

FRANCHISE DISCLOSURE DOCUMENT

SUB ZERO FRANCHISING, INC.

a Utah corporation
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www.subzeroicecream.com



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”). Franchisees may elect to operate a mobile unit from a towed trailer that is separate from their standard Sub Zero franchised store.

The total investment necessary to begin operation of a Sub Zero standard franchised business ranges from \$160,000 to \$381,000, with \$15,000 to \$50,000 that applies only to the mobile unit option. This includes \$30,500 to \$37,000 that must be paid to us or our affiliate. The total investment necessary to begin operation of a Sub Zero area developer franchised business ranges from \$111,500 to \$219,000, plus an additional \$0.04 per resident for every resident beyond the \$80,000 minimum Area Development Fee.. The minimum fee of \$80,000 plus \$.04 per resident in your Development Area must be paid to us or our affiliate.

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, 1718 N. University Pkwy, Suite 201, Provo, UT 84606, (801) 494-0960. 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: October 21, 2013

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF THIS FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit C for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT AND AREA DEVELOPER AGREEMENT REQUIRE THAT MOST DISPUTES BE SUBMITTED TO ARBITRATION IN UTAH. OUT OF STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE OR LITIGATE WITH US IN UTAH THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT AND AREA DEVELOPER AGREEMENT STATE THAT UTAH LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS THE LAWS IN YOUR HOME STATE. YOU MAY WANT TO COMPARE THESE LAWS.
3. THE FRANCHISEE'S SPOUSE CAN BE REQUIRED TO SIGN A SPOUSAL CONSENT AGREEING TO THE TERMS OF THE AGREEMENT, MAKING SUCH SPOUSE JOINTLY AND SEVERALLY LIABLE FOR THE OBLIGATIONS UNDER THE AGREEMENT WHICH ALSO PLACES THE SPOUSE'S MARITAL AND PERSONAL ASSETS AT RISK.
4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We may use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

Effective date: [see following page]

This Franchise Disclosure Document is effective as of:

General FTC (for states not requiring registration) – October 21, 2013

States Requiring Registration (registration not approved if blank):

California:	
Florida:	December 10, 2012
Hawaii:	
Illinois:	
Indiana:	
Kentucky:	December 10, 2010
Maryland:	
Michigan:	December 9, 2012
Minnesota:	
Nebraska:	December 9, 2010
New York:	
North Dakota:	
Rhode Island:	
South Dakota:	
Texas:	December 10, 2010
Utah:	December 7, 2012
Virginia:	
Washington:	
Wisconsin:	

Table of Contents

ITEM

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

EXHIBITS

- | | |
|-----------|--|
| Exhibit A | Financial Statements |
| Exhibit B | Sample Franchise Agreement |
| Exhibit C | Sample Area Developer Agreement |
| Exhibit D | List of State Agencies/Agents for Service of Process |
| Exhibit E | Confidential Operating Manuals Table of Contents |
| Exhibit F | Conditional Assignment of Telephone and Directory Listings |
| Exhibit G | Abandonment, Relinquishment, & Termination of Assumed/Fictitious Business Name |
| Exhibit H | Authorization for Electronic Funds Transfer |
| Exhibit I | SBA Addendum |
| Exhibit J | Disclosure Document and Agreement State Law Addendum |
| Exhibit K | Franchisee Closing Questionnaire
Receipts |

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 purchase 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 or area developer 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 1718 N. University Pkwy, Suite 201, Provo, UT 84606. Our telephone number is (801) 494-0960. 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 Provo Towne Centre at 1200 Towne Centre Blvd, Provo, Utah 84601 since July 2012. This store was formerly owned and operated by a franchisee and its operation is the same as the type being franchised. We reserve the right to operate additional stores. 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 D to this Disclosure Document.

