Unit from our designated vendor; or (2) 12 months after you sign the Franchise Agreement (unless excused or extended per the Franchise Agreement). If you do not meet these requirements to open and begin operation of your Mobile Unit, we can terminate your Franchise Agreement and retain the initial fees. (Franchise Agreement – Section 4(f)).

You must submit your proposed location for your Franchised Store to us for approval within 6 months of signing the Franchise Agreement. We will approve or reject a proposed location within 30 days after we have completed our review of the proposed location.

If you are simultaneously purchasing more than one franchise, we may extend the opening requirements for the additional franchises per the following development schedule: (Multiple Purchase Addendum – Section 3)

1 st Franchise	12 months
2 nd Franchise	18 months
3 rd Franchise	24 months

Brand Development Fees

You must pay to us 2% of your weekly Gross Sales as weekly Brand Development Fees. Currently we promote our brand and our franchise locations through print, internet, public relations, and direct mail media. We may use in-house advertising departments and may use regional or national advertising agencies. We may provide to you advertising materials and point of sales aids for you to use in your local advertising and promotional efforts. We may use your Brand Development Fees paid to create marketing collateral. In addition, we may use your Brand Development Fees paid to place advertising in geographic areas, in media, at times and using products and services we deem to be in the best interest of our franchisees and our franchise system. We need not spend any amount on advertising in your area or territory. We do not spend any portion of the Brand Development Fees directly to solicit new franchise sales or area developers. The Brand Development Fees are administered by us and are not audited. You may obtain an accounting of the Brand Development Fees and expenditures upon written request to us. Excess Brand Development Fee contributions are carried forward and used in the next fiscal year(s).

Summary of Brand Development Fee Contributions and Expenses for Fiscal Year 2019-20

Expenses:	Advertising, Promotion, Social Media, and Website	\$44,232	30.9%
	Social Media Management	\$18,442	12.9%
	Rewards Program	\$11,015	7.7%
	Public Relations	\$19,800	13.8%
	Printing, Reproduction, & Misc.	\$8,520	5.9%
	Graphic Design	\$4,695	3.3%
	Administrative	\$36,656	25.5%
Total expenses:		\$143,360	100.0%
Marketing Fee contributions:		\$114,446	
Excess expenses:		\$28,914	

At the moment, there are no advertising cooperatives for Sub Zero franchises. We reserve the right to both institute one or more of these cooperatives in the future and to change, dissolve or merge one or more of these cooperatives. We cannot require you to spend more than 2% of your quarterly Gross Sales in any advertising cooperative. Any advertising cooperative contributions will be credited toward your Local Advertising Requirement. If at any meeting of the franchises in an advertising region, 75 percent of the franchises vote to contribute to a regional advertising program, all franchises within that region will be obligated to make a contribution to a regional advertising fund in the amount established by the vote. Each company-owned location will have one vote, the same as each franchisee-owned location.

We do not currently have any advertising council composed of franchisees that advises us on advertising policies. We may elect to form a franchisee advisory council to provide input on the system. If created, the council will consist of Sub Zero franchisees, each of which is in full compliance with the terms of its franchise agreement, and company or affiliate-owned operators or representatives. The number of council members and advice and feedback processes will be decided by Sub Zero upon creation of the council, if any. (Franchise Agreement, Section 9(l))

Local Advertising Obligations

You must spend the \$3,000 minimum amount we specify on grand opening advertising. You may choose to spend more. Factors that may affect the actual amount you spend include the type of media used, the size of the area you advertise to, local media cost, location of the franchised restaurant, time of year and customer demographics in the surrounding area. In Although our experience indicates that an initial grand opening campaign followed by local advertising at the levels described below is adequate in many cases,

market conditions vary widely, both in terms of competition, familiarity with our franchise system and in terms of media availability and costs.

You must spend at least 2% of Gross Sales (beginning on the first day of the second month after the Franchise opens) for advertising and marketing the Franchise. You must list the Franchise in the white and yellow pages of all local telephone directories in the Franchise's area of the kind and size that we specify or approve. You must also obtain and maintain special promotional materials that we may require periodically.

You must provide us with quarterly itemized reports detailing your local advertising initiatives and expenditures.

If you fail to meet your local advertising obligations, we may assess and collect from you for any deficiency, which we can then spend on national or regional advertising of Sub Zero franchises.

You may only use advertising or promotional materials that we have approved. You must send us for approval samples of all advertising and promotional materials that we have not prepared or previously approved. All advertising and promotional materials must include the copyright and trademark registration notices we require.

You may not advertise on the Internet or a worldwide web page without our approval, which we can condition or withhold in our business judgment. This restriction on advertising on the Internet or a worldwide web page includes a restriction on establishment of any independent website, domain name, e-mail address or similar presence for use in connection with the Franchised. We may require you to follow our online, approved advertising initiatives.

Internet and E-commerce

We retain the sole right to market on the Internet, including all use of web sites, domain names, URL's, linking, meta-tags, advertising, auction sites, e-commerce, and co-branding arrangements. You will provide us content for our Internet marketing, and follow our Intranet and Internet usage requirements. We also retain the sole right to use the Marks on the Internet, including on web sites, as domain names, directory addresses, meta-tags, and in connection with linking, advertising, co-branding, and other arrangements. We retain the right to approve any linking or other use of our web site. You may not establish a presence on or market using the Internet except as we may specify, and only with our prior written consent.

We maintain a website located at www.subzeroicecream.com to provide the public with information regarding our products and services and to sell franchises. We will provide basic information regarding your Franchise on our website including location, contact information and hours of operation. You will need to provide us with certain information for your Franchise before opening and you will have an ongoing obligation to update us regarding any changes to your Franchise's information. We intend that any franchisee web site, if any, be accessed only through our home page. Subject to the terms of use on our web site, we may gather, develop and use in any lawful manner information about any visitor to the web site, including but not limited to your customers, franchisees or prospective franchisees regardless of whether they were referred to you via the web site or were otherwise in contact with you.

We may offer services and products to customers anywhere through our website, the Internet or other similar means under the Marks or other branding. You may not sell Products through the Internet or through other channels of distribution without our written consent.

Only we or our affiliates may place national or regional advertising.

Computer and Software Standards

You must use computer, software and point of sale systems that comply with our computer and software standards in operating your Franchise. We may designate specific systems and software and specific vendors that you must use to operate the Franchise and to report business and financial information to us. Currently, we require that you use the approved point of sale system ("POS") and our standard chart of accounts. You use the POS as your cash register to process and accept customer payments for products purchased from you and also to track your sales, pricing, and inventory. This POS includes payroll and accounting programs through which you track and manage employee payroll and bookkeeping and accounting functions. Any future computer, software and point of sale standards, including the main hardware, software and applications you must buy or license, their principal functions, brand names and descriptions will be listed in our Confidential Operating Manuals. You must purchase a license to the most current software version of each required software package. The estimated cost of purchasing the computer, software and POS we require is approximately \$2,400 to \$12,000. There is an ongoing fee for the POS software of about \$65 per month.

We may, but are not obligated to, update the computer, software and point of sale standards periodically to adjust for availability, model, brand, technology, or price changes. You must upgrade or update to the latest computer and software standards as we direct. There are no contractual limitations on the frequency and cost of this obligation. We estimate that any required updates or upgrades will cost you approximately \$0 to \$1,500 per year.

Purchase of the approved POS system includes a one (1) year hardware warranty (replacement of hardware for hardware failures). Upon commencement of operations, you will incur a monthly cost of approximately \$65 per month for the POS software which includes remote help desk support and software maintenance (including access to current software versions, bug fixes and updates).

We have independent access to information that you generate or store on your point of sale and computer systems, such as sales, pricing, product ordering, and inventory information, which we can use to track sales and for other purposes. There is no contractual limitation on our ability to access and use this information.

Confidential Operating Manual

Our Confidential Operating Manual is confidential and remains our property. It may consist of one or more manuals. It contains mandatory and suggested specifications, standards, and procedures. We may modify the Confidential Operating Manual, but the modifications will not alter your basic status and rights under the franchise agreement. The revisions may include advancements and developments in supplies, Products, equipment, sales, marketing and operational techniques, and other items and procedures used for the operation of the franchise.

The current version of the Confidential Operating Manual consists of approximately **100** pages in three separate manuals: the standard operating procedures manual; the buildout and design manual; and the franchise administration manual. The table of contents for the Confidential Operating Manual, as of the date of this disclosure document, is provided as Exhibit F.

Training

Before you open your Franchise, we require your managing owner and/or Manager, who may be the same person, to attend a training program sponsored by us. The initial franchise fee includes initial training for your first franchise, excluding your travel and related expenses. You must pay for the travel and related expenses of each individual you have attend the training. Up to three individuals, including your managing owner and/or Manager, may attend this initial training. We also require your Franchise to have

on the premises your managing owner and/or Manager, who has completed our initial training program. Training will begin after you sign the Franchise Agreement and while you are developing the franchise. Training must start before you begin construction of the Franchise at the franchise location or begin the manufacture or buildout of any truck, van, or cart for a Mobile Unit. The training program will last for approximately 3-5 days at our headquarters (currently in Provo, Utah) or at a location to be designated by Sub Zero and approximately 4-5 days training to take place on-site at your Franchised Store or in your mobile-unit Territory. The on-site portion of the initial training program is mandatory and is included in the initial franchise fee. However, you are exclusively responsible to pay for or otherwise reimburse us for all travel, lodging, and living expenses that we or our representative reasonably incur to conduct such on-site training at your Franchise. Your managing owner, Manager and any other employees attending initial training must complete all phases of the training program to our satisfaction (or else be replaced). At least two weeks before the Franchise's opening, but no more than six months after signing the Franchise Agreement, your managing owner and/or Manager must complete all initial training.

We can terminate the Franchise Agreement and retain the initial fees if your managing owner and/or Manager (or replacement) does not successfully complete initial training to our satisfaction. (Franchise Agreement Sections 5(a)(iii), 5(a)(iv) and 9(b)) You must pay all expenses that your attendees incur, including, without limitation, meals, entertainment, and salary. We charge a fee of one thousand dollars (\$1,000) to train each replacement and other employee that you want trained in addition to the initial three included in our initial training. (Franchise Agreement Sections 4(e), 5(e) and 9(b)) Currently, we do not offer or require that you attend training in addition to our initial training, but we reserve the right to do so in the future. If we do offer additional training in the future, we reserve the right to charge a reasonable fee for the additional training and you must pay all expenses that your attendees incur, including, without limitation, meals, entertainment, and salary.

As of the date of this disclosure document, our initial training program consists of the following training:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Site Selection, Construction & Equipment	6	2	Provo, Utah or another location we designate and your Franchised Store/Territory
Accounting & Insurance	1-2	1-2	Provo, Utah or another location we designate and your Franchised Store/Territory
Mobile Unit Operations, Catering and School Presentations	0-3	0-3	Provo, Utah or another location we designate and your Franchised Store/Territory
Products	4-5	6-8	Provo, Utah or another location we designate and your Franchised Store/Territory
Operational Procedures	6	40	Provo, Utah or another location we designate and your Franchised

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
			Store/Territory
Safety & Security; Liquid Nitrogen	3	3	Provo, Utah or another location we designate and your Franchised Store/Territory
Promoting & Marketing	5	2-3	Provo, Utah or another location we designate and your Franchised Store/Territory

Explanatory Notes:

1. The hours provided above are approximate and are subject to change.
2. Our training supervisors are Jerry Hancock and Naomi Hancock.

Mr. Hancock is our founder and has supervised our training program since our inception in October 2010. He also served as our president from October 2010 to July 2012. He has operated a Sub Zero store in Utah since June 2004.

Ms. Hancock has served as one of our trainers in Utah since July 2012. Since 2004, Mrs. Hancock has operated a Sub Zero store in Utah and served as its primary bookkeeper.

We may use other training personnel under Mr. Hancock's supervision for aspects of the training program. Such personnel will have at least successfully completed our initial training program or have experience in a Sub Zero franchise or related business similar to having completed our initial training program.

Instructional materials will include the Confidential Operating Manual and reporting forms. Instruction will also include hands-on training at a Sub Zero Store.

If you request or need additional training or assistance in operating your Franchise, then you must pay us for this training.

ITEM 12 TERRITORY

Your Location and Territory

Storefront Franchises. Once we have approved a specific location, you will operate your Franchised Store there. You cannot operate the Franchised Store anywhere else without our prior written consent. Except in respect to the catering and school presentation operations (described below), your Sub Zero franchise will extend solely to that specific location. Except for Non-Traditional Locations (defined below), we will not place or authorize anyone else to place a Sub Zero store within two driving miles from the Franchised Store (1/4-mile for high population density, high business density, urban and downtown

locations). The exact boundaries of such protected area may depend upon any major topographical features which clearly define a contiguous area, such as rivers, major freeways, etc.

If you are simultaneously purchasing more than one franchise, we reserve the right to provide you a larger territory, depending on the locations that you want to specifically reserve and their proximity to each other. We only extend the territory to contiguous trade areas and define such territory by a driving-mile distance from the first franchise location into contiguous trade areas or by a particular city, postal code, or other political subdivision, or by particular boundaries such as roads or rivers or other designations. (See Section 2 of the Multiple Purchase Addendum).

For franchises located at Non-Traditional Locations, such as within a college, airport, hospital, convenience store, grocery store, cinema, casino, museum, amusement park, stadium, arena or other similar limited-access venues, you will receive absolutely no protected territory. Further, unless you actually own and operate the entire venue (i.e., stadium, arena, mall, retail store, etc.) you must own and operate a traditional Franchised Store before you have the right to open a Non-Traditional Location franchise (unless we approve otherwise). A Non-Traditional Location franchise is subject to special standards and specifications as are outlined in our Operations Manual.

You must receive our written consent before you relocate your Franchised Store. Any relocation will be at your sole expense. You must satisfy our then current franchise placement and demographics criteria, as expressed in the Operations Manual.

Mobile Unit Franchises. We will grant to you a protected territory in which you will operate the Mobile Unit franchise (the “Territory”). The Territory is primarily based on zip codes or other political boundaries, considering the surrounding geographic area and population characteristics within that area and other relevant demographic factors. We will generally only grant one Territory to a franchisee for an area with a population up to 100,000 persons. We will use population estimates from the U.S. Census Bureau as well as any other sources that we believe are reliable for determining the current population in the area. In certain densely populated metropolitan areas, a territory may be considerably smaller, while franchisees operating in less densely populated areas may have significantly larger areas. So long as you are in good standing under the Franchise Agreement, we will not operate or authorize anyone else to operate a Mobile Unit within the Territory.

You have the right to operate your Mobile Unit and to offer catering services and school presentations anywhere within the Territory. You must obtain our prior written approval in order to offer and sell products or services or to otherwise solicit, offer, or accept orders or requests for catering services and school presentations anywhere outside of your Territory. If a franchisee has previously performed catering services for particular business or customer, it is currently our standard practice to approve the catering services for such business or customer as long as it does not materially and adversely affect a specific contract or the territorial protections or existing customer relationships of any other Sub Zero™ franchisee, so long as the franchisee is in good standing and can adequately service and fulfill all material catering requirements for the customer and the specific catering event. However, final approval for any customer or event is subject to our review and consent, which may be granted or withheld in our sole and absolute discretion. We may delegate this approval function to an area developer or service representative if your Territory is located within an area in which we have one. Our decision to grant or withhold such approval will be in our sole discretion. We base our decision on factors outlined in our Operations Manual. In a spirit of teamwork and cooperation, we hope that our franchisees will acknowledge and respect pre-existing relationships of other Sub Zero franchisees and forward any requests from such relationship to the appropriate franchisee. In some cases, one franchisee may request that another franchisee service in its place a particular customer or event on one or more occasions (because of location, a scheduling conflict, lack of personnel or resources, and so forth). Also, two or more franchisees may determine that it makes sense to work together to service a particular catering customer or event. Again, in the spirit of teamwork and cooperation, we presume that franchisees will act

reasonably and hold sensible expectations with regards to division of labor and resources and fee-sharing/referral fees.

We retain all rights not specifically granted to you in the Franchise Agreement. We reserve all rights to operate and to authorize others to operate Sub Zero franchises or other types of businesses anywhere, using any channel of distribution, including sales to grocery and convenience stores and other retail outlets, under any brand or trademark, including the Marks. Our affiliate Sub-Nitro, LLC owns a patent that is licensed to and utilized by an unaffiliated business not connected to us or the Sub Zero franchise system that offers and sells to the public machines that mix liquid nitrogen ice cream, under the Nitro Cream name. Neither we nor any affiliate operate or have plans to operate or franchise a business under a different trademark that sells goods or services similar to those you will offer. We are not required to pay to you any compensation for soliciting or accepting orders near or inside your territory. We further reserve the right to merge with, acquire, license, enter into co-branding agreements with or engage in other business arrangements with other parties, which may or may not be competitive with your Franchise.

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.

Right of First Refusal

You do not receive the right and you have no options, rights of first refusal or similar rights to acquire additional franchises or grant sub franchises in any territory. There are no minimum sales quotas.

Internet and E-commerce

Neither we nor our affiliates are restricted from participating in other distribution methods, including Internet, other forms of media now or in the future developed, wholesale and mail order channels under marks and product configurations different than those offered through your franchise.

We reserve the right to offer services and products to customers anywhere through our website, the Internet or other similar means under the Marks or other branding. You may not sell Products through the Internet or through other channels of distribution without our written consent.

ITEM 13 TRADEMARKS

The “Sub Zero” and “Sub Zero Ice Cream” marks are registered on the Principal Register of the U.S. Patent and Trademark Office (“USPTO”) as follows:

Mark	Registration Number	Registration Date
Sub Zero	4995895	July 12, 2016
Sub Zero Ice Cream (word plus design mark)	3711471	November 17, 2009

The “Sub Zero Ice Cream” mark and registration were originally filed and owned by our founder and Chairman of the Board, Jerry Hancock. In November 2010, Mr. Hancock assigned his entire right and

interest in this mark and registration to us. This assignment replaced a previous licensing relationship between us and our affiliate. We have recorded this assignment with the USPTO. We have filed all required affidavits. There are no agreements currently in effect that significantly limit our rights to use or license the use the marks.

In addition to the above, we use certain names, marks, logos, slogans, designs, and trade dress that are protected under common law. Federal registration is not required to establish rights in a mark. Common law rights are acquired automatically from actual use of a mark in commerce and are enforceable in state courts. Common law may also allow the common law user to successfully challenge a subsequent federal or state registration or application. These include, without limitation, the following logos:



We will grant you a license to use one or more of the Marks in operating the Franchise. You must follow our rules when you use the Marks. You cannot use any Mark (i) as part of your entity or legal business name, (ii) with any prefix, suffix or other modifying words, terms, designs or symbols (other than the logos licensed to you), (iii) in performing or selling any unauthorized services or products, (iv) as part of any domain name, electronic address, or search engine listing that you maintain or control on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery systems, unless and then only if we authorize you to do so, or (v) in any other manner we have not expressly authorized in writing.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, or any pending infringement, opposition or cancellation proceedings or material litigation, involving the Marks.

You must notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any claim by any person of any rights in any Mark, and you may not communicate with any person other than us and our attorneys in any infringement, challenge or claim. We have sole discretion to take whatever action we choose (or no action) and the right to control exclusively any litigation, USPTO proceeding or any other administrative proceeding resulting from the infringement, challenge or claim or otherwise involving any Mark. You must sign any documents, provide any assistance and take any action that, in the opinion of our attorneys, are reasonably necessary or advisable to protect and maintain our interests in any litigation or USPTO or other proceeding or otherwise to protect and maintain our interests in the Marks.

If it becomes advisable in our sole discretion for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute trademarks, you must comply with our directions within a reasonable time. Any expenses or costs associated with the use, modification or discontinuance of any Mark will be your responsibility.

We do not know of any superior prior rights or infringing uses that could materially affect your use of our Marks in any state. We are not required to protect your rights to use the Marks and do not have any obligation to indemnify you against a claim of intellectual property infringement or unfair competition arising out of your use of the Marks. The Franchise Agreement does not require us to take affirmative action when notified of such uses or claims or to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving the Marks, or if the proceeding is resolved unfavorably to you.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Our founder and Chairman of the Board, Jerry Hancock, registered the patent that is material to the franchise. This patent was transferred to our affiliate Sub-Nitro, LLC in 2016. The patent relates to the process used in our franchise system for “instant freezing” ice cream. Following is relevant information:

Patent Number	Patent Type	Registration Date	Patent Duration	Title
8,679,566	Process	March 25, 2014	July 19, 2029*	Method of Making Frozen Confections

*The 20-year patent term is extended under a patent term adjustment.

We claim copyrights in the Confidential Operating Manuals, printed advertising and promotional materials, training materials and similar items used in operating the franchise. We have not registered these copyrights with the United States Copyright Office.

Certain of the Products, including our recipes, methods of operation and Confidential Operating Manuals, as well as certain other information disclosed to you as a franchisee, are confidential and proprietary information. You cannot use this confidential information in an unauthorized manner and you must protect it from use by or disclosure to others. You agree, as part of the Franchise Agreement, that we own this confidential and proprietary information and the intellectual property rights associated with this confidential and proprietary information. We have no obligation to, and will not disclose our trade secrets or the recipes, specifications and/or formulas of Products to you or any third party.

There are no current material determinations of the USPTO or any court regarding the patent that you are permitted to use under the franchise agreement. 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 currently in effect which materially limit our right to use or authorize franchisees to use the patent or the copyrighted materials. Furthermore, we do not actually know of any infringing uses which could materially affect a franchisee’s use of the patent or copyrighted materials in any state. We need not protect or defend the patents, copyrights or confidential information, although we intend to do so when this action is in the best interests of the Sub Zero franchise system. We do not have any obligation to defend or indemnify you against a claim arising out of the use of the patent or out of intellectual

property infringement. You have no rights, including rights to compensation, under the franchise agreement if we require you to modify or discontinue using the patent or any of our copyrighted materials or other intellectual property.

We may delegate to independent area developers or service representatives performance of any of our duties, including ongoing support, supervision and inspections. Area developers and service representatives are given specific assignments by us and if an area developer or service representative has been assigned to a territory containing an Individual Unit Franchise, any and all data ever received by us from franchisees, including but not limited to franchise purchase applications, payment histories, sales reports, audit reports, performance evaluations, etc. will be shared with and made available on an ongoing basis to the area developer or service representatives. Each area developer and service representative is required to keep all franchise and franchisee information and data confidential and to use it only for purposes related to the evaluation, service and support of franchisees.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You are not required to be actively engaged in your Franchise on a full-time basis, but we strongly encourage you to do so. If you are an entity, you must designate one of your owners or a full-time employee as the “Manager.” The managing owner or Manager must manage the Franchise and personally supervise the Franchise’s day-to-day operations and must have successfully completed our training program. The Manager must be an individual who has the necessary authority to run the Franchise. If at any time you fail to have a managing owner or Manager who has successfully completed training, then Sub Zero can terminate your Franchise Agreement.

Our standards may regulate the criteria to select the Manager and assistant managers, other management issues, staffing levels and functions and dress and appearance of employees. Any employees who have access to our confidential information must sign non-disclosure agreements.

If you are an entity, each of your owners must agree to be bound jointly and severally by all of the provisions of the Franchise Agreement and any other agreements between you and us (or our affiliates). Our “Owner’s Guaranty” is part of the Franchise Agreement. If your spouse or one of your owners’ spouses has any property interest in the Franchise Agreement, your ownership or the Franchise due to a state’s community property laws, we can require that spouse to consent to all of the terms and conditions of the Franchise Agreement .

If you own multiple Sub Zero franchises, the managing owner or Manager of each franchise must successfully pass our training.

You are required to accept and access periodic franchise system newsletters and attend or participate in any monthly system-wide conference calls. You must also attend our annual franchise system convention or conference.

You may not engage in any other business or activity that conflicts with your obligations to the Franchise.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all services and products that we periodically require. You cannot offer or sell any services or products that we have not authorized. You must obtain our prior written consent to solicit or accept orders from customers outside of your Franchise. You must obtain our prior written consent to solicit or accept catering and school presentation orders, requests, or engagements outside of your Territory. Our standards, including the Operations Manuals, regulate the goods and/or services required or authorized for the franchise. We can change the standards and the Operations Manuals at any time, which may require you to expend reasonable sums to comply. There are no limitations on our right to make changes in the types of authorized goods and services. You are prohibited from engaging directly or indirectly in any business that is competitive with Sub Zero.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
(a) Length of the franchise term	FA Section 3	5 years
(b) Renewal or extension of the term	FA Section 3(b)	If you are in good standing, you can renew for additional 5-year terms.

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
(c) Requirements for franchisee to renew or extend	FA Section 3(b)	You (1) are not in default under the Franchise Agreement, (2) have the right to maintain possession of the Franchise Location, and (3) you provide Sub Zero with at least 6 months' notice that you are renewing, (4) pay the renewal fee, (5) sign the then-current franchise agreement, (6) sign a release of claims against us and (7) renovate and refurbish the Franchise to be consistent with then-current standards. If you renew, you may be asked to sign a franchise agreement with materially different terms and conditions than in your original franchise agreement.
(d) Termination by franchisee	FA Section 15(a); MPA Section 4	If we materially breach the agreement and do not cure the default within 60 days after notice from you.
(e) Termination by franchisor without cause	Not Applicable	Our Franchise Agreement does not contain this provision.
(f) Termination by franchisor with cause	FA Sections 15(b) and 15(c); MPA Section 4	We can terminate only if you or your owners commit one of several violations. We can also terminate if you or your owners commit one of these several violations with respect to any other agreement between you and Sub Zero.
(g) "Cause" defined – curable defaults	FA Sections 15(c)	You have 72 hours to cure violations of health, safety, cleanliness or sanitation standards or laws; 10 days to cure Gross Sales reporting or monetary defaults, 15 days to cure violations of laws and regulations relating to operation of the Franchise, and 30 days to cure non-compliance with the Franchise Agreement or Standards.

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
(h) “Cause” defined – non-curable defaults	FA Section 15(b)	Non-curable defaults include failure to open the Franchise within the earlier of 6 months after you sign your lease for the franchise location or 12 months after the Franchise Agreement is signed (unless excused or extended per the Franchise Agreement); failure to complete training to our satisfaction; abandonment or failure to operate the Franchise for 3 business days; unapproved transfers; materially false statements to us; conviction of a felony; dishonest or unethical conduct; loss of occupancy and failure to relocate and reopen the Franchise at an approved site within 90 days of closing the Franchise at the Franchised Location or in the Territory; unauthorized use or disclosure of confidential information, the Confidential Operating Manuals or proprietary Product; failure to transfer upon death or permanent disability; intentionally understating Gross Sales; failure to pay taxes; repeated defaults (even if cured); an assignment for the benefit of creditors and an appointment of a trustee or receiver. Sub Zero also has the right to terminate the Franchise Agreement if one of these non-curable defaults occurs in connection with another agreement between you (or any owner) and Sub Zero.
(i) Franchisee’s obligations on termination/nonrenewal	FA Section 16; MPA Section 4	Obligations include not operating the Franchise and no longer representing that you are associated with us; paying outstanding amounts due within 15 days; returning all Confidential Operating Manuals and confidential information; transfer to us, disconnect or discontinue all telephone numbers, directory listings and advertisements; canceling or transferring to us all rights in any Internet or website pages; ceasing use of the System, the Licensed Marks and other similar marks, software, programs, content, passwords and electronic devices or information; and de-identifying and de-characterizing the store or mobile unit within 30 days.
(j) Assignment of contract by franchisor	FA Section 14(a)	No restriction on our right to assign.

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
(k) "Transfer" by franchisee – defined	FA Section 14(b)	Includes transfer of Franchise Agreement, the Franchise, the Site or mobile unit, an equity or voting interest or management change.
(l) Franchisor's approval of transfer by franchisee	FA Sections 14(b) and 14(c)	All transfers must be submitted for our prior written approval.
(m) Conditions for franchisor approval of transfer	FA Section 14(c)	We will not unreasonably withhold consent to transfer if you are not in default, you provide us with notice and request that we provide the new franchisee with the disclosure document; the new franchisee qualifies and agrees to sign the then-current franchise agreement and other documents; you pay us all amounts due and submit all required documents; the new franchisee completes training to our satisfaction; transferee pays us the transfer fee; we approve the transfer terms; you sign a general release of claims against us; you subordinate amounts due to you; you sign a non-competition agreement; you agree not to identify yourself as a current or former Sub Zero franchise; and you submit to us additional information that we require.
(n) Franchisor's right of first refusal to acquire franchisee's business	FA Section 14(h)	We can match any offer for your Franchise or an ownership interest in your owner.
(o) Franchisor's option to purchase franchisee's business	FA Sections 16(c) and (e)	At any time upon 60 days advance written notice to you, we have an option to buy your Franchise for an amount equal to 7 times your EBITDA for the previous 12 months. EBITDA is defined as your revenue minus expenses (excluding interest, taxes, depreciation and amortization). We also have an option to buy your Franchise (including real estate and mobile unit) at fair market value after the Franchise Agreement terminates.
(p) Death or disability of franchisee	FA Section 14(d)	Any interest in the Franchisee must be transferred to a party approved by us within 6 months of the death or disability.
(q) Non-competition covenants during the term of the franchise	FA Section 13(a)(v)	You will not engage, directly or indirectly, as an owner, operator or manager in any other business, including any liquid nitrogen products or services or a food preparation business, without our consent.

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
(r) Non-competition covenants after the franchise is terminated or expires	FA Sections 13(b) and 13(c).	For 730 days, no direct or indirect interest in a business that offers any liquid nitrogen products or services or desserts or ice cream as a primary menu item and is located within 10 miles of the Franchise Location, the Franchise Territory or any other Sub Zero location or operation.
(s) Modification of the agreement	FA Section 21(d)	No modifications except by written agreement signed by you and us.
(t) Integration/merger clause	FA Section 21(j)	Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside the disclosure document and franchise agreement may not be enforceable. Nothing in the franchise agreement or in any related agreement is intended to disclaim the representations we made in the franchise disclosure document.
(u) Dispute resolution by arbitration or mediation	FA Section 20(f)	The parties must participate in mediation before commencing any legal action. Except for certain claims, the parties must arbitrate all disputes in Salt Lake City, Utah. Subject to State Law.
(v) Choice of forum	FA Section 20(d)	Subject to applicable state law, disputes will be mediated, tried, heard, and decided in Salt Lake City, Utah. ¹
(w) Choice of law	FA Section 20(c)	Subject to applicable state law, Utah law applies ¹ .
Explanatory Notes: 1. Some states do not allow franchisees to give up their right to bring or defend lawsuits in the courts of their state, or to have the franchise agreement governed by the laws of a different state. See Exhibit J to this Disclosure Document for a state-specific Addendum to this Item.		

See the State Law Addendum for state-specific disclosures. We recommend that you carefully review the entire Franchise Agreement with a lawyer so that you understand your rights.

ITEM 18 PUBLIC FIGURES

We do not use any public figure to promote our franchise but we reserve the right to do so in the future.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The Federal Trade Commission'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.

Financial Performance Representation

Gross Sales

The following information outlines the average and median annual gross sales for our franchised Sub Zero store locations in the United States that that were open: (1) open on November 1, 2019 and October 31, 2020, at both the beginning and the end of the November 1, 2019 through October 31, 2020 reporting period and that reported sales; and (2) open from November 1, 2018 through October 31, 2019 and that reported sales. Not all locations were open during the entire period covered by the financial performance representation; in 2020, 15 of the 30 reporting franchised stores had closures during the reporting period due to the COVID-19 pandemic or civil unrest. As of October 31, 2020, there were 32 Sub Zero store locations, 3 of which were owned and operated by us or our affiliate. As of October 31, 2019, there were 51 Sub Zero store locations, 2 of which were owned and operated by us or our affiliate. We excluded the company-owned and affiliate-owned stores from the tables, so as to disclose only franchise-owned stores and their data. See the notes following the table for additional details. The financial performance representation contains no data for any Mobile Units because there were no franchised mobile restaurants during the relevant reporting periods and most franchisees did not report or separate sales or data related to catering or school presentations. We do not know and do not project how the COVID-19 pandemic or related government mandates and restrictions might affect franchisee performance in 2021 and beyond.

Average and Median Annual Gross Sales: **November 1, 2019 through October 31, 2020 ("2020")** **November 1, 2018 through October 31, 2019 ("2019")**

Year	Number of Franchises	Average Annual Sales	# (and %) of Franchises at or above	Median Annual Sales	# (and %) of Franchises at or above
2020	30	\$145,869	13 (43.0%)	\$123,801	15 (50.0%)
2019	44	\$203,377	17 (38.6%)	\$168,549	22 (50.0%)

1. The 2020 gross sales information comes from the 30 franchised stores in the United States that were open on November 1, 2019 and October 31, 2020, at both the beginning and the end of the November 1, 2019 through October 31, 2020 12-month reporting period and that reported sales.

15 of the 30 franchised stores had closures during the reporting period due to COVID-19 restrictions.

The highest 2020 gross sales were \$355,865; the lowest gross sales were \$24,415. In computing the numbers: 1 franchise was excluded because they began operations after November 1, 2019; 1 franchise was excluded because we did not receive sufficient monthly sales reports during the reporting period; and 18 franchises were excluded because their franchise was terminated, expired, or otherwise closed prior to October 31, 2020.

2. The 2019 gross sales information comes from the 44 franchised stores in the United States that were open and reported sales from November 1, 2018 through October 31, 2019

The highest 2019 gross sales were \$532,051; the lowest gross sales were \$52,835. In computing the numbers: 5 franchises were excluded because they began operations after November 1, 2018; 5 franchises were excluded because their franchise was terminated, expired, or otherwise closed prior to October 31, 2019.

3. “Gross sales” means all sales reported from the franchise, including the sale of goods and services from the store location and from business conducted elsewhere under the Franchise Agreement, such as catering; it excludes all taxes collected from customers and customer refunds and credits.
4. No data for any of the company-owned or affiliate-owned outlets at Provo Towne Center, Provo City Center, Laguna Niguel, California, or Lehi, Utah (for 2020) is included in the table above.

Gross Margin Percentage

The following information outlines the average and median gross margin percentage for our franchised Sub Zero store locations in the United States that reported this gross margin percentage information to us during the reporting period from January 1, 2020 to August 31, 2020. Not all locations were open during the entire period covered by the financial performance representation; 4 of the 12 reporting franchised stores had closures during the reporting period due to COVID-19 pandemic and civil unrest. As of August 31, 2020, there were 33 Sub Zero store locations, 3 of which were owned and operated by us or our affiliate. The tables and information only contain information for franchised units that reported the gross margin percentage information. We excluded the company-owned and affiliate-owned stores from the tables, so as to disclose only franchise-owned stores and their data. See the notes following the table for additional details. The financial performance representation contains no data for any Mobile Units because there were no franchised mobile restaurants during the relevant reporting periods and most franchisees did not report or separate sales or data related to catering or school presentations. We do not know and do not project how the COVID-19 pandemic or related government mandates and restrictions might affect franchisee performance in 2021 and beyond.

