

Provision	Section in Development Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Paragraphs IX.D. and H.	You must not own or operate a business which sells prepared food products or services the same as or similar to any other product or service provided through the System for 1 year after the Area Development Agreement is terminated. The covenants apply even if you have transferred your interest in the Area Development Agreement.
s. Modification of the agreement	Paragraphs XV.	The Area Development Agreement can be modified only by written agreement between us and you.
t. Integration/merger clause	Paragraphs XV. and XVI.	In case of conflict between the terms of the Franchise Agreement and the Area Development Agreement, the terms of the Franchise Agreement will prevail. Nothing in the franchise agreement or any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	None	The Area Development Agreement does not provide for dispute resolution by arbitration or mediation.
v. Choice of forum	Paragraph XVII.B.	Any action will be brought in the appropriate state or federal court situated in the district in which we maintain our principal headquarters, subject to state law.
w. Choice of law	Paragraph XVII.A.	Texas law applies, subject to state law; except that disputes regarding the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.)

ITEM 18 PUBLIC FIGURES

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

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

There are three affiliate-owned HAPPY JOE'S Restaurants owned and operated by our affiliate Dynamic Restaurant Acquisition, Inc. Each of these three Restaurants operated for the full 12-month period ending on September 30, 2024, and are located in Iowa.

The following chart reflects historic representations of based on past performance of existing outlets' Gross Sales, Cost of Sales, and certain operating expenses for the period of October 1, 2023 to September 30, 2024 for each of the three affiliate-owned HAPPY JOE'S Restaurants.

AFFILIATE-OWNED FULL SIZE HAPPY JOE'S RESTAURANTS

	Bettendorf			Locust			West 50th	
	Yearly Totals			Yearly Totals			Yearly Totals	
	\$	%		\$	%		\$	%
Total Revenue	1,913,777			1,457,034			1,628,856	
Total Discounts	235,679	12.3%		184,129	12.6%		184,685	11.3%
Net Revenue	1,678,098			1,272,905			1,444,171	
Total Cost of Sales	553,007	28.9%		463,170	31.8%		486,217	29.9%
Gross Profit	1,125,091	58.8%		809,735	55.6%		957,954	58.8%
Total Controllable Payroll Expenses	445,041	23.3%		402,180	27.6%		448,852	27.6%
Total Other Payroll Expenses	62,300	3.3%		53,283	3.7%		64,458	4%
Total Variable Expenses	207,074	10.8%		168,760	11.6%		237,095	14.6%
Total Fun Center Income/(Expense)	6,645	0.35%					69,086	4.2%
Net Income	417,321	21.8%		185,512	12.7%		276,635	17%
Royalty Fee	102,003	6%		76,374	6%		94,552	6%
Imputed Net Income	315,318	16.5%		109,138	7.5%		182,083	11.2%

Note 1. "Total Revenue" as used in this financial performance representation means the total gross sales derived from the operation of the restaurant including all sales of Menu Items, Proprietary Products, other food products, beverages and other related products and services to customers of the Restaurant, or any other source (including, but not limited to, insurance proceeds for loss of revenue), whether or not sold or performed at or from the HAPPY JOE'S Restaurant, less the amount of all sales tax receipts or similar tax receipts which, by law, are chargeable to customers, if such taxes are separately stated when the customer is charged and if such taxes are paid to the appropriate taxing authority. Total Revenue does not include game and coin machine income.

Note 2. "Net Revenue" means the Total Revenue minus authorized discounts.

Note 3. "Cost of Sales" means Total Revenue minus the costs for all food, and beverage ingredients, and paper products.

Note 4. "Gross Profit" means Net Revenue minus Cost of Sales.

Note 5. “Variable Expenses” includes expenses for advertising; HJNFB and co-op contributions; promotions; team sponsors and pledges; donations; Restaurant supplies; Workers Compensation insurance; laundry; staff member relations; education and conventions; maintenance supplies; uniforms; repairs and maintenance; maintenance contracts; outside services; telephone; television, cable, and internet; postage; office supplies; computer supplies; dues and subscriptions; cash (over) short; returned checks; travel and lodging; meals and entertainment; automobile expenses; client expenses; research and development for food; training materials; payroll administrative fees; intra-company bookkeeping; professional services; bank service fees; credit card fees; online ordering fees; licenses and fees; penalties and fines; sales and use tax expenses; waste removal; and other miscellaneous expenses. This category includes the contribution Restaurants are required to pay to HJNFB and are recommended to spend on local advertising.