Our predecessor, 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 Zero Ice Cream LLC, a Utah company (our “affiliate”) offered Sub Zero franchises from 2006 to March 2010. Our predecessor and affiliate assigned all rights to certain Sub Zero intellectual property and franchise agreements for their franchisees to us November 2010. Our predecessor and affiliate no longer offer franchises in this or any other line of business. Our affiliate and/or our owners and officers may own Sub Zero operations. Our predecessor’s and affiliate’s principal business addresses are the same as ours. Our predecessor and affiliate may be approved or designated suppliers of products and services for our franchisees.

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

The Sub Zero Franchise

Sub Zero stores 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 (“Sub Zero Stores”). Sub Zero Stores provide quick service in an inviting atmosphere.

You will operate your Franchised Store 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”). By paying the Initial Franchise Fee you also receive the right, but not the obligation, to operate a “Mobile Unit” franchise to offer Sub Zero products and services using our Method of Operation from a mobile trailer unit. Some or all of our initial and ongoing obligations to you may be performed by a Sub Zero Area Developer Franchisee in your area that is not a party to your Franchise Agreement.

We may also offer the right to open multiple Franchised Stores within a specified territory. You must sign our standard franchise agreement for each store 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.

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

We offer Area Developers the right to develop Sub Zero franchises in a specified Development Area. The standard Area Developer offering requires you to purchase at least one Standard Franchise in addition to the Area Developer franchise. Area Developer franchisees must comply with the franchise development schedule outlined in their Area Developer Agreement.

Market and Competition

The market for ice cream and related products is well-established and very competitive. You will compete with national and local ice cream, dessert and frozen dessert stores, 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. Cold weather climates may experience some seasonal fluctuations in sales.

Laws and Regulations

Most jurisdictions have specific laws and regulations pertaining to the food-service business, including laws and regulations relating to health and sanitation, access by persons with disabilities, safety and zoning. It is your responsibility to identify and comply with any and all laws applicable to your Sub Zero Store and we urge you to investigate these laws and regulations before becoming a Sub Zero franchisee. Other legal regulations that apply to all businesses generally may include:

Federal. Examples of federal laws are wage and hour, occupational health and safety, equal employment opportunity, hazardous materials communication to employees, hazardous waste and environmental, and the Americans With Disabilities Act.

State. State laws may cover the same topics as federal laws. Examples of state laws include environmental, occupational health and safety, fire, health, and building and construction laws.

Local. Local laws may cover the same topics as federal and state laws. Examples of local laws include health and sanitation, building codes, fire codes, and waste disposal.

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 since July 2012 and as our Chief Executive Officer 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 2004. Since 2004, Mr. Hancock has owned and operated a Sub Zero operation in Utah. He owned a New York Burrito franchise in Orem, Utah from 2003 to 2009. Since 1994, Mr. Hancock has provided software engineering services on contract for large companies such as Key Labs/Hewlett Packard, Franklin Covey, LanDesk, JP Morgan Chase, Novell Inc., Volera, Rappore Technologies, and the University of Missouri.

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 2009. Previous to his involvement with Sub Zero as outlined above, Mr. Hancock managed facilities for the Church of Jesus Christ of Latter-day Saints and operated an architectural practice in Idaho, Utah, and California, retiring in 2007.

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. She has served as founder and Secretary with our affiliate, Sub Zero Ice Cream Inc., since 2004. Since 2004, Mrs. Hancock has owned and operated a Sub Zero operation in Utah.

Peter Black – Director of Marketing

Peter Black has served as our director of marketing since January 2013. Previous to his involvement with Sub Zero as outlined above, Mr. Black was a teacher and training supervisor at Brigham Young University in Provo, Utah from August 2009 to January 2013. He also completed an internship with Walmart from May 2012 through January 2013.

Mary Oliphant –Operations Manager

Mary Oliphant has served as our Operations Manager since February 2013. Ms. Oliphant served as store manager for our affiliate's Provo, Utah store location from April 2008 to February 2013.