System-Wide Gross Margin Percentage: **January through August 2020**

Number of Franchises	Average Gross Margin %	# (and %) of Franchises at or above	Median Gross Margin %	# (and %) of Franchises at or above
12	74.5%	7 (58.3%)	75.6%	6 (50%)

1. The gross margin percentages information comes from the 12 franchised stores in the United States that reported to us gross margin information for the reporting period from January 1, 2020 to August 31, 2020. 4 of the 12 franchised stores had closures during the reporting period due to the COVID-19 pandemic or civil unrest.
2. “Gross margin percentage” means the difference between sales revenue and the cost of goods sold, divided by sales revenue. It comes from the sales revenue a company retains after incurring direct costs associated with producing the goods it sells and the services it provides.
3. The highest gross margin percentage was 85.4%; the lowest gross margin percentage was 61.4%. In computing the numbers: 18 franchises were excluded because their franchise was terminated, expired, or otherwise closed prior to August 31, 2020 and 18 franchises were excluded because we did not receive sufficient gross margin reports during the reporting period.
4. No data for any of the company-owned or affiliate-owned outlets at Provo Towne Center, Provo City Center or Lehi, Utah is included in the table above.

Bases

These sales figures are derived from the actual historical performance of Sub Zero franchised stores in operation during the reporting periods stated above.

Some outlets have earned this amount. Your individual results may vary. There is no assurance that you will earn as much.

Written substantiation for this financial performance representation is available to you upon reasonable written request.

We recommend that you make your own independent investigation to determine whether or not the franchise may be profitable and consult with an attorney and other advisors prior to executing the Franchise Agreement.

Other than the preceding financial performance representation we do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Jerry Hancock at 62 W. Center St., Provo, UT 84601 and (385) 208-4353, the Federal Trade Commission, and the appropriate state agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
SYSTEMWIDE OUTLET SUMMARY
Status of Franchised Outlets in the United States
For the fiscal years ending June 30, 2018, 2019, and 2020 and as of December 31, 2020

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2018	53	54	+1
	2019	54	55	+1
	2020	55	35	-20
	Dec. 2020	35	34	-1
Company-Owned*	2018	3	3	0
	2019	3	1	-2
	2020	1	2	+1
	Dec. 2020	2	2	0
Total Outlets**	2018	56	57	+1
	2019	57	56	-1
	2020	56	37	-19
	Dec. 2020	37	36	-1

* As of the date of this Disclosure document, we or our affiliate own and operate outlets at 62 W. Center Street, in Provo, Utah and at Traverse Mountain, Lehi, Utah.

** Our fiscal year end is June 30. The charts in this Item show information for the full 2018, 2019, and 2020 fiscal years and as of December 31, 2020.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For the fiscal years ending June 30, 2018, 2019, and 2020 and as of December 31, 2020

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Florida	2018	1
	2019	1

Column 1	Column 2	Column 3
State	Year	Number of Transfers
	2020	0
	Dec. 2020	0
Oregon	2018	0
	2019	0
	2020	2
	Dec. 2020	0
Texas	2018	0
	2019	1
	2020	0
	Dec. 2020	0
Utah	2018	0
	2019	0
	2020	0
	Dec. 2020	1
Total	2018	1
	2019	2
	2020	2
	Dec. 2020	1

Table No. 3
Status of Franchised Outlets in the United States
For the fiscal years ending June 30, 2018, 2019, and 2020 and as of December 31, 2020

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 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
Arizona	2018	1	0	1	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	Dec. 2020	0	0	0	0	0	0	0
California	2018	3	1	0	1	0	0	3
	2019	3	0	0	0	0	0	3
	2020	3	0	1	0	0	0	2
	Dec. 2020	2	0	0	0	0	0	2

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termina- tions	Col. 6 Non- Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations – Other Reasons	Col. 9 Outlets at End of the Year
Florida	2018	9	0	0	0	0	3	6
	2019	6	1	0	0	0	1	6
	2020	6	0	0	0	0	0	6
	Dec. 2020	6	0	0	0	0	0	6
Georgia	2018	0	2	0	0	0	0	2
	2019	2	1	0	0	0	0	3
	2020	3	0	0	0	0	0	3
	Dec. 2020	3	1	0	0	0	0	4
Idaho	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	1	0
	Dec. 2020	0	0	0	0	0	0	0
Indiana	2018	2	1	0	0	0	0	3
	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
	Dec. 2020	3	0	0	0	0	0	3
Kansas	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	Dec. 2020	1	0	0	0	0	0	1
Louisiana	2018	1	0	0	0	0	0	1
	2019	1	0	0	1	0	0	0
	2020	0	0	0	0	0	0	0
	Dec. 2020	0	0	0	0	0	0	0
Maryland	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	Dec. 2020	2	0	0	0	0	1	1
Massachusetts	2018	0	0	0	0	0	0	0

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termina- tions	Col. 6 Non- Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations – Other Reasons	Col. 9 Outlets at End of the Year
	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	Dec. 2020	1	0	0	0	0	0	1
Michigan	2018	1	0	0	0	0	1	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	Dec. 2020	0	0	0	0	0	0	0
Montana	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	Dec. 2020	0	1	0	0	0	0	1
Nevada	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	Dec. 2020	1	0	0	0	0	0	1
New Hampshire	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	Dec. 2020	1	1	0	0	0	0	2
New York	2018	1	0	1	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	Dec. 2020	0	0	0	0	0	0	0
North Carolina	2018	1	0	0	0	0	1	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	Dec. 2020	0	0	0	0	0	0	0
Ohio	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termina- tions	Col. 6 Non- Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations – Other Reasons	Col. 9 Outlets at End of the Year
	2020	1	0	0	0	0	0	1
	Dec. 2020	1	0	0	0	0	1	0
Oregon	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	Dec. 2020	2	0	0	0	0	1	1
Pennsylvania	2018	1	1	0	0	0	0	2
	2019	2	1	0	0	0	0	3
	2020	3	0	2	0	0	0	1
	Dec. 2020	1	0	0	0	0	0	1
South Carolina	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	Dec. 2020	1	0	0	0	0	0	1
Texas	2018	15	4	0	0	0	1	18
	2019	18	2	0	0	0	3	17
	2020	17	2	2	0	0	13	4
	Dec. 2020	4	0	0	0	0	0	4
Utah	2018	8	1	0	0	0	1	8
	2019	8	1	0	0	0	1	8
	2020	8	0	0	1	1	2	4
	Dec. 2020	4	0	0	0	0	1	3
Virginia	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	Dec. 2020	1	0	0	0	0	0	1
Washington	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termina- tions	Col. 6 Non- Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations – Other Reasons	Col. 9 Outlets at End of the Year
	Dec. 2020	1	0	0	0	0	0	1
Total	2018	53	12	2	1	0	7	54
	2019	54	6	0	1	0	5	55
	2020	55	3	5	1	0	16	35
	Dec. 2020	35	3	0	0	0	4	34

Table No. 4
Status of Company-Owned Outlets
For the fiscal years ending June 30, 2018, 2019, and 2020 and as of December 31, 2020

Col. State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired from Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
California	2018	1	0	0	0	0	1
	2019	1	0	0	1	0	0
	2020	0	0	0	0	0	0
	Dec. 2020	0	0	0	0	0	0
Utah	2018	2	0	0	0	0	2
	2019	2	0	0	0	1	1
	2020	1	0	1	0	0	2
	Dec. 2020	2	0	1	1	0	2
Total	2018	3	0	0	0	0	3
	2019	3	0	0	1	1	1
	2020	1	0	1	0	0	2
	Dec. 2020	2	0	1	1	0	2

Table No. 5
Projected Openings of Franchised Outlets
As Of December 31, 2020 through June 30, 2021

Column 1	Column 2	Column 3	Column 4
State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Florida	1	1	0
Texas	0	1	0
Totals	1	2	0

Exhibit D contains a complete listing of all current individual unit franchisees (and the addresses and telephone numbers of all of their operations) as of our fiscal year end, June 30, 2020.

Exhibit D also contains a list of the name, city and state, and the current telephone number (or if unknown, the last known home telephone number) of every individual franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within **10** weeks of June 30, 2020.

The following is a complete listing of all current “company-owned” stores and operations and the addresses and telephone numbers of all of their operations as of the date of this Disclosure Document:

<u>Name</u>	<u>Business Address</u>	<u>Phone</u>
Sub Zero Franchising, Inc.	62 W. Center St., Provo, UT 84601	(385) 208-4353
Sub Zero Traverse, LLC	1873 W Traverse Pkwy, Lehi, UT	(801)341-8179

* Sub Zero Traverse, LLC is our affiliate (see Item 1).

Franchisee Associations

The following is a list, to the extent known to us, of the names, addresses, telephone numbers, email addresses, and Web address of each trademark-specific franchisee organization associated with the franchise system being offered which we have created, sponsored, or endorsed: **NONE**.

The following is a list of any independent franchisee organizations that have asked to be included in this disclosure document: **NONE**.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. Our standard franchise and area developer agreements, all renewal and transfer agreements, and all agreements to settle disputes with franchisees, contain confidentiality clauses. All our franchisees have signed a confidentiality clause with us in the last three years. In some instances, current or former franchisees sign provisions restricting their ability to speak openly about their experience with Sub Zero. You may wish to speak with current and former franchisees, but be aware that not all of these franchisees will be able to communicate with you.

ITEM 21 FINANCIAL STATEMENTS

Exhibit A provides our audited financial statements as of June 30, 2018, 2019, and 2020. Our fiscal year end is June 30.

ITEM 22 CONTRACTS

The following agreements are exhibits:

- (a) Franchise Agreement (including its exhibits) —Exhibit B
- (b) Conditional Assignment of Telephone and Directory Listings - Exhibit G
- (c) Abandonment, Relinquishment, & Termination of Assumed Business Name - Exhibit H
- (d) Authorization for Electronic Funds Transfer - Exhibit I
- (e) SBA Addendum – Exhibit J
- (f) State Specific Addenda—Exhibit K
- (g) Franchisee Closing Questionnaire—Exhibit L

The standard form release agreement that you will be required to sign in certain instances, such as for a transfer or renewal, is found in Section 21(k) of the Franchise Agreement.

ITEM 23 RECEIPTS

Our and your copies of the Franchise Disclosure Document Receipts are located at the last two pages of this Disclosure Document. The Receipt pages are duplicates that evidence your receipt of this Disclosure Document – the first is to be retained by you, the other by us.

EXHIBIT A
FINANCIAL STATEMENTS

SUB ZERO FRANCHISING, INC.

FINANCIAL STATEMENTS

For The Years Ended June 30, 2020 and 2019

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PAULA J. PALMER CPA, LLC

8600 SW Salish Lane, Suite 6

Wilsonville, Oregon 97070

503-684-5699 FAX 503-427-0828

REPORT OF INDEPENDENT ACCOUNTANT

To the Board of Directors
Sub Zero Franchising, Inc.

I have audited the accompanying financial statements of Sub Zero Franchising, Inc. (a Utah corporation) which comprise the balance sheets as of June 30, 2020 and 2019, and the related statements of operations and retained earnings, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation of fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sub Zero Franchising, Inc. as of June 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Paula J. Palmer CPA LLC

January 6, 2021

SUB ZERO FRANCHISING, INC.
BALANCE SHEETS
JUNE 30, 2020 AND 2019

ASSETS		
	<u>2020</u>	<u>2019</u>
Current Assets		
Cash	\$ 179,372	\$ 29,063
Accounts receivable (net) (Note 2)	49,946	295,611
Inventory	<u>130,012</u>	<u>123,323</u>
Total Current Assets	<u>359,330</u>	<u>447,997</u>
Fixed Assets		
Vehicle	0	20,054
Equipment	25,360	25,360
Leasehold improvements	303,576	303,576
Accumulated depreciation	<u>(133,949)</u>	<u>(120,910)</u>
	<u>194,987</u>	<u>228,080</u>
Other Assets		
Investment in franchises	0	61,602
Refundable deposit	5,878	5,878
Loan fees (net of amortization Of \$3,809 and \$749)	<u>12,967</u>	<u>8,236</u>
	<u>18,845</u>	<u>75,716</u>
TOTAL ASSETS	<u>\$ 573,162</u>	<u>\$ 751,793</u>

The accompanying notes are an integral part of this statement.

SUB ZERO FRANCHISING, INC.
BALANCE SHEETS
JUNE 30, 2020 AND 2019

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>2020</u>	<u>2019</u>
Current Liabilities		
Accounts payable	\$ 161,683	\$ 211,824
Deferred revenue	14,104	312,604
Accrued expenses	25,141	30,223
Current portion of long term debt (Note 4)	<u>329,247</u>	<u>284,109</u>
Total Current Liabilities	<u>530,175</u>	<u>838,760</u>
Deferred tax liability (Note 3)	4,400	1,400
Long term debt (Note 4)	542,704	241,812
Stockholders' Equity		
Common Stock No par value, 41,176 authorized, 33,334 issued and outstanding at June 30, 2020	250	250
Additional paid-in capital	24,750	24,750
Retained earnings (deficit)	<u>(179,117)</u>	<u>(5,179)</u>
	(154,117)	19,821
Less Treasury Stock, at cost (13,334 shares at \$26)	<u>(350,000)</u>	<u>(350,000)</u>
Total Stockholders' Equity	<u>(504,117)</u>	<u>(330,179)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 573,162</u>	<u>\$ 751,793</u>

The accompanying notes are an integral part of this statement.

SUB ZERO FRANCHISING, INC.
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
For The Years Ending June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues		
Franchise fees	\$ 140,000	\$ 253,500
Royalty fees	362,289	593,669
Advertising fees	118,851	190,220
Product sales	57,031	76,690
Store sales	183,606	179,113
Loss from pass through entity	(36,229)	(66,834)
Gain (Loss) from sale of asset	9,400	(19,546)
Other income	24,392	30,429
	<u>859,340</u>	<u>1,237,241</u>
Cost of Goods Sold	<u>87,434</u>	<u>107,910</u>
Gross Profit	<u>771,906</u>	<u>1,129,331</u>
Operating expenses	<u>880,144</u>	<u>1,100,382</u>
Income (loss) from operations	<u>(108,238)</u>	<u>28,949</u>
Other Income (Expense)		
Interest expense	<u>(62,700)</u>	<u>(55,940)</u>
	<u>(62,700)</u>	<u>(55,940)</u>
Income (loss) before income taxes	(170,938)	(26,991)
Income tax expense (benefit)	<u>3,000</u>	<u>1,000</u>
NET INCOME (LOSS) FROM OPERATIONS	(173,938)	\$ (27,991)
Retained earnings, beginning of year	<u>(5,179)</u>	<u>22,812</u>
RETAINED EARNINGS END OF YEAR	<u>\$ (179,117)</u>	<u>\$ (5,179)</u>

The accompanying notes are an integral part of this statement.

SUB ZERO FRANCHISING, INC.
STATEMENTS OF CASH FLOWS
For The Years Ending June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (173,938)	\$ (27,991)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	36,153	35,855
Gain on sale of assets	(9,400)	
(Increase) decrease in:		
Trade receivables	245,665	29,050
Inventory	(6,689)	(28,892)
Increase (decrease) in:		
Accounts payable	(50,141)	23,790
Deferred revenue	(298,500)	(113,854)
Accrued expenses	(5,082)	(33,781)
Income tax payable	0	(9,087)
Deferred taxes	3,000	1,000
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(258,932)</u>	<u>(123,910)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in franchise investments	61,602	26,222
Proceeds from sale of asset	9,400	
Purchase of fixed assets	<u>0</u>	<u>(6,500)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>71,002</u>	<u>19,722</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan proceeds	411,550	183,015
Repayment of debt	<u>(73,311)</u>	<u>(68,802)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>338,239</u>	<u>114,213</u>
NET INCREASE (DECREASE) IN CASH	<u>\$ 150,309</u>	<u>\$ 10,025</u>

The accompanying notes are an integral part of this statement.

SUB ZERO FRANCHISING, INC.
 STATEMENTS OF CASH FLOWS
 For The Years Ending June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Net increase (decrease) in cash	\$ 150,309	\$ 10,025
Cash, beginning of the year	<u>29,063</u>	<u>19,038</u>
CASH, END OF THE YEAR	<u>\$ 179,372</u>	<u>\$ 29,063</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	<u>\$ 62,700</u>	<u>\$ 55,940</u>

The accompanying notes are an integral part of this statement.

SUB ZERO FRANCHISING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

Sub Zero Franchising, Inc. is a franchisor located in American Fork, Utah and was organized in October 2010. The company was formed to sell Sub Zero Ice Cream franchises. Sub Zero Ice Cream franchises operate stores which provide quality food and beverage products currently including ice cream using a unique "instant freezing" method. The Company operated two company owned franchises until October 1, 2018 when ownership of one franchise was transferred and then was reacquired in January 2019 and was a member of a limited liability company that owned a franchise which operated through June 30, 2019. The LLC was dissolved in June 2020.

Basis of Accounting

The Company's policy is to prepare its external financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Franchise fee revenue from individual franchise sales is recognized when all material services and conditions relating to the sale have been substantially performed or satisfied by the Company. Direct costs relating to franchise sales are deferred until the revenue is recognized. Continuing franchise fees are recognized as revenue as they are earned and become receivable from the franchisee. Costs relating to continuing franchise fees are expensed as incurred.

Cash

Cash consists of amounts on deposit at federally insured financial institutions. From time to time the Company may have funds on deposit in excess of the federally insured amount of \$250,000.

Inventory

Inventory is recorded at the lower of cost or market using the first in first out (FIFO) method.

SUB ZERO FRANCHISING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets

Acquisitions of fixed assets in excess of \$250 are capitalized. Property and equipment are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. For the years ended June 30, 2020 and 2019 depreciation expense was \$33,093 and \$35,106 respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

Advertising

The Company's policy is to expense advertising as it is incurred. At June 30, 2020 and 2019 the Company has expensed advertising costs of \$49,970 and \$65,891 respectively.

Income Taxes

The Company accounts for its income taxes under the provisions of FASB ASC 740-10. The company policy is to recognize income tax benefits for income tax positions taken or expected to be taken in a tax return only when it is determined that the income tax position will more-likely-than-not be sustained upon examinations. For tax purposes, the Company's open audit periods are for the years ended June 30, 2017 through 2019.

The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

SUB ZERO FRANCHISING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued or available to be issued. There are two types of subsequent events. The first type consists of events or transactions that provide additional information about conditions that existed at the date of the balance sheet. The second type consists of events that provide evidence about conditions that did not exist at the date of the balance sheet but arose subsequent to that date. Subsequent events have been evaluated through January 6, 2021 which is the date the financial statements were available to be issued.

NOTE 2 - Accounts Receivable

The Company utilizes the allowance for doubtful accounts method to estimate the amount of receivables that will not be collected. Accounts receivable at June 30, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Accounts Receivable	\$ 129,946	\$ 375,611
Allowance for doubtful accounts	<u>(80,000)</u>	<u>(80,000)</u>
	<u>\$ 49,946</u>	<u>\$ 295,611</u>

NOTE 3 - INCOME TAXES

The deferred tax accounts result from reporting on the cash basis for the preparation of the tax return and the accrual method for the preparation of the financial statements and from the use of accelerated methods of depreciation of fixed assets for tax purposes.

Total deferred tax liabilities were \$31,300 and \$35,300 for the years ended June 30, 2020 and 2019 respectively. Total deferred tax assets were \$141,400 and \$82,400 for the years ended June 30, 2020 and 2019 respectively. A valuation allowance was deemed

SUB ZERO FRANCHISING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

NOTE 3 - INCOME TAXES (Continued)

necessary for the deferred tax assets of \$114,300 and \$48,500 for the years ended June 30, 2020 and 2019 respectively. The Company incurred net operating losses of approximately \$253,500 and \$152,000 for the years ending June 30, 2020 and 2019 respectively which will be carried forward indefinitely until used.

Income tax expense consists of the following:

	<u>2020</u>	<u>2019</u>
Currently payable	\$ 0	\$ 0
Deferred	<u>3,000</u>	<u>1,000</u>
	<u>\$ 3,000</u>	<u>\$ 1,000</u>

Penalties were paid in the amount of \$4,155 and \$0 for the year ended June 30, 2020 and 2019 respectively.

Note 4 - Related Party Transactions

The Company rents space from a member of one of its shareholders. The monthly rent is \$600 per month. The lease is on a month to month basis. Rent expense was \$1,800 and \$7,200 for the years ending June 30, 2020 and 2019, respectively.

During prior fiscal years and during the current fiscal year the Company borrowed money from related parties. The outstanding balances as of June 30th are as follows:

SUB ZERO FRANCHISING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

Note 4 - Related Party Transactions (Continued)

	<u>2020</u>	<u>2019</u>
Note payable to related party with interest at 10.00% payable in monthly installments of interest only of \$1,055 through May 2018	\$ 134,610	\$ 134,610
Note payable to related party with interest at 15% payable in monthly installments of \$783 through November of 2019.	0	0
Note payable to shareholder with interest at 5% payable in monthly installments of \$2,102 through June 2023	70,483	91,253
Note payable to related party with interest at 5% payable in monthly installments of \$526 beginning November 2016 through November 2021	9,136	15,353
Note payable to related party with monthly interest payments of \$300 only beginning January 2018 until amount is paid in full.	20,100	20,100
Note payable to related party with monthly interest payments of \$300 only beginning in March 2018 until amounts paid in full.	24,150	24,150
Note payable to related party with interest at 10% in monthly payments of \$275 beginning in March 2019 through February 2023.	7,730	10,329
Note payable to related party with interest at 13.99% in monthly payments of \$815 beginning in December 2018 through November 2023.	27,438	32,510

SUB ZERO FRANCHISING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

Note 4 - Related Party Transactions (Continued)

	<u>2020</u>	<u>2019</u>
Note payable to related party with interest at 3% payable in monthly installments of \$214 beginning in April 2021 through March 2026	11,780	0
Note payable to related party with interest at 8% payable in monthly installments of \$189 beginning in January 2021 through December 2030.	15,600	0
Note payable to related party with interest at 4% payable in monthly installments of \$613 beginning in February 2021 through January 2031.	<u>60,500</u>	<u>0</u>
Total long term debt to related party	<u>\$ 381,527</u>	<u>\$ 328,305</u>
Note payable to Nissan Acceptance Corporation with interest at 4.69% payable in monthly installments of \$309 through May of 2021. Collateralized by vehicle	\$ 0	\$ 6,803
Note payable to Zions Bank with interest at 14.74%. Payable in monthly installments of \$982 through April 2020.	38,186	35,975
Note payable to American Express with interest at 8.99%. Payable in monthly installments of \$795 through January 2021.	5,037	13,338
Note payable to FC Marketplace with interest at 15.82%. Payable in monthly payments of \$3,633 beginning in February 2020 through January 2024.	0	141,500

SUB ZERO FRANCHISING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

Note 4 - Related Party Transactions (Continued)

	<u>2020</u>	<u>2019</u>
Note payable to Funding Circle with interest at 11.99%. Payable in monthly payments of \$5,337 beginning in August 2019 through July 2024.	216,009	0
Note payable to Utah First Credit Union with interest at 1%. Loan is part of the Paycheck Protection Program and maybe forgiven if the proceeds are used for qualified expenses.	66,192	0
Note payable to SBA with interest at 3.75%. Payable in monthly payments of \$731 beginning June 2021 through May 2050	150,000	0
Note payable to State of Utah with interest at 0%. Payable in monthly payments of \$313 beginning in May 2021 through April 2025.	<u>15,000</u>	<u>0</u>
Total long term debt	871,951	525,921
Less current portion	<u>329,247</u>	<u>284,109</u>
	<u>\$ 542,704</u>	<u>\$241,812</u>

The following is a schedule of payments required on principal under long term debt obligations:

Year ending June 30,

2021	\$ 329,247
2022	138,840
2023	102,608
2024	78,786
2025	37,764
Later	<u>184,706</u>
	<u>\$ 871,951</u>

SUB ZERO FRANCHISING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

Note 4 - Related Party Transactions (Continued)

The Company is a 50% member in an LLC that operates a franchise location. The investment is accounted for on the equity method. The Company has lent funds to the entity to cover operating costs. The balance due from the entity at June 30, 2019 is \$196,739. The LLC closed this location on July 1, 2019 and the LLC was dissolved in June 2020.

The Company has provided a guaranty under the lease agreement for the LLC and may be called upon to fulfill the terms of that agreement should the LLC fail to do so.

Note 5 - Franchises

The Company did not sell any franchises, three franchises opened and two franchises transferred in the current year. One of the franchises transferred became a company owned store. The Company sold three franchises in the prior year. Additionally, in the prior year three franchise stores were transferred to new owners, one of which was company owned, and two franchise stores were transferred to new owners. As of June 30, 2020, there are thirty eight locations opened of which two are company owned.

Note 6 - Company owned outlet

The following is the activity for the Company owned outlets for the period ended June 30th

	2020	2019
Sales	\$ 183,606	\$ 181,215
Cost of Goods Sold	57,268	51,438
Operating Expense	122,629	136,027

Note 7 - Subsequent Event - Coronavirus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a

SUB ZERO FRANCHISING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

Note 7 - Subsequent Event - Coronavirus Pandemic (Continued)

pandemic. In addition, multiple jurisdictions in the United States have declared a public health state of emergency, ordering the public to stay at home, closing specified businesses, and requiring social distancing measures for most public and private facilities. The immediate effect of these measures on the organization has not been determined, however possible effects could include reduced sales of franchises and reduced royalty fee income and advertising fee income.

It is anticipated that the effects of these events will continue for some time, including disruptions to or restrictions on our employees' ability to work and on the ability of our franchise owners to operate their franchise locations. At the present time, the ultimate future effects of these matters are unknown.

SUB ZERO FRANCHISING, INC.

FINANCIAL STATEMENTS

For The Years Ended June 30, 2019 and 2018

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PAULA J.
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Portland, Or
97224
503-684-5699
FAX 503-684-3764

REPORT OF INDEPENDENT ACCOUNTANT



To the Board of Directors
Sub Zero Franchising, Inc.

I have audited the accompanying financial statements of Sub Zero Franchising, Inc. (a Utah corporation) which comprise the balance sheets as of June 30, 2019 and 2018, and the related statements of operations and retained earnings, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation of fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sub Zero Franchising, Inc. as of June 30, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Paula J. Palmer CPA LLC

November 8, 2019

SUB ZERO FRANCHISING, INC.
BALANCE SHEETS
JUNE 30, 2019 AND 2018

ASSETS		
	<u>2019</u>	<u>2018</u>
Current Assets		
Cash	\$ 29,063	\$ 19,038
Accounts receivable (net) (Note 2)	295,611	324,661
Inventory	<u>123,323</u>	<u>94,431</u>
Total Current Assets	<u>447,997</u>	<u>438,130</u>
Fixed Assets		
Vehicle	20,054	20,054
Equipment	25,360	18,860
Leasehold improvements	303,576	303,576
Accumulated depreciation	<u>(120,910)</u>	<u>(85,804)</u>
	<u>228,080</u>	<u>256,686</u>
Other Assets		
Investment in franchises	61,602	87,824
Refundable deposit	5,878	5,878
Loan fees (net of amortization Of \$749)	<u>8,236</u>	<u>0</u>
	<u>75,716</u>	<u>93,702</u>
TOTAL ASSETS	<u>\$ 751,793</u>	<u>\$ 788,518</u>

The accompanying notes are an integral part of this statement.

SUB ZERO FRANCHISING, INC.
BALANCE SHEETS
JUNE 30, 2019 AND 2018

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>2019</u>	<u>2018</u>
Current Liabilities		
Accounts payable	\$ 211,824	\$ 188,034
Deferred revenue	312,604	426,458
Accrued expenses	30,223	39,004
Income tax payable	0	9,087
Settlement payable (Note 4)	0	25,000
Current portion of long term debt (Note 4)	<u>284,109</u>	<u>235,877</u>
Total Current Liabilities	<u>838,760</u>	<u>923,460</u>
Deferred tax liability (Note 3)	1,400	400
Long term debt (Note 4)	241,812	166,846
Stockholders' Equity		
Common Stock No par value, 41,176 authorized, 33,334 issued and outstanding at June 30, 2018	250	250
Additional paid-in capital	24,750	24,750
Retained earnings (deficit)	<u>(5,179)</u>	<u>22,812</u>
	19,821	47,812
Less Treasury Stock, at cost (13,334 shares at \$26)	<u>(350,000)</u>	<u>(350,000)</u>
Total Stockholders' Equity	<u>(330,179)</u>	<u>(302,188)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 751,793</u>	<u>\$ 788,518</u>

The accompanying notes are an integral part of this statement.

SUB ZERO FRANCHISING, INC.
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
For The Years Ending June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenues		
Franchise fees	\$ 253,500	\$ 364,250
Royalty fees	593,669	692,307
Advertising fees	190,220	226,424
Product sales	76,690	107,709
Store sales	179,113	238,211
Loss from pass through entity	(66,834)	(48,995)
Loss from sale of asset	(19,546)	0
Other income	30,429	10,528
	<u>1,237,241</u>	<u>1,590,434</u>
Cost of Goods Sold	<u>107,910</u>	<u>162,318</u>
Gross Profit	<u>1,129,331</u>	<u>1,428,116</u>
Operating expenses	<u>1,100,382</u>	<u>1,315,577</u>
Income (loss) from operations	<u>28,949</u>	<u>112,539</u>
Other Income (Expense)		
Interest expense	(55,940)	(35,942)
	<u>(55,940)</u>	<u>(35,942)</u>
Income (loss) before income taxes	(26,991)	76,597
Income tax expense (benefit)	<u>1,000</u>	<u>(15,100)</u>
NET INCOME (LOSS) FROM OPERATIONS	(27,991)	\$ 91,697
Retained earnings, beginning of year	<u>22,812</u>	<u>(68,885)</u>
RETAINED EARNINGS END OF YEAR	<u>\$ (5,179)</u>	<u>\$ 22,812</u>

The accompanying notes are an integral part of this statement.

SUB ZERO FRANCHISING, INC.
STATEMENTS OF CASH FLOWS
For The Years Ending June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (27,991)	\$ 91,697
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	35,855	34,716
(Increase) decrease in:		
Trade receivables	29,050	136,463
Inventory	(28,892)	(6,095)
Increase (decrease) in:		
Accounts payable	23,790	(92,718)
Deferred revenue	(113,854)	(143,694)
Accrued expenses	(33,781)	(22,545)
Income tax payable	(9,087)	(5,663)
Deferred taxes	1,000	(15,100)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(123,910)</u>	<u>(22,939)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase (decrease) in franchise investments	26,222	(29,087)
Purchase of fixed assets	<u>(6,500)</u>	<u>(3,469)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>19,722</u>	<u>(32,556)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan proceeds	183,015	78,000
Repayment of debt	<u>(68,802)</u>	<u>(50,787)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>114,213</u>	<u>27,213</u>
NET INCREASE (DECREASE) IN CASH	<u>\$ 10,025</u>	<u>\$ (28,282)</u>

The accompanying notes are an integral part of this statement.

SUB ZERO FRANCHISING, INC.
STATEMENTS OF CASH FLOWS
For The Years Ending June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Net increase (decrease) in cash	\$ 10,025	\$ (28,282)
Cash, beginning of the year	<u>19,038</u>	<u>47,320</u>
CASH, END OF THE YEAR	<u>\$ 29,063</u>	<u>\$ 19,038</u>
 SUPPLEMENTAL DISCLOSURES		
Income taxes paid	<u>\$ 0</u>	<u>\$ 5,663</u>
Interest paid	<u>\$ 55,940</u>	<u>\$ 35,942</u>

The accompanying notes are an integral part of this statement.

SUB ZERO FRANCHISING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

Sub Zero Franchising, Inc. is a franchisor located in American Fork, Utah and was organized in October 2010. The company was formed to sell Sub Zero Ice Cream franchises. Sub Zero Ice Cream franchises operate stores which provide quality food and beverage products currently including ice cream using a unique "instant freezing" method. The Company operated two company owned franchises until October 1, 2018 when ownership of one franchise was transferred and is a member of a limited liability company that owns a franchise which operated through June 30, 2019.

Basis of Accounting

The Company's policy is to prepare its external financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Franchise fee revenue from individual franchise sales is recognized when all material services and conditions relating to the sale have been substantially performed or satisfied by the Company. Direct costs relating to franchise sales are deferred until the revenue is recognized. Continuing franchise fees are recognized as revenue as they are earned and become receivable from the franchisee. Costs relating to continuing franchise fees are expensed as incurred.

Cash

Cash consists of amounts on deposit at federally insured financial institutions. From time to time the Company may have funds on deposit in excess of the federally insured amount of \$250,000.

Inventory

Inventory is recorded at the lower of cost or market using the first in first out (FIFO) method.

SUB ZERO FRANCHISING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets

Acquisitions of fixed assets in excess of \$250 are capitalized. Property and equipment are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. For the years ended June 30, 2019 and 2018 depreciation expense was \$35,106 and \$34,716 respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

Advertising

The Company's policy is to expense advertising as it is incurred. At June 30, 2019 and 2018 the Company has expensed advertising costs of \$65,891 and \$81,283 respectively.

Income Taxes

The Company accounts for its income taxes under the provisions of FASB ASC 740-10. The company policy is to recognize income tax benefits for income tax positions taken or expected to be taken in a tax return only when it is determined that the income tax position will more-likely-than-not be sustained upon examinations. For tax purposes, the Company's open audit periods are for the years ended June 30, 2016 through 2018.

The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

SUB ZERO FRANCHISING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued or available to be issued. There are two types of subsequent events. The first type consists of events or transactions that provide additional information about conditions that existed at the date of the balance sheet. The second type consists of events that provide evidence about conditions that did not exist at the date of the balance sheet but arose subsequent to that date. Subsequent events have been evaluated through November 8, 2019 which is the date the financial statements were available to be issued.

NOTE 2 - Accounts Receivable

The Company utilizes the allowance for doubtful accounts method to estimate the amount of receivables that will not be collected. Accounts receivable at June 30, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Accounts Receivable	\$ 375,611	\$ 419,661
Allowance for doubtful accounts	<u>(80,000)</u>	<u>(95,000)</u>
	<u>\$ 295,611</u>	<u>\$ 324,661</u>

NOTE 3 - INCOME TAXES

The deferred tax accounts result from reporting on the cash basis for the preparation of the tax return and the accrual method for the preparation of the financial statements and from the use of accelerated methods of depreciation of fixed assets for tax purposes.