Note 6. “Total Fun Center Income/(Expense)” means the Gross Revenue from the Fun Center less Fun Center Expenses.

Note 7. “Net Income” means Gross Profit minus Controllable Payroll Expenses, Other Payroll Expenses, and Variable Expenses, plus Fun Center Income.

Note 8. “Royalty Fee Adjustment” reflects the 6% Royalty Fee that franchisees must pay to us under the franchise agreement on Net Revenue of the Restaurant and Gross Revenue of the Fun Center. These Restaurants did not pay us this Royalty Fee.

Note 9. “Imputed Net Income” means Net Income minus the Royalty Fee Adjustment.

Note 10. The affiliate-owned Restaurants included in the table above have been in operation ranging from ten (10) years to forty plus (40+) years. A newly established Restaurant without brand recognition in the local market or a customer base cannot expect to initially experience the same level of sales or income as an established business.

GROSS SALES OF RESTAURANTS

As of September 30, 2024, we had 29 franchised HAPPY JOE’S restaurants in operation in the United States. Of these 29 Restaurants, 21 were Full-Size Restaurants, one restaurant operated under our “PIZZAGRILLE” model, six were delivery-only or DELCO facilities, and one was a Bolt-On franchise which is a Restaurant that operates in an existing restaurant.

The following chart reflects historic representations of based on past performance of existing outlets’ Gross Sales for the year ending on September 30, 2024, for the 21 Full-Size HAPPY JOE’S Restaurants and six DELCO Restaurants that operated for the full reporting period.

Restaurant Type	Average Gross Sales	Number of Restaurants Meeting or Exceeding the Average	Median Gross Sales	Number of Restaurants Meeting or Exceeding the Median	Gross Sales Range	
					Low	High
Full-Size Restaurants	923,741	10	879,713	10	331,814	1,903,222
DELCO Restaurants	885,278	1	709,941	3	430,743	2,133,858

Note 1. The information was compiled from royalty reports and/or financial statements submitted to us by the franchisee. This information has not been audited and we have not taken any steps to independently verify the accuracy of the information submitted for each of these restaurants.

Note 2. “Gross Sales” as used in the chart above means the total gross sales derived from the operation of the Restaurant including all sales of Menu Items, Proprietary Products, other food products, beverages and other related products and services to customers of Franchisee (including but not limited to any game and coin machine income), or any other source (including, but not limited to, insurance proceeds for loss of revenue), whether or not sold or performed at or from the HAPPY JOE’S Restaurant, less the amount of all sales tax receipts or similar tax receipts which, by law, are chargeable to customers, if such taxes are separately stated when the customer is charged and if such taxes are paid to the appropriate taxing authority.

Note 3. As of September 30, 2024, the time the Full-Size Restaurants included in the above table have been in operation range from 30 months to forty+ (40+) years. As of September 30, 2024, the time the DELCO Restaurants included in the above table have been in operation range from 5 years to forty+ (40+) years. A newly established restaurant without brand recognition in the local market or a customer base cannot expect to initially experience the same level of Gross Sales as the Gross Sales of established businesses.

Some outlets have sold this amount. Your individual results may differ. There is no assurance you will sell as much.

Written substantiation of the data used in preparing this financial performance representation will be made available to prospective franchisees on reasonable request.

Other than the above financial performance representations, 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 other 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 financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Thomas Sacco, 5239 Grand Avenue, Davenport, Iowa, 52807, (563) 332-8811, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

Table No. 1

Systemwide Outlet Summary

For years ended September 30, 2022, to September 30, 2024

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	33	33	0
	2023	33	35	+2
	2024	35	29	-6
Company-Owned	2022	9	5	-4
	2023	5	3	-2
	2024	3	3	0
Total Outlets	2022	42	38	-4
	2023	38	38	0
	2024	38	32	-6

Table No. 2

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years ended September 30, 2022, to September 30, 2024**

State	Year	Number of Transfers
TOTALS	2022	0
	2023	0
	2024	0

Table No. 3

**Status Franchised Outlets
For years ended September 30, 2022, to September 30, 2024**