ITEM 3 LITIGATION

Five Star Franchising, Inc. v. Sub Zero Franchising, Inc; Sub Zero Franchising, Inc. v. Five Star Franchising, Inc, Scott Abbott, et al. Case No. 120401826 (Fourth Judicial District Court For Utah County, State of Utah, November 2012). In November 2012, Five Star Franchising, Inc. ("Five Star") filed suit against us for breach of contract concerning commissions related to the sale of Sub Zero™ franchises. The claims allege an aggregate amount of \$105,420. In January 2013, we filed a counterclaim against Five Star and a third-party complaint against Scott Abbott ("Abbott") for violation of Utah securities laws, breach of contract, intentional interference with economic relations with potential franchisees, and fraudulent misrepresentation. Before November 2012, Five Star was one of our owners and Abbott was our CEO. In October 2013, the court denied our claims of securities fraud and fraudulent misrepresentation in a partial summary judgment, leaving our claim of breach of contract in the amount of \$350,000. As of the date of this Disclosure Document, we are in the process of filing a motion to amend the judgment. No trial date has been set and no offer of settlement has been proffered by either party.

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.

You pay us a \$30,000 Initial Franchise Fee upon signing the Franchise Agreement for your first franchise.

If you purchase more than one franchise, the Initial Franchise Fee is \$30,000 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.

By paying the Initial Franchise Fee you also receive the right, but not the obligation, to operate a Mobile Unit franchise to offer Sub Zero products and services using our Method of Operation from a mobile trailer unit.

If you have not opened your Franchised Store within the earlier of: (1) 3 months from signing lease; or (2) nine –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, or unless you have signed an Area Development Agreement, the initial franchise fee is 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.

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 **\$500** to **\$2,000**, 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.

B. Area Development Fee.

We offer Area Developer franchisees the right to develop Sub Zero franchises in a Development Area. The initial non-refundable area development fee is **\$0.04** per resident in the Development Area, with a minimum fee of **\$80,000** (the "Area Development Fee"). All or a portion of it is paid when you sign the Area Developer Agreement. The balance of the Area Development Fee, if any, will be deducted from the payments we owe to you as outlined in your Area Developer Agreement until the fee is paid in its entirety. No interest shall be charged on this delayed payment.

During our 2012-2013 fiscal year, the actual Area Development Fee payments collected from area developers ranged from \$64,653 – 74,614.

Except as described above, the Area Development Fee is uniform for all developers. We intend to raise the Area Development 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.

C. Site Selection.

Although not required to do so, we may offer to you site selection services or we may make available to you real estate advisors to assist you in your site selection process. The range of fees associated with such services is generally **\$1,000 to \$5,000**.

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

**ITEM 6
OTHER FEES**

INDIVIDUAL UNIT FRANCHISE

TYPE OF FEE¹	AMOUNT	DUE DATE²	REMARKS
Weekly Royalty	6% of Gross Sales ³	By Tuesday of each week	Paid to us. See note below.
Marketing Fee	2% of Gross Sales ³	By Tuesday of each week	Paid to us.
Local Advertising Expenditure	At least 3% 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	\$1,500	During the period beginning two weeks prior to and ending two weeks following the opening of the Franchised Store.	Spent on promotion and advertising of the Franchised Store. Franchisee shall submit to Sub Zero evidence of such Grand Opening Advertising no later than twenty (20) days following the opening of the Franchised Store. 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.

TYPE OF FEE¹	AMOUNT	DUE DATE²	REMARKS
Advertising Cooperative Contribution	Up to 3% 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 stores in an advertising region, 75 percent of the stores vote to contribute to a regional advertising program, all stores 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 store will have one vote, the same as each franchisee-owned store.
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
Transfer Fee ⁴	\$7,500	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.
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.

TYPE OF FEE¹	AMOUNT	DUE DATE²	REMARKS
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.
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 or the Area Development Addendum; these protect our system by not diverting money from support services.

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 Tuesday of each calendar week for the preceding calendar week. Our “Authorization for Electronic Funds Transfer” is Exhibit H.
3. “Gross Sales” means all sales you derive from operating your Franchised Store, 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, a separate transfer fee may apply. The transfer fee covers new owner training and Franchised Store opening support, and relieves you of your obligation to pay the initial fees. We note that you may also incur certain remodeling and equipment costs associated with bringing your Franchised Store into compliance with our requirements.