Total deferred tax liabilities were \$35,300 and \$38,600 for the years ended June 30, 2019 and 2018 respectively. Total deferred tax assets were \$82,400 and \$47,000 for the years ended June 30, 2019 and 2018 respectively. A valuation allowance was deemed

SUB ZERO FRANCHISING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 3 - INCOME TAXES (Continued)

necessary for the deferred tax assets of \$48,500 and \$8,800 for the years ended June 30, 2019 and 2018 respectively. The Company incurred net operating losses of approximately \$152,000 and \$34,000 for the years ending June 30, 2019 and 2018 respectively which will be carried forward indefinitely until used.

The Tax Cuts and Jobs Act of 2017 permanently changed the federal corporate tax rate to 21% for periods after December 31, 2017. The change in the corporate tax rate resulted in an increase in deferred tax liability of \$4,700 for the fiscal year ending June 30, 2018.

Income tax expense consists of the following:

	2019	2018
Currently payable	\$ 0	\$ 0
Tax law enactment rate change	0	4,700
Deferred	<u>1,000</u>	<u>(19,800)</u>
	<u>\$ 1,000</u>	<u>\$ (15,100)</u>

Penalties were paid in the amount of \$0 and \$1,334 for the year ended June 30, 2019 and 2018 respectively.

Note 4 - Related Party Transactions

The Company rents space from a member of one of its shareholders. The monthly rent is \$600 per month. The lease is on a month to month basis. Rent expense for each year was \$7,200.

During prior fiscal years and during the current fiscal year the Company borrowed money from related parties. The outstanding balances as of June 30th are as follows:

SUB ZERO FRANCHISING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

Note 4 - Related Party Transactions (Continued)

	<u>2019</u>	<u>2018</u>
Note payable to related party with interest at 10.00% payable in monthly installments of interest only of \$1,055 through May 2018	\$ 134,610	\$ 145,000
Note payable to related party with interest at 15% payable in monthly installments of \$783 through November of 2019.	0	1,132
Note payable to shareholder with interest at 5% payable in monthly installments of \$2,102 through June 2023	91,253	111,419
Note payable to related party with interest at 5% payable in monthly installments of \$526 beginning November 2016 through November 2021	15,353	20,801
Note payable to related party with monthly interest payments of \$300 only beginning January 2018 until amount is paid in full.	20,100	20,100
Note payable to related party with monthly interest payments of \$300 only beginning in March 2018 until amounts paid in full.	24,150	24,150
Note payable to related party with interest at 10% in monthly payments of \$275 beginning in March 2019 through February 2023.	10,329	12,492
Note payable to related party with interest at 13.99% in monthly payments of \$815 beginning in December 2018 through November 2023.	<u>32,510</u>	<u>0</u>

SUB ZERO FRANCHISING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

Note 4 - Related Party Transactions (Continued)

	<u>2019</u>	<u>2018</u>
Total long term debt to related party	<u>\$ 328,305</u>	<u>\$ 335,094</u>
Note payable to Nissan Acceptance Corporation with interest at 4.69% Payable in monthly installments of \$309 through May of 2021. Collateralized by vehicle	\$ 6,803	\$ 10,386
Note payable to Zions Bank with Interest at 14.74%. Payable in monthly installments of \$982 through April 2020.	35,975	36,122
Note payable to American Express with interest at 8.99%. Payable in monthly installments of \$795 through January 2021.	13,338	21,121
Note payable to FC Marketplace with interest at 15.82% in monthly payments of \$3,633 beginning in February 2019 through January 2024.	<u>141,500</u>	<u>0</u>
Total long term debt	525,921	402,723
Less current portion	<u>284,109</u>	<u>235,877</u>
	<u>\$ 241,812</u>	<u>\$166,846</u>

The following is a schedule of payments required on principal under long term debt obligations:

Year ending June 30,

2020	\$ 284,109
2021	72,769
2022	68,533
2023	71,701
2024	28,809
	<u>\$ 525,921</u>

SUB ZERO FRANCHISING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

Note 4 - Related Party Transactions (Continued)

During a prior fiscal year, the Company entered into settlement agreement with a franchise owner that the Company would pay the franchise owner \$100,000 over three years and the franchise owner would relinquish ownership of the franchise. The outstanding settlement balance as of June 30, 2018 was \$25,000 and was paid in full in the year ended June 30, 2019..

The Company is a 50% member in an LLC that operates a franchise location. The investment is accounted for on the equity method. The Company has lent funds to the entity to cover operating costs. The balance due from the entity at June 30, 2019 and 2018 is \$196,739 and \$136,579 respectively. The LLC closed this location on June 30, 2019.

The Company has provided a guaranty under the lease agreement for the LLC and may be called upon to fulfill the terms of that agreement should the LLC fail to do so.

Note 5 - Franchises

The Company sold three franchises in the current year and seven franchises in the prior year. Additionally, three franchise stores were transferred to new owners in the current year, one of which was company owned, and two franchise stores were transferred to new owners in the prior year. As of June 30, 2019, there are fifty seven locations opened of which one is company owned.

Note 6 - Company owned outlet

The following is the activity for the Company owned outlets for the period ended June 30th

	2019	2018
Sales	\$ 181,215	\$ 243,935
Cost of Goods Sold	51,438	78,761
Operating Expense	136,027	163,969

EXHIBIT B

TO

SUB ZERO

FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

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FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Agreement") is entered into effective as of _____ (the "Effective Date") by and between **SUB ZERO FRANCHISING, INC.**, a Utah corporation ("Sub Zero" and "we/us"), and _____ a _____ [corporation][partnership], and _____ [an individual][etc.] (jointly and severally "Franchisee" and "you").

For purposes of this Agreement "Franchisee" may include an individual, corporation, partnership, limited liability company or other legal entity. "Franchisee" includes any corporation, partnership, limited liability company, individual, combination of individuals, or other legal entity that owns a majority interest of Franchisee, or in which Franchisee owns a majority interest. The term "Franchisee" will include all persons who succeed to Franchisee's interest by transfer or by operation of law.

In consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration, the parties, intending to be legally bound, hereby agree as follows:

1. PREAMBLES

- (a) Sub Zero has developed and has the right to license methods of operating ice cream stores (each a "Sub Zero Store") and mobile vehicle, trailer, and/or cart operations and catering services (each a "Mobile Operation") under the Licensed Marks and in accordance with the System, which stores offer ice cream using a unique "instant freezing" method and related products and services.
- (b) Sub Zero owns or has the right to license certain trade names, trademarks, service marks and other source indicators, including Sub Zero Ice Cream® and the Sub Zero Ice Cream logo and other marks that Sub Zero may introduce from time to time (the "Licensed Marks"), which are used in connection with Sub Zero Stores, Mobile Operations, and Sub Zero Products. Franchisee hereby acknowledges the distinctiveness and value of the Licensed Marks. "Products" means the Proprietary Products, toppings, mixes, dry goods, including dishes, cups, lids, napkins and utensils, and other goods, products and services designated or approved by Sub Zero from time to time for use, sale or otherwise to be provided at the Franchised Store or in your Mobile Unit operation. "Proprietary Products" means Sub Zero's proprietary ice cream product, unique "instant freezing" method, and other products or items that are developed, made or produced according to formulas, recipes and/or trade secrets owned by or licensed to Sub Zero, and all products and goods that bear the Licensed Marks.
- (c) This Agreement provides a license to Franchisee to operate a single Sub Zero Store or Mobile Operation using the Licensed Marks and offering for sale the Products under the terms and conditions of this Agreement, which include standards relating to the Franchise location, products, advertising, sales and promotional techniques, personnel training, recipes and other matters relating to the operation and promotion of Sub Zero Stores and Mobile Operations (the "System"), all of which are designed to enhance the reputation and goodwill of Sub Zero Stores and Mobile Operations.
- (d) Sub Zero may from time to time, add to, amend, modify, delete or enhance any portion of the System (including any of the Licensed Marks) as may be necessary in Sub Zero's sole discretion. Franchisee acknowledges and agrees that such flexibility to change is critical

for all Sub Zero Stores and Mobile Operations and agrees to abide by the System and any changes thereto.

- (e) Franchisee (i) has investigated and become familiar with the System; (ii) recognizes the potential benefits to be derived from being able to utilize the System and the Licensed Marks; and (iii) has had a full and adequate opportunity to be thoroughly advised of the terms and conditions of this Agreement by counsel of its own choosing. Based upon such investigation and review of the System and this Agreement, Franchisee desires to be granted a franchise to construct, own and operate a Sub Zero Store or Mobile Operation pursuant to the provisions hereof and at the location specified herein.
- (f) Franchisee acknowledges and agrees that the System is intended and designed to protect Sub Zero's standards, systems and the Licensed Marks, and not to control the day-to-day operation of the Franchised Store or Mobile Unit and that the Franchised Store or Mobile Unit will at all times be under Franchisee's control and Franchisee will be responsible for the day-to-day operation of the Franchised Store or Mobile Unit.

2. GRANT OF RIGHTS AND RESTRICTIONS

(a) Grant of Rights and Protected Territory. Subject to all of the terms and conditions of this Agreement, Sub Zero hereby grants to Franchisee the non-exclusive, non-transferable right to own and operate, as indicated in Exhibit 1, either: (1) a single Sub Zero Store (the "Franchised Store") solely at a single location to be approved by Sub Zero as provided in this Agreement and set forth on Exhibit 1 (the "Franchise Location"); or (2) a Mobile Operation utilizing a food truck or trailer and/or catering equipment (the "Mobile Unit") as provided in this Agreement within a specific territory set forth on Exhibit 1 (the "Franchise Territory").

We grant to you the right to use the Licensed Marks and System to operate the Franchised Store or Mobile Unit in accordance with the terms of this Agreement and the Confidential Operating Manuals. The franchised Sub Zero business operated by you pursuant to this Agreement, whether a Franchised Store or a Mobile Unit, is referred to in this Agreement as the "Franchisee."

If you purchased the right to operate a Franchised Store, so long as you are in good standing under this Agreement, Sub Zero will not place or authorize anyone else to place a **Sub Zero** store within **two** driving miles from the Franchised Store (**1/4**-mile for high population density, high business density, urban and downtown locations) (the "Protected Territory"). There is no territory for a Non-Traditional Location franchise.

If you purchased the right to operate a Mobile Unit, so long as you are in good standing under this Agreement, Sub Zero will not operate or authorize anyone else to operate a Mobile Operation within the Franchise Territory. You may operate the Mobile Unit and offer catering services and school presentations anywhere within your Franchise Territory. You must obtain our prior written approval to operate the Mobile Unit anywhere outside your Franchise Territory. Our decision to grant or withhold such approval will be in our sole and absolute discretion. We may base our decision on factors outlined in our Operations Manual.

(b) Restrictions on Grant of Rights. Franchisee acknowledges and agrees that the franchise granted herein relates solely to the Franchise Location and the Franchised Store thereon or the Mobile Unit and the Franchise Territory, and that Franchisee shall not, without the express written authorization of Sub Zero, (i) construct or operate any additional, expanded or modified facilities on the Franchise Location; (ii) equip or operate any Mobile Operations outside of the Franchise Territory; (iii)

construct or operate the Franchised Store at any location other than the Franchise Location; (iv) operate the Mobile Unit at any other location other than within the Franchise Territory; (v) conduct any activities from the Franchise Location or through the Franchised other than as expressly permitted hereunder; (vi) sell or distribute Products through any means other than from the Franchised Store or Mobile Unit, as the case may be, including through toll-free telephone numbers, catalogs, websites, direct mail, domain names, the Internet, mobile or remote units, or other channels of sale or distribution; and (vii) engage in direct or indirect sales or distribution of Products to a third party for resale, retail or further distribution through any channel of trade.

(c) Reserved Rights. FRANCHISEE ACKNOWLEDGES AND AGREES THAT BEYOND THE **TWO-DRIVING MILES PROTECTION (1/4-MILE IN URBAN/DOWNTOWN LOCATIONS)** OR THE FRANCHISE TERRITORY, AS THE CASE MAY BE, IT HAS NO EXPECTATION OF ANY RESERVED TERRITORY OR PROTECTED AREA IN WHICH TO OPERATE ITS FRANCHISE. In addition, Franchisee expressly acknowledges and agrees that Sub Zero and its affiliates may, in their sole discretion, (i) develop, construct, own and/or operate, and grant to others the right to develop, construct, own and/or operate any business, including Sub Zero Stores and Mobile Operations, at any location or in any territory using any channel of trade or distribution under any brand, trademark or service mark, including the Licensed Marks; (ii) sell and/or distribute, and grant to others the right to sell and/or distribute, Products to any business, person or entity in any location or in any territory and through any channel of trade or distribution under any brand, trademark or service mark, including the Licensed Marks; and (iii) merge, affiliate, co-brand with or engage in any transaction with other businesses located anywhere. Franchisee further acknowledges and agrees that it has no right to challenge or preclude such activities, even if such activities compete with the Franchise.

3. TERM AND RENEWAL

(a) Initial Term. This Agreement, unless previously terminated pursuant to its provisions, shall begin on the Effective Date and continue for an initial period of five (5) years (the "Initial Term").

(b) Renewal. If Franchisee is not in default under this Agreement and if Franchisee has the right to continue to occupy the Franchise Location or to operate the Mobile Unit, as the case may be, Franchisee may renew the franchise granted hereunder for the Franchise for additional terms of five (5) years (each, a "Renewal Term") upon written notice given by Franchisee to Sub Zero not less than six (6) months in advance of the end of the Initial Term, provided that each of the following are satisfied:

(i) payment to Franchisor, upon the commencement of the Renewal Term, of the then-current renewal fee, currently \$2,500 ;

(ii) execution of Sub Zero's then-current franchise agreement (as modified to reflect the reduced term and the renewal fee), which may contain different performance standards, fee structures and/or increased fees;

(iii) execution of a general release, in a form satisfactory to Sub Zero, of any and all claims against Sub Zero, its parent, subsidiaries or affiliates (if applicable) and their officers, members, directors, attorneys, shareholders and employees; and

(iv) renovation and/or refurbishment of the Franchised Store or Mobile Unit to conform to Sub Zero's then-current standards.

4. LOCATION SELECTION AND OPENING

(a) Location Selection. Franchisee shall submit to Sub Zero a written plan within 90 days of the Effective Date, detailing the proposed franchise location for the Franchised Store or the commissary for a Mobile Unit, which shall comply with such site criteria as Sub Zero may prescribe from time to time, financial projections, total investment and any other information reasonably requested.

(b) Approval. Sub Zero shall approve or reject the proposed franchise location or commissary within thirty (30) days of Sub Zero's completion of its review of the proposed location/commissary.

- i. For a Franchised Store, Franchisee must use Sub Zero's approved system design architect for the design set, programming, preliminary design, and design development phases of architecture and design. Sub Zero may also require Franchisee to use a local architect approved by Sub Zero to implement the design developed by Sub Zero's system design architect. At a minimum, Franchisee authorizes Sub Zero to communicate with any architect that Franchisee hires for any construction, build-out or design of the proposed franchise location. In conjunction with this Agreement, Franchisee must execute an Architect Communication Authorization Form, by which Franchisee expressly authorizes Sub Zero to communicate with Franchisee's architect. Sub Zero makes no representations or warranties as to the potential or success of any location regardless of its approval or rejection thereof. A location selection shall not be effective until each party has signed an Agreement on Franchise Location, in the form set out in Exhibit 1.
- ii. For a Mobile Unit, Franchisee must use Sub Zero's approved design and vendor for any truck, van, cart, or catering equipment package and any related equipment. At a minimum, Franchisee authorizes Sub Zero to communicate with the manufacturer and vendor for any construction, build-out or design of the proposed Mobile Unit vehicle, trailer, cart, or equipment. In conjunction with this Agreement, Franchisee must execute a Mobile Unit Communication Authorization Form, by which Franchisee expressly authorizes Sub Zero to communicate with the manufacturer and vendor of Franchisee's Mobile Unit vehicles, trailers, carts, and equipment. Sub Zero makes no representations or warranties as to the potential or success of any territory, vehicle, trailer, carts, or equipment regardless of its approval or rejection thereof.

(c) Opening Requirements. After obtaining approval for the Franchise Location or the commissary or Mobile Unit, but prior to commencing any construction of the Franchised Store or any vehicle, trailer, cart, or equipment, Franchisee shall, at its expense, furnish to Sub Zero the following:

- (i) All preliminary and final plans and specifications (the required form and content of which may be specified in our Operations Manual) and all changes and modifications thereto, which must be approved in writing by Sub Zero. After approval, material modifications may not be made to such plans without Sub Zero's prior written approval.

- (ii) For a Sub Zero Store, a copy of any proposed lease agreement, which must be approved by Sub Zero. The lease agreement or approved lease rider between you and the landlord shall contain the following terms:
 - (A) provide for notice to Sub Zero of, and Sub Zero's right to cure, Franchisee's default under said lease;
 - (B) provide for Franchisee's right to assign its interest under said lease to Sub Zero without the lessor's consent, as well as the further right for Sub Zero to sublease or assign its interest under said lease to another franchisee or affiliate;
 - (C) authorize and require the lessor to disclose to Sub Zero, upon Sub Zero's request, any information pertaining to the Franchised Store or the Franchised Location furnished to the lessor by Franchisee;
 - (D) provide that, upon termination of this Agreement, Sub Zero will have the right to assume said lease (provided that Sub Zero agrees to exercise such right to assume said lease only if Sub Zero has the right to acquire the Franchised Store in accordance with Section 16.2(c)); and
 - (E) provide that the lessor has consented to Franchisee's use of Sub Zero's required signage for the Franchised Store.

Prior to commencing operations of the Franchise, Franchisee shall:

- (i) Obtain all permits and certifications as may be required for the lawful operation of the Franchise, together with copies of any inspection reports and certifications from all governmental authorities having jurisdiction over the Franchise showing that all necessary permits have been obtained and that all requirements for construction and operation have been met.
- (ii) Purchase price of sufficient initial inventory of Products to begin operations as approved by Sub Zero.

(e) Initial Training. Prior to opening the Franchise to the public, Owner and, if applicable, the Manager, shall have completed all training that we require and been certified by Sub Zero as meeting Sub Zero's qualifications for management. "Owner" means any person or entity holding a direct or indirect, legal or beneficial ownership interest or voting rights in Franchisee, including, without limitation, any person or entity who has a direct or indirect interest in this Agreement, or the Franchise, and any person or entity who has any other legal or equitable interest, or the power to vest in himself any legal or equitable interest, in the revenues, profits, rights or assets thereof, including the spouse of Franchisee or an Owner of Franchisee if Franchisee or such Owner resides in a community property law state, and if Franchisee is a trust, including all holders of a beneficial interest in a trust, the grantor of, or other person or entity with the right to revoke or amend, a trust which is revocable or amendable, and the trustee of any trust. "Manager" means the person who is a full-time employee of Franchisee and has completed Sub Zero training and has been approved by Sub Zero and is responsible for the day-to-day operations of the Franchise. Initial Training must start before Franchisee begins any construction activities at the Franchise Location or begins the manufacture or buildout of any truck, van, or cart for a Mobile Unit.

(f) Franchise Opening.

i. For Sub Zero Stores. Franchisee must open the Franchised Store on the Franchise Location within the earlier of: (i) 6 months from signing lease; or (2) 12 months from the date that this Agreement is executed. Franchisee is responsible for hiring a local architect and a general contractor. Franchisee shall be solely responsible for all costs and fees associated with the general contractor, build out and process. Franchisee shall secure to and allow Sub Zero and its agents the right to inspect the construction of the Franchised Store at any reasonable time. Franchisee shall correct, upon request and at Franchisee's expense, any deviation from the approved building and design plans, and shall furnish to Sub Zero a copy of the certificate of completion that the Franchised Store was built in accordance with the approved building and design plans, and in compliance with all applicable laws, including the Americans With Disabilities Act, and obtain Sub Zero's approval of the completed construction prior to opening all or any part of the Franchised Store for operation. If the Franchised Store is not open within the opening requirements outlined in this paragraph(unless excused or extended per this Agreement), then Sub Zero may terminate this Agreement and retain all fees paid hereunder.

ii. For Mobile Operations. Franchisee must open the Mobile Unit for continuous operation within the earlier of: (i) 2 months from the delivery of the completed Mobile Unit vehicle, trailer, cart, and/or catering equipment package to Franchisee; or (2) 12 months from the date that this Agreement is executed. Franchisee shall allow Sub Zero and its agents the right to inspect the Mobile Unit vehicle, trailer, cart, and/or equipment at any reasonable time. Franchisee shall correct, upon request and at Franchisee's expense, any deviation from the approved design and manufacture plans, and shall furnish to Sub Zero a copy of the certificate of completion that the Mobile Unit vehicle, trailer, cart, or equipment were built in accordance with the approved design plans, and in compliance with all applicable laws, including the Americans With Disabilities Act, and obtain Sub Zero's approval of completion prior to opening all or any part of the Mobile Unit for operation. If the Mobile Unit is not open within the opening requirements outlined in this paragraph(unless excused or extended per this Agreement), then Sub Zero may terminate this Agreement and retain all fees paid hereunder.

(g) Extension of Opening Any failure to commence operation caused by a war or civil disturbance, a natural disaster, epidemic or pandemic, a labor dispute, shortages, or other events beyond Franchisee's reasonable control will be excused for a period of time that is reasonable under the circumstances. The preceding sentence notwithstanding, Franchisee shall use its best efforts to open the Franchise as soon as possible.

(h) Soft Opening. Franchisee shall conduct a "soft" opening for friends and family of the Franchise at least four (4) days prior to the grand opening of the Franchise (the "Soft Opening").

(i) Equipment, Products Supplies and Signs. All fixtures, signs, equipment, Products and supplies for the Franchise must meet the then-current quality standards set forth in Sub Zero's Confidential Operating Manuals or otherwise in writing, and must be procured through an approved supplier.

(j) Relocation. Franchisee acknowledges and agrees that it must obtain Sub Zero's prior written consent before any change can be made to the Franchise Location or the Franchise Territory, and that all requirements of this Section 4 must be met prior to any relocation of the Franchise. Franchisee shall pay to Sub Zero a relocation fee of \$5,000 for Sub Zero's administrative costs and activities in connection with the new franchise location or territory, including review and approval of the proposed franchise locations or commissary and the associated lease. The proposed alternate location or territory shall not be effective until each party has signed an Agreement on Franchise Location or Franchise Territory, in the form as set out in Exhibit 1.

5. OPERATING ASSISTANCE

(a) Pre-Opening Assistance. Prior to Franchisee's commencement of business, Sub Zero shall provide Franchisee with the following assistance:

- (i) A list of Products, signs, fixtures, furnishings, equipment, including standards and specifications needed in the operation of the Franchise and a list of approved suppliers for such items, which lists Sub Zero may update from time to time in its sole discretion;
- (ii) Approximately 3-5 days of training (and such additional time as Sub Zero may deem necessary prior to the grand opening of the Franchise for up to three (3) individuals, including an Owner and Manager (who may be the same person) in the operation of the Franchise. Such training shall be conducted exclusively by Sub Zero or its designee at the Sub Zero headquarters in Utah or a site to be designated by Sub Zero; provided, however, Franchisee shall pay all of its and its employees' costs incurred in such training, such as travel, meals, room, board, wages and living expenses;
- (iii) Up to 40 hours over 4 or 5 consecutive days of training at the Franchise or in the Franchise Territory by a Sub Zero representative to take place around the time of the grand opening of the Franchise; This on-site training at the Franchised Store or in the Franchise Territory is a required part of Sub Zero's mandatory initial training program. Franchisee shall be exclusively responsible to pay for or otherwise reimburse Sub Zero for all travel, lodging, and meal expenses that Sub Zero or its representatives reasonably incur to conduct this required initial on-site training at the Franchised Store or in the Franchise Territory. This payment amount will depend on the distance of the Franchised Store or Franchise Territory from Sub Zero's headquarters and the prevailing travel and lodging rates at the time of such training. If Franchisee needs additional onsite training and support after initial training certification, Sub Zero will offer up to 20 hours on-site training over up to 2 consecutive days at Franchisee's expense (per diem plus additional travel, lodging and meal expenses);
- (iv) One (1) set of the Confidential Operating Manuals or access thereto, as amended from time to time; and
- (v) Forms for reporting transactions to Sub Zero in accordance with this Agreement. Subsequent supplies will be available at Sub Zero's cost plus handling charges.

(b) Ongoing Assistance. Sub Zero shall provide the following ongoing assistance:

- (i) Periodic assistance in local advertising and marketing;
- (ii) Advice and guidance with respect to new and improved methods of operation or business procedures as may be developed by Sub Zero, use of the Confidential Operating Manuals, management materials, promotional materials, advertising formats and the Licensed Marks;

- (iii) The opportunity to participate in group purchasing programs for inventory, supplies, insurance and equipment that Sub Zero may, from time to time, use, develop, sponsor or provide and upon such terms and conditions as may be determined solely by Sub Zero; and

(c) Website Services. Sub Zero will provide a central website with information regarding Sub Zero franchise (the “Central Website”) and a webpage providing basic information regarding the Franchise (the “Locations Webpage”). Franchisee shall provide Sub Zero in a timely manner with all information and content required by Sub Zero for the Locations Webpage, and Franchisee represents that Franchisee has all necessary rights to use such information and content. Franchisee shall not link to or frame the Central Website or the Locations Webpage without Sub Zero’s written consent. Franchisee acknowledges and agrees that Sub Zero makes no, and expressly disclaims all, warranties with regard to the availability of the Central Website or the Locations Webpage. Sub Zero shall have sole discretion regarding the look, feel and content of the Central Website and the Locations Webpage and may change, revise and/or eliminate contents, elements and sections of the Central Website and Locations Webpage in its sole discretion at any time. Franchisee acknowledges and agrees that as between the parties Sub Zero owns all right, title and interest in and to the Central Website, Locations Webpage and all content, graphics, photographs and other works of authorship included therein, excluding any content provided by Franchisee that does not include or display the Licensed Marks. Sub Zero may require that Franchisee contribute an amount that currently will not exceed five hundred dollars (\$500) per year, for development and use of the Central Website and Locations Webpage. Franchisee acknowledges and agrees that this fee may change at any time in Sub Zero’s discretion by providing Franchisee with sixty (60) days notice.

(d) Intranet. Sub Zero may, at its option, establish and maintain an Intranet through which Sub Zero franchisees may communicate with each other and with Sub Zero, and through which Sub Zero may disseminate information. If created, Franchisee shall participate in and Sub Zero shall have sole discretion regarding all aspects of the Intranet, including, without limitation, the rules, content and functionality thereof. Sub Zero will have no obligation to maintain the Intranet and may discontinue it any time without liability to Franchisee. Franchisee’s use of the Intranet will be subject to Franchisee’s strict compliance with the standards, rules and protocols that Sub Zero may establish. Sub Zero may terminate Franchisee’s access to the Intranet for failure to comply with such rules or if Franchisee is in default under this Agreement or any other agreement between Franchisee and Sub Zero or a Sub Zero affiliate. Franchisee acknowledges that Sub Zero will have access to all communications posted to the Intranet and that all communications posted to the Intranet will become the property of Sub Zero, free of any claims of privacy or privilege that Franchisee or any other person may assert. Sub Zero may require that Franchisee contribute an amount that currently will not exceed five hundred dollars (\$500) per year for access to the Intranet. Franchisee acknowledges and agrees that this fee may change at any time in Sub Zero’s discretion by providing Franchisee with sixty (60) days notice.

(e) Additional Training. Franchisee shall pay Sub Zero a fee of one thousand dollars (\$1,000) per person beyond the initial three individuals included in the initial training, including any replacement Manager, to attend Sub Zero’s training program. Franchisee acknowledges and agrees that this fee may change at any time in Sub Zero’s discretion by providing Franchisee with sixty (60) days notice.

6. FEES AND ROYALTIES

(a) Initial Franchise Fee and Initial Training Fee. In consideration of the execution of this Agreement, Franchisee agrees to pay Sub Zero an initial franchise fee in the amount of **\$35,000** for a Sub Zero Store or **\$20,000** for a Mobile Operation. You must also concurrently pay to Sub Zero an initial training fee in the amount of **\$2,500**. Unless we have offered financing, the initial franchise fee and initial

training fee must be paid in full by the Effective Date. If Franchisee has financed a portion of the initial franchise fee, Franchisee has paid to us contemporaneously with the execution of this Agreement at least: (1) \$25,000 for a Sub Zero Store, or (2) \$10,000 for a Mobile Operation. The remaining balance must be paid to us pursuant to the "Promissory Note" attached as Schedule B, at the rate of 5% interest for 24 months, commencing on the 5th day of each month following your successful completion of the mandatory training program. Upon execution of this Agreement by all parties, the initial franchise fee and the initial training fee are nonrefundable except in the following situations. If you have not opened your Franchised Store as outlined in the "Franchise Opening" and "Extension of Opening" sections above, then we may terminate the Franchise Agreement and retain the entire Initial Franchise Fee and initial training fee that you paid to us. If we determine that your managing owner or Manager has attended but has not successfully completed the initial training program, then we may terminate the Franchise Agreement upon refunding half of the Initial Franchise Fee; but we may retain the entire initial training fee.

If you are entering into this Agreement by purchasing the business of one of Sub Zero's existing franchisees, then you or the previous owner will pay Sub Zero a transfer fee. You must also pay to Sub Zero the full initial training fee.

(b) Brand Development Fees. Franchisee agrees to pay the Brand Development Fee to Sub Zero equal to 2% of Gross Sales as a weekly "Brand Development Fee". The Brand Development Fee is due by Wednesday of each week for the preceding calendar week, or upon such date as provided in the Confidential Operating Manuals from time to time.

(c) Royalty. Franchisee shall pay to Sub Zero a weekly royalty equal to 6% of Gross Sales as weekly "Royalties". Royalties payments are due by Wednesday of each week for the preceding calendar week, or upon such date as provided in the Confidential Operating Manuals from time to time.

(d) Payment. Unless otherwise provided, all fees, royalties and other amounts due to Sub Zero hereunder shall be paid in the manner, and at the times set forth in this Agreement and Sub Zero's Operating Manuals. All such payments shall be also accompanied by the weekly statement required by this Agreement in the form and in the manner set forth in the Operating Manuals.

(e) Service Charge. If any fee or any other amount due under this Agreement is not paid within five (5) days after such payment is due, Franchisee shall pay a service charge calculated at the lesser of 1.5% per month and the highest rate then permitted by applicable law for each day such amount is past due plus a fifty dollar (\$50) service fee (unless prohibited by law). This charge shall accrue whether or not Sub Zero exercises its right to terminate this Agreement.

(f) Application of Fees and Royalties. All payments made by Franchisee pursuant to this Section 6 shall be applied in such order as Sub Zero may designate from time to time. Franchisee agrees that it may not designate an order for application of any fees and royalties different from that designated by Sub Zero and expressly acknowledges and agrees that Sub Zero may accept fees paid pursuant to different instructions without any obligation to follow such instructions, even if such payment is made by its terms conditional on such instructions being followed. This provision may be waived only by written agreement signed by Sub Zero, which written agreement must be separate from the check or other document constituting payment.

(g) Gross Sales Defined. "Gross Sales" means all sales Franchisee derives from operating the Franchise, including the sale of goods and services sold by Franchisee at or from the Franchise Location, from Mobile Unit operations, from catering and school presentations or elsewhere, from Proprietary Products, and from any business conducted under the Licensed Marks, the System this Agreement, including the sale of products or services, whether in cash or credit transactions, but excluding

promotional discounts and all federal, state or local excise, sales or services taxes collected from customers and paid to the appropriate taxing authority, and all customer refunds and credits.

(h) Security Interest. Franchisee grants to Sub Zero a first priority security interest in Franchisee's receivables, assets, and equipment, whether now existing or created in the future, together with all proceeds of such assets. Franchisee authorizes Sub Zero to file one or more financing statements to evidence this security interest. However, Sub Zero will subordinate our first priority security interest to a lending institution that provides Franchisee financing for the franchise.

7. STATEMENTS, RECORDS AND PAYMENTS

(a) Records. Franchisee shall, in a manner satisfactory to Sub Zero, and in accordance with generally accepted accounting principles, maintain original, POS digital files, vendor receipts, other records, accounts, books, data, licenses, contracts and supplier invoices (collectively "Records") that accurately reflect all particulars relating to Franchisee's business and such statistical and other information or records as Sub Zero may require, during the term of this Agreement and for two (2) years after termination or expiration hereof. Upon Sub Zero's request, Franchisee shall furnish Sub Zero with copies of any or all product supply invoices reflecting purchases by or on behalf of the Franchise. In addition, Franchisee shall compile and provide to Sub Zero any statistical or financial information regarding the operation of the Franchise, the products and services sold by it, or data of a similar nature including, without limitation, any financial data, as Sub Zero may reasonably request for purposes of evaluating or promoting the Franchise or Sub Zero Stores or Mobile Operations in general. You shall use our standard chart of accounts in all bookkeeping and accounting for the Franchise. We may designate specific systems and software and specific vendors that you must use to operate the Franchise and to report business and financial information to us. All data provided to Sub Zero under this Section 7 shall belong to Sub Zero and may be used and published by Sub Zero in connection with the Sub Zero Stores and Mobile Operations.

(b) Electronic Access. Sub Zero may designate certain systems, including electronic systems and software that provide access to Sub Zero, to be used in the maintenance of the Records and reporting. Such systems may have components or software that is available only through Sub Zero, an affiliate or designated suppliers at a fee. Franchisee acknowledges and agrees that Sub Zero has the right to access and use all such electronic Records, reports, and the information and data that are contained therein.

(c) Electronic Funds Transfer. Franchisee agrees to participate in Sub Zero's then-current electronic funds transfer and reporting program(s). Franchisee authorizes Sub Zero to initiate debit entries and/or credit collection entries to Franchisee's designated primary business operating checking or savings account ("Designated Account") for the payment of all fees, royalties or other amounts due hereunder to Sub Zero or its affiliates. Franchisee shall, at its sole cost and expense, instruct its bank to pay all fees, royalties or other amounts due hereunder to Sub Zero or its affiliates directly from the Designated Account, and promptly upon Sub Zero's request, Franchisee shall execute or re-execute and deliver to Sub Zero a pre-authorized check form or such other instrument or draft Sub Zero's bank may require. In connection with this requirement, Franchisee shall fill out and sign an Authorization for Electronic Funds Transfer form, in the form required by Sub Zero or such other form as the relevant financial institutions require. Franchisee shall ensure that sufficient funds are available in the Designated Account to make all payments due hereunder by Wednesday of each calendar week, or upon such date as provided in the Confidential Operating Manuals from time to time.

(d) Weekly and Monthly Statements. Franchisee shall submit weekly revenue and fee reports as outlined in the Operating Manuals. No later than the fifth (5th) day of each month Sub Zero shall have received from Franchisee, on forms satisfactory to Sub Zero, statements detailing the fees and

royalties due to Sub Zero during the preceding month itemized by revenue producing activity as specified from time to time by Sub Zero, the Gross Sales for the prior month and such other information as Sub Zero may require signed and certified as true and correct by an authorized agent of Franchisee.

(e) Audit. Sub Zero and its designated agents shall have the right to examine and audit such Records, accounts, books and data upon reasonable notice and during regular business hours. If such inspection discloses that the Gross Sales during any scheduled reporting period exceeded the amount reported by Franchisee as its Gross Sales by three percent (3%) or more, then Franchisee shall bear the cost of such inspection and audit and shall immediately pay any such deficiency with interest from the date due at the lesser of 1.5% per month and the highest rate permitted by applicable law.

(f) Financial Statements and Tax Reports. Upon Sub Zero's request, Franchisee shall furnish Sub Zero with a copy of each of its reports and returns of sales, use and gross receipt taxes and complete copies of any state or federal income tax returns covering the operation of the Franchise, all of which Franchisee shall certify as true and correct. Upon request, Franchisee shall deliver to Sub Zero financial statements, including tax returns and profit and loss statements, in a form satisfactory to Sub Zero. In addition, within ninety (90) days after the close of each fiscal year of Franchisee, Franchisee shall furnish to Sub Zero, at Franchisee's expense, a profit and loss statement prepared on an accrual basis for such fiscal year and a year-end balance sheet. Sub Zero will have the right to disclose data derived from such reports without identifying Franchisee or the address of the Franchise.

8. LICENSED MARKS

(a) Ownership. Franchisee expressly acknowledges and agrees that the license granted hereunder to the Licensed Marks is by virtue of a license to Sub Zero Franchising, Inc. from our affiliate, Sub Zero Ice Cream, Inc., and that our affiliate owns all rights, title and interest in and to the Licensed Marks. Franchisee shall not represent in any manner that Franchisee has acquired any ownership rights in the Licensed Marks. Franchisee agrees not to use any of the Licensed Marks or any marks, names or source indicators, including domain names, metatags and other electronic designations that are or may be confusingly similar to the Licensed Marks in its own corporate or business name or in any other manner, except as expressly authorized in this Agreement. Franchisee further acknowledges and agrees that as between Franchisee and Sub Zero any and all goodwill associated with the Franchise or the System and identified by the Licensed Marks (including all future distinguishing characteristics, improvements and additions to or associated with the Franchise or System) is owned solely by Sub Zero and shall inure directly and exclusively to the benefit of Sub Zero and that, upon the expiration or termination of this Agreement for any reason, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the Licensed Marks.

(b) Quality Standards. Franchisee agrees and covenants to (i) operate and advertise only under the names or marks from time to time designated by Sub Zero for use in connection with the Franchise; (ii) adopt and use the Licensed Marks solely in the manner prescribed by Sub Zero; (iii) not use the Licensed Marks to perform any activity or to incur any obligation or indebtedness in such a manner as may, in any way, subject Sub Zero to liability therefor or that may dilute or tarnish the Licensed Marks; (iv) not use the Licensed Marks or any confusingly similar mark in any manner unless expressly approved by Sub Zero; (v) observe all laws with respect to the registration and use of trade names and assumed or fictitious names, to include in any application therefor a statement that Franchisee's use of the Licensed Marks is limited by the terms of this Agreement, and to provide Sub Zero with a copy of any such application and other registration document(s); and (vi) observe such standards with respect to trademark and service mark registrations and copyright notices as Sub Zero may, from time to time, require, including, without limitation, affixing "SM", "TM", or ®, adjacent to all

such Licensed Marks in any and all uses thereof, and to utilize such other appropriate notice of ownership, registration and copyright as Sub Zero may require.

(c) Restrictions on Use. Franchisee shall not use the Licensed Marks (i) as part of Franchisee's entity or legal business name, (ii) with any prefix, suffix or other modifying words, terms, designs or symbols (other than the logos licensed by Sub Zero to Franchisee), (iii) in performing or selling any unauthorized services or products, (iv) as part of any domain name, electronic address, or search engine listing that Franchisee maintains or controls on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery systems, unless and then only to the extent that Sub Zero authorizes Franchisee to do so, or (v) or in any other manner that Sub Zero has not expressly authorized in writing.

(d) Non-Infringement. Franchisee understands and agrees that any use of the Licensed Marks other than as expressly authorized by this Agreement, without Sub Zero's prior written consent, will constitute a breach of this Agreement and trademark infringement, and that the right to use the Licensed Marks granted herein does not extend beyond the termination or expiration of this Agreement. Franchisee expressly covenants that, during the term of this Agreement and thereafter, Franchisee shall not, directly or indirectly, commit any act of infringement or contest or aid others in contesting the validity of our or our affiliate's right to use the Licensed Marks, attempt to register the Licensed Marks or any mark that is confusingly similar thereto in any territory, or take any other action in derogation thereof.

Franchisee shall promptly notify Sub Zero of any claim, demand or cause of action that Sub Zero may have based upon or arising from any unauthorized attempt by any person or legal entity to use the Licensed Marks, any mark that is confusingly similar thereto, or any other mark, name or source indicator in which Sub Zero has or claims a proprietary interest. Franchisee shall assist Sub Zero, upon request and at Sub Zero's expense, in taking such action, if any, as Sub Zero may deem appropriate to halt such activities, but shall take no action nor incur any expenses on Sub Zero's behalf without Sub Zero's prior written approval. Franchisee shall not communicate with any person or entity other than Sub Zero in any infringement, challenge or claim. Sub Zero shall have sole discretion to take action or not to take action and the right to control exclusively any litigation, Patent and Trademark Office proceeding or any other administrative proceeding resulting from the infringement, challenge or claim or otherwise involving any Licensed Mark. If Sub Zero undertakes the defense or prosecution of any litigation relating to the Licensed Marks, Franchisee agrees to execute any and all documents and to do such acts and things as may, in the opinion of Sub Zero's legal counsel, be reasonably necessary or advisable to protect and maintain Sub Zero's interests in any litigation or other proceeding or otherwise to protect and maintain Sub Zero's interest in the Licensed Marks.

(e) Modification to Licensed Marks. Sub Zero reserves the right, in its sole discretion, to designate, discontinue, modify, substitute or add to one or more of the Licensed Marks for use by Franchisee. Any expenses or costs associated with the use, modification, substitution, addition or discontinuance of such mark shall be the sole responsibility of Franchisee.

9. STANDARDS OF OPERATION

(a) Standards. Sub Zero shall establish and Franchisee shall maintain standards of quality, appearance and operation for the Franchise. For the purpose of giving distinctiveness to the Licensed Marks, enhancing the public image and reputation of businesses operating under the System and for the purpose of increasing the demand for services and products provided by franchise owners and Sub Zero, Franchisee agrees to operate the Franchise and to use the Licensed Marks in strict conformity with Sub Zero's standards and all rules, regulations and policies that are by their terms mandatory, including, without limitation, those contained in the Confidential Operating Manuals. Franchisee acknowledges and

agrees that Sub Zero may, from time to time, revise the System to implement new or different requirements for the operation of the Franchise, and Franchisee expressly agrees to comply with all such changed requirements and that the implementation of such revisions may require the expenditure of reasonable sums of money by Franchisee. Without limiting the generality of Franchisee's requirement to operate in strict compliance with the Confidential Operating Manuals, Franchisee acknowledges and agrees that Franchisee will strictly follow all music, television, Wi Fi internet connection, and other media requirements outlined in the Confidential Operating Manuals, from time to time.

(b) Operation of Franchise. Franchisee acknowledges and agrees that Franchisee is the owner of the Franchise and fully responsible for its operation and any rights and obligations related to the Franchised Store or Mobile Unit and any related property, and that Franchisor is not an owner of the Franchised Store or Mobile Unit. Franchisee agrees that the Franchise shall only be operated directly by an Owner or by the Manager (who may be the same person), who has received proper training. Franchisee shall notify Sub Zero in writing at least thirty (30) days prior to employing a proposed manager to arrange for training. No Manager shall be employed to operate the Franchise (or any part thereof) without Sub Zero's prior consent, based upon such standards and requirements as Sub Zero may from time to time specify, in writing or otherwise. If Sub Zero rejects a proposed manager or later disapproves of a Manager, it shall notify Franchisee of the pertinent reasons therefor. Notwithstanding the right of Sub Zero to protect the goodwill of the System by disapproving a Manager employed by Franchisee, no Manager shall be deemed an employee of Sub Zero for any purpose whatsoever. In connection therewith, Owner and/or Manager shall complete, to Sub Zero's satisfaction, any and all training programs as Sub Zero may reasonably require. If any trainee fails to complete the required training program satisfactorily, then Sub Zero shall notify Franchisee of such failure and require Franchisee to designate a substitute trainee. If Franchisee fails to designate a substitute trainee, or if the substitute trainee fails to complete such initial training to Sub Zero's satisfaction, with the result being that neither an Owner who is responsible for day-to-day operations of the Franchise, nor the Manager completes or has completed training to the satisfaction of Sub Zero prior to the time by which the Franchise is required to be open for business in accordance with, or at any time during the term of, this Agreement, then Sub Zero may, in its sole discretion, elect to terminate this Agreement and retain the fees paid thus far. Sub Zero may, at its option, require others of Franchisee's initial and subsequent management employees to attend and satisfactorily complete all or any part of its training programs. All expenses incurred in training, including, without limitation, cost of travel, room, board, meals and wages of the person(s) receiving such training shall be borne by Franchisee. Franchisee shall also bear the cost of any additional training which may be required by Sub Zero.

(c) Use of Franchise Location and Mobile Unit. Franchisee agrees to use the Franchise Location or Mobile Unit solely for the operation of the Franchise in the manner and pursuant to the standards prescribed herein, in the Confidential Operating Manuals or otherwise in writing, and to refrain from using or permitting the use of the Franchise Location or Mobile Unit for any other purpose or activity at any time. No part of the Franchise Location or Mobile Unit shall be leased to or managed (either directly or indirectly) by any party other than Franchisee without Sub Zero's prior consent.

(d) Maintenance of Franchise Location or Mobile Unit. Franchisee agrees to maintain the Franchise, and all fixtures, furnishings, signs and equipment thereon, in conformity with Sub Zero's then-current standards at all times during the term of this Agreement, and to make such repairs and replacements thereto as Sub Zero may require. Without limiting the generality of the foregoing, Franchisee specifically agrees:

- (i) To keep the Franchise at all times in a high degree of sanitation, repair, order and condition, including, without limitation, such periodic repainting of the exterior and interior of the

Franchised Store or Mobile Unit, such maintenance and repairs to all fixtures, furnishings, uniforms, signs and equipment as Sub Zero may from time to time reasonably direct;

- (ii) To meet and maintain at all times all governmental standards and ratings applicable to the operation of the Franchise or such higher minimum standards and ratings as set forth by Sub Zero from time to time in its Confidential Operating Manuals or otherwise in writing;
- (iii) To make no structural improvements to the Franchised Store, the Franchise Location, or the Mobile Unit without Sub Zero's prior approval; and
- (iv) To cause its employees to wear apparel that conforms strictly to the specifications, design, color and style approved by Sub Zero from time to time.

(e) Repairs and Replacements. Franchisee agrees that, in order to maintain a modern, progressive, sanitary and uniform image, Sub Zero shall have the right, at any time to require Franchisee to perform such remodeling, repairs, replacements and redecoration in and upon the Franchise Location or the Mobile Unit, equipment and furnishings used by Franchisee as Sub Zero shall deem necessary and practical to bring the Franchised Store or the Mobile Unit, including equipment and fixtures, up to the then-current standards or as required to introduce new Products. In such event, Franchisee shall have up to three (3) months to complete any such modifications, purchases or renovations. Upon Sub Zero's request, Franchisee agrees to install, update or replace any equipment, including cash registers, and/or computers, or software designated by Franchisee for use pursuant to the System, including, without limitation, software designed to facilitate or enhance communications and software designed for the purpose of recording receipts at point of sale, and to utilize equipment including locked totaling devices and software of such kind and in such manner as is specified by Sub Zero in the Confidential Operating Manuals or otherwise in writing.

(f) Day-to-Day Operations. Franchisee shall be responsible for the day-to-day operations of its Franchise, but agrees to operate the Franchise in conformity with such methods, standards and specifications as Sub Zero may from time to time prescribe in its Confidential Operating Manuals to ensure that Sub Zero's required degree of quality, service and image is maintained; and shall refrain from deviating therefrom and from otherwise operating in any manner that adversely reflects on Sub Zero's name and goodwill, or on the Licensed Marks. Without limiting the generality of the foregoing, Franchisee specifically agrees:

- (i) To purchase and install, at Franchisee's expense, all such fixtures, furnishings, signs and equipment, all as may be required by Sub Zero, and meet the specifications of the approved building plans, and all other such items as Sub Zero may prescribe from time to time; and to refrain from installing, or permitting to be installed, on or about or in connection with the Franchise Location or the Franchise, any such item not meeting Sub Zero's standards and specifications.
- (ii) To maintain in sufficient supply, sell and offer for sale, and use at all times, only Products as conform with Sub Zero's then-current standards and specifications, and shall not use non-approved items, products or materials without Sub Zero's prior written consent.
- (iii) To sell and offer for sale all such products, goods and services as Sub Zero may, from time to time require, and only those that Sub Zero may, from time to time, approve in writing, which are not subsequently disapproved as meeting its quality standards and specifications. In addition to any remodeling, repairs, replacements and redecoration required by this Agreement, to introduce new products or services through all Sub Zero Stores and Mobile

Operations, Franchisee may be required to expend additional amounts on new, different or modified equipment or fixtures necessary to offer such new services or products. In such event, Franchisee shall have up to three (3) months to complete any modifications necessitated by the introduction of such new products and/or services.

- (iv) Sub Zero may advise or offer guidance relative to Franchisee's prices for the products and services that Franchisee offers for sale that in Sub Zero's judgment constitute good business practices. This guidance will be based on Sub Zero's experience and the experience of its franchisees and an analysis of the costs of the products and services and the prices charged by competitors. Sub Zero may, to the extent permitted by relevant law, establish price ceilings or minimum or maximum allowable prices on the products and services that Franchisee offers and sells. Except as so specified by Sub Zero or as otherwise required in this Agreement or the Confidential Operating Manuals, Franchisee may determine the prices at which Franchisee sells products and services, as well as the terms and conditions of sale.
- (v) All the improvements, inventions and developments Franchisee makes, develops or creates for use in the Franchise or associated with the System will be Sub Zero's property and Sub Zero's alone will hold any patent, trademark registration or other form of protection for those improvements, inventions, developments, processes, methods and practices.

(g) Communications. We or an assigned representative may provide regular communication, consultation and advice to you in reference to issues we determine may be important to your franchise operations or in response to your inquiries about specific administrative or operating issues you bring to our attention. We will have sole discretion to determine the method for communications, consulting and giving advice, which may differ from methods we use for others of our franchisees. For example, communication, consultation and advice may be provided by telephone, in writing (including electronically and via an intranet), on-site in person, or by other means. You shall respond and actively communicate with us and you acknowledge that failure to respond to our communications or to otherwise actively communicate with us is a material breach of this Agreement.

(h) Employees. Franchisee is exclusively responsible to train and make sure its employees and independent contractors meet the standards, specifications and procedures outlined in the Confidential Operating Manuals. Franchisee will hire only efficient, competent, sober and courteous employees for the conduct of the franchise business and will pay their wages, commissions, piece work and any other compensation justly due with no liability on the part of Sub Zero.

- A. Franchisee will control its own employees and independent contractors. Sub Zero will not have the power to hire, fire, direct, supervise, or discipline them. Franchisee will maintain employee records to show clearly that Franchisee and its employees are not Sub Zero's employees.
- B. Franchisee must comply with all state and federal laws in respect to its employees. Franchisee acknowledges that it has had ample opportunity to investigate these and other laws applicable to Franchisee's business with its own independent legal counsel before signing this Agreement. Franchisee must indemnify and hold Sub Zero legally harmless from any of Franchisee's violations of such laws.
- C. Franchisee must pay special attention to federal and state wage and hour laws with respect to its employees. Franchisee must comply with all such laws and pay its employees properly. Franchisee is responsible for any employee wages and compensation, payroll taxes and other required withholding, worker's compensation and benefits. Franchisee is responsible for any employee wages

and compensation, payroll taxes and other required withholding, worker's compensation and benefits.

- D. Franchisee is exclusively responsible to monitor the scheduling, performance, efficiency, and efficacy of its employees and independent contractors and to make adjustments to improve the results of their efforts.
- E. If Franchisee decides to share employees or independent contractors with other franchisees, then Franchisee will indemnify and hold legally harmless Sub Zero (and Sub Zero's affiliates, officers, directors, employees and agents) from any claims, losses, attorney fees and damages resulting from such activities. Franchisee acknowledges that this provision does not constitute an endorsement to share employees with other franchisees.
- F. Franchisee is responsible to train and to make sure its employees and independent contractors meet the standards, specifications and recommendations outlined in the Confidential Operating Manuals, including those related to appearance, customer service, background checks, and drug testing (as applicable). Franchisee is required to hire and maintain sufficient staff in order to handle customer volume at all times. Franchisee will ensure that its employees present a neat and clean appearance and render friendly, efficient, sober and courteous service to Franchisee's customers.
- G. Franchisee may not hire any employee or independent contractor who has been found guilty of any charges of fiduciary misconduct, any form of unlawful sexual conduct, any felony of any kind, or any similar charges that reflect negatively on the person's moral turpitude and character.

All revenues generated under this Agreement from all business activities of the Franchise must be paid directly to Franchisee and not directly to Franchisee's employee or independent contractor.

(i) Samples; Testing; Inspection. Franchisee shall permit Sub Zero or its agents, at any reasonable time, to remove from the Franchise Location, at Sub Zero's option, certain samples of any products, materials, supplies and expendables without payment therefor, in amounts reasonably necessary for testing by Sub Zero or any independent laboratory, to determine whether such samples meet Sub Zero's then-current standards and specifications, with no liability to Franchisee for any damage to such samples as a result of such testing. Franchisee hereby grants to Sub Zero and its agents the right to enter upon the Franchise Location, without notice, at any reasonable time for the purpose of conducting inspections of the Franchise Location, Franchisee's books, records and register tapes, and Franchisee agrees to render such assistance as may reasonably be requested and to take such steps as may be necessary immediately to correct any deficiencies detected during such an inspection upon the request of Sub Zero or its agents.

Franchisee acknowledges and agrees that Franchisee has no right to test, develop, or trial any non-approved service or product without Sub Zero's prior express, written approval.

(j) Suppliers. Franchisee shall purchase all fixtures, furnishings, signs, equipment, inventory, uniforms, advertising materials, software, programs services, and other supplies, Products and materials required for the operation of the Franchise solely from suppliers who have been approved for such items in writing by Sub Zero and not thereafter disapproved. Franchisee acknowledges and agrees that because of the proprietary nature of the Proprietary Products, the Proprietary Products can only be purchased from Sub Zero or an approved affiliate of Sub Zero, and Franchisee agrees not to order, procure, obtain or sell any Proprietary Products from any other supplier. If Franchisee desires to purchase any nonproprietary Products from an unapproved supplier, then Franchisee shall submit a written request to Sub Zero describing the name of the supplier, the reasons for wanting to use that particular supplier and any additional information that Sub Zero requests. Sub Zero will attempt to review the proposed supplier and

notify Franchisee of Sub Zero's approval no later than one (1) month from receipt of such all information regarding request. Franchisee shall reimburse Sub Zero for all reasonable expenses incurred in evaluating all suppliers requested by Franchisee. Sub Zero reserves the right to revoke authorization of any supplier at any time. Sub Zero reserves the right to increase or decrease the number of approved suppliers and to designate itself an approved supplier and to make a profit or otherwise receive value in kind or rebates from the designation of approved suppliers and/or from the sale of Products and/or other supplies to Franchisee.

Your plans and designs for your catering equipment must be approved by us in writing before you actually purchase. In addition, you must have a vehicle that meets our minimum guidelines (as described in our Operations Manual) to transport the catering equipment.

(k) Hours of Operation. Unless otherwise specifically approved by Sub Zero, Franchisee's Franchise shall be open for the conduct of business at such times and for the minimum number of hours specified by Sub Zero in the Confidential Operating Manuals or, if different, for such hours as may be required by the terms of any lease; and Franchisee shall at all times staff the Franchise with such number of employees and operate the Franchise diligently so as to maximize the revenues and profits therefrom.

(l) Customer Complaints. Franchisee shall respond promptly to customer complaints and shall take such other steps as may be required to ensure positive customer relations.

(m) Changes to the System: Because complete and detailed uniformity under many varying conditions may not be possible or practical, and in order to remain competitive and respond to new technology, customer needs and market conditions, Sub Zero specifically reserves the right and privilege, in its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards based upon the peculiarities of a particular site or circumstance, density of population, business potential, population of trade area, existing business practices or any other conditions that Sub Zero deems to be of importance to the successful operation of Franchisee's business. Franchisee shall have no recourse against Sub Zero on account of any variation from standard specifications and practices granted or denied to Franchisee or to any franchise owner and shall not be entitled to require Sub Zero to grant Franchisee a like or similar variation hereunder.

(n) Advisory Council and Selection. We may elect to form a Franchisee Advisory Council (the "Council") to provide input on the System. If created, the Council will consist of Sub Zero Store and Mobile Operation franchisees, each of which is in full compliance with the terms of its franchise agreement, and company or affiliate-owned operators or representatives. The number of Council members and advice and feedback processes will be decided by Sub Zero upon creation of the Council, if any.

(o) Non-Compliance and Use of Unauthorized Products or Vendors. You agree that it is in the best interests of the System that all Sub Zero™ franchisees comply with the standards and specifications outlined in the Confidential Operating Manuals. Accordingly, if you breach any provision of the Franchise Agreement (whether it be curable or non-curable), breach any of the terms, conditions, or policies outlined in the Confidential Operating Manuals, otherwise fail to comply with our standards and specifications, or use unauthorized products, suppliers, or vendors, in addition to all other rights or remedies we may have under this Agreement and applicable law, we shall have the right to charge to you a Cure Fee. The amount of the Cure Fee shall be **\$500** for your first breach, **\$1,000** for your second breach, and **\$2,500** for your third breach and any other breach thereafter. Payment of any Cure Fee shall be due immediately upon your receipt of notice from us that we are charging you the respective Cure Fee.

This fee helps to defray our administrative and corporate costs related to the breach and remedy. Your payment of cure fees does not affect our right to terminate this Agreement if termination is permissible based on the terms of this Agreement. You authorize us to collect the Cure Fee by ACH/EFT processes if needed.

(n) Newsletters and Conference Calls. We provide important information regarding our operation standards and methods, policies, and system administration in a monthly newsletter available online and through our monthly system-wide conference calls. You agree to accept and access this newsletter in a timely manner each month. You agree to attend or participate in any monthly system-wide conference calls. Your failure to access the newsletters in a timely fashion or to participate in any monthly conference call constitutes a curable breach under this agreement.

(o) Conventions and Conferences. We intend to hold an annual or periodic convention or conference to provide important information regarding the Sub Zero system, operational standards, methods, policies, and system administration. You and your manager(s) shall attend the annual or periodic convention or conference. We may charge our then-current fee for attendance of the conference. This fee is currently \$500, and is subject to increase, in our sole discretion. You are also responsible for all expenses related to travel, lodging, meals, and transportation for yourself and your managers. If you fail to attend the annual franchise system convention or conference we may assess a **\$2,000** penalty fee.

10. CONFIDENTIAL OPERATING MANUALS

(a) Confidential Operating Manuals. To protect the reputation and goodwill of the Sub Zero Stores and Mobile Operations and to maintain standards of operation under the Licensed Marks, Franchisee shall conduct the Franchise operated under the System in accordance with the Confidential Operating Manuals, which Franchisee acknowledges shall be on loan from Sub Zero during the term of this Agreement. "Confidential Operating Manuals" means the various written instructions and confidential manuals, including the Franchise Manual, Opening Manual, Operations Manual and Training Manual, as amended from time to time, as Sub Zero may publish from time to time. Franchisee acknowledges and agrees that all right, title and interest in the Confidential Operating Manuals, including all copyright and other intellectual property rights therein are the exclusive property of Sub Zero. When any provision in this Agreement requires that Franchisee comply with any standard, specification or requirement of Sub Zero, unless otherwise indicated, such standard, specification or requirement shall be such as is set forth in this Agreement or as may, from time to time, be set forth by Sub Zero in the Confidential Operating Manuals.

(b) Revisions to Confidential Operating Manuals. Franchisee acknowledges and agrees that Sub Zero may, from time to time, revise the contents of the Confidential Operating Manuals to implement new or different requirements for the operation of the Franchise, and Franchisee expressly agrees to comply with all such changed requirements. The implementation of such requirements may require the expenditure of reasonable sums of money by Franchisee.

(c) Obligation to Use Current Version. Franchisee shall at all times ensure that its copy of the Confidential Operating Manuals is kept current and up to date. If Sub Zero provides Franchisee with access to the Confidential Operating Manuals online or through the Internet, then Franchisee shall have the responsibility to monitor such online version for any changes, additions or deletions. In the event of any dispute as to the contents thereof, the terms and dates of the master copy thereof maintained by Sub Zero at its principal place of business shall be controlling.

11. ADVERTISING AND MARKETING

(a) Brand Development Fees. Sub Zero may use all contributions and any earnings from the Brand Development Fees that Sub Zero receives from Franchisee in local, regional, national, Internet, or international advertising for:

- A. maintaining, administering, researching, directing and preparing advertising and promotional activities (including, among other things, the costs of preparing and conducting internet, cell phone, television, radio, magazine and newspaper and similar advertising campaigns, public relations programs and press releases);
- B. direct mail and outdoor billboard advertising;
- C. marketing research and development;
- D. marketing surveys and public relations activities;
- E. development and maintenance of any Internet or e-commerce programs;
- F. marketing materials;
- G. decor and promotional materials;
- H. artwork; advertising services;
- I. training related to marketing, customer service and sales augmentation;
- J. production and distribution of periodic newsletters to provide you with industry news, suggestions, and advice on franchise operations; and
- K. Sub Zero's reasonable salaries, accounting, collection, legal and other costs related to all of the above.

Sub Zero's internal artwork, advertising, promotion and newsletter production costs and associated administrative costs may be paid from the Brand Development Fees. These will be calculated at Sub Zero's cost as established from time to time.

Sub Zero will use Franchisee's Brand Development Fee payments to place advertising in geographic areas, in media, at times and using products and services Sub Zero deems to be in the best interest of Sub Zero's franchisees and the System.

(b) Local Advertising Expenditure. At its expense and exclusive of any Brand Development Fees paid to Sub Zero, Franchisee agrees to expend at least 2% of Gross Sales per month. ("Local Advertising Requirement"). Amounts spent to fulfill this Local Advertising Requirement shall be used by Franchisee to conduct continuing local advertising in form, content and media as outlined in the Confidential Operations Manual and as approved by Sub Zero. Franchisee shall submit to Sub Zero evidence of such local advertising expenditures no later than ten (10) days following the end of each calendar quarter.

(c) Deficiency in Local Expenditure or Brand Development Fee. In the event that Franchisee shall fail to expend the Local Expenditure or Brand Development Fee during any calendar quarter, Sub Zero

may, immediately upon notice provided to Franchisee, assess Franchisee for any such deficiency, which shall be deposited to and become part of the Brand Development Fees if in effect, or shall be expended by Sub Zero on national or regional advertising of Sub Zero Stores and Mobile Operations.

(d) Grand Opening Advertising. In addition to the local advertising requirements under Section 11(a), Franchisee agrees to expend an additional amount of at least \$3,000 on promotion and advertising of the Franchise during the period beginning two weeks prior to and ending two weeks following the opening of the Franchise (“Grand Opening Advertising”). Franchisee shall submit to Sub Zero evidence of such Grand Opening Advertising no later than twenty (20) days following the opening of the Franchise. If Franchisee fails to expend the Grand Opening Advertising in whole or in part, then Sub Zero may, immediately upon notice provided to Franchisee, assess Franchisee for any such deficiency, which shall be expended by Sub Zero on advertising of Sub Zero Stores and Mobile Operations.

(e) Franchise Listings. Franchisee, at its expense and exclusive of any fees paid as Brand Development Fees, shall:

- (i) Obtain listings of the Franchise on online and mobile internet business directories as specified or approved by Sub Zero; and
- (ii) Obtain and maintain any special promotional materials of the kind and size as Sub Zero may from time to time require.

Franchisee may apply any amounts expended by Franchisee for the above listings and promotional materials toward Franchisee’s Local Advertising Requirement.

(f) Cooperative Advertising Programs. Franchisee shall participate in all cooperative advertising and/or marketing programs as are from time to time prescribed by Sub Zero. The terms and conditions required for participation in any such cooperative advertising program or programs shall be as specified in the Confidential Operations Manuals.

(g) Other Advertising Programs. Franchisee agrees to participate in all other advertising and marketing programs designated by Sub Zero as mandatory.

(h) Marketing and Advertising Materials. Franchisee shall use only business stationery, business cards, marketing materials, advertising materials, printed materials, forms or other promotional materials in any medium that have been approved in advance by Sub Zero. Franchisee shall not employ any person to act as a representative of Franchisee or the System in connection with any local or other promotion of the Franchise or the System in any media without the prior written approval of Sub Zero.

(i) Notice of Franchise. In all advertising displays and materials and at the Franchise Location or the Mobile Unit, Franchisee shall, in such form and manner as may be specified by Sub Zero in the Confidential Operating Manuals, notify the public that Franchisee is operating the business licensed hereunder as a franchise owner of Sub Zero and shall identify its business in the manner specified by Sub Zero in the Confidential Operating Manuals. Further, at the request of Sub Zero, the Franchisee shall display, or otherwise make available through flyers in conjunction with delivery of goods or services, literature provided by Sub Zero relating to the availability of Sub Zero Store or Mobile Operations franchises as supplied by Sub Zero and at such location(s), as directed by Sub Zero from time to time.

(j) Internet Advertising. Franchisee shall cooperate with Sub Zero and provide all requested information for the website provided by Sub Zero. Franchisee shall not register, maintain or use any website domain name, email address or other electronic location or designation without the prior written

approval of Sub Zero. Franchisee shall not advertise on the Internet or a worldwide web page without the prior written approval of Sub Zero. In addition, Franchisee shall not establish any independent website, domain name, email address, or similar presence for use in connection with the Franchise.

12. CONFIDENTIAL INFORMATION

(a) Confidential Information. Sub Zero and its affiliates, licensors and suppliers possess (and will continue to develop and acquire) certain proprietary and confidential information, some of which constitutes trade secrets under applicable law, relating to the development and operation of Sub Zero Stores or Mobile Operations (“Confidential Information”). The Confidential Information includes, without limitation, the following in any form or medium:

- (i) site selection criteria and the designated areas for site locations;
- (ii) plans and specifications for the construction of Sub Zero Stores or Mobile Operations;
- (iii) training materials, programs and systems for franchisees and personnel of Sub Zero Stores or Mobile Operations including, without limitation, the Confidential Operating Manuals;
- (iv) the System and such other methods, techniques, formats, specifications, standards, systems, procedures, and sales and marketing techniques, and knowledge of and experience in the development and operation of Sub Zero Stores or Mobile Operations as Sub Zero will develop or disclose to Franchisee from time to time;
- (v) market research and all promotional, marketing and advertising programs for Sub Zero Stores and Mobile Operations;
- (vi) knowledge of specifications for, and suppliers of, certain products, materials, supplies, equipment, fixtures, furnishings and services;
- (vii) any computer software programs (including, without limitation, the data generated thereby) that are proprietary to Sub Zero or its affiliates or licensors;
- (viii) customer mailing lists prepared by Sub Zero for use by Franchisee, and other similar services offered by Sub Zero;
- (ix) all information regarding the Proprietary Products;
- (x) knowledge of operating results and financial performance of Sub Zero Stores and Mobile Operations other than the Franchised Store or the Mobile Unit; and
- (xi) all data and records related to customers of the Franchised Store or the Mobile Unit.

(b) Non-Use and Non-Disclosure Obligations. Franchisee shall not acquire any interest in the Confidential Information, other than the right to utilize the Confidential Information disclosed to Franchisee (or Franchise personnel) in the operation of the Franchise during the term of and in accordance with the terms and conditions of this Agreement. Franchisee acknowledges and agrees that the use, disclosure or duplication of any Confidential Information in any other business or capacity would constitute an unfair method of competition and irreparable injury to Sub Zero. Franchisee further acknowledges and agrees that the Confidential Information is proprietary, includes trade secrets of Sub

Zero and its affiliates, licensors and suppliers, and is disclosed to Franchisee solely on the condition that Franchisee agrees, and Franchisee does hereby agree:

- (i) not to use Confidential Information in any business or capacity other than in connection with the operation of the Franchise;
- (ii) to maintain the absolute confidentiality of Confidential Information both during and after the term of this Agreement;
- (iii) to limit access to Confidential Information to those employees of Franchisee who have a need-to-know such information;
- (iv) not to make any unauthorized copies of any portion of Confidential Information; and
- (v) to adopt and implement all reasonable procedures that Sub Zero prescribes from time to time to prevent unauthorized use or disclosure of Confidential Information, including, without limitation, restricting its disclosure to Franchise personnel and using non-disclosure and non-competition agreements that are substantially similar to the provisions contained in this Section 12 with anyone having access to Confidential Information.

(c) Exclusion from Confidential Information. Notwithstanding anything to the contrary contained in this Agreement, the restrictions on Franchisee's disclosure and use of Confidential Information will not apply to information, processes or techniques which are or become widely known to the public other than through disclosure (whether deliberate or inadvertent) by Franchisee or an employee or agent of Franchisee.

(d) Judicial Order. In the event that Franchisee is legally compelled to disclose Confidential Information in a judicial or government proceeding; Franchisee must first promptly provide Sub Zero with notice of such requirement and afford Sub Zero the opportunity, including cooperating with Sub Zero, to obtain an appropriate protective order or other assurance satisfactory to Sub Zero.

(e) Burden of Proof. Franchisee agrees that if it engages as an owner, operator or in any managerial capacity in any restaurant or related business, it will assume the burden of proving that it has not used Confidential Information. The protection granted hereunder shall be in addition to and not in lieu of all other protections for Confidential Information as may otherwise be afforded in law or in equity.

(f) Survival. Franchisee's obligations under this Section 12(f) shall survive any termination or expiration of this Agreement.

(g) No Obligation to Disclose. Franchisee acknowledges and agrees that Sub Zero has no obligation to disclose or provide any information that it deems proprietary or confidential regarding the Proprietary Products to Franchisee.