AREA DEVELOPER FRANCHISE*

Type of Fee	Amount	Due Date	Remarks
You Receive Commissions	50% of initial fees actually collected from franchisees after we have paid any broker and referral fees and commissions related to the sale (40% of the net amount if we find the prospective franchisee and deliver the lead to you)	Payable to you 10 days of the time the franchisee successfully completes the initial training programs consistent with the terms of the relevant franchise agreement.	See Notes 1 & 3
You Receive from Us Ongoing Payments Based on Payments Made By Franchisees	50% of royalty fees actually collected from franchisees	Payable to you by the 15 th day of each month for preceding month, unless otherwise noted in our Manuals.	See Notes 2 & 3
You Receive Commissions Paid and Earned on Transfer Fees	50% of the amount of the transfer fee paid by the Individual Unit Franchisee in your Development Area after we have paid any broker and referral fees and commissions related to the sale	Within 10 days after transfer is completed	See Note 4
Insurance Policies	Premium amounts	You must maintain insurance prescribed by the Area Developer Agreement and our	Cost will not exceed amounts reasonably required

Type of Fee	Amount	Due Date	Remarks
		Operations Manual to protect you and us.	
Cost of Enforcement or Defense	All costs including attorneys' fees	Upon settlement or conclusion of claim or action	Prevailing party may recover costs
Indemnification	All costs including attorneys' fees	Upon settlement or conclusion of claim or action	Each party will indemnify the other
Transfer Fee	\$10,000	At the time the Transferee signs the Area Developer Agreement	Payable to us.

* Any fees paid to us are non-refundable unless otherwise noted. Amounts paid to any third parties may be refundable, depending upon the contracts between them and you.

Explanatory Notes:

1. Sharing of Initial Franchise Fees. We will pay to you the commission provided in this table for each Individual Unit Franchise Agreement in the Development Area if you provide the franchise sales marketing and the services related to investigation and pre-qualification of prospective franchisees described in the Area Developer Agreement. We will pay you this commission within **10** days of the time the franchisee successfully completes the initial training programs consistent with the terms of the relevant franchise agreement.
2. Sharing of Ongoing Payments. We will pay to you the commission provided in this table based on royalty fees we collect from Individual Unit Franchisees in your Development Area if you provide the ongoing services required in the Area Developer Agreement and as long as any other conditions outlined in the Area Developer Agreement are met.
3. General Fee Sharing Provisions. The shared amounts described in the above table and notes will be paid, pro rata, as we receive the relevant fees. These payments will be made once the relevant fee payments are unrestricted by bank clearing or collection requirements or any franchise escrow or impound restrictions imposed by state franchise regulatory authority.

The franchise agreement forms we use may require return some or all of the franchise fees to an Individual Unit Franchisee under certain circumstances. Therefore, no portion of a payment will be fully earned by you until the fees have been fully earned by us. To the extent that there is a contractual obligation to return some or all of a fee to an Individual Unit Franchisee, your payment will be reduced and returned in the same ratio as the portion of the fee returned to the Individual Unit Franchisee bears to the fee retained. If some or all of a fee is returned to an Individual Unit Franchisee, written notice will be given of the reasons for the return.

In addition to the fees described in this Item, you must also pay the fees associated with any individual store franchises you elect to own and operate. Those fees are disclosed in this disclosure document.

ITEM 7
ESTIMATED INITIAL INVESTMENT

TABLE I: YOUR ESTIMATED INITIAL INVESTMENT (Standard Franchise)