13. REPRESENTATIONS, WARRANTIES AND COVENANTS

(a) Representations, Warranties and Covenants. During the term of this Agreement, Franchisee represents, warrants and covenants:

- (i) No representation, warranty, guarantee or statement made by it in connection with this Agreement contains or will contain any untrue statement of material fact, or omits to state a material fact;

- (ii) Entering into and performance under this Agreement does not and will not violate or breach its certificate of incorporation (or equivalent) or bylaws or any agreement or contract to which it is a party;
- (iii) To use its best efforts in operating the Franchise and in recommending, promoting and encouraging patronage of all Sub Zero Stores and Mobile Operations;
- (iv) The information contained in Franchise Owner Information, as prescribed by Exhibit 2, and as filled out by each Owner, is and shall remain true, accurate, and complete. Further, Franchisee shall notify Sub Zero in writing within seven (7) days of any change to the information set forth in Exhibit 2 and shall submit a revised Exhibit 2, which will be certified by Franchisee as true, correct and complete, and further to cause each of its Owners to execute an Owner's Guaranty in the form attached to this Agreement;
- (v) The information contained in the Franchisee Closing Questionnaire as filled out by Franchisee, is true, accurate, and complete as of the Effective Date; and
- (vi) Not to engage directly or indirectly, for the term of this Agreement as an owner, operator, or in any managerial capacity in any business, including, without limitation, any business that offers any liquid nitrogen products or services whatsoever or specializes in food preparation or service, other than as a franchise owner of the Franchise unless Sub Zero expressly consents in writing to such ownership or activity; provided, however, that Franchisee shall not be prohibited hereby from owning equity securities of any business, whose shares are traded on a stock exchange or on the over-the-counter market.

(b) Non-Competition Covenant. During the term of this Agreement and in the event this Agreement is terminated, expires, or is not renewed, or if Franchisee assigns or transfers its interest herein, then Franchisee covenants, for a period of 730 days after such termination, expiration, non-renewal, transfer or assignment that it will not hold any direct or indirect interest (through a spouse or child of Franchisee or any Owner or otherwise) as a disclosed or beneficial owner, investor, partner, director, officer, manager, employee, consultant, representative or agent, or in any other capacity, in any business that offers any liquid nitrogen products or services whatsoever or desserts or ice cream as a primary menu item, and is, or is intended to be, located at or within a 10 mile radius of the Franchise Location, the Franchise Territory or any other Sub Zero Store or Mobile Operation. The restrictions of this Paragraph are not applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent two percent (2%) or less of the issued and outstanding securities of that class of securities. Franchisee and its Owners expressly acknowledge that they possess skills and abilities of a general nature and have other opportunities for exploiting such skills, so that enforcement of the covenants made in this Section 13(b) will not deprive them of their personal goodwill or ability to earn a living.

(c) Employee Non-Disclosure. Franchisee shall obtain executed from each Manager and other employee who has management responsibilities a non-disclosure agreement that is substantially similar to Sections 12 and 12(b). Such employee non-disclosure agreements shall be subject to the prior written approval of Sub Zero and shall also be for the benefit of Sub Zero. Sub Zero shall be a third party beneficiary of such agreements and Franchisee shall not amend, modify or terminate any such agreement without Sub Zero's prior written consent.

(d) Tolling. The running of any period of time specified in this Section 13 shall be tolled and suspended for any period of time in which the Franchisee is found by a court of competent jurisdiction to have been in violation of any restrictive covenant. Franchisee further expressly agrees that the existence

of any claim it may have against Sub Zero whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Sub Zero of the covenants in Sections 12 or 13.

(e) Right to Reduce Scope of Covenants; Claims Are Not a Defense. If, for any reason, any provision set forth in this Section is determined to exceed any lawful scope or limit as to duration, geographic coverage, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. The duration, geographic coverage and scope allowable by law or court of law will apply to this Agreement. If a court of competent jurisdiction should decline to enforce any of those covenants and agreements, Sub Zero and Franchisee request the court to reform these provisions to restrict Franchisee's use of confidential information, non-solicitation, ability to compete with Sub Zero or circumvent Sub Zero in respect to the Franchise System, and any other covered topics to the maximum extent, in time, scope of activities, and geography, the court finds enforceable under applicable law.

Franchisee acknowledges and understands that Sub Zero shall have the right to reduce the scope of any covenant, or any portion of such covenants, outlined in this Section, in its sole discretion, without Franchisee's consent. Such reduction of scope shall be immediately effective upon Franchisee's receipt of written notice from Sub Zero. Franchisee further agrees that it shall immediately comply with any covenant as so modified and acknowledges that the modified covenant shall be fully enforceable notwithstanding any construction, "entire agreement" or merger provisions of this Agreement.

Franchisee expressly acknowledges and agrees that any claims, regardless of whether or not they arise from or are related to this Agreement, that Franchisee may have against Sub Zero shall not constitute a defense to our enforcement of the covenants set forth in this Section. Franchisee agrees to pay all costs and expenses, including reasonable attorneys' fees that we incur in connection with the enforcement of this Section.

(f) Disclaimer. SUB ZERO MAKES NO WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT, WITH RESPECT TO PRODUCTS SOLD, PROVIDED OR APPROVED BY SUB ZERO OR A SUB ZERO AFFILIATE.

14. TRANSFER AND ASSIGNMENT

(a) Transfer or Assignment by Sub Zero. This Agreement and all rights and duties hereunder are fully and freely assignable or transferable by Sub Zero, in whole or in part, without Franchisee's consent, in Sub Zero's sole discretion to any person or entity, including a competitor of Sub Zero, and shall be binding upon and inure to the benefit of Sub Zero's successors and assigns.

(b) Transfer or Assignment by Franchisee. Franchisee understands and acknowledges that the rights and duties created by this Agreement are personal to Franchisee, and its Owners, and that Sub Zero has granted this Franchise in reliance on many factors, including, without limitation, the individual or collective character, skill, aptitude and business and financial capacity of Franchisee and its Owners. Accordingly, Franchisee shall not, without Sub Zero's prior written consent, directly or indirectly sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any interest in; (i) this Agreement or any portion or aspect thereof, (ii) the Franchise, (iii) the Franchise Location or the Mobile Unit, or (iv) any equity or voting interest in Franchisee, or permit the Franchise to be operated, managed, directed or controlled, directly or indirectly, by any person other than Franchisee (any such act or event is referred to as a "Transfer") without the prior written approval of Sub Zero. Any purported Transfer, occurring by operation of law or otherwise, including any Transfer by a trustee in bankruptcy, without Sub Zero's prior written consent, shall be null and void and a material default of this Agreement, but the

transferor shall remain obligated under this Agreement until released by Sub Zero, or until this Agreement is terminated and all post-term obligations pursuant to Section 14 are fulfilled. In addition, in the event Franchisee is a corporation, the stock of such corporation shall not be publicly sold or traded on any securities exchange or in the over-the-counter market without the express prior written consent of Sub Zero, which consent may be given or denied in Sub Zero's sole discretion. Any purported Transfer made in violation of this Section 14(b) shall be null and void.

Franchisee shall not place any 'for sale' signage or other in-store advertising or marketing materials otherwise stating or alluding that the Franchise is for sale by Franchisee, that Franchisee is looking to sale or Transfer the Franchise, or to solicit potential candidates to whom Franchisee could Transfer the Franchise or any of its assets. Franchisee acknowledges and agrees that any violation of the preceding sentence shall constitute a substantial default and material breach of this Agreement.

(c) Requirements for Transfer or Assignment. The consent of Sub Zero to a Transfer by Franchisee shall not be unreasonably withheld if Franchisee, the Transfer, and the prospective transferee meet Sub Zero's criteria, which shall include, but is not limited to, the following conditions:

- (i) Franchisee (and each of its Owners) is in full compliance with this Agreement;
- (ii) Franchisee provides timely notice to Sub Zero of the proposed transfer and requests that Sub Zero provide the prospective transferee with Sub Zero's current form of disclosure document required by applicable laws, and a receipt for such document shall be delivered to Sub Zero; provided, however, that Sub Zero shall not be liable for any representations other than those contained in such disclosure document;
- (iii) The proposed transferee and its direct and indirect owners must be persons of good character and reputation, must otherwise meet Sub Zero's then-applicable standards for Sub Zero Store or Mobile Operations franchisees, and must agree to execute Sub Zero's then-current form of franchise agreement with appropriate modifications to reflect the terms of such Transfer.
- (iv) the transferee has sufficient business experience, aptitude and financial resources to operate the Franchise;
- (v) Franchisee has paid all Royalties, Brand Development Fees, amounts owed for purchases by Franchisee from Sub Zero and any affiliates, and all other amounts owed to Sub Zero or affiliates or to third-party creditors, and has submitted to Sub Zero all required reports, financial statements, tax returns and other documents requested by Sub Zero. If the initial franchise fee has not yet been paid in full, it must be paid in full despite the due date for payment established by this Agreement or the Promissory Note;
- (vi) the transferee and/or its management personnel have completed Sub Zero's training program to Sub Zero's satisfaction;
- (vii) the transferee pays Sub Zero its then-current transfer fee (the "Transfer Fee") for training and assistance furnished by Sub Zero to the transferee and transfer expenses incurred by Sub Zero. Payment of the Transfer Fee shall relieve the transferee of the obligation to pay the initial franchise fee but does not relieve the transferee of its obligation to make any other payment described herein;

- (viii) Franchisee (and its transferring Owners) have executed a general release, in a form satisfactory to Sub Zero, of any and all claims against Sub Zero and its affiliates and their respective officers, directors, members, employees and agents;
 - (ix) Sub Zero has approved the material terms and conditions of such Transfer and has determined that the price and terms of payment will not affect adversely the transferee's operation of the Franchised Business;
 - (x) if Franchisee or any Owner finances any part of the sale price of the transferred interest, then Franchisee and/or its Owners have agreed that all obligations of the transferee under or pursuant to any promissory notes, agreements or security interests reserved by Franchisee or its Owners in the assets of the Franchise are subordinate to the transferee's obligations to pay Royalties, Brand Development Fees and other amounts due to Sub Zero and its affiliates and otherwise to comply with this Agreement;
 - (xi) Franchisee and each of its transferring Owners (and their respective spouses and any children who have been employed by, or in any way participated in the operation of, the Franchise), have executed a non-competition covenant in favor of Sub Zero and the transferee agreeing that, for a period of 730 days commencing on the effective date of the Transfer, they will not (except with respect to other Franchises owned and operated by Franchisee) hold any direct or indirect interest (through a spouse or child of Franchisee or any Owner or otherwise) as a disclosed or beneficial owner, investor, partner, director, officer, manager, employee, consultant, representative or agent, or in any other capacity, in any business that offers desserts or ice cream as its primary menu item, and is, or is intended to be, located at or within a 10 mile radius of the Franchise Location, the Franchise Territory or any other Sub Zero Store or Mobile Operation. The restrictions of this Paragraph are not applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent two percent (2%) or less of the issued and outstanding securities of that class of securities. Franchisee and its Owners expressly acknowledge that they possess skills and abilities of a general nature and have other opportunities for exploiting such skills, so that enforcement of the covenants made in this Section 14(c)(xi) will not deprive them of their personal goodwill or ability to earn a living; and
 - (xii) Franchisee and each of its transferring Owners have agreed that each will not directly or indirectly at any time or in any manner (except with respect to other Sub Zero Stores or Mobile Operation owned and operated by Franchisee) identify himself or any business as a current or former Sub Zero Store or Mobile Operation, or as a franchisee, licensee or dealer of Sub Zero or any of its affiliates, use any Licensed Mark, any colorable imitation thereof or other indicia of a Sub Zero Store or Mobile Operation in any manner or for any purpose, or utilize for any purpose any trade name, trademark or other commercial symbol that suggests or indicates a connection or association with Sub Zero or any of its affiliates.
 - (xiii) Franchisee shall submit to Sub Zero prior to any proposed Transfer of any equity or voting interest in Franchisee, and at any other time upon request, a list of all holders of direct or indirect equity and voting interests in Franchisee reflecting their respective present and/or proposed direct or indirect interests in Franchisee, in such form as Sub Zero may require.
- (d) Death or Incompetency. Upon the death or mental or physical incompetency (as reasonably determined by an independent third party such as a licensed doctor) of any person with any direct or indirect interest in Franchisee and who has managerial responsibility for the operation of the Franchise, the executor, administrator, or personal representative of such person shall transfer his or her interest to a

third party approved by Sub Zero within six (6) months after the death or finding of incompetency. Such transfers shall be subject to the same conditions as any other Transfer and to compliance with Section 14(c)(iv). If the heirs or beneficiaries of any such person are unable to meet the conditions in Section 14(c), then Sub Zero may terminate this Agreement. In the event of Franchisee's death or finding of incompetency, Franchisee hereby grants to Sub Zero the right, but not the obligation, to take such steps as are necessary to manage the Franchise for the account of Franchisee, and to receive a reasonable fee for such services.

(e) Initial Transfer to Legal Entity. Notwithstanding the foregoing, it is understood that Franchisee (if an individual) may assign this Agreement, the Franchise, and/or Franchisee's rights and obligations hereunder on one occasion to a legal entity organized by Franchisee for that purpose only and at least a majority of all the issued and outstanding shares of voting stock and/or equity interest of which shall be owned and voted continuously by Franchisee, and further provided that Sub Zero shall have approved in advance all other shareholders of such corporation or others holding equity or voting interests, which consent shall not be unreasonably withheld. Sub Zero shall be given prior written notice of such assignments and delegation, and thereupon such corporation shall have all of such rights and obligations, and the term "Franchisee" as used herein shall refer to such legal entity; provided, however, that such assignment shall in no way affect the obligations hereunder of the individual above designated "Franchisee," who shall remain fully bound by and responsible for the performance of all of such obligations, jointly and severally with such entity.

(f) No Waiver. Sub Zero's consent to a Transfer of any interest in the Franchisee granted herein shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Sub Zero's right to demand exact compliance with any of the terms of this Agreement by the transferee.

(g) Collateral Agreements. Sub Zero will not require approval of the assignment of all or any part of the assets of the Franchise or the stock or other interests in Franchisee, excluding this Agreement, or any of the rights granted hereunder, to a bank or other lending institution as collateral security for loans made directly to or for the benefit of the Franchise. Such approval, however, will be required for any proposed assignment or hypothecation of this Agreement or any of the rights granted hereunder, which approval will not permit further transfers or assignments of this Agreement or the Franchise, without compliance with the provisions of this Section 14.

(h) Right of First Refusal. If Franchisee at any time determines to Transfer for consideration an interest in this Agreement and the Franchise, or an ownership interest in Franchisee, then Franchisee or such Owner agrees to obtain a bona fide, executed written offer and earnest money deposit, in an amount of not less than five percent (5%) of the offered price, from a responsible and fully disclosed offeror (such disclosure of the offeror must include lists of the owners of record and beneficially of any corporate or limited liability company offeror and of all general and limited partners or members of any partnership offeror and, in the case of a publicly-held entity, copies of its most recent annual and quarterly reports and Form 10K), and must immediately submit to Sub Zero a true and complete copy of such offer, which includes details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. The offer must apply only to an interest in this Agreement and the Franchise, or in Franchisee, and may not include an offer to purchase any other property or rights of Franchisee. However, if the offeror proposes to buy any other property or rights from Franchisee under a separate, contemporaneous offer, such separate, contemporaneous offer must be disclosed to Sub Zero, and the price and terms of purchase offered to Franchisee, or its Owners for the interest in this Agreement and the Franchise, or in Franchisee, must reflect the bona fide price offered therefor and must not reflect any value for any other property or rights.

- (i) Sub Zero will have the right, exercisable by written notice delivered to Franchisee or its selling Owner(s) within thirty (30) days from the date of delivery to Sub Zero of an exact copy of such offer and of the required disclosures relating to the offeror, to purchase such interest for the price and on the terms and conditions contained in such offer, provided that:
 - (A) Sub Zero may substitute cash for any form of payment proposed in such offer;
 - (B) Sub Zero's credit will be deemed equal to the credit of any proposed purchaser; and
 - (C) Sub Zero will have not less than ninety (90) days after giving notice of its election to purchase, to prepare for closing.
- (ii) In connection with its purchase of such interest, Sub Zero is entitled to receive, and Franchisee and its Owners agree to make, all customary representations and warranties given by the seller of the assets of a business or of the capital stock of or other forms of ownership interest in an Entity, as applicable, including, without limitation, representations and warranties as to:
 - (A) ownership, condition of and title to stock or other form of ownership interest and/or assets;
 - (B) liens and encumbrances relating to the stock or other form of ownership interest and/or assets; and
 - (C) the validity of contracts and the liabilities, contingent or otherwise, of the entity whose ownership interests are being purchased.
- (iii) In addition, Sub Zero will be entitled to a noncompetition covenant from Franchisee and its selling Owners as provided in Section 13(b) hereof with respect to a Transfer.
- (iv) If Sub Zero does not exercise its right of first refusal, Franchisee or its Owners may complete the sale to such purchaser pursuant to and on the exact terms of such offer, subject to Sub Zero's approval of the Transfer as provided in paragraphs (b) and (c) of this Section, provided that if the sale to such purchaser is not completed within one hundred twenty (120) days after delivery of such offer to Sub Zero, or if there is a material change in the terms of the sale, Sub Zero will have an additional right of first refusal during the thirty (30) day period following either the expiration of such one hundred twenty (120) day period, or the material change in the terms of the sale, either on the terms originally offered or the modified terms, at Sub Zero's option.

15. DEFAULT AND TERMINATION

- (a) Termination by Franchisee. If Franchisee and its Owners are in compliance with this Agreement and Sub Zero materially fails to comply with this Agreement and such failure is not corrected within sixty (60) days after written notice of such material failure is received by Sub Zero, then Franchisee may terminate this Agreement effective thirty (30) days after delivery to Sub Zero of notice of termination.
- (b) Termination by Sub Zero Without Opportunity to Cure. Sub Zero has the right to terminate this Agreement, effective upon delivery of notice of termination to Franchisee, if Franchisee (or any Owner):

- (i) fails to open the Franchise as outlined in the “Franchise Opening” and “Extension of Opening” sections above;
- (ii) fails to successfully complete the initial training program to the satisfaction of Sub Zero;
- (iii) abandons or fails actively to operate the Franchise for three (3) or more consecutive business days, unless the Franchise has been closed for a purpose approved by Sub Zero or because of fire, flood or other casualty;
- (iv) makes, or has made, any materially false statement or report to Sub Zero in connection with this Agreement or application therefore;
- (v) is or has been convicted by a trial court of or pleads or has pleaded no contest to a felony;
- (vi) engages in any dishonest or unethical conduct that may adversely affect the reputation of the Franchise or other Sub Zero Stores or Mobile Operations or the goodwill associated with the Licensed Marks;
- (vii) loses the right of occupancy of the Franchised Location or the Mobile Unit and does not relocate and reopen the Franchise at a site approved by Sub Zero within ninety (90) days after the Franchise is closed;
- (viii) transfers or attempts to transfer this Agreement, an ownership interest in Franchisee, or the Franchise without complying with Section 14 of this Agreement;
- (ix) in the event of the death or permanent disability of Franchisee or of an Owner of a controlling interest in Franchisee, fails to transfer the interest of Franchisee or such Owner in this Agreement and the Franchise, or in Franchisee, pursuant to the terms of Section 14(d) Agreement;
- (x) makes any unauthorized use or disclosure of any Confidential Information or uses, duplicates or discloses any portion of the Confidential Operating Manuals or Proprietary Products in violation of this Agreement;
- (xi) intentionally understates the Franchise’s Gross Sales in any report or financial statement;
- (xii) fails to pay when due any federal or state income, service, sales or other taxes arising from operation of the Franchise, unless Franchisee is in good faith contesting its liability for such taxes;
- (xiii) receives from Sub Zero three (3) or more notices to cure the same or similar defaults or violations of this Agreement during any twelve (12) month period;
- (xiv) fails on three (3) or more separate occasions within any consecutive twelve (12) month period, after receipt of written notice thereof, to submit when due reports or other data, information or supporting records or to pay when due the Royalties, Brand Development Fees, Promissory Note payments, or other payments due to Sub Zero or its affiliates or otherwise to comply with this Agreement, whether or not such failures to comply were corrected after such written notice was delivered to Franchisee; or

- (xv) makes an assignment for the benefit of creditors or admits in writing his insolvency or inability to pay his debts generally as they become due; or consents to the appointment of a receiver or trustee or liquidator of all or the substantial part of his property; or the Franchise is attached, seized, subjected to a writ or distress warrant, or levied upon, unless such attachment, seizure, writ, warrant or levy is vacated within thirty (30) days; or any order appointing a receiver, trustee or liquidator of the Franchise or of Franchisee is not vacated within thirty (30) days following the entry of such order.

In addition, Sub Zero shall also have the right to terminate this Agreement, effective upon delivery of notice of termination to Franchisee, if any of the foregoing occur in connection with any other agreement between Franchisee (or any Owner) and Sub Zero or its affiliates.

(c) Termination by Sub Zero With Opportunity to Cure. Sub Zero has the right to terminate this Agreement, effective upon delivery of notice of termination to Franchisee if Franchisee (or any Owner):

- (i) fails or refuses to comply with the System or any portion thereof relating to the cleanliness or sanitation of the Franchise or violates any health, safety or sanitation law, ordinance or regulation and does not correct such noncompliance within seventy-two (72) hours after written notice thereof is delivered to Franchisee;
- (ii) fails to report accurately the Franchise's Gross Sales or fails to make payments of any amounts due Sub Zero for Royalties, Brand Development Fees, Promissory Note payments, or any other amounts due to Sub Zero or affiliates of Sub Zero under this Agreement, and does not correct such failure within ten (10) days after written notice of such failure is delivered to Franchisee;
- (iii) fails to comply with any provision of this Agreement or the System, or any portion thereof, other than those provisions provided for in Section 15(b), and does not correct such failure within thirty (30) days after written notice of such failure to comply is delivered to Franchisee; or, if such failure cannot reasonably be corrected within thirty (30) days, fails to provide within thirty (30) days after such notice proof reasonably acceptable to Sub Zero of the commencement and diligent continuation of efforts which are reasonably calculated to correct such failure within a reasonable time, which in no event may be more than sixty (60) days after such notice, or to correct such failure within sixty (60) days after written notice of such failure to comply is delivered to Franchisee; or
- (iv) fails, for a period of fifteen (15) days after notification of non-compliance by appropriate authority to comply with any law or regulation applicable to the operation of the Franchise;

(d) Time Frames Subject to Applicable Laws. The provisions of this Agreement may state periods of notice less than those required by applicable law. They may provide for termination, cancellation, non-renewal or the like other than according to applicable law. They will be extended or modified to comply with applicable law.

(e) Option To Purchase Franchise. At any time upon 60 days advance written notice to Franchisee, Sub Zero or its assignee shall have the option and right to purchase from Franchisee the Franchise and all of its assets, including without limitation any equipment, fixtures, furnishings, signs, and inventory reasonably necessary to the operation of the Franchise. Sub Zero will have the unrestricted right to assign this option to close the purchase. Sub Zero or its assignee will be entitled to all customary warranties and representations in connection with its asset purchase, including, without limitation, representations and

warranties as to ownership, condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise.

The purchase price for the Franchise pursuant to this Section will be an amount equal to 7 times the Franchise's **EBITDA** for the previous 12 months, calculated from the date of notice of exercise of the option to purchase. For purposes of determine the purchase price, EBITDA is defined as the Gross Sales reported from the Franchise minus expenses (excluding interest, taxes, depreciation and amortization).

The purchase price will be paid at the closing of the purchase, which will take place not later than 60 days after the date of written notice of exercise of the option to purchase. Sub Zero will have the right to set off against and reduce the purchase price by any and all amounts owed by Franchisee or its Owners to Sub Zero and its affiliates. At the closing, Franchisee agrees to deliver instruments transferring to Sub Zero or its assignee: (A) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to Sub Zero or its assignee), with all sales and other transfer taxes paid by Franchisee; (B) all licenses and permits of the Franchise which may be assigned or transferred; and (C) the leasehold interest in the Franchised Location and improvements thereon, or free and clear title to the fee interest in the Franchised Location and improvements thereon. In the event Franchisee cannot deliver clear title to all of the purchased assets as aforesaid, or in the event there are other unresolved issues, the closing of the sale will be accomplished through an escrow.

If Franchisee (or any Owner or affiliated entity of Franchisee) owns the Franchise Location and any improvements thereon, Sub Zero will have the right, at its option, either to: (A) assume the leasehold interest in the Franchised Location; or (B) to lease the Franchised Location and such improvements from the owner(s) thereof on terms comparable to those for which similar commercial properties in the area are then being leased, for a lease term equal to the term of the standard franchise agreement then being offered for Sub Zero Stores similar to the Franchised Store (or such shorter period as Sub Zero and the owner(s) of the Franchised Location may agree.

If Franchisee leases the Franchised Location from a third party, Franchisee agrees, at the election of Sub Zero: (A) to assign its leasehold interest in the Franchised Location to Sub Zero; or (B) to enter into a sublease for the remainder of the lease term on the same terms (including renewal options) as the prime lease.

If Sub Zero and Franchisee are unable to agree on the amount of the Franchise's EBITDA from which the purchase price is calculated, the Franchise's EBITDA will be determined by an independent accountant experienced in valuing businesses in the county in which Sub Zero's headquarters is then located (currently Utah County, Utah). Each party will pay half of the fee charged by the independent accountant. The parties may then present evidence of the value of the Franchise's EBITDA. The decision of the independent accountant will be conclusive. Any time within 30 days after receiving the independent accountant's decision, at Sub Zero's option, Sub Zero or its assignee may purchase the Franchise and its assets for the purchase price based on the EBITDA determined by the independent accountant. Sub Zero and Franchisee will use diligent and good faith efforts to secure a prompt resolution of all matters to be decided by the independent accountant under this Section.

16. POST TERMINATION OBLIGATIONS AND RIGHTS

(a) Obligations and Rights. Upon the expiration or termination of this Agreement for any reason, Franchisee shall immediately:

- (i) Cease to be a franchise owner of Sub Zero under this Agreement and cease to operate the former Franchise as a Sub Zero Store or Mobile Operation. Franchisee shall not thereafter,

directly or indirectly, represent to the public that the former Franchise is or was operated or in any way connected with Sub Zero Stores or Mobile Operations or hold itself out as a present or former franchise owner of Sub Zero;

- (ii) Pay all sums owing to Sub Zero within fifteen (15) days of termination or expiration, including interest and fees thereon.
- (iii) Return to Sub Zero, and/or cause all access to the Confidential Operating Manuals and all Confidential Information, including without limitation any customer lists or client lists, equipment and other property owned by Sub Zero, and all copies thereof. Franchisee shall retain no copy or record of any of the foregoing, provided Franchisee may retain its copy of this Agreement, any correspondence between the parties as reasonably required for compliance with any applicable provision of law.
- (iv) Take such action as may be required by Sub Zero to transfer and assign to Sub Zero or its designee or to disconnect and forward all telephone numbers, white and yellow page telephone references and advertisements, and all trade and similar name registrations and business licenses to Sub Zero or its designee, and to cancel any interest that Franchisee may have in the same;
- (v) Cancel or assign to Sub Zero all right, title and interest in any Internet and website home pages, domain name listings, electronic addresses and all other registrations or designations that contain the Licensed Marks, or any of them, in whole or in part, and shall notify all applicable domain name registrars and all listing agencies of the termination of Franchisee's right to use such registration or designation, and authorize and instruct that such be cancelled or transferred to Sub Zero, as directed by Sub Zero.
- (vi) Cease to use in any manner whatsoever: (A) the System and/or any methods, procedures or techniques associated with the System; (B) the Licensed Marks and any other marks and source indicator associated with Sub Zero Stores or Mobile Operations; (C) any mark that indicates an association or connection with Sub Zero; (D) software, programs, content or other materials in any medium; and (E) any passwords or electronic access devices or information.
- (vii) If Sub Zero does not exercise its right to purchase the Franchise pursuant to Section 16(c), then remove all trade dress, physical characteristics, color combinations and other indications of operation under the System from the Franchise Location. Without limiting the generality of the foregoing, Franchisee shall remove all signage bearing the Licensed Marks, and, upon Sub Zero's request, deliver all signs to Sub Zero, and will remove any items that are characteristic of the System trade dress from the Franchise Location or Mobile Unit vehicles, trailers, carts, or equipment, and make such alterations as necessary to distinguish the Franchise Location or Mobile Unit from its former appearance as a Sub Zero Store or Mobile Operation, including repainting, reconfiguring the interior space and design and fully complying with Sub Zero's then current de-characterization check list. Until all modifications and alterations are completed, Franchisee will maintain a conspicuous sign in a form Sub Zero specifies stating that Franchisee is no longer associated with Sub Zero. Franchisee will advise all customers or prospective customers coming to the Franchise or telephoning Franchisee that Franchisee is no longer associated with Sub Zero. If Franchisee fails to make such alterations within 30 days after termination or expiration of this Agreement, Franchisee agrees that Sub Zero or its designated agents may enter upon the Franchise Location at any time to make such alterations, at Franchisee's sole risk and

expense, without liability for trespass. Sub Zero shall be entitled to acquire all such signage not removed by Franchisee in a timely manner.

(b) Damages and Liquidated Damages. Upon termination pursuant to any default by Franchisee, Franchisee agrees to pay Sub Zero, all actual and consequential damages and any costs and expenses (including reasonable attorneys' fees) incurred by Sub Zero as a result of any occurrence listed in Sections 15(b) or (c). Franchisee acknowledges and agrees that it does not have the right to terminate this Agreement, except as provided in Section 15(a), or as otherwise agreed in writing by the parties, and that any termination of this Agreement by Franchisee that is not in accordance with the terms of Section 15(a), or any termination of this Agreement by Sub Zero in accordance with Sections 15(b) and (c), may result in lost future revenue and profits to Sub Zero, harm to the goodwill associated with the Licensed Marks, and increased costs to Sub Zero to re-develop or re-franchise the market in which the Franchise is located.

Accordingly, in the event that Franchisee terminates this Agreement other than in accordance with the terms of Section 15(a), or if Sub Zero terminates this Agreement pursuant to Sections 15(b) and (c), then Franchisee shall pay to Sub Zero within fifteen (15) days of such termination as liquidated damages, the amount of royalty fees that would have been owed from the date of termination through the end of the term of this Agreement. This amount will be calculated based on the average monthly royalty fees incurred (whether or not actually paid by you) for the 12 months immediately preceding the date of termination. Or, if you operated your franchise for less than 12 months immediately preceding the date of termination, then these liquidated damages will be calculated based on the average monthly royalty fees incurred (whether or not actually paid) during the period you operated the franchise. The parties hereby acknowledge and agree that the actual damages that would be incurred by Sub Zero in the event of any breach or early termination of this Agreement by Franchisee would be difficult to calculate and that the liquidated damages provided for in this Agreement are fair and reasonable under the circumstances. The parties further acknowledge and agree that the liquidated damages specified in this Section 16(b) are only intended to compensate Sub Zero for the early termination of this Agreement and Sub Zero's loss of revenue resulting therefrom, but not for any other breach of this Agreement by Franchisee or any other damages incurred by Sub Zero, and all remedies applicable thereto remain available to Sub Zero.

(c) Right To Purchase Franchise upon Termination.

- (i) Upon termination of this Agreement prior to its expiration by Sub Zero in accordance with the terms of this Agreement, or by Franchisee not in accordance with the terms of this Agreement, Sub Zero or its assignee will have the option, exercisable by giving written notice thereof within sixty (60) days from the date of such termination, to purchase from Franchisee the Franchise, including the fee ownership or leasehold rights to the Franchised Location and any Mobile Unit vehicles, trailers, carts, and equipment. Sub Zero will have the unrestricted right to assign this option to close the purchase. Sub Zero or its assignee will be entitled to all customary warranties and representations in connection with its asset purchase, including, without limitation, representations and warranties as to ownership, condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise.
- (ii) If Franchisee (or any Owner or affiliated entity of Franchisee) owns the Franchise Location and any improvements thereon, Sub Zero will have the right, at its option, either (A) to lease the Franchised Location and such improvements from the owner(s) thereof on terms (other than economic terms) comparable to those for which similar commercial properties in the area are then being leased, for a lease term equal to the term of the standard franchise agreement then being offered for Sub Zero Stores similar to the Franchised Store (or such

shorter period as Sub Zero and the owner(s) of the Franchised Location may agree; or (B) to purchase the fee interest in the Franchised Location.

- (iii) Concurrently with the execution of this Agreement, Franchisee agrees to cause Franchisee, its Owners and/or any affiliated entity who own the Franchised Location to execute a rider and other documents evidencing their agreement to be bound by this provision.
- (iv) If Franchisee leases the Franchised Location from a third party, Franchisee agrees, at the election of Sub Zero: (A) to assign its leasehold interest in the Franchised Location to Sub Zero; or (B) to enter into a sublease for the remainder of the lease term on the same terms (including renewal options) as the prime lease.
- (v) The purchase price for the Franchise and the fee or leasehold interest in the Franchised Location or Mobile Unit vehicles, trailers, carts and equipment, as applicable, will be their fair market value, determined in a manner consistent with reasonable depreciation of leasehold improvements owned by Franchisee and the equipment, fixtures, furnishings, signs and inventory of the Franchised Store, provided that the Franchised Store will be valued as an independent business and its value will not include any value for: (A) any rights granted by this Agreement; (B) the Licensed Marks; or (C) participation in the network of Sub Zero Stores.
- (vi) Franchisee acknowledges that the fee or leasehold interest in the Franchised Location or the Mobile Unit vehicles, trailers, carts and equipment and any improvements thereon will be valued as used for the operation of the Franchise. The fair market value of the Franchise will include the goodwill developed by Franchisee in the market of the Franchise that exists independent of the goodwill of the Licensed Marks and the System. If applicable, the length of the remaining term of the lease for the premises of the Franchised Store will also be considered in determining the fair market value of the Franchise.
- (vii) Sub Zero may exclude from the assets purchased hereunder cash or its equivalent and any equipment, fixtures, furnishings, signs and inventory that are not reasonably necessary (in function or quality) to the operation of the Franchise or that Sub Zero has not approved as meeting standards for Sub Zero Stores or Mobile Operations, and the purchase price will reflect such exclusions.
- (viii) If Sub Zero and Franchisee are unable to agree on the fair market value of the Franchise, or on the lease terms for the Franchised Location or the fair market value of the fee interest in the Franchised Location, the Mobile Unit vehicles, trailers, carts and equipment and improvements, as applicable, the fair market value will be determined in the county in which our headquarters is then located (currently Utah County, Utah), by three appraisers. Each party must select one appraiser. The two appraisers chosen must then select a third appraiser. Each party will pay for its own appraiser and each party will pay half for the third appraiser. The parties may then present evidence of the value of the Franchise and fair terms for the purchase. The appraisers must exclude from their decision any amount or factor for the "goodwill" or "going concern" value of the Franchise. The decision of the majority of the appraisers will be conclusive. Any time within 30 days after receiving the appraisers' decision, at our option we may purchase the Franchise and your assets at the price and upon the terms determined by the appraisers. Sub Zero and Franchisee will use diligent and good faith efforts to secure a prompt resolution of all matters to be decided by appraisal under this Section.

- (ix) The purchase price will be paid at the closing of the purchase, which will take place not later than ninety (90) days after determination of the purchase price. Sub Zero and its affiliates will have the right to set off against and reduce the purchase price by any and all amounts owed by Franchisee or its Owners to Sub Zero and its affiliates. At the closing, Franchisee agrees to deliver instruments transferring to Sub Zero or its assignee: (A) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to Sub Zero or its assignee), with all sales and other transfer taxes paid by Franchisee; (B) all licenses and permits of the Franchise which may be assigned or transferred; and (C) the leasehold interest in the Franchised Location and improvements thereon, or free and clear title to the fee interest in the Franchised Location and improvements thereon. In the event Franchisee cannot deliver clear title to all of the purchased assets as aforesaid, or in the event there are other unresolved issues, the closing of the sale will be accomplished through an escrow.

17. INSURANCE

(a) Required Insurance. Franchisee shall, at its expense and no later than the earliest date on which Franchisee uses any of the Licensed Marks, procure and maintain in full force and effect throughout the term of this Agreement the types of insurance enumerated in the Confidential Operating Manuals or otherwise in writing which shall be in such amounts as may from time to time be required by Sub Zero, and which shall designate Sub Zero as an additional named insured, including at a minimum the following:

- (i) Employer's liability and workers' compensation insurance as prescribed by law;
- (ii) Comprehensive general liability insurance, including products liability coverage, of at least two million dollars (\$2,000,000) covering two or more persons and two or more incidences;
- (iii) You must have automobile liability insurance related to the vehicles used to offer catering services and school presentations (or if we approve of any delivery-related services), including owned, non-owned, leased and hired vehicle coverage, with a combined single limit of at least one million dollars (\$1,000,000) for death, personal injury and property damage.

(b) Delivery of Certificates. Franchisee shall deliver to Sub Zero upon acquisition of and then once annually certificates of all required insurance, showing Sub Zero as an additional insured, each of which shall contain a statement by the insurer that the policy will not be cancelled or materially altered without at least thirty (30) days prior written notice to Sub Zero. The procurement and maintenance of such insurance shall not relieve Franchisee of any liability to Sub Zero under any indemnity requirement of this Agreement.

18. TAXES, PERMITS, INDEBTEDNESS, COMPLIANCE WITH LAWS

(a) Taxes. Franchisee shall promptly pay when due any and all federal, state and local taxes including without limitation unemployment and sales taxes, levied or assessed with respect to any services or products furnished, used or licensed pursuant to this Agreement and all accounts or other indebtedness of every kind incurred by Franchisee in the operation of the Franchise.

Within **10** days after receipt of Sub Zero's relevant invoice, Franchisee agree to pay any and all amounts equal to any sales, gross receipts or similar tax assessed against or payable by Sub Zero and calculated on

continuing payments required to be paid under this Agreement, unless the tax is an income tax or an optional alternative to an income tax otherwise payable by Sub Zero.

(b) Compliance with Laws and Ethical Obligations. Franchisee shall operate the Franchise in full compliance with all applicable laws, ordinances and regulations, including but not limited to anti-discrimination laws and practices and shall maintain high standards of honesty, fair dealing and ethical conduct. Franchisee shall notify Sub Zero within five (5) days of receipt of any government or private notice or action that involves the Franchise or Franchisee's or its Owner's involvement therein. Franchisee acknowledges and agrees that it is Franchisee's sole responsibility to identify and obtain all authorizations, licenses, permits and other requirements necessary to operate the Franchise.

(c) Debts. Franchisee hereby expressly covenants and agrees to accept full and sole responsibility for any and all debts and obligations incurred in the operation of the Franchise.

19. INDEMNIFICATION AND INDEPENDENT CONTRACTOR

(a) Franchisee Indemnification. Franchisee agrees to protect, defend, indemnify, and hold harmless Sub Zero, its affiliates, and their respective directors, officers, agents, members, attorneys, shareholders, successors and assigns (jointly and severally, "Indemnitees") against and promptly to reimburse Indemnitees for all claims, actions, proceedings, damages, costs, expenses and other losses and liabilities, consequently, directly or indirectly incurred (including without limitation attorneys', experts' and accountants' fees) as a result of, arising out of, or connected with the ownership or operation of the Franchise, any Franchised Store and/or any Mobile Unit property or rights therein, and any third parties claims relating to content, graphics, photographs or other works of authorship provided by Franchisee to Sub Zero for the Locations Webpage. This indemnity will continue in full force and effect subsequent to and notwithstanding the termination or expiration of this Agreement.

(b) Independent Contractor. In all dealings with third parties including, without limitation, employees, suppliers and customers, Franchisee shall conspicuously disclose in a manner acceptable to Sub Zero that it is an independent entity licensed by Sub Zero, including placing notices of independent ownership on forms, business cards, stationary, advertising, websites, the Franchise and other locations as Sub Zero may require from time to time. Nothing in this Agreement is intended by the parties hereto to create a fiduciary relationship between them or to make Franchisee an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of Sub Zero for any purpose whatsoever. It is understood and agreed that Franchisee is an independent contractor and is in no way authorized to make any contract, warranty or representation or to create any obligation on behalf of Sub Zero.

(c) Inability to Bind the Other Party. Franchisee agrees not to employ any of the Licensed Marks in signing any contract or applying for any license or permit or in a manner that may result in Sub Zero's liability for any of Franchisee's indebtedness or obligations. Neither Sub Zero nor Franchisee will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name, or on behalf, of the other, represent that their relationship is other than franchisor and franchisee, or be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized in writing. Sub Zero will not be obligated for any damages to any person or property directly or indirectly arising out of the operation of the Franchise or Franchisee's business conducted pursuant to this Agreement.

20. ENFORCEMENT AND DISPUTE RESOLUTION

(a) Access. To ensure compliance with this Agreement and to enable Sub Zero to carry out its obligations under this Agreement, Franchisee agrees that Sub Zero and its designated agents shall be permitted, with or without notice, full and complete access during business hours to inspect the Franchise and all records thereof including, but not limited to, records relating to Franchisee's customers, products, suppliers, employees and agents. Franchisee shall cooperate fully with Sub Zero and its designated agents requesting such access.

(b) Equitable Relief. Sub Zero or its designee shall be entitled to obtain (without posting bond) declarations, temporary and permanent injunctions, and orders of specific performance, to enforce the provisions of this Agreement relating to Franchisee's use of the Licensed Marks, the obligations of Franchisee upon termination or expiration of this Agreement, and assignment of the Franchise and ownership interests in Franchisee or to prohibit any act or omission by Franchisee or its employees or agents that constitutes a violation of any applicable law or regulation, that is dishonest or misleading to prospective or current customers of businesses operated under the System, that constitutes a danger to other franchise owners, employees, customers or the public, or that may impair the goodwill associated with the Licensed Marks. If Sub Zero secures any declaration, injunction or order of specific performance pursuant to this Section 20(b), if any provision of this Agreement is enforced at any time by Sub Zero or if any amounts due from Franchisee to Sub Zero are at any time collected by or through an attorney at law or collection agency, Franchisee shall be liable to Sub Zero for all costs and expenses of enforcement and collection including, but not limited to, court costs and reasonable attorneys' and accountants' fees.

(c) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Utah, without reference to conflict of law provisions, which laws shall prevail in the event of any conflict.

(d) Jurisdiction and Venue. Franchisee consents to the jurisdiction of the state and federal courts of the State of Utah in all lawsuits relating to or arising out of this Agreement and hereby waives any defense Franchisee may have of lack of jurisdiction or venue in any such lawsuits filed in these courts. In all lawsuits relating to or arising out of the Agreement, Franchisee consents and agrees that it may be served with process outside the State of Utah in the same manner as service may be made within the State of Utah by any person authorized to make service by the laws of the state, territory, possession or country in which service is made or by any duly qualified attorney in such jurisdiction, and Franchisee hereby waives any defense it may have of insufficiency of service of process relating to such service. This method of service shall not be the exclusive method of service available in such lawsuits and shall be available in addition to any other method of service allowed by law.

(e) Waiver of Punitive Damages and Jury Trial. Without limiting Franchisee's obligations to indemnify Sub Zero pursuant to this Agreement, each party waives to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agrees that, in the event of a dispute between them, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains, except as otherwise provided in Section 20(b). Each party irrevocably waives any right to a jury trial, with respect to any dispute arising out of or relating to this Agreement to the fullest extent permitted by applicable law.

(f) Dispute Resolution. If a dispute arises between the parties, before commencing any legal action, the parties agree to participate in at least 4 hours of mediation in accordance with the mediation procedures of the American Arbitration Association or of any similar organization that specializes in the mediation of commercial business disputes. The parties involved in any such mediation agree to equally share the mediator fees. The parties expressly agree that it is preferable to resolve all disputes as effectively and professionally as possible and hereby agree that any dispute, controversy, issue, claim,

action and controversy between the parties, their affiliates and respective shareholders, members, managers, officers, directors, agents, employees and attorneys arising out of or relating to this Agreement, or any other agreement between such parties or any provision of such agreements, the Franchise, Sub Zero Stores or Mobile Operations or their relationship that is brought under any theory of law, except as expressly excluded (“Dispute”), will be exclusively processed in the following manner:

1. All Disputes shall be submitted to binding arbitration to take place exclusively in Salt Lake City, Utah, in accordance with the current commercial arbitration rules of the American Arbitration Association upon demand of either party. 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, except that if the federal arbitration act is held not to apply with respect to an arbitration between Sub Zero and a franchisee located in the state of Utah, such arbitration will be governed by the Utah Arbitration Act (Utah Code Ann. §§78-31a-1 through 78-31a-20).

Except as limited by this Agreement, the arbitrator will have the right to award or include in his award any relief which he deems proper in 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 mark 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. The parties agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. The parties 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.

Sub Zero and Franchisee agree that arbitration will be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between Sub Zero and Franchisee (affiliates of Franchisee and its Owners) may not be consolidated with any other arbitration proceeding between Sub Zero and any other person.

Notwithstanding anything to the contrary contained in this section, Sub Zero and Franchisee each have the right to obtain temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that the parties agree to contemporaneously submit their dispute for arbitration on the merits as provided herein.

The provisions of this Section 20(f) will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this agreement.

2. The parties will bear their own costs and attorneys’ fees in relation to any arbitration or court proceeding relating to a Dispute, except as otherwise expressly provided in this Agreement.

(g) Limitation of Action. Except where specifically disallowed by applicable law, Franchisee agrees that no cause of action arising out of or related to this Agreement or the relationship of the parties shall be maintained by Franchisee against Sub Zero or Sub Zero’s affiliates or representatives unless brought before the earlier of: (i) the expiration of **one** year after the act, transaction occurrence, or omission upon which such action is based; or (ii) the expiration of **one** year after Franchisee has knowledge or becomes aware of the facts or circumstances reasonably indicating that Franchisee may have a claim against Sub

Zero or Sub Zero's affiliates or representatives. Any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off.

21. GENERAL

(a) Approval. Whenever this Agreement requires, or Franchisee desires to obtain, Sub Zero's approval, Franchisee shall make a timely written request. Unless a different time period is specified in this Agreement, Sub Zero shall respond with its approval or disapproval within fifteen (15) days of receipt of such request. If Sub Zero has not specifically approved a request within such fifteen (15) day period, such failure to respond shall be deemed disapproval of any such request.

(b) Waiver. No failure of Sub Zero to exercise any power reserved to it by this Agreement and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Sub Zero's right to demand exact compliance with any of the terms herein. No waiver or approval by Sub Zero of any particular breach or default by Franchisee, nor any delay, forbearance or omission by Sub Zero to act or give notice of default or to exercise any power or right arising by reason of such default hereunder, nor acceptance by Sub Zero of any payments due hereunder shall be considered a waiver or approval by Sub Zero of any preceding or subsequent breach or default by Franchisee of any term, covenant or condition of this Agreement.

Franchisee shall give to Sub Zero immediate written notice of any alleged fraud, misrepresentation, violation of law, or breach or violation of this Agreement as soon as possible after Franchisee has knowledge or becomes aware that there has been a fraud, misrepresentation, violation of law, or breach or violation of this Agreement by Sub Zero or its affiliates or representatives. Failure to give written notice to Sub Zero of any claimed fraud, misrepresentation, violation of law, or breach or violation of this Agreement within **one** year from the earlier of: (i) the date of the act, transaction, occurrence, or omission upon which claimed fraud misrepresentation, violation of law, or breach or violation of this Agreement is based; or (ii) the date that Franchisee has knowledge or becomes aware of the act, transaction, occurrence or omission or facts or circumstances reasonably indicating that Franchisee may have a claim against Sub Zero or against any of Sub Zero's affiliates or representatives under any federal, state, or local law, or common law; then the alleged fraud, misrepresentation, violation of law, or breach or violation of this Agreement will be considered to have been approved and waived by Franchisee. Franchisee shall be barred from commencing any legal, arbitration, or other action or making any counterclaim against Sub Zero or Sub Zero's affiliates or representatives, for the alleged fraud, misrepresentation, violation of law, or breach or violation of this Agreement, or from using the alleged act, transaction, occurrence, or omission as a defense to any action Sub Zero may maintain against Franchisee. Franchisee hereby waives the right to obtain any remedy based on any alleged fraud, misrepresentation, or deceit by Sub Zero or its affiliates and representatives, including without limitation rescission of this Agreement, in any action, arbitration or other proceeding, except as expressly provided in this Agreement or pursuant to any right expressly granted by any applicable statute, regulation or rule specifically regulating the sale of franchises.

(c) Disclaimer. No warranty or representation is made by Sub Zero that all System franchise agreements heretofore or hereafter issued by Sub Zero do or will contain terms substantially similar to those contained in this Agreement. Further, Franchisee recognizes and agrees that Sub Zero may, in its sole discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other franchise agreements heretofore or hereafter granted to other Sub Zero franchisees in a non-uniform manner.

(d) Amendment. No amendment, change or variance from this Agreement shall be binding upon either Sub Zero or Franchisee except by mutual written agreement. If an amendment of this Agreement is executed at Franchisee's request, any legal fees or costs of preparation in connection therewith shall, at the option of Sub Zero, be paid by Franchisee. If an amendment of this Agreement is executed at Sub Zero's request, any legal fees or costs of preparation in connection therewith shall be paid by Sub Zero.

(e) Notice. Any notice required to be given hereunder shall be in writing and shall be either mailed by certified mail, return receipt requested or delivered by a recognized courier service, receipt acknowledged. Notices to Franchisee and Sub Zero shall be addressed to it at the addresses listed in the introduction to this Agreement. Any notice complying with the provisions hereof shall be deemed to be given three (3) days after mailing, or on the date of receipt, whichever is earlier. Each party shall have the right to designate any other address for such notices by giving notice thereof in the foregoing manner, and in such event all notices to be mailed after receipt of such notice shall be sent to such other address.

(f) Severability. Should any provision of this Agreement be for any reason held invalid, illegal or unenforceable by a court of competent jurisdiction, such provision shall be deemed restricted in application to the extent required to render it valid, and the remainder of this Agreement shall in no way be affected and shall remain valid and enforceable for all purposes, both parties hereto declaring that they would have executed this Agreement without inclusion of such provision. In the event such total or partial invalidity or unenforceability of any provision of this Agreement exists only with respect to the laws of a particular jurisdiction, this paragraph shall operate upon such provision only to the extent that the laws of such jurisdiction are applicable to such provision. Each party agrees to execute and deliver to the other any further documents that may be reasonably required to effectuate fully the provisions hereof. Franchisee understands and acknowledges that Sub Zero shall have the right, in its sole discretion, on a temporary or permanent basis, to reduce the scope of any covenant or provision of this Agreement binding upon Franchisee, or any portion hereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof and Franchisee agrees that it will comply forthwith with any covenant as so modified, which shall be fully enforceable. The parties agree that each provision of this agreement shall be construed as independent of any other provision of this Agreement. Should any part of one or more of these restrictions be found to be unenforceable by virtue of its scope in terms of area, business activity prohibited or length of time, and should such part be capable of being made enforceable by reduction of any or all such restrictions, Franchisee and Sub Zero agree that the same shall be enforced to the fullest extent permissible under the law.

(g) Force Majeure. The failure of any party to perform under this Agreement will be excused, if the failure to perform is caused by a Force Majeure provided the party so affected will give the other party immediate written notice of the cause of nonperformance, will use its best efforts to avoid or remove the cause, and will continue full performance under this Agreement whenever the cause is removed. "Force Majeure" includes, without limitations, any event caused by or resulting from conditions that are beyond the reasonable control of a party whose performance is affected and occurring without the party's fault or negligence. Examples of events of Force Majeure include, without limitation, an act of God; labor strike or other industrial disturbance; revolution; riot; civil commotion; acts of public enemies; catastrophe; failure of third party suppliers not under a party's control; transportation delay; war; insurrection; epidemic or pandemic; fire; hurricane; flood; earthquake or other natural disaster; adverse acts of any government; materials or labor shortage; failure of third party suppliers; social unrest or upheaval; economy/fiscal emergency or crisis; banking systems delays or failure; abnormal inflation or deflation; delay or an act or failure to act of the other party; accidental, negligent, or purposeful act or failure to act by a party or by any third person that materially damages or diminishes the value of the Marks; etc.

(h) Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts together shall constitute one and the same instrument.

(i) Community Property. If, by virtue of the community property laws of any state, Franchisee's spouse is deemed to have any property interest in this Agreement, the ownership of Franchisee or the Franchise, Sub Zero will have the right to require Franchisee's spouse to consent to and join in:

- (i) all of the terms and conditions of the Agreement and any amendments thereto; and
- (ii) in any designation of a successor pursuant of this Agreement.

If Sub Zero purchases the Franchise subsequent to the death or permanent disability of Franchisee, or an Owner of Franchisee, Sub Zero will be deemed to have complied with its purchase obligation so long as Sub Zero tenders the purchase price jointly to the estate or personal representative of Franchisee or such Owner of Franchisee, and the surviving spouse of such person. Sub Zero will have no obligation to see to the apportionment of such purchase price between any claimants thereto.

(j) Headings. The table of contents, headings and captions contained herein are for the purposes of convenience and reference only and are not to be construed as a part of this Agreement. All terms and words used herein shall be construed to include the number and gender as the context of this Agreement may require. The parties agree that each section of this Agreement shall be construed independently of any other section or provision of this Agreement.

(k) Construction. This Agreement together with the introduction, preambles, exhibits and Confidential Operating Manuals, constitutes the entire agreement of the parties, and there are no other oral or written understandings or agreements between Sub Zero and Franchisee relating to the subject matter of this Agreement (and any understandings or agreements reached, and any representations made, before the date of this Agreement are superseded by this Agreement), except that Franchisee acknowledges that Sub Zero justifiably has relied on Franchisee's representations made prior to the execution of this Agreement. Except as contemplated by the arbitration provisions of Section 20(f) hereof, nothing in this Agreement is intended, nor is deemed, to confer any rights or remedies upon any person or legal entity not a party hereto. The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit or construe the contents of such sections or paragraphs. The term "Franchisee" as used herein is applicable to one or more persons or an entity, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two or more persons are at any time Franchisee hereunder, whether or not as partners or joint venturers, their obligations and liabilities to Sub Zero are joint and several. The term "affiliate" as used herein with respect to an affiliate of Franchisee means any entity directly or indirectly owned or controlled by, or under common control with, or owning or controlling, Franchisee or of any Owner, and any spouse or child of Franchisee or any of its Owners. References to "franchisee," "owner" and "transferee" which are applicable to an individual or individuals means the individual Owners or the individual owners of the transferee. This Agreement may be executed in multiple copies, each of which will be deemed an original.

Nothing in this Agreement or any related agreement is intended to disclaim the representations that Sub Zero made to Franchisee in Sub Zero's franchise disclosure document.

(l) Other Agreements. If Franchisee or any of Franchisee's owners, partners, or officers violate any material provision of any other franchise or similar agreement between Sub Zero and Franchisee or any of Franchisee's owners, partners, or officers, that breach will be considered a breach of this Agreement and

of the other agreements. Sub Zero then may terminate or otherwise enforce this Agreement and the other agreements.

Whenever this Agreement requires that Franchisee enter into a release, such as for a transfer, or renewal or purchase of an additional franchise, the release will be in substantially the following form:

You (and your owners, members, partners, officers, and directors) agree to the following general release, subject to and following laws applicable in your jurisdiction, to release us from any claims you may have against us:

In consideration of the mutual covenants and understandings set forth in this release agreement, you release and discharge us and our respective current and former owners, partners, directors, officers, employees and agents from all obligations, duties, covenants and responsibilities to be performed under the franchise agreement with us related to the franchise and the franchise premises ("your Prior Franchise Agreement").

You release and forever discharge us and our respective current and former owners, partners, directors, officers, members, employees and agents from any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute, arising directly or indirectly out of the offer of, negotiation of, execution of, performance of, nonperformance, or breach of your Prior Franchise Agreement and any related agreements between you and us and out of any other action or relationship between you and us arising prior to the date of the release agreement.

You and we will represent that this release has been read and that it is fully understood and voluntarily accepted. The purpose of this release is to make a full, final and complete settlement of all claims, known or unknown, arising directly or indirectly out of your Prior Franchise Agreement and the relationship between you and us prior to the date of the transfer [renewal] agreement including, but not limited to, economic loss.

It is expressly understood and agreed that this release is intended to cover and does cover not only all known losses and damages but any further losses and damages not now known or anticipated but which may later develop or be discovered, which arise under your Prior Franchise Agreement prior to the date of the transfer [renewal] agreement, including all effects and consequences.

These releases are intended to waive, release and discharge all claims against us, other than these expressly reserved:

any future claims we may have against you for: your past, present and future violations of the post-termination covenants contained in the Prior Franchise Agreement and [fill in blank as appropriate]

[any future claims you may have against us for:] [fill in blank as appropriate]

with the express waiver of any statute, legal doctrine or other similar limitation upon the effect of general releases. In particular, the parties waive the benefit of any applicable statutory provision such as by illustration, California Civil Code Section 1542, which states:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

You will waive the benefit of both statute and any other legal doctrine or principle of similar effect in any jurisdiction.

(m) Attorneys' Fees and Costs. If any legal action is commenced in connection with the enforcement of this Agreement, the prevailing party shall be entitled to collect from the other party costs and attorneys' fees that are actually incurred in relation to such action.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the date first written above.

SUB ZERO FRANCHISING, INC.

By: _____
Print Name: _____
Title: _____

FRANCHISEE:

By: _____
Print Name: _____
Title: _____

By: _____
Print Name: _____
Title: _____

EXHIBIT 1
AGREEMENT ON FRANCHISE LOCATION OR FRANCHISE TERRITORY

FRANCHISE AGREEMENT
BETWEEN
SUB ZERO FRANCHISING COMPANY, INC.
AND

DATED _____
FOR A SUB ZERO STORE
LOCATED AT

1. **Type of Franchise.** Sub Zero grants to Franchisee the non-exclusive, non-transferable right to own and operate, as indicated below [mark the blank as appropriate]:

_____ a single Franchised Store solely at a single Franchise Location to be approved by Sub Zero as provided in Section 2 of this Exhibit 1 below.

_____ a Mobile Unit within the specific Franchise Territory set forth in Section 3 of this Exhibit 1 below.

2. **Franchise Location.** The Franchise Location of the Sub Zero Store as referred to in Section 2(a) of this Agreement, is the property commonly known as or described as:

3. **Franchise Territory.** The Franchise Territory of the Sub Zero Mobile Unit as referred to in Section 2(a) of the Franchise Agreement, is defined as:

(Signature Page Immediately Follows)

IN WITNESS WHEREOF, the parties hereto have duly executed this Exhibit 1 on the date first written above.

SUB ZERO FRANCHISING, INC.

FRANCHISEE

If an Entity:

By: _____

Print Name: _____

Title: _____

By: _____

Title: _____

If an individual:

Print Name:

Print Name:

**EXHIBIT 2
FRANCHISE OWNER INFORMATION**

**FRANCHISE AGREEMENT
BY AND BETWEEN
SUB ZERO FRANCHISING COMPANY, INC.
AND**

DATED _____
FOR A SUB ZERO FRANCHISE
LOCATED AT

**Effective Date: This Exhibit 2 is current and complete
as of _____**

FRANCHISEE and Its Owners

1. **Form of FRANCHISEE.** [Check (a), (b) or (c).]

☐ (a) **Proprietorship.** The Owner(s) of FRANCHISEE (is) (are) as follows:

☐ (b) **Corporation, Limited Liability Company or Partnership.** FRANCHISEE was incorporated or formed on _____ under the laws of the State of _____. It has not conducted business under any name other than its corporate, limited liability company or partnership name and _____. The following is a list of FRANCHISEE's directors, if applicable, and officers as of the effective date shown above:

Name of Each Director/Officer

Position(s) Held

_____	_____
_____	_____
_____	_____
_____	_____

☐ (c) **Trust.** FRANCHISEE is a revocable trust formed under the laws of the State of _____ on _____, _____. The grantor, trustee and primary income beneficiary of FRANCHISEE is _____, a resident of the State of _____. The governing trust instrument of FRANCHISEE consists of a trust agreement dated _____, _____ and the following amendments, if any:

The trustee has full power and authority to bind the trust estate and to execute, deliver and perform, or cause the execution, delivery and performance, of all of FRANCHISEE's obligations. In the event of the trustee's resignation, death or inability to act, the following are named to act as successor trustee, in this order:

(a) _____
(b) _____
(c) _____

Please include current and contingent beneficiaries under the trust, and their respective interests therein:

Current beneficiaries:

(a) _____
(b) _____
(c) _____

Contingent beneficiaries:

(a) _____
(b) _____
(c) _____

2. **Owners.** The following list includes the full name and mailing address of each person who is an Owner (as defined in the Franchise Agreement), and fully describes the nature of each Owner's interest.

Owner's Name and Address

Description and Percentage of Interest

SUB ZERO FRANCHISING, INC.

FRANCHISEE

If an Entity:

By: _____

Print Name: _____

Title: _____

By: _____

Title: [President] [Managing Member] [General Partner]

If an individual:

[Print Name]

[Print Name]

EXHIBIT 3
TO
SUB ZERO FRANCHISING, INC.
FRANCHISE AGREEMENT

FRANCHISE PREMISES LEASE AGREEMENT RIDER

THIS RIDER has been entered this ____ day of _____, 200__. It is by and between _____, ("Landlord") and _____ (jointly and severally "Tenant").

RECITALS

On or about _____, 20__, Landlord and Tenant executed a lease agreement (the "Lease Agreement") by which Tenant leased from Landlord real property for Tenant's operations of a **SUB ZERO** franchise at the following location: _____ (the "Franchise Premises").

On or about _____, 20__, Tenant and Sub Zero Franchising, Inc. (the "Franchisor") executed a franchise agreement (the "Franchise Agreement") for Tenant to operate a **SUB ZERO** franchise at the Franchise Premises.

Landlord and Tenant desire to execute this addendum to the Lease Agreement to give Franchisor certain rights to the Franchise Premises as required by the Franchise Agreement.

THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the parties agree as follows:

1. **Use of Franchise Premises.** Landlord acknowledges and agrees that the Franchise Premises may be used only for the operation of a **SUB ZERO** facility. Landlord permits Tenant to use and display the following service marks, trademarks, and commercial logos: **SUB ZERO**, and all other marks that Franchisor develops for a **SUB ZERO** facility in the future.
2. **Landlord Reports and Disclosures to Franchisor.** Tenant acknowledges and agrees that Landlord may, upon Franchisor's written request, disclose to Franchisor all reports, information, or data in Landlord's possession respecting sales made in, upon, or from the Franchise Premises and Tenant's business operations.
3. **Assignment to Franchisor.** Anything contained in the Lease Agreement to the contrary notwithstanding, Landlord agrees that without Landlord's consent, the Lease Agreement and Tenant's right, title and interest, may be assigned by Tenant to Franchisor, without cost or penalty. Landlord grants to Franchisor the right, at Franchisor's election, to assume the Lease Agreement and the leasehold interest in the Franchise Premises, upon termination or expiration of Tenant's Franchise Agreement.
4. **Tenant's Default; Notice to Franchisor.** Landlord will give written notice to Franchisor (concurrently with the giving of notice to Tenant) of any breach by Tenant under the Lease Agreement. Franchisor will have the right (but not obligation), in Franchisor's sole discretion, to cure any breach at Tenant's expense within **15** business days after the expiration of the period in which Tenant had to cure the default. Notice will be sent to the following address, or to the address Franchisor may, from time to time, specify in writing to Landlord:

SUB ZERO FRANCHISING, INC.

62 W. Center St.
Provo, UT 84601
(385) 208-4353

5. **Franchise Premises De-identification.** Upon termination, expiration, or non-renewal of the Lease Agreement, Tenant may de-identify the Franchise Premises. If Tenant fails to do so, Landlord gives Franchisor the express right to de-identify. De-identification consists of removal of all signs; modification or remodeling of all identifying architectural features; repainting as necessary to no longer use the color scheme used by Franchisor; and any other steps necessary (in Franchisor's reasonable discretion) to effectively distinguish the Franchise Premises from Franchisor's proprietary designs and marks.

6. **Renewal, Extension, or Cancellation of the Lease Agreement.** Landlord will not extend, renew, or cancel the Lease Agreement without Franchisor's prior written consent, which consent will not be unreasonably withheld.

7. **Signatures.**

IN WITNESS, the parties have executed this Rider on the day and year first above written.

("Landlord"):

By: _____
Title: _____

("Tenant"):

By: _____
Title: _____

EXHIBIT 4
TO
SUB ZERO FRANCHISING, INC.
FRANCHISE AGREEMENT

INITIAL FRANCHISE FEE PROMISSORY NOTE

\$10,000

[DATE]
Provo, Utah

FOR VALUE RECEIVED, _____, an individual, and _____, a _____ company (jointly and severally "Maker") promise to pay to the order of **SUB ZERO FRANCHISING, INC.**, a Utah corporation, the principal sum of **\$10,000** in lawful money of the United States. Interest shall be paid on the principal amount at the rate of **5 percent** per annum, compounded monthly, from the date of this note until paid. Principal and interest shall be paid in **24** monthly installments of not less than **\$438.71** on or before the 5th day of each month commencing **[DATE]** until the entire principle balance and accrued interest has been paid. Unpaid principal and accrued interest may be prepaid in whole or in part at any time without premium or penalty. The entire principal balance and any accrued interest must be paid in full on or before **[DATE]**.

If Maker fails to pay principal or interest under this note when due, then the holder of this note may declare the principal of this note together with all interest accrued to be immediately due and payable.

If any payment due pursuant to this note is not made when due, then at the option of the holder of this note the entire indebtedness represented by this note, upon **five** days written notice to the undersigned, shall immediately become due and payable and thereafter shall bear interest at the rate of **five** percent per annum above the then-effective prime rate of Bank of America or **18%** per annum, whichever is higher, provided such interest rate shall not exceed the maximum rate permitted by law. Failure or delay of the holder to exercise this option shall not constitute a waiver of the right to exercise the option in the event of subsequent default or in the event of continuance of any existing default after demand for the performance of the terms of this note.

The undersigned shall pay upon demand any and all expenses, including reasonable attorney fees, incurred or paid by the holder of this note without suit or action in attempting to collect funds due under this note. In the event an action is instituted for the collection of this note, the prevailing party shall be entitled to recover, at trial, arbitration, or on appeal, such sums as the court may adjudge reasonable as attorney fees, in addition to costs and necessary disbursements.

The undersigned and their successors and assigns hereby waive presentment for payment, notice of dishonor, protest, notice of protest, and diligence in collection, and consent that the time of payment on any part of this note may be extended by the holder without otherwise modifying, altering, releasing, affecting, or limiting their liability.

_____, an individual, and _____, a _____ company
(jointly and severally "Maker")

By: _____
_____, an individual

By: _____
Print Name: _____
Title: _____

EXHIBIT 5
TO
SUB ZERO FRANCHISING, INC.
FRANCHISE AGREEMENT

ARCHITECT COMMUNICATION AUTHORIZATION FORM

I hereby authorize Sub Zero Franchising, Inc. ("Sub Zero") and its designees and representatives to communicate freely with any architect that I have employed or plan to employ regarding any construction, build-out, or design of any premises on which I operate or plan to operate a Sub Zero franchise store. I acknowledge and agree that such communication is essential to Sub Zero's quality control of its franchise system and I further acknowledges and agree that I will not hinder or prevent Sub Zero from communicating with such architect. I will promptly notify Sub Zero of any the name and contact information of any such architect that I hire or who is otherwise involved in the design, construction, or build-out of any premises on which I operate or plan to operate a Sub Zero franchise store.

Signed this _____ day of _____, 20__.

("Franchisee"):

By: _____

Print Name: _____

Title: _____

MOBILE UNIT COMMUNICATION AUTHORIZATION FORM

I hereby authorize Sub Zero Franchising, Inc. ("Sub Zero") and its designees and representatives to communicate freely with any manufacturer or vendor for any vehicles, trailers, carts, or equipment that I plan to use in the operation of a Sub Zero mobile unit regarding any manufacture, construction, build-out, or design of any vehicle, trailer, cart, or equipment I operate or plan to operate in my Sub Zero franchise. I acknowledge and agree that such communication is essential to Sub Zero's quality control of its franchise system and I further acknowledges and agree that I will not hinder or prevent Sub Zero from communicating with such manufacturer or vendor. I will promptly notify Sub Zero of any the name and contact information of any such manufacturer or vendor involved in the design, manufacture, construction, or build-out of any vehicle, trailer, cart, or equipment I operate or plan to operate in my Sub Zero franchise.

Signed this _____ day of _____, 20__.

("Franchisee"):

By: _____

Print Name: _____

Title: _____

EXHIBIT 6
TO
SUB ZERO FRANCHISING, INC.
FRANCHISE AGREEMENT

MULTIPLE PURCHASE ADDENDUM

The following additional provisions are agreed to by the parties with respect to the attached Franchise Agreement dated _____, between **SUB ZERO FRANCHISING, INC.** ("Sub Zero") and _____, an individual, _____, an individual, and _____ a _____ company (jointly and severally "Franchisee") of which this Addendum is a part (the "Franchise Agreement.") In the event of conflict, the provisions of this Addendum supersede the corresponding provisions of the Franchise Agreement.

Sub Zero and Franchisee have agreed to Franchisee's purchase of ___[#] franchises in _____ [location] (the "Development Area") according to the Development Schedule established in this Addendum.