TYPE OF EXPENDITURE	ESTIMATED AMOUNT OR LOW-HIGH RANGE¹	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAID
Initial Franchise Fee ²	\$30,000	Lump Sum	When you sign the Franchise Agreement ²	Us
Site Selection	\$1,000 – 10,000	As Agreed	As Incurred	Us or Advisors
Real Estate/ Rent (3 months) ³	\$4,500 – 16,500	As Arranged	As Incurred	Landlord, Contractor or Vendors
Real Security Deposits ⁴	\$1,500 – 5,500	As Arranged	As Incurred	Vendors, Government Agencies
Construction, Remodeling and Leasehold Improvements ⁵	\$60,000 – 110,000	As Arranged	As Incurred	Vendors or Contractors
Furniture, Fixtures, POS System, Signage & Equipment ⁶	\$35,000 – 80,000	As Arranged	As Incurred	Approved Vendors
Mobile Unit Trailer ⁷	\$0 - \$20,000	As Arranged	As Incurred before commencing Mobile Unit operations	Us, Our Parent, or Our Affiliate
Vehicle to Tow Mobile Unit Trailer ⁷	\$0 - \$35,000	As Arranged	As Incurred before commencing Mobile Unit operations	Vendors
Architect	\$3,500 – 12,000	As Arranged	As Incurred	Architects
Office Equipment & Supplies ⁸	\$1,000 – 2,500	As Arranged	As Incurred	Approved Vendors
Utility Deposits	\$1,000 – 2,000	As Arranged	As Incurred	Utility Companies
Inventory to Begin Operating ⁹	\$3,500 – 7,500	Lump Sum per order	Paid upon placing order	Approved Suppliers
Initial Advertising ¹⁰	\$2,500 – 10,000	As Arranged	First 3 Months of Operation	Vendors
Training Expenses (out-of-pocket expenses) ¹¹	\$500 – 5,000	As Arranged	As Incurred	Vendors, Travel Agents, etc.
Insurance ¹²	\$2,000 – 4,000	As Arranged	As Incurred	Insurance Companies

TYPE OF EXPENDITURE	ESTIMATED AMOUNT OR LOW-HIGH RANGE ¹	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAID
Miscellaneous Expenses ¹³	\$2,000 – 6,000	As Arranged	As Incurred	Advisors and Others
Additional Funds -- 3 months ¹⁴	\$12,000 – 25,000	As Arranged	As Incurred	Vendors, Employees, Us, Our Affiliates
TOTAL ¹⁵	\$160,000 – 381,000	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. We make no representation that your costs will come within the ranges estimated and cannot guarantee that you will not incur additional expenses. 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 in Item 5.

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 750 to 2,000 square feet. Some franchised store locations will be located in a kiosk format. The typical size for such a kiosk is 100 to 300 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. 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 1,200 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 2,000 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. Estimated rental costs for 3 months are included with the category "Additional Funds" (See Note below). These estimates are based upon a Site in a small to medium sized city or suburban area.

4. The amount you pay for security deposits may vary greatly and may exceed the estimate in this table.

5. 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.

6. 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. 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 some instances, you may be required to lease your nitrogen tank from suppliers. We estimate the cost of such lease at \$200 to \$400 per month. In other instances, you may be able to purchase the nitrogen tank from suppliers. In this instance, we estimate the cost to purchase the tank at approximately \$15,000 to \$30,000.

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.

7. You may, but are not required, to purchase a mobile unit trailer for a Mobile Unit operation. We (or our predecessor or affiliate) are the only designated supplier of the mobile unit trailer. For a Mobile Unit operation, you must have a vehicle that meets our minimum guidelines (as described in our Operations Manual) to tow the mobile unit trailer. The estimated additional initial investment fees and costs related to the mobile unit trailer and towing vehicle range from \$15,000 to \$60,000, depending on whether you have a towing vehicle that meets our minimum guidelines. The low estimate in this table assumes that you are not operating a Mobile Unit operation or that you already have a vehicle that meets our guidelines.

8. You must purchase general office supplies including stationery, business cards and typical office equipment. 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.

9. We describe the inventory to begin operating in Item 8.

10. You must spend the \$1,500 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. In addition, the high range of this estimate includes the cost of brand decals for your vehicle if you choose to operate a Mobile Unit. 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.

11. 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.

12. 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.

13. 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.

14. 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 real property rent, 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.

15. 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. Except as disclosed in Item 10 below, 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.

TABLE II: YOUR ESTIMATED INITIAL INVESTMENT (Area Developer Franchise)

TYPE OF EXPENDITURE	ESTIMATED AMOUNT OR LOW-HIGH RANGE ¹	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAID
Area Development Fee ²	\$0.04 per resident in the Development Area, with a minimum fee of \$80,000.Starting	Lump Sum	Upon Sign Area Developer Agreement	Us
Training Expenses ³	\$500 – 5,000	As Arranged	As Incurred	Vendors, Travel Agents, etc.
Office Lease, Security Deposit, Utilities ⁴	\$5,000 –10,000	As Arranged	As Incurred	Landlord, Utility Companies
Finance Costs ⁵	\$0 – 6,000	As Arranged	As Incurred	Vendors

TYPE OF EXPENDITURE	ESTIMATED AMOUNT OR LOW-HIGH RANGE¹	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAID
Advertising Expenses ⁶	\$6,000 – 18,000	As Arranged	As Incurred after opening	Vendors
Additional Funds -- 3 months ⁷	\$20,000 – 100,000	As Arranged	As Incurred	Vendors, Employees, Us, Our Affiliates
TOTAL ⁸	\$111,500 - \$219,000 minimum range, plus an additional \$0.04 per resident for every resident beyond the \$80,000 minimum Area Development Fee.	N/A	N/A	N/A

Explanatory Notes:

1. The standard Area Developer offering requires you to purchase at least one Standard Franchise in addition to the Area Developer franchise. The estimated initial investment for one Standard Franchise is found in Table I, above. We make no representation that your costs will come within the ranges estimated and cannot guarantee that you will not incur additional expenses. Your actual costs will vary depending on factors such as the location and size of your Area Developer Territory, 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 Area Development Fees in Item 5. There is a \$*0,000 minimum Area Development Fee.

3. The area developer training program is included in your area development fee. These estimates cover out-of-pocket expenses that you incur associated with the training. These estimates are based on two people attending training. The low end accounts for expenses incurred if both trainees live within Utah. We charge an additional \$1,000 to train each person in excess of the three individuals included in your initial training. The out-of-pocket costs and expenses you incur in connection with your training are likely not refundable depending on the arrangement you have with your vendors, travel agents or service providers. Additional training information is outlined in Item 11, below.

4. You are not required to lease space for your Area Developer operations. You may operate from a home office. The low end estimate in this table assumes operation from a home office. The high end estimate assumes operation from leased space. Security and utility deposits may vary greatly and may exceed the estimate in this table.

5. You could incur these costs if you finance your initial investment.

6. We recommend that you conduct an initial advertising campaign to promote your Area Developer operations in accordance with the Area Developer Agreement and the provisions of the Operations Manual. Market conditions vary widely, both in terms of competition, familiarity with our franchise system and in terms of media availability and costs.

7. 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 for your Area Developer operation. This is only an estimate and we cannot guarantee that the amounts specified will be adequate.

This estimate includes insurance, supplies 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 franchise development level reached during the initial phase. We may have made certain assumptions based on revenue, operating costs, Small Business Administration guaranteed financing 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 Area Developer operation beyond the initial phase.

8. To compile these estimates, we relied on our affiliates' and franchisees' experience in operating Sub Zero Stores and our experience in assisting our franchisees to open and operate Sub Zero Stores. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. Except as disclosed in Item 10 below, 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.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Products, Equipment and Services

You must develop and operate your Franchised Store 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 (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 Product and may approve a supplier only as to certain products. We must pre-approve the plans and designs for your mobile unit trailer before you actually purchase it. Certain designs for Sub Zero™ branded items that you must use in your Franchise Store must be obtained from us, our affiliate and/or approved suppliers and the branded items must be purchased from approved suppliers. 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. You must use the software, applications and

communications systems we periodically specify. You must use computer and point of sale systems that comply with our computer and software standards in operating your Franchised Store. Currently, we only require that you use the approved point of sale system. 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. In addition, you must use bookkeeping and professional services that we approve to satisfy the bookkeeping and reporting requirements described in the Franchise Agreement and Area Developer Agreement. All documents submitted to us must be submitted in the English language.

Real Estate

The Franchised Store 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 Site 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 Franchised Store); 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 authorize us to communicate with the 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.

Approval of Suppliers

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 determine that the supplier meets our standards and specifications for products, materials and supplies used in operating a Sub Zero Store, written approval will be granted for you to use that supplier. If the supplier does not meet our standards and specifications for products, materials and supplies used in operating a Sub Zero Store, approval will be denied. Our standards and specifications for products, materials and supplies used in operating a Sub Zero Store 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 2012-13, we received revenues in the approximate amount of \$23,055 from the sale of products or services to our franchisees and rebates from approved suppliers, which was 2.5% of our total revenues of \$892,009.

We and/or our affiliate receive rebates from your purchases of cups and inventory items from Sysco. These rebates are based on a percentage of your purchases from Sysco. Other than 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. 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	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	Sections 4(c), 4(h), 9(f) and 9(h)	Items 5, 7, 8 and 11
(c) Site development and other pre-opening requirements	Sections 4(c), 4(f) and 4(h)	Items 5, 7, 8, 11 and 12
(d) Initial and ongoing training	Sections 4(e), 5(a), 5(e) and 9(b)	Items 6 and 11
(e) Opening	Sections 4(f) and 4(g)	Item 11
(f) Fees	Sections 4(c), 4(f), 5(e), 6 and 7(c)	Items 5, 6 and 7
(g) Compliance with standards and policies/operating manual	Sections 4(h), 5(d), 9 and 10	Items 8, 11 and 16
(h) Trademarks and proprietary information	Sections 8, 12 and 13(c)	Items 11, 13 and 14
(i) Restrictions on products/services offered	Sections 2(b), 4(h), 9(c), 9(f) and 9(h)	Items 8, 11, 12 and 16
(j) Warranty and customer service requirements	Section 9(j)	Item 9
(k) Territorial development and sales quotas	Area Development Addendum	Item 12
(l) On-going product/service purchases	Sections 4(h) and 9(h)	Items 8, 11, and 12

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
(m) Maintenance, appearance and remodeling requirements	Sections 2(b), 9(d) and 9(e)	Items 11
(n) Insurance	Section 17	Items 7 and 8
(o) Advertising	Sections 5(c), 8(b) and 11	Items 6 and 11
(p) Indemnification	Section 19(a)	Item 9
(q) Owner's participation/management/staffing	Section 9(b)	Item 11 and 15
(r) Records/reports	Sections 4(c) and 7	Items 6, 11 and 12
(s) Inspections/audits	Sections 7(e), 9(g) and 20(a)	Item 6
(t) Transfer	Section 14	Items 5, 6 and 17
(u) Renewal	Section 3(b)	Item 17
(v) Post-termination obligations	Sections 13(b) and 16	Item 17
(w) Non-competition covenants	Sections 13(a), 13(b) and 13(c)	Item 17
(x) Dispute resolution	Sections 16(c)(viii) and 20	Item 17

This table lists your principal obligations under the Area Developer Agreement. It will help you find more detailed information about your obligations in this agreement and in other items of this disclosure document.

Area Developer Agreement

<u>OBLIGATION</u>	<u>SECTION IN AREA DEVELOPER AGREEMENT</u>	<u>DISCLOSURE DOCUMENT ITEM</u>
a. Site selection and acquisition/lease	None	N/A
b. Pre-Opening purchases/ leases	Paragraph 1.3	Items 6, 7 and 11
c. Site development and other pre-opening requirements	Paragraph 1.3	Items 6, 7 and 11
d. Initial and on-going training	Paragraph 4.1	Items 6 and 11
e. Opening	Paragraph 1	Item 11
f. Fees	Paragraphs 3 and 11	Items 5 and 6
g. Compliance with Standards and Policies/Operating Manual	Paragraph 5	Item 11
h. Trademarks and Proprietary Information	Paragraphs 6.1, 7, 11.1 and Recitals	Items 13 and 14
i. Restrictions on Products/Services Offered	Paragraphs 1.1, 2, 6 and 7	Items 8 and 16
j. Warranty and	Paragraph 5	N/A

<u>OBLIGATION</u>	<u>SECTION IN AREA DEVELOPER AGREEMENT</u>	<u>DISCLOSURE DOCUMENT ITEM</u>
Customer Service Requirements		
k. Territorial Development and Sales Quotas	Paragraphs 1.1 and 1.2 and Exhibits A and B	Item 12
l. On-going Product/Service Purchases	None	Items 8 and 11
m. Maintenance, Appearance and Remodeling Requirements	None	Items 6 and 17
n. Insurance	Paragraph 11.3	Items 6, 7 and 8
o. Advertising	Paragraphs 2 and 5	Items 6 and 11
p. Indemnification	Paragraph 11.3	Item 6
q. Operator's Participation/ Management/ Staffing	Paragraph 11.16	Item 15
r. Records/Reports	Paragraphs 2 and 11.3	Items 9 and 11
s. Inspections/Audits	Paragraph 2	Items 11 and 13
t. Transfer	Paragraph 9	Items 9 and 17
u. Renewal	Paragraphs 6.2, 8.1 and Exhibit B	Item 17
v. Post-Termination Obligations	Paragraphs 8.4, 8.5 and 8.6	Item 17
w. Non-Competition Covenants	Paragraph 10	Item 17
x. Dispute Resolution	Paragraph 11	Item 17
y. Franchise Compliance	Paragraph 5.2	

**ITEM 10
FINANCING**

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

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

STANDARD FRANCHISES:

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 that meet our requirements. Within 20 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 authorize us to communicate with the 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. 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.

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

3. Provide you with a list of Products, signs, fixtures, furnishings and equipment, including standards and specifications needed in the operation of the Franchised Store 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))

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

5. 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

6. 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.
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 operations to assist you in complying with the Franchise Agreement and the System.

Franchised Store 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) 3 months from signing lease; or (2) 9-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)).

You must submit your proposed location for your Franchised Store to us for approval within 20 days 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 Franchised Store	9 months(or 3 months from signing lease, if earlier)
2 nd Franchised Store	15 months
3 rd Franchised Store	24 months
4 th Franchised Store	33 months
5 th Franchised Store	42 months

Marketing Fees.

You must pay to us 2% of your weekly Gross Sales as weekly Marketing Fees. Currently we promote our brand and our franchise locations through print, internet, public relations, and direct mail media.

This may be done locally and regionally through advertising cooperatives. 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 Marketing Fees paid to create marketing collateral. In addition, we may use your Marketing 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 spent any amount on advertising in your area or territory. The Marketing Fees are administered by us and are not audited. You may obtain an accounting of the Marketing Fees and expenditures upon written request to us..

Summary of Marketing Fee Contributions and Expenses for Fiscal Year 2012-2013

Expenses:	Marketing Materials, Graphic Design	\$4,856	44.5%
	Public Relations	\$4,500	41.2%
	Sub Zero Arizona Reimbursement	\$1,545	14.1%
Total expenses:		\$10,901	100%
Advertising fund contributions:		\$6,401	100%
Excess of expenses over contributions:		\$4,500	70.3%

At the moment, there are no advertising cooperatives for Sub Zero Stores. 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 3% 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 stores in an advertising region, 75 percent of the stores vote to contribute to a regional advertising program, all stores 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 store will have one vote, the same as each franchisee-owned store.

We may elect to form a franchisee advisory council to provide input on the system. If created, the council will consist of Sub Zero Store 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(1))

Local Advertising Obligations.

You must spend the \$1,500 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 3% of Gross Sales (beginning on the first day of the second month after the Franchised Store opens) for advertising and marketing the Franchised Store. You must list the Franchised Store in the white and yellow pages of all local telephone directories in the Franchised Store’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 Stores.

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 Store. 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 Franchised Store on our website including location, contact information and hours of operation. You will need to provide us with certain information for your Franchised Store before opening and you will have an ongoing obligation to update us regarding any changes to your Franchised Store'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 Franchised Store. Currently, we only require that you use the approved Olympus point of sale system ("POS"). This POS includes optional payroll