Sub Zero and Franchisee will simultaneously sign a separate franchise agreement and multiple purchase addendum for each of the ___ [#] franchises. The initial ___ [#] franchise agreements are for franchises to be located in: _____, _____, and _____ [locations]. The remaining ___ [#] franchise agreements are for franchises to be placed at locations within the Development Area to be determined at a later date, and each respective franchise location must be in compliance to Sub Zero's contractual commitments with other **Sub Zero** franchisees and Sub Zero's placement, market, development, and demographic criteria.

1. **INITIAL FRANCHISE FEE.** The Initial Franchise Fee established in Section 6 of the Franchise Agreement is: (1) for Sub Zero Stores, **\$35,000** for the first Franchise Agreement and **\$20,000** for each other Franchise Agreement signed concurrently with this Addendum; or (2) for Mobile Operations, **\$20,000** for the first Franchise Agreement and **\$15,000** for each other Franchise Agreement signed concurrently with this Addendum.

The entire Initial Franchise Fee must be paid to Sub Zero for each franchise upon execution of this Addendum.

2. **DESIGNATED TERRITORY.** Sub Zero grants to Franchisee, subject to the terms and conditions of the Franchise Agreement and this Addendum, the non-exclusive right to establish and operate the Franchise within the following territory (the "Designated Territory): _____ [location]. Except as otherwise provided in the Franchise Agreement or this Addendum, Sub Zero will not establish nor license any one other than Franchisee to establish any **Sub Zero** facility in the Designated Territory from the date of this Addendum until expiration or termination of the Development Schedule set forth below. Franchisee has no right under this Addendum to sub-license others.

If there is no Designated Territory defined above (the blank is not filled in), the Franchise Location shall be considered "to-be-determined" and must be placed at an available location within the Development

Area. The Franchise Location must be in compliance to Sub Zero's contractual commitments with other **Sub Zero** franchisees and Sub Zero's placement, market, development, and demographic criteria.

3. **DEVELOPMENT SCHEDULE.** Franchise Agreement is modified such that the opening requirements (the "Opening Date") for each of the above-referenced Franchises are amended to the following schedule:

1 st Franchise	12 months (or 6 months from signing lease, if earlier)
2 nd Franchise	18 months
3 rd Franchise	24 months

from the date of this Agreement. The Franchise purchased pursuant to this Agreement is the ___ [#] Franchise and must open no later than the Opening Date, as defined above. If no acceptable Franchise Location or Franchise Territory is found and approved by the parties and the Franchise is not opened for business by the Opening Date, this Agreement will terminate without notice by either party to the other on the expiration date, and no portion of any payment Franchisee paid to Sub Zero will be refundable or returned to Franchisee. Upon termination pursuant to this Section, Sub Zero will be fully and forever released from any claims or causes of action Franchisee may have under or pursuant to this Agreement and any right, title or interest in this Agreement, the Licensed Marks or the System will automatically revert to Sub Zero."

4. **DEFAULT AND TERMINATION.** The parties have executed a number of franchise agreements contemporaneously with the Franchise Agreement as part of a multiple purchase arrangement. Any material violation or breach (other than failure to open the franchise site by the date set forth in the Development Schedule) of any such agreement, or of any other franchise agreement between the parties or of any other agreement between the parties related to the **Sub Zero** franchise system will be deemed a material violation of the Franchise Agreement and this Addendum, of all such other franchise agreements, and of all such other agreements. The non-breaching party then will be entitled to enforce the penalties of or to terminate the Franchise Agreement and this Addendum and any or all of such other franchise agreements and such other agreements as provided in the Franchise Agreement for enforcement or termination.

Franchise acknowledges and agrees that if the Franchise represented by this Addendum is not opened by the Opening Date set forth above in the Development Schedule, Sub Zero shall have the right to terminate the Franchise Agreement and this Addendum and retain any and all initial fees paid to Sub Zero. Sub Zero then may establish or license others to establish **Sub Zero** franchises in the Designated Territory.

Franchise acknowledges and agrees that if Franchisee fails to open another franchise by the opening date set forth in the Development Schedule, Sub Zero shall have the right to eliminate and terminate the Designated Territory. Sub Zero then may establish or license other to establish **Sub Zero** franchises in the Designated Territory.

Upon elimination or termination of the Designated Territory, all remaining franchise agreements for franchises that have not yet been opened for business pursuant to the Development Schedule above may thereafter be opened at any available location where Sub Zero has the right to offer and place franchises. In such instance, the relevant franchise location must be in the United States, legally available pursuant to state and federal franchise disclosure and registration laws and pursuant to Sub Zero's contractual

commitments with other **Sub Zero** franchisees and in compliance with Sub Zero's placement, market, development, and demographic criteria.

No right or remedy herein conferred upon or reserved to Sub Zero is exclusive of any other right or remedy provided or permitted by law or equity.

5. **TRAINING.** Sub Zero will have no obligation to provide franchise training to Franchisee at Sub Zero's expense except pursuant to Franchisee's first franchise agreement. Franchisee must pay to Sub Zero the \$2,500 initial training fee for any additional franchise for which Franchisee will have a new manager that must complete Sub Zero's initial training program. The initial training fee is non-refundable.

DATED this _____.

SUB ZERO FRANCHISING, INC. ("SUB ZERO")

By: _____
Print Name: _____
Title: _____

_____ and _____ ("FRANCHISEE")

NAME

By: _____
[Name], an individual

NAME

By: _____
[Name], an individual

By: _____
Print Name: _____
Title: _____

EXHIBIT 7
TO
SUB ZERO FRANCHISING, INC.
FRANCHISE AGREEMENT

OWNER'S GUARANTY

THIS OWNER'S GUARANTY ("Guaranty") is made as of the ____ day of _____, 20__, by _____ (each and if more than one, "Guarantor"), who have an interest in _____, a _____ ("Franchisee") in connection with that certain Sub Zero Franchise Agreement dated as of _____ (the "Franchise Agreement") between Franchisee and SUB ZERO FRANCHISING, INC., a Utah corporation ("Franchisor"). This Guaranty is hereby incorporated in and made a part of the Franchise Agreement and shall be annexed thereto. All terms not defined herein shall have the meaning provided in the Franchise Agreement.

1. Acknowledgments. Guarantor acknowledges and agrees that Franchisor has entered into the Franchise Agreement with Franchisee solely on the condition that, and each Guarantor hereby agrees that, each Guarantor is personally obligated and jointly and severally liable with Franchisee (and with each other Guarantor) for the performance of each and every obligation, agreement, undertaking, covenant, liability and debt of Franchisee and the Guarantors, whether direct or indirect, absolute or contingent, now existing or hereafter arising (collectively, the "Obligations") under the Franchise Agreement, any amendments or modifications to the Franchise Agreement, any extensions of the Franchise Agreement, and under each and every agreement related thereto that has been or hereafter may be entered into by Franchisee with Franchisor (all such agreements are collectively referred to herein as the "Franchise Agreements").

2. Guaranty. In consideration of Franchisor's granting of a franchise, and as an inducement to Franchisor to grant a franchise, to Franchisee, Guarantor hereby personally, unconditionally, absolutely and irrevocably guarantees to Franchisor and its successors and assigns the prompt payment in full in cash and the prompt performance in full of the Obligations.

3. Representations, Warranties and Agreements.

a. Guarantor expressly agrees that the liability of the Guarantor for the payment and performance of the Obligations guaranteed hereby shall be primary and not secondary.

b. Guarantor represents and warrants to Franchisor that all equity interests in the Franchisee are held of record and beneficially by Guarantor;

c. Guarantor agrees to promptly notify Franchisor of any change in the ownership of any equity interests in Franchisee;

d. Guarantor agrees to be personally bound by, and personally liable for the breach of each and every provision in the Franchise Agreement and each and every provision in the other Franchise Agreements, as if Guarantor was the Franchisee thereunder; and

e. Guarantor represents and warrants that, if no signature appears below for such Guarantor's spouse, such Guarantor is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

3. Waivers by Guarantor. Guarantor hereby waives:

a. acceptance and notice of acceptance by Franchisee of the foregoing guaranties;

b. notice of demand for payment of any indebtedness or nonperformance by Franchisee of any obligations guaranteed by Guarantor;

c. protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations of Franchisee guaranteed by Guarantor;

d. any right Guarantor may have to require that an action be brought against Franchisee or any other person as a condition of liability;

e. any right Guarantor may have to assert the bankruptcy or insolvency of Franchisee or any other person as a defense hereunder or as the basis for rescission hereof and any defense arising because of Franchisor's election, in any proceeding instituted under the Federal Bankruptcy Code, of the application of Section 1111(b)(2) of the Federal Bankruptcy Code;

f. any defense based on an election of remedies by Franchisor which destroys or otherwise impairs the subrogation rights of Guarantor, the right of Guarantor to proceed against Franchisee or another person for reimbursement or both;

g. any and all other notices and legal or equitable defenses to which Guarantor may be entitled to the extent such notices and defenses may be waived pursuant to applicable law; and

h. if Guarantor is a resident of California, in accordance with Section 2856 of the California Civil Code, Guarantor waives any and all rights and defenses available to Guarantor by reason of Sections 2787 to 2855, inclusive, 2899 and 3433 of the California Civil Code.

4. Further Agreements and Understandings. Guarantor hereby consents and agrees that:

a. Guarantor's direct and immediate liability under this Guaranty is joint and several with Franchisee and each other Guarantor;

b. Guarantor agrees to render any payment or performance required under the Franchise Agreement or any other Franchise Agreements upon demand if Franchisee fails or refuses punctually to do so;

c. Guarantor's liability hereunder is not contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person;

d. this Guaranty will continue in full force and effect for and as to any extension of or modification or amendment to the Franchise Agreement or any Franchise Agreements and notwithstanding the transfer of any interest in the Franchise Agreement or Franchisee, and Guarantor waives notice of any and all such extensions, modifications, amendments, or transfers;

e. Guarantor's liability hereunder is not diminished, relieved or otherwise affected by any extension of time, credit or other indulgence, or any waiver which Franchisor may from time to time grant to Franchisee or to any other person, including without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims (including the release of other Guarantors), or the taking of any action by Franchisor which may have the effect of increasing the obligations of Guarantor, none of which in any way modifies or amends this Guaranty, which will be absolute, unconditional, continuing and irrevocable during the term of the Franchise Agreements and so long as any performance is or may be owed under any of the Franchise Agreements by Franchisee or its Guarantors and so long as Franchisor may have any cause of action against Franchisee or its Guarantors;

f. Guarantor agrees that no invalidity, irregularity or unenforceability of the Obligations or invalidity, irregularity, unenforceability or non-perfection of any collateral therefor, will affect, impair or be a defense to this Guaranty, which is a primary obligation of Guarantor;

g. Guarantor expressly waives any claim or other right which Guarantor (or any of them) may now have or hereafter acquire against Franchisee, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution, indemnification or any right to participate in any claim or remedy of Franchisor against Franchisee, whether or not such claim, right or remedy arises in equity or under contract, statute or common law;

h. The obligations of Guarantor under this Guaranty will not be altered, limited or affected by any proceeding, voluntary or involuntary, involving the bankruptcy, reorganization, insolvency, receivership or liquidation of Franchisee or any affiliate, or by any defense which Guarantor may have by reason of any order, decree or decision of any court or administrative body resulting from any such proceeding; and

i. Guarantor agrees that this Guaranty and the obligations of Guarantor hereunder will continue to be effective or automatically reinstated, as the case may be, if and to the extent that for any reason any payment by or on behalf of Guarantor in respect of the Obligations is rescinded or otherwise restored to the Guarantor or Franchisee, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, all as if such payment had not been made, and Guarantor agrees to indemnify Franchisor on demand for all costs and expenses (including fees of counsel) incurred by Franchisor in connection with any such rescission or restoration.

j. Guarantor represents to Franchisor that each Guarantor has had the opportunity to review the matters discussed and contemplated by the Franchise Agreement and any Franchise Agreements, including the remedies Franchisor may pursue against Franchisee in the event of a default under the Franchise Agreement and any Franchise Agreements and Franchisee's financial condition and ability to perform under the Franchise Agreement and any Franchise Agreements. Guarantors further agree to keep themselves fully informed on all aspects of Franchisee's financial condition and the performance of Franchisee's obligations to Franchisor and that Franchisor has no duty to disclose to Guarantors any information pertaining to Franchisee. If provided in the Franchise Agreement and any Franchise Agreements, Guarantors agree that their bankruptcy, insolvency and other actions set forth therein may be events of default under the Franchise Agreement and any Franchise Agreements.

k. Each of the Guarantors agrees to be personally bound by any and all non-competition provisions under Section 13 of the Franchise Agreement and the provisions relating to intellectual property and Confidential Information under Sections 8, 10 and 12 of the Franchise Agreement.

l. The prevailing party in any dispute resulting in arbitration, litigation or other proceedings between Guarantors and Franchisor shall be entitled to its costs and expenses for such proceedings, including reasonable attorneys' fees and costs.

m. Guarantors agree to take all actions necessary to enable Franchisee to observe and perform, and to refrain from taking any action which would prevent Franchisee from observing and performing, the Obligations.

n. Franchisor may assign this Guaranty with the Franchise Agreement or one or more of the Franchise Agreements, without in any way affecting Guarantors' liability under it or them. This Guaranty shall inure to the benefit of Franchisor and its successors and assigns and shall bind Guarantors and their respective heirs, executors, administrators, successors and assigns.

o. In the event of the death of any or all of the Guarantors hereunder, the obligation of Guarantors under this Guaranty shall continue in full force and effect against said deceased Guarantor's estate as to all of such obligations which shall have been created or incurred by Franchisee prior to the time when Franchisor shall have received written notice of such death.

p. Guarantors shall hold harmless, defend, protect and indemnify Franchisor from any actions, causes of action, liabilities, damages, losses and fees (including attorneys' fees and costs) and all other claims of every nature which may arise as a result of any dispute between or among Guarantors and any other persons or entities.

q. All notices, requests and demands to be made hereunder shall be in writing at the address set forth below by any of the following means: (i) personal service (including service by overnight courier service); (ii) electronic communication, whether by telex, telegram or telecopying (if confirmed in writing sent by personal service or by registered or certified, first class mail, return receipt requested); or (iii) shall be deemed received five (5) days following deposit in the mail.

r. Guarantor acknowledges and agrees that Guarantor has had adequate opportunity to have this Guaranty reviewed by counsel of its own choosing and that Guarantor has not relied on Franchisor or any of its counsel in any respect.

s. GUARANTOR HEREBY WAIVES THE RIGHT TO TRIAL BY JURY.

t. This is a continuing Guaranty and all obligations to which it applies or may apply under the terms hereof shall be conclusively presumed to have been created in reliance hereon. In the event that, notwithstanding the provisions of this paragraph, this Guaranty shall be deemed revocable in accordance with applicable law, then any such revocation shall become effective only upon receipt by Franchisor of written notice of revocation signed by Guarantor. To the extent permitted by applicable law, no revocation or termination hereof shall affect, in any manner, rights arising under this Guaranty with respect to Obligations arising prior to receipt by Franchisor of written notice of such revocation or termination.

u. No terms or provisions of this Guaranty may be changed, waived, revoked or amended without Franchisor's prior written consent. Should any provision of this Guaranty be determined by a court of competent jurisdiction to be unenforceable, all of the other provisions shall remain effective.

v. This Guaranty shall be enforced and interpreted according to the laws of the State of Utah, irrespective of its conflicts of laws rules.

IN WITNESS WHEREOF, each Guarantor hereby executes this Guaranty on the day and year first above written.

GUARANTORS:

Print Name:_____

Address:

Print Name:_____

Address:

EXHIBIT 8
TO
SUB ZERO FRANCHISING, INC.
FRANCHISE AGREEMENT

**INVESTOR PERSONAL COVENANTS REGARDING CONFIDENTIALITY
& COMPETITION**

In conjunction with your investment in _____ (“Franchisee”) a _____ [Utah limited liability company, etc.], you (“Investor” or “you”), acknowledge and agree as follows for the benefit of Sub Zero Franchising, Inc. (the “Franchisor”):

Franchisee owns and operates, or is developing, a Sub Zero™ franchise located at, or to be located at, _____ pursuant to a franchise agreement dated _____, 20____ (“Franchise Agreement”) with the Franchisor, which Franchise Agreement requires persons with legal or beneficial ownership interests in Franchisee under certain circumstances to be personally bound by the confidentiality and non-competition covenants contained in the Franchise Agreement. All capitalized terms contained in this Agreement shall have the same meaning set forth in the Franchise Agreement.

The Franchisor is the franchisor of the Sub Zero™ franchise system and owns proprietary ideas and other Confidential Information related to the ownership and operation of “Sub Zero” businesses that feature the sale to the public of ice cream, dessert, and liquid nitrogen products and services under the Sub Zero™ Licensed Marks and System.

If you are a corporation, partnership, limited liability company or other entity, all persons who have a legal or beneficial interest in you (“Owners”) must also sign this Agreement. You own or intend to own the percentage legal or beneficial ownership interest in Franchisee, set forth beneath your signature below, and acknowledge and agree that your signing of this Agreement is a condition to this ownership interest and that you have received good and valuable consideration for signing this Agreement. Franchisor may enforce this Agreement directly against you and your Owners.

THEREFORE, in consideration of the mutual promises and covenants, the parties agree as follows:

1 PROTECTION OF CONFIDENTIALITY

1.1 **The Franchisor’s Exclusive Property.** You acknowledge and agree that all Confidential Information is and shall continue to be the Franchisor’s sole and exclusive property, whether or not disclosed or entrusted to you in connection with your relationship with Franchisee or the Franchisor. Nothing in this Agreement will give you or others any right, title, or interest whatsoever in or to them. The Confidential Information shall be considered the Franchisor’s trade secrets and shall be entitled to all protections provided by applicable law to trade secrets. The Confidential Information shall include information in any form in which such information exists, whether oral, written, digital, or other form of media.

1.2 **Safeguard of Confidential Information.** You agree to exercise the highest degree of care in safeguarding Confidential Information against loss, theft, or other inadvertent disclosure. You agree to accord to the Confidential Information the same degree of care and use the same confidentiality protection practices as you exercise or employ with respect to your confidential or proprietary

information. This includes obligating employees and consultants who receive Confidential Information to covenants of confidentiality and non-use.

1.3 **Notice.** You agree that if you or your Owners, employees and agents are served with any subpoena or other compulsory judicial or administrative process calling for production of Confidential Information, you will immediately notify Franchisee and the Franchisor in order that the Franchisor may take such action as it deems necessary to protect its interests. You agree to execute any and all documents and to do all acts and things in the opinion of the Franchisor's legal counsel are necessary or advisable to protect its interests.

1.4 **Competition and Non-Circumvention.** During the term of the Franchise Agreement and during the time that you and your Owners, if any, have any legal or beneficial ownership interest in Franchisee, neither you nor your Owners, directors, officers, employees, consultants, distributors, or agents, nor the members of your or their immediate families or households (who have access to or knowledge of the Confidential Information), will directly or indirectly participate as an owner, shareholder, member, partner, director, officer, employee, consultant, franchisor, franchisee, distributor, advisor or agent, or serve in any other capacity in any business (including business in formation) or endeavor engaged or to be engaged in any activities related to or in direct or indirect competition with the concepts and activities of the System.

You agree to promptly and fully disclose to Franchisee and the Franchisor's chief officer any opportunity coming to your attention, or conceived or developed in whole or in part by you, which relates to or competes with the System. You will assure that you and your owners, directors, officers, partners, shareholders, members, employees, consultants, and agents, do not do or perform, directly or indirectly, any other act injurious or prejudicial to the System or the Confidential Information.

For a period of 730 days, starting on the earlier to occur of the date you or Owners cease to have any legal or beneficial ownership interest in Franchisee and the effective date of termination or expiration (without renewal) of the Franchise Agreement, neither you nor your Owners, directors, or officers, nor the members of your or their immediate families or households (who have access to or knowledge of the Confidential Information), will directly or indirectly participate as an owner, shareholder, member, partner, director, officer, employee, consultant, franchisor, franchisee, distributor, advisor or agent, or serve in any other capacity in any business (including business in formation) or endeavor engaged or to be engaged in any activities related to or in direct or indirect competition with the concepts and activities of the System within a radius of 10 miles of any Sub Zero™ outlet or territory then in operation or under construction without obtaining the Franchisor's consent, which consent may be withheld for any reason. If you or any of your Owners fail to or refuse to abide by any of the foregoing covenants and Franchisor obtains enforcement in a judicial proceeding, the obligations under the breached covenant will continue in effect for a period of time ending two years after the date of the order enforcing the covenant.

You and each of your Owners expressly acknowledge the possession of skills and abilities of a general nature and the opportunity to exploit these skills in other ways, so that enforcement of the covenants contained in this Agreement will not deprive any of you of your personal goodwill or ability to earn a living.

The duration, geographic coverage and scope allowable by law or court of law will apply to this Agreement. If, for any reason, any provision set forth in this Agreement is determined to exceed any lawful scope or limit as to duration, geographic coverage, or otherwise, but could be rendered enforceable by reducing any part or all of it, it is agreed that the provision will nevertheless be binding and enforceable to the fullest extent permissible by applicable and public policy. If a court of competent jurisdiction should decline to enforce any of those covenants and agreements, the parties request the court to reform these provisions to

restrict your use of confidential information, non-solicitation, ability to compete with the Franchisor or circumvent the Franchisor in respect to the System, and any other covered topics to the maximum extent, in time, scope of activities, and geography, the court finds enforceable under applicable law.

2. COVENANT OF NON-DISCLOSURE You specifically acknowledge that as a result of investing in Franchisee, you will receive or gain access to valuable and specialized Confidential Information, including information regarding the Franchisor's operational, sales, promotional and marketing methods and techniques and the System. You agree not to disclose Confidential Information to any third party and to limit disclosure within your association to designated employees approved by the Franchisor. Disclosures to designated employees will be done on a "need to know" basis to the extent necessary for them to perform the duties of their employment with you. Unless required by court order or applicable law, you agree not to copy, download, send, or divulge any Confidential Information directly or indirectly to any other person or enterprise outside of the Franchisor's system. You will never communicate, divulge, or use in any manner, either for your benefit or the benefit of any other person, persons, partnerships, associations, companies or corporations any Confidential Information or proprietary information, knowledge or know-how or any information the Franchisor has communicated to Franchisee or to you in written, verbal or electronic form, including intranet passwords, for the operation of your business.

3 COVENANT OF NON-USE You and your Owners agree not to use Confidential Information, except as authorized by the Franchisor. You will obligate your Owners, board of directors, your employees, and your agents to the same non-use covenant. The Franchisor must approve in writing any use of Confidential Information by you or your owners or your directors or employees.

4 RETURN OF CONFIDENTIAL INFORMATION. You agree that all originals and copies of materials related to or containing any Confidential Information, in whatever form they exist, whether written, digital, or other form of media, shall be the Franchisor's sole and exclusive property. If you or your Owners cease to have an interest in Franchisee or upon request by the Franchisor, you will promptly return to the Franchisor or its designated representatives all documents or other tangible property that contains Confidential Information that is in your or your Owners' possession or control.

5 REMEDIES: INJUNCTION AND DAMAGES. You acknowledge that any disclosure of Confidential Information will cause irreparable harm to the Franchisor and the System. You agree that it may be difficult to measure damage to the Franchisor or the System from any breach by you or your employees and agents of this Agreement. You agree that monetary damages may be an inadequate remedy for any such breach. Accordingly, you agree that if you breach or take steps preliminary to breaching this Agreement, the Franchisor shall be entitled, in addition to all other remedies the Franchisor may have at law or in equity, to a restraining order, temporary and permanent injunctive relief, specific performance, or other appropriate equitable relief, without showing or proving that the Franchisor actually sustained any damage. If the Franchisor files a claim to enforce this Agreement and prevails in this proceeding, you must reimburse the Franchisor for all its costs and expenses, including reasonable attorneys' fees.

6 MISCELLANEOUS

6.1 Duration. The obligations set forth in this Agreement will continue during and beyond the term of your relationship with Franchisee and the Franchisor and for as long as you possess Confidential Information.

6.2 Construction. This Agreement does not supersede or cancel any prior understandings and agreements you and your Owner had with respect to these matters, including any provision of thee

Franchise Agreement previously entered into pertaining to confidentiality. This Agreement benefits and binds the respective heirs, executors, administrators, successors, and assigns of the parties.

6.3 **Acknowledgments.** No person has made any other representation that is not expressly set forth in this Agreement to induce you to accept and execute this Agreement. You recognize that the business venture contemplated by the Franchise Agreement involves business risks. This Agreement creates no obligation to purchase, sell, develop, research, or disclose anything. It grants no license. It creates no agency or partnership.

7. **SIGNATURES**

IN WITNESS WHEREOF, the undersigned have signed this Agreement on the date first above written.

INVESTOR

If an individual

If a corporation, partnership, limited liability company or other legal entity

By: _____

Print Name: _____

Title: _____

Date: _____

% Ownership of Franchisee: _____

(Name of corporation, partnership, limited liability company or other legal entity)

By: _____

Print Name: _____

Title: _____

Date: _____

% Ownership of Franchisee: _____

OWNERS

By: _____

Print Name: _____

Title: _____

Date: _____

By: _____

Print Name: _____

Title: _____

Date: _____

By: _____

Print Name: _____

Title: _____

Date: _____

By: _____

Print Name: _____

Title: _____

Date: _____

EXHIBIT C
TO THE SUB ZERO FRANCHISING, INC.
FRANCHISE DISCLOSURE DOCUMENT

**INFORMATION CONCERNING SUB ZERO AREA DEVELOPERS AND SALES AND
SERVICE REPRESENTATIVES**

The following is a list of the Area Developers and Sales and Service Representatives of the Sub Zero franchise system, alphabetically by state. The listed information responds to Items 1 ("Name, Address, and Business Organization of the Area Developer"), 2 ("Identity and Experience of Persons Affiliated with the Area Developer"), 3 ("Litigation"), and 4 ("Bankruptcy") of the attached Franchise Disclosure Document.

ITEM 1
AREA DEVELOPER AND SALES AND SERVICE REPRESENTATIVE

CALIFORNIA (Los Angeles, Orange, and Ventura counties)

Name: Rob West and Sub Zero-CA, LLC

Business Address: 2312 Elmdale Ave., Simi Valley, CA 93065

Business Phone: 805-587-4262

Territory: Los Angeles, Orange, and Ventura counties in California

FLORIDA (Tampa and Sarasota)

Name: Douglas Shenk and Jill-Sheeler-Shenk and KADOJI Inc.

Business Address: 6789 Island Creek Rd, Sarasota, Florida

Business Phone: 941-720-3529

Territory: Tampa and Sarasota, Florida

INDIANA (central)

Name: JBE Food Group, LLC and John Einsfeld Sr.

Business Address: 10714 Gladeview Dr., Fishers, IN 46038

Business Phone: 317-690-7183

Territory: Counties in Central Indiana

NEW ENGLAND

Name: Cryo-Cone New England, LLC (Mark and Rita McCabe)
Business Address: 319 Mammoth Road, Pelham, NH 03076.
Business Phone: 603-327-9694
Territory: Connecticut, New Hampshire, Maine, Massachusetts, Rhode Island, and Vermont

PENNSYLVANIA (Altoona)

Name: Thomas and Cherie Brandt
Business Address: 1002 Logan Blvd., Suite 116, Altoona, PA 16601
Business Phone: 814-329-9068
Territory: Counties in west and central Pennsylvania

UTAH (St. George and Cedar City) and NEVADA (Las Vegas)

Name: Shane Smith, Virginia Smith, and Running Quail Enterprises
Business Address: 3504 Helmsman Drive, North Las Vegas, NV 89032
Business Phone: 702-688-3813
Territory: Southern Utah and Southern Nevada

WASHINGTON (Seattle)

Name: Jack Walsh and Sub Zero Washington, LLC
Business Address: 31653 Pacific Hwy South #A, Federal Way, WA 98003
Business Phone: 253-941-3248
Territory: Seattle, Washington metropolitan area

ITEM 2

BUSINESS EXPERIENCE

Rob West, Area Developer in Los Angeles, Orange, and Ventura counties, California.

Mr. West has served as an Area Developer in Simi Valley, California since March 2010. He has owned and operated a Sub Zero franchise in Simi Valley, California since April, 2012.

Douglas Shenk and Jill-Sheeler-Shenk, Area Developers in Sarasota, Florida

Mr. Douglas Shenk has served as an Area Developer in Sarasota, FL since July 2012.
Mrs. Sheeler-Shenk has been an Area Developer in Sarasota, FL since July 2012.

John Einsfeld Sr., Area Developer in Indiana

Mr. Einsfeld has served as an Area Developer and Sub Zero™ franchise owner in Indianapolis, Indiana since June 2016. From May 2015 to the Present, he has served as VP of Sales for CAJ Food Products in Fishers, Indiana. From February 2012 to April 2015, he served as Director Sales for Sambazon in San Clemente, California.

Shane and Virginia Smith, Area Developer in Southern Utah and Southern Nevada

Mr. Smith has served as an Area Developer in Las Vegas, NV since October 2011. He has owned Shane and Company in Las Vegas, Nevada since 2005 and has been an adjunct instructor at the College of Southern Nevada in Las Vegas, Nevada since 1995.

Mrs. Smith has served as an Area Developer in Las Vegas, NV since October 2011.

Mark and Rita McCabe, Area Developers in New England

Mr. McCabe has served as an Area Developer in Nashua, New Hampshire since February 2014. He has worked as Quality Inspector for BAE Systems, Inc., located in Nashua, NH, from December, 2002 to the present.

Ms. McCabe has served as an Area Developer in Nashua, New Hampshire since February 2014. She worked in Export Compliance for BAE Systems, Inc., located in Nashua, NH, from August 2002 to August 2014.

Thomas and Cherie Brandt, Area Developers in central Pennsylvania

Mr. Brandt has served as an Area Developer in Altoona, Pennsylvania since January 2014.

Ms. Brandt has served as an Area Developer in Altoona, Pennsylvania since January 2014.

Jack Walsh, Area Developer in Seattle, WA metropolitan area

Mr. Walsh has served as an Area Developer in Seattle, WA since September 2011. Mr. Walsh has operated a Sub Zero franchise in Federal Way, Washington since June 2011.

**ITEM 3
LITIGATION**

No litigation is required to be disclosed about any of the Area Developers in this Item.

**ITEM 4
BANKRUPTCY**

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

EXHIBIT D
LIST OF CURRENT AND FORMER FRANCHISEES

Franchisees - Units Opened as of Our June 30, 2020 Fiscal Year End

<u>Location</u>	<u>Name</u>	<u>Business Address</u>	<u>Phone</u>
Carlsbad, CA	Steve Grady	201 Oak Ave., Suite D Carlsbad, CA 92008	760-453-7246
Simi Valley, CA	Rob West	2091 Madera Road, Suite E, Simi Valley, CA 93065	805-522-4270
Miami, FL	Madelaine Altamiranda	9065 SW 107 th Ave. Miami, FL 33176	786-534-5844
Miami, FL	Wai B. “Raymond” Cheng	10141 W Flagler St.# 120, Miami FL 33172	786-797-1716
Naples, FL	Hassan and Kelly Zaban	782 Neapolitan Way, Naples, FL 34103	239-530-8117
Siesta Keys, FL	Doug Shenk	219 Avenida Madera, Sarasota, FL 34242	941-720-3529
Sarasota, FL	Doug Shenk	4065 Clark Rd., Sarasota, FL 34233	941-922-3690
St Petersburg, FL	Gene and Gayle Tulman	2216 66th St N, St. Petersburg, FL 33710	646-318-0234
Sandy Springs, GA	Tania Chunara	5590 Roswell Rd Suite 130A, Atlanta, GA 30342	404-863-9701
Atlanta, GA	Sohail Lakhani and LuckyTrio, LLC	250 Park Ave W NW #5, Atlanta, GA 30313	770-778-5530
Johns Creek, GA	Sohail Lakhani and LuckyTrio, LLC	11720 Medlock Bridge Rd, Johns Creek, GA 30097	770-778-5530
Carmel, IN	JBE Food Group, LLC and John Einsfeld Sr.	111 W Main St Suite 130, Carmel, IN 46032	317-690-7183
Indianapolis, IN	JBE Food Group, LLC and John Einsfeld Sr.	427 Massachusetts Ave Indianapolis, IN 46204	317-690-7183
Indianapolis, IN	Eric Washington	6020 E 82nd St Indianapolis, IN 46250	317-714-1281
Overland Park, KS	Jibu Maliakkal	6917 W 135th St B-35, Overland Park, KS 66223	646-932-7922
Worcester, MA	Mark and Rita McCabe Cryo-Cone Worcester, LLC	150 Kelley Square, Worcester, MA 01604	603-327-9694

<u>Location</u>	<u>Name</u>	<u>Business Address</u>	<u>Phone</u>
Columbia, MD	Steve Maisel and N7 Ice Cream, LLC	10300 Little Patuxent Pkwy, Columbia, MD 21044	410-802-4780
Hunt Valley, MD	Santomo, LLC (Suzanne Fedi)	118 Shawan Rd, Cockeysville, MD 21030	443-564-8296
Henderson, NV	Sarabjit Singh Ghuman	55 S Valle Verde Dr #220, Henderson, NV 89012	702-635-2104
Nashua, NH	Mark and Rita McCabe	495 Amherst St Nashua, NH 03063	603-327-9694
Wadsworth, OH	Gloria Enterprises, LLC (Mary Ann Canters Cook)	300 Weatherstone Dr., Wadsworth, OH 44281	855-615-5432
Portland, OR	Treneil Washington & Shantee Johnson	Clackamas Town Center Mall Portland, OR	971-207-9280
Tigard, OR	Lisa Norby	9473 SW Washington Square Rd, Tigard, OR 97223	406-208-7990
Shadyside, Pittsburgh, PA	Donna Puglin and Lisa Varon	206 S Highland Avenue, Pittsburgh, PA 15206	412-310-1302
Myrtle Beach, SC	Richard and Nancy Nicola	106 Sayebrook Parkway, Suite 5 Myrtle Beach, SC 29588	860-833-4473
Beaumont, TX	Scott and Amber Hawk	3939 Dowlen Rd, Suite 8 Beaumont, TX 77706	409 -289-1473
New Caney, TX	Keval Patel	21372 US-59, New Caney, TX 77357	409-504-2773
Pearland, TX	Aerum Mahmood and Neo Concepts, LLC	2803 Business Center Dr, Pearland, TX 77584	832-729-9981
Waco, TX	Nalin and Ashmita Patel, Prashantee, LLC	215 S University Parks Dr, Waco, TX 76701	254-717-0351
Cedar City, UT	Chad Ostler	1390 Providence Center Dr. #2, Cedar City, UT 84720	702-460-0402
Murray, UT	Justin and Mignon Farman	900 E. 5600 S., Murray, UT 84121	801-263-0406
Ogden, UT	Genesis Ice Cream Ogden, LLC and Mike Penn	2350 Kiesel Ave., Ogden, UT, 84401	801-623-1189
Sandy, UT	Chris Nelson	1846 East 9400 South, Sandy, UT 84092	8013475673
Virginia Beach, VA	Jeff & Maria Jaglowicz	1255 Fordham Dr Suite 111, Virginia Beach, VA 23464	757-650-6604

<u>Location</u>	<u>Name</u>	<u>Business Address</u>	<u>Phone</u>
Federal Way, WA	Jack Walsh	31653 Pacific Hwy South #A, Federal Way, WA 98003	253-941-3248

**Franchisees - Units Opened After June 30, 2020 Fiscal Year End
- as of December 31, 2020**

<u>Location</u>	<u>Name</u>	<u>Business Address</u>	<u>Phone</u>
Athens, GA	Sohail Lakhani	140 W Broad St., Athens, GA 30601	770-778-5530
Ashland, NH	Christine Cherry Main Street Cones, LLC	25 Main St., Ashland, NH 03217	
Billings, MT	Lisa Norby	300 S 24 th St. W, Billings, MT 59102	406-208-7990

Franchisees that Have Not Yet Opened – as of December 31, 2020

Orlando, FL	Swati Patel and Dimpesh Ray	[Not yet determined]	732-331-7750
Fishers, IN	JBE Foods Group, LLC (John Einsfeld)	[Not yet determined]	317-690-7183
Charlotte, NC	Marni Scanlon	[Not yet determined]	201-788-4439

**Franchisees that Had An Outlet Terminated, Canceled, Not Renewed, or Otherwise Left the
System – between July 1, 2019 and June 30, 2020
And within 10 weeks of the date of this Disclosure Document**

<u>Location</u>	<u>Name</u>	<u>Phone</u>
Ventura, CA	Russ Charvonja and Rob West	805-587-4262
Boise, ID	Mark and Karen Dubois*, Paul Dewitt	385-0044
Altoona, PA	Tom and Cherie Brandt	814-329-9221
Mt. Lebanon, PA	Jeff and Heather Warmke	740-590-2291
Portland, OR	Fabiano and Eliana Landi	503-915-6660

Location	Name	Phone
College Station, TX	Salim and Naureen Gheewalla, Freeze It In Texas, LLC	281-748-6787
Cypress, TX	VR Towne Lake, LLC (Michael Vandiver and Jeff Read)	832-785-7027
Cypress, TX (Fairfield)	Krunal Patel	832-576-2459
Deer Park, TX	Robin Neugebauer	281-639-7242
Flower Mound, TX	Jatin Patel	806-440-1753
Houston, TX	Waite Enterprises, LLC and Chris and Veronica Waite	281-650-9358
Houston, TX	Kevin Edwards and Ecseck, LLC	832-576-2459
Houston, TX	Michael Vandiver and Jeff Read	832+785+7027
Hurst, TX	Alnawaz Suhani, Kirk Jones and AK 2014, LLC	214-228-6131; 817-306-5434
Katy, TX	Aerum Mahmood and Neo Concepts, LLC	832-729-9981
Magnolia, TX	Ally Lakhpaty	361-815-4777
Round Rock, TX	Shakil Maredia	(512) 955-0825
Sugarland, TX	Salim and Naureen Gheewalla, Freeze It In Texas, LLC	281-748-6787
Tomball, TX	Krunal Patel	832-576-2459
Layton, UT	Jamie Smith Dicks**	801-776-9182
Lehi, UT	Genesis Ice Cream and Adam Drossart	801-834-0031
Provo, UT - Provo Towne Center	SZ Ventures, LLC and Adam Droussart	801-834-0031
St. George, UT	Chad Ostler	888-FOR-SUB0

EXHIBIT E

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

The Following Table Reflects Our Agents for Service of Process and the Relevant State Franchise Authorities. We may not be registered to offer and sell franchises in all of these states:

NAMES AND ADDRESSES OF STATE REGULATORY AUTHORITIES AND REGISTERED AGENTS IN STATES

STATE	REGISTERED AGENTS	REGULATORY AUTHORITIES
CALIFORNIA	California Commissioner of the Department of Financial Protection and Innovation: Los Angeles: 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7505 Sacramento: 1515 K Street, Suite 200 Sacramento, CA 95814-4052 (916) 445-7205 San Diego: 1350 Front Street San Diego, CA 92101-3697 (619) 525-4233 San Francisco: One Sansome Street, Suite 600 San Francisco, CA 94104 <u>Toll-Free Number: 1-866-275-2677</u>	Commissioner Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013-1105 (213) 576-7505
CONNECTICUT	Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 (860) 240-8233 or (860) 240-8232	Banking Commissioner 260 Constitution Plaza Hartford, CT 06103 (860) 240-8233 or (860) 240-8232
FLORIDA	[Not Applicable]	Senior Consumer Complaint Analyst Department of Agriculture and Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, Florida 32399-0800 (850) 922-2770

STATE	REGISTERED AGENTS	REGULATORY AUTHORITIES
HAWAII	Commissioner of Securities of the Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813-2921 (808) 586-2722	Commissioner of Securities of the Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813-2921 (808) 586-2722
ILLINOIS	Illinois Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Chief, Franchise Bureau Illinois Attorney General 100 W. Randolph Street Chicago, IL 60601 (312) 814-3892
INDIANA	Secretary of State Administrative Offices of the Secretary of State 201 State House Indianapolis, IN 46204 (317) 232-6681	Securities Commissioner Securities Division Room E-111 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681
IOWA	[Not Applicable]	Director of Regulated Industries Unit Iowa Securities Bureau 340 East Maple Des Moines, Iowa 50319-0066 (515) 281-4441
MARYLAND	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Commerce, Corporations and Securities Bureau 525 W. Ottawa 670 Law Building Lansing, MI 48913 (517) 373-7117	Franchise Administrator Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 670 Law Building Lansing, MI 48913 (517) 373-7117
MINNESOTA	Minnesota Commissioner of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1600	Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1600
NEBRASKA	[Not Applicable]	Staff Attorney Department of Banking and Finance 1200 N Street Suite 311 P.O. Box 95006 Lincoln, Nebraska 68509 (402) 471-3445

STATE	REGISTERED AGENTS	REGULATORY AUTHORITIES
NEW YORK	Secretary of State 99 Washington Avenue Albany, NY 12231	New York State Department of Law Investor Protection Bureau 28 Liberty St. 21 st Floor New York, NY 10005 (212) 416-8236
NORTH DAKOTA	North Dakota Securities Commissioner Fifth Floor 500 East Boulevard Bismarck, ND 58505	Franchise Examiner Office of Securities Commissioner 600 East Boulevard, 5th Floor Bismarck, ND 58505 (701) 328-4712
OREGON	Director of Oregon Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 97310 (503) 378-4387	Department of Consumer and Franchise Services Division of Finance and Corporate Securities Labor and Industries Building Salem, OR 97310 (503) 378-4387
RHODE ISLAND	Director of Rhode Island Department of Franchise Regulation Division of Securities Suite 232 Providence, RI 02903 (401) 222-3048	Associate Director and Superintendent of Securities Division of Securities 233 Richmond Street, Suite 232 Providence, RI 02903-4232 (401) 222-3048
SOUTH DAKOTA	Director of South Dakota Division of Insurance 124 S. Euclid Suite 104 Pierre, SD 57501 (605) 773-3563	Franchise Administrator Division of Insurance Securities Regulation 124 S. Euclid Suite 104 Pierre, SD 5750 (605) 773-3563
TEXAS	[Not Applicable]	Secretary of State Statutory Document Section P.O. Box 12887 Austin, TX 78711 (512) 475-1769
UTAH		Division of Consumer Protection Utah Department of Commerce 160 East Three Hundred South P.O. Box 45804 Salt Lake City, Utah 84145-0804 (801) 530-6601
VIRGINIA	Clerk of the State Corporation Commission 1300 E. Main Street Richmond, VA 23219 (804) 371-9733	Chief Examiner/Investigator State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street Richmond, VA 23219 (804) 371-9051

STATE	REGISTERED AGENTS	REGULATORY AUTHORITIES
WASHINGTON	Securities Administrator Washington State Dept. of Financial Institutions 150 Israel Rd SW Tumwater, WA 98501 (360) 902-8760	Securities Administrator Washington State Dept. of Financial Institutions 150 Israel Rd SW Tumwater, WA 98501 (360) 902-8760
WISCONSIN	Wisconsin Commissioner of Securities P.O. Box 1768 345 W. Washington Avenue, 4 th Floor Madison, WI 53703 (608) 261-9555	Franchise Administrator Securities and Franchise Registration Wisconsin Securities Commission 345 W. Washington Avenue, 4 th Floor Madison, WI 53703 (608) 261-9555
FEDERAL TRADE COMMISSION		Franchise Rule Coordinator Division of Marketing Practices Bureau of Consumer Protection Pennsylvania Avenue at 6th Street, NW Washington, D.C. 20580 (202) 326-3128

EXHIBIT F
CONFIDENTIAL OPERATING MANUAL TABLES OF CONTENTS

Standard Operating Procedures Manual (54 pages)

Update process, Welcome, Overview, History, and Mission (3 pages)
Customer Service (6 pages)
Required Products (1 page)
Menu Boards (1 page)
Pricing Structure(1 page)
Food safety (5 pages)
Products Recipes (9 pages)
Catering (2 pages)
School Presentations (7 pages)
Procedure (1 page)
Operation (1 page)
Safety (5 pages)
Maintenance (6 page)
Payments (2 pages)
Compliance (1 page)
POS System (1 page)
Display Side (1 page)
Back End (1 page)

The Buildout and Design Manual (32 pages)

Organizing your business (2 pages)
Design Manual (1 page)
Identifying a Location (1 page)
Begin Architectural and Construction Phase (3 pages)
Order Equipment (5 pages)
Preparation for opening (19 pages)
Opening (1 page)

Franchise Administration Manual (14 pages)

Employee Management (1 page)
Hiring Employees (1 page)
Job descriptions (4 page)
Finding Employees (1 page)
The Application and Interview (1 page)
Meeting New Employee (1 page)**Error! Bookmark not defined.**
Training Employees (1 page)
Employee Management, Laws, Forms, Scheduling, and Appearance (2 pages)
Payroll (1 page)
Discipline, Transfers, Retention (1 page)

EXHIBIT G

CONDITIONAL ASSIGNMENT

_____ ("you") operate your franchise business at _____. In consideration of the granting of a franchise to you and other valuable consideration given by **SUB ZERO FRANCHISING, INC.**, a Utah corporation ("us"), you assign to us all telephone numbers, telephone and internet listings, website addresses and domain names you use in the operation of the franchise. We assume the performance of all of the terms, covenants and conditions of your agreement with the Telephone Company concerning the telephone numbers and telephone listings with the full force and effect as if we had been originally issued the telephone numbers and telephone listings. We will hold this assignment, and will deliver it to the Telephone Company or other interested third parties only upon termination of the Franchise Agreement between us and you dated _____.

DATED this _____.

("we/us"): **SUB ZERO FRANCHISING, INC.**

By: _____

Print Name: _____

Title: _____

("you"):

By: _____

Print Name: _____

Title: _____

EXHIBIT H

**SUB ZERO FRANCHISING, INC. FRANCHISE AGREEMENT ADDENDUM
ABANDONMENT, RELINQUISHMENT, AND TERMINATION
OF ASSUMED OR FICTITIOUS BUSINESS NAME**

Pursuant to the provisions of relevant state laws concerning the registration and use of assumed or fictitious business names, the undersigned applicant, being a franchisee of **SUB ZERO FRANCHISING, INC.**, submits the following to evidence its intent to abandon, relinquish and terminate its right to use the business name **SUB ZERO**:

1. Name of Applicant who is Using the
Assumed or Fictitious Business Name:

a(an) individual/partnership/corporation organized
and doing business under the laws of the State of

2. Date When Original Assumed or Fictitious Business
Name was Filed by Applicant:

3. Address of Applicant's Registered Office in the
State of: _____

4. Please cancel the Applicant's registration to use
the name **SUB ZERO**.

DATED: _____

Applicant

By: _____

Title: _____

EXHIBIT I

AUTHORIZATION FOR ELECTRONIC FUNDS TRANSFER

SUB ZERO FRANCHISING, INC.

62 W. Center St.
Provo, UT 84601
(385) 208-4353

I (we) hereby authorize SUB ZERO FRANCHISING, INC. (the "Company") to initiate Electronic Funds Transfer charges to my (our) bank account (indicated below) for payment of my (our) weekly Royalty, Brand Development Fees and other fees owed by me (us) to the Company on or near Wednesday of each week. This Authorization will remain in full force and effect until Company receives written confirmation of termination of this Authorization via certified letter.

Financial Institution Name: _____

Account Number: _____

Routing Number: _____

Branch Name: _____

Address: _____

City:_____ State:_____ ZIP:_____

I further certify that I have received a copy of the Authorization for my files.

Individual Name: _____

Corporate Name: _____

Sub Zero Franchise: _____

By:_____

Title:_____

Effective Date:_____

Please attach a voided blank check for verification purposes.

[VOIDED CHECK]

EXHIBIT J

SBA ADDENDUM RELATING TO SUB ZERO FRANCHISING, INC. FRANCHISE AGREEMENT

THIS ADDENDUM ("Addendum") is made and entered into on _____, 20____, by **SUB ZERO FRANCHISING, INC.**, a Utah corporation ("Sub Zero" or "Franchisor"), and _____, located at _____ ("Franchisee").

Franchisor and Franchisee entered into a Sub Zero™ franchise agreement on _____, 20__, (such Agreement, together with any amendments, the "Franchise Agreement"). Franchisee is applying for a loan ("Loan") from a lender a loan in which funding is provided with the assistance of the United States Small Business Administration ("SBA"). SBA requires the execution of this Addendum as a condition for obtaining the SBA assisted financing.

In consideration of the mutual promises below, and for good and valuable considerations, the receipt and sufficiency of which the parties acknowledge, the parties agree that notwithstanding any other terms in the Franchise Agreement:

CHANGE OF OWNERSHIP

- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Franchisor's consent is required for any transfer (full or partial), Franchise will not unreasonably withhold such consent. In the event of an approved transfer of the franchise interest or any portion thereof, the transferor will not be liable for the actions of the transferee franchisee.

FORCED SALE OF ASSETS

- If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the franchise location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the franchise term (excluding additional renewals) for fair market value.

COVENANTS

- If Franchisee owns the real estate where the franchise location is operating, Franchisor may not record against the real estate any restriction on the use of the

property, including any restrictive covenants, branding covenants or environmental use restrictions.

EMPLOYMENT

- Franchisor will not directly control (hire, fire, or schedule) Franchisee’s employees.

This Addendum automatically terminates on the earliest to occur of the following: (i) the Loan is paid in full; or (ii) SBA no longer has any interest in the Loan.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

FRANCHISOR:
SUB ZERO FRANCHISING, INC.

FRANCHISEE:

By: _____
Print Name: _____
Title: _____

By: _____
Print Name: _____
Title: _____

Note to Parties: This Addendum only addresses “affiliation” between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the franchise system must meet all SBA eligibility requirements.

EXHIBIT K
STATE SPECIFIC ADDENDA TO THE FDD AND FRANCHISE AGREEMENT

The following modifications and additions are part of the **SUB ZERO** Franchise Disclosure Document ("FDD") and Franchise Agreement ("FA") and Multiple Purchase Addendum ("MPA"), as required by relevant state laws.

CALIFORNIA

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 FRANCHISE DISCLOSURE DOCUMENT.

WE MAINTAIN A WEB SITE AT THE FOLLOWING ADDRESS: www.subzeroicecream.com

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION, ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.com.

FDD Item 5; FDD Item 5, FA section 6(a), MPA Section 1

Payment of all initial fees is postponed until after all of franchisor's initial obligations are complete and franchisee is open for business.

FDD, FA

The Franchise Agreement contains a waiver of punitive damages provision and a waiver of a jury trial provision. These provisions might not be enforceable under California law.

FDD Item 3

Neither the franchisor, nor any person listed in Item 2 of the Franchise Disclosure Document 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 these persons from membership in this association or exchange.

FDD Item 17; FA Sections 14, 15, 16, and 20

1) California Law Regarding Termination and Nonrenewal. California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination or non-renewal of a franchise. If the Franchise Agreement or Area Developer Agreement contains a provision that is inconsistent with the law, the law will control.

2) Post-Termination Noncompetition Covenants. The Franchise Agreement and Area Developer Agreement contain covenants not to compete that extend beyond the termination of the franchise. This provision may not be enforceable under California law.

3) Liquidated Damages. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

4) Arbitration. The Franchise Agreement requires binding arbitration. The arbitration will occur at Salt Lake City, Utah with the costs being borne by the respective parties (unless you must reimburse us as provided under the Franchise Agreement). Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedures Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

5) Applicable Law. The agreements require application of the laws of the State of Utah. This provision may not be enforceable under California law.

6) Bankruptcy. The agreements provide for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11. U.S.C.A. Sec. 101 et seq.), but we will enforce it if enforceable.

7) Waiver of Punitive Damages and Jury Trial. The agreements contain a waiver of punitive damages provision and a waiver of a jury trial provision. These provisions might not be enforceable under California law.

8) Conditions for Approval of Transfer. YOU MUST SIGN A GENERAL RELEASE OF CLAIMS IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE SECTION 31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE SECTIONS 31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE SECTION 20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODES SECTIONS 20000 through 20043).

9) Disclosure Document. Section 31125 of the Franchise Investment Law requires us to give to you a disclosure document, in a form and containing such information as the Commissioner of Corporations may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

Connecticut

FDD Cover Sheet

DISCLOSURES REQUIRED BY CONNECTICUT LAW

The State of Connecticut does not approve, recommend, endorse or sponsor any business opportunity. The information contained in this disclosure has not been verified by the state. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

FDD Item 3

The disclosures in Item 3 include information on pending and completed actions related to:

Securities Laws;

Business Opportunity Laws;
Actions Brought by Present or Former Purchaser-Investors Involving Franchise
or Business Opportunity Relationships.

FDD Items 7 and 8, FA Sections 4, 5, 9, and 15

If the seller fails to deliver the products, equipment or supplies or fails to render the services necessary to begin substantial operation of the business within **45** days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be canceled.

Georgia

DISCLOSURES REQUIRED BY GEORGIA LAW

The State of Georgia has not reviewed and does not approve, recommend, endorse, or sponsor any business opportunity. The information contained in this disclosure has not been verified by the state. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

Idaho

FDD Item 17, FA Section 20, ADA Section 11

Any condition in a franchise agreement executed by a resident of Idaho or a business entity organized under the laws of Idaho is void to the extent it purports to waive venue or jurisdiction of the Idaho court system. Venue and jurisdiction will be in Idaho if the franchisee is an Idaho resident or a business entity organized under the laws of Idaho.

Illinois

FDD Item 17

Your rights upon termination and non-renewal are set forth in section 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.

The governing law and choice of law clauses contained in the Franchise Agreement are subject to Illinois Law.

Any provision in the Franchise Agreement, Area Developer Agreement and any ancillary Agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois, provided that a Franchise Agreement or Area Developer Agreement may provide for arbitration in a forum outside of Illinois. (See Section 4 of the Illinois Franchise Disclosure Act, and Rule 200.608 of the Rules and Regulations).

See the last page of this Exhibit K for your Signature.

Maryland

This Maryland addendum amends the franchise agreement and the multiple purchase addendum.

FA

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability 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.

FDD Item 17, FA

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

FDD Item 17, FA

The general release required as a condition of renewal, sale, assignment or transfer of the franchise will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

FDD Item 17, FA

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchises.

FDD Item 17, FA

Any provision that provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

Michigan

The State of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are included in these franchise documents, the provisions are void for Michigan franchisees and cannot be enforced against Michigan franchisees. These provisions are:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise investment law. This will not preclude a franchisee, after entering into a Franchise Agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause will include the failure of the franchisee to comply with any lawful provision of the Franchise Agreement and to cure the failure after being given written notice and a reasonable opportunity, which in no event need be more than 30 days, to cure the failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory,

supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if:

- (i) The term of the franchise is less than 5 years, and
 - (ii) The franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise, or the franchisee does not receive at least six months' advance notice of the 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 will be conducted outside this state. This will 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 will 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 breach in the Franchise Agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of assets if the franchisee has breached the lawful provisions of the Franchise Agreement and has failed to cure the breach in the manner provided in subdivision (c).
- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer the franchisee's obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

The fact that there is a notice of this offering on file with the Attorney General does not constitute approval, recommendation or endorsement by the Attorney General. A franchisor whose most recent financial statements are unaudited and show a net worth of less than \$100,000 will, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of the escrow. Any questions regarding this notice should be directed to the Department of the Michigan Attorney General, 6520 Mercantile Way, Suite 3, Lansing, Michigan 48913; (517) 373-3800.

The name and address of the franchisor's agent in Michigan authorized to receive service of process is:

Michigan Department of Commerce
Corporation and Securities Bureau
Office of Franchise and Agent Licensing
6546 Mercantile Way
P. O. Box 30222
Lansing, Michigan 48910

Minnesota

Minnesota law prohibits requiring a franchisee to waive his or her rights to a trial or to consent to liquidated damages, termination penalties, or judgment notes. (Minn. Rules 2860.4400(J)).

FDD Item 5; FDD Item 5, FA section 6(a), MPA Section 1

Payment of all initial fees is postponed until after all of franchisor's initial obligations are complete and franchisee is open for business.

FDD Item 17; FA Sections 15(b), 15(c), 3(b), 14(b) and 14(c)

With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subds. 3, 4, and 5, which require (except in certain specified cases) that a franchisee be given **90** days notice of termination (with **60** days to cure) and **180** days notice for non-renewal of the Franchise Agreement; and that consent to the transfer of the franchise will not be unreasonably withheld.

FDD Item 17; FA Section 20

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of 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.

FDD Item 13; FA Section 8

Minnesota Statutes Section 80C.20, Subdivision 1(g) allows the Minnesota Commissioner of the Department of Commerce to issue a cease and dismiss order or issue an order denying, suspending or

revoking any registration, amendment or exception on finding any of the following . . . that the method of sale or proposed method of sale of franchises or the operation of the business of the franchisor or any term or condition of the franchise agreement or any practice of the franchisor is or would be unfair or inequitable to franchisees. Pursuant to this section, the Commissioner requires all franchisors registering in the state of Minnesota to state that the franchisor will protect the franchisee's right to use the trademarks, service marks, trade names, logo types or other commercial symbols or indemnify the franchisee from any loss, cost or expenses arising out of any claim, suit or demand regarding the use of the name. We intend to comply with the Minnesota statute and to protect the franchisee's rights and indemnify the franchisee for any losses to the full extent required by relevant state law.

FDD Item 17, FA Sections FA Sections 3, 14 and 15

Minnesota Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release. The general release provisions in the Franchise Agreement are void and unenforceable in the state of Minnesota.

FA Section 20

Pursuant to Minnesota Statutes Section 80.C.21, this section will not in any way abrogate or reduce any rights of the franchisee as provided for in Minnesota Statutes, Chapter 80.C, including, but not limited to, the right to submit matters to the jurisdiction of the courts in Minnesota.

New York

FDD Cover Page

FRANCHISE DISCLOSURE DOCUMENT COVER PAGE

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT E OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY THE STATE OF NEW YORK 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 THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY ST., 2ST FLOOR, NEW YORK, NEW YORK 10005.

FDD Item 3

Except as described above, 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; 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 franchises 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 been held liable in a civil action alleging: violation of a franchise, antitrust, or securities law; fraud; embezzlement; fraudulent conversion; misappropriation of property; 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 any 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 these person from membership in these associations or exchanges; 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.

FDD Item 4

Except as disclosed above, neither the franchisor nor any of its affiliates, its predecessor, officers, or general partners have, during the 10 year period immediately preceding the date of the Franchise Disclosure Document: (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 U.S. 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 the officer or general partner of ours held this position in the company or partnership

FDD Item 5

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

FDD Item 17

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, 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 provision of General Business Law 687.4 and 687.5 be satisfied.

The following is added to the end of the “Summary” sections of Item 17(d), titled “**Termination by franchisee**”:

You may terminate the Franchise Agreement on any grounds available by law.

The following is added to the end of the “Summary” sections 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 Franchise Agreement.

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 the Article 33 of the General Business Law of the State of New York.

Virginia

FDD Item 5; FDD Item 5, FA section 6(a), MPA Section 1

The Virginia State Corporation Commission’s Division of Securities and Retail Franchising has imposed a requirement upon us that we must escrow the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement. Within two business days of receipt, all initial fees and other initial payments made by you shall be placed in a separate trust account with Eagle Bank at 8245 Boone Boulevard, Suite 820, Tysons Corner, Virginia 2281, as depository. The funds deposited with the depository shall remain escrowed until the Virginia Commission authorizes the release of funds after we apply for their release to the Virginia Commission with a written certification from you stating the amount of funds to be released that acknowledges that we have completely performed our pre-opening obligations under the franchise agreement.

FDD Item 9

In Virginia, notice of approval or disapproval of a proposed supplier will be issued by us within **45** days after the franchisee has delivered all required materials.

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 grounds for default or termination stated in the franchise agreement do not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Washington

FDD STATE COVER PAGE: RISK FACTORS

THE FRANCHISOR HAS LIMITED FINANCIAL RESOURCES WHICH MIGHT NOT BE ADEQUATE TO FUND THE FRANCHISOR’S PRE-OPENING OBLIGATIONS TO EACH FRANCHISEE AND PAY OPERATING EXPENSES.

FDD Item 5; FDD Item 5, FA section 6(a), MPA Section 1

The Washington State Securities Division has imposed a financial condition under which the initial franchisee fees due will be deferred until the franchisor has fulfilled all its initial pre-opening obligations under the Franchise Agreement and the franchise is open for business. Because the Franchisor has material pre-opening obligations with respect to each franchised business the franchisee opens under the Multiple Purchase Addendum, the State of Washington will require that the franchise fees be released proportionally with respect to each franchised business.

FDD Item 17; FA Section 14 and 20

The State of Washington has a statute, RCW 19.100.180, which may supersede the franchise 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 franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

A release or waiver of rights executed by a franchisee will not include rights under the Washington Franchise Investment Protection Act, except when executed pursuant to a negotiated settlement after the Franchise 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, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer Fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

The franchisee acknowledges receipt of this Addendum.

[Signature page immediately follows]

It is agreed that the applicable foregoing state law addendum for the state of _____, if any, supersedes any inconsistent portion of the Franchise Agreement (to which this addendum is attached) of this same date, and of the Franchise Disclosure Document. All terms of the Franchise Agreement, including these State Law Addendum provisions for the relevant state, have been agreed to at the time the Franchise Agreement was signed, to the extent that they are valid requirements of an applicable, effective, and enforceable state law. However, this addendum will have effect only if the Franchise Agreement or our relationship with you satisfies all of the jurisdictional requirements of the relevant state's franchise laws, without considering this addendum, and only to the extent the addendum reflects then valid requirements of an applicable and enforceable state law, and for only so long as such state law remains in effect.

DATED this _____.

("we/us"): **SUB ZERO FRANCHISING, INC.**

By: _____

Print Name: _____

Title: _____

("you"):

By: _____

Print Name: _____

Title: _____

EXHIBIT L
Franchisee Closing Questionnaire
SUB ZERO FRANCHISING, INC.,
a Utah corporation
62 W. Center St.
Provo, UT 84601
(385) 208-4353

SUB ZERO FRANCHISING, INC. ("**Sub Zero**"), through the use of this Franchisee Closing Questionnaire, desires to verify certain information about the sales process and to confirm that Sub Zero and its employees have complied with applicable franchise disclosure laws. Sub Zero further desires to confirm that you fully understand that the purchase of a Sub Zero franchise is a business decision involving the evaluation of many risks. Sub Zero's policy is to verify and confirm that in making your decision you are not relying upon any oral statement, representation, promise or assurance made during the negotiations for the purchase of a Sub Zero franchise by any director, officer, employee, agent or representative of Sub Zero (each, a "**Representative**") that is not specifically reported in Sub Zero's then-current Franchise Disclosure Document, including all of the exhibits attached to it (the "**Disclosure Document**").

All representations requiring a prospective franchisee to assent to a release, estoppel, or waiver of liability 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.

BACKGROUND AND GENERAL INFORMATION

1. Please state your name and address:

2. Please state the full name of the Franchisee if you are using a corporation, limited liability company, partnership or other entity to purchase the Franchise:

3. What is the location or territory of the Franchise you are purchasing?

4. Franchisee is (check applicable box):

- ☐ An individual
- ☐ A corporation
- ☐ A limited liability company
- ☐ A general partnership
- ☐ A limited partnership

5. If Franchisee is other than an individual, indicate the capacity in which the undersigned is authorized to act on behalf of the Franchisee (check applicable box):

- ☐ Officer (insert title): _____
- ☐ General Partner _____
- ☐ Other (please explain): _____

6. Have you received a copy of Sub Zero's most current Disclosure Document?

Yes ☐ No ☐

7. On what date did you receive the Disclosure Document? _____

ACKNOWLEDGEMENT

By signing below, you acknowledge that you have personal knowledge of the following facts and that they are all true and correct:

1. You acknowledge that you received the Disclosure Document at least 14 calendar days before you signed a binding agreement with or made a payment to us or our affiliate in connection with the proposed franchise sale, or sooner if required by state law.

2. You acknowledge that you received the Franchise Agreement (if applicable) at least 7 calendar days before signing them.

3. You acknowledge that you have personally and carefully reviewed the Disclosure Document, that you understand all of the information in the Disclosure Document and that you have been advised by a Representative to have professional advisors of your own, including legal counsel, review the Disclosure Document and consult with you regarding the risks associated with the purchase and operation of a Sub Zero franchise.

4. You acknowledge that you have made your own independent determination as to whether you have the capital necessary to fund a Sub Zero franchise.

5. You recognize and understand that the success or failure of a Sub Zero franchise is subject to many variables, including, but not limited to, (a) geographic location; (b) competition from other businesses in the market; (c) advertising effectiveness based on market saturation; (d) whether you assume the sales position or hire a sales manager; (e) your product and service pricing; (f) vendor prices on materials, supplies and inventory; (g) salaries and benefits to non-business personnel; (h) business personnel benefits (life and health insurance, etc.); (i) weather conditions; (j) employment conditions in the market; (k) inflation, and (l) lease terms and costs and other business factors. You acknowledge your willingness to undertake these business risks and that it is your responsibility to manage your Sub Zero franchise. You understand that the success or failure of your Sub Zero franchise depends primarily upon your efforts and not those of Sub Zero.

6. You acknowledge and agree that your decision to purchase a Sub Zero franchise is in no manner predicated upon any representations, assurances, warranties, guarantees or promises made by a Representative as to the likelihood of success of a Sub Zero franchise. You further acknowledge that you

have not received any information from a Representative concerning actual, average, projected or forecasted sales, gross receipts, operating costs, revenues, income, profits or earnings, that is not contained in the Disclosure Document, except as follows (if no exceptions, write "None"):

7. You acknowledge that a Representative has not made any statement, promise or assurance concerning the likelihood of success that you should or might expect to achieve from developing and operating a Sub Zero franchise. If you believe that one of these statements, promises or assurances has been made, please describe the statement, promise or assurance in the space provided below or write "None".

8. You acknowledge that a Representative has not made any statement, promise or assurance concerning the advertising, marketing, training, support services or assistance that Sub Zero will furnish you that is contrary to, or different from, the information contained in the Disclosure Document. If you believe that one of these statements, promises or assurances has been made, please describe the statement or promise in the space provided below or write "None".

9. You acknowledge that a Representative has not made any other statement, promise or assurance concerning any other matter related to a Sub Zero franchise that is contrary to, or different from, the information contained in the Disclosure Document. If you believe that one of these statements, promises or assurances has been made, please describe the statement, promise or assurance in the space provided below or write "None".

10. You acknowledge that no rights to any territory or locations whatsoever are granted to you or any other person or entity designated as Franchisee in your Franchise Agreements except as reported in the Disclosure Document or your Franchise Agreements.

Note that under applicable state law, these representations and acknowledgements may not act as a release, estoppel or waiver of any liability incurred.

PROSPECTIVE FRANCHISEE: (Individual)

Name

Signature

Date: _____

PROSPECTIVE FRANCHISEE:

(Corporation, Partnership or Limited Liability Company)

a/an _____ corporation

a/an _____ partnership

a/an _____ limited liability company

By: _____

Its: _____

Date: _____

STATE EFFECTIVE DATES

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

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

State	Effective Date
California	
Hawaii	
Indiana	
Michigan	
Virginia	
Washington	

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

RECEIPT

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

If SUB ZERO FRANCHISING, INC. offers you a franchise, SUB ZERO FRANCHISING, INC. 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 (10 business days in Michigan). New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If SUB ZERO FRANCHISING, INC. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit E.

The name, principal business address, and telephone number of each franchise seller offering the franchise:

- ☐ Jerry Hancock, 62 W. Center St., Provo, UT 84601, (385) 208-4353
- ☐ Dana Del Francia, 62 W. Center St., Provo, UT 84601, (385) 208-4353
- ☐ Steven Doyle, 62 W. Center St., Provo, UT 84601, (385) 208-4353
- ☐ Other:

Our authorized agents for service of process are identified on Exhibit E to this Franchise Disclosure Document.

Date of Issuance: January 12, 2021

I have received a Franchise Disclosure Document dated as indicated above that included the following Exhibits:

- A Financial Statements
- B Franchise Agreement
- C Information Concerning Sub Zero Area Developers and Sales and Service Representatives
- D List of Current and Former Franchisees
- E List of State Agencies/Agents for Service of Process/Effective Dates
- F Operating Manuals Table of Contents
- G Conditional Assignment of Telephone and Directory Listings
- H Abandonment, Relinquishment, & Termination of Assumed/Fictitious Business Name
- I Authorization for Electronic Funds Transfer
- J SBA Addendum
- K State Specific Addenda to Disclosure Document and Agreement
- L Franchisee Closing Questionnaire

DATED this _____.

Signatures of All Prospective Franchisees:

Individuals: _____

Name of Corporation/LLC/Partnership: _____

By: _____ Title: _____

Keep this copy for your records.

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DATED this _____.

Signatures of All Prospective Franchisees:

Individuals: _____

Name of Corporation/LLC/Partnership: _____

By: _____ Title: _____

Please sign this copy of the Receipt, date your signature, and return it to Sub Zero Franchising, Inc. by email attachment to jerry.hancock@subzeroicecream.com, by fax to (801)820-9065, or by mail to: 62 W. Center St., Provo, UT 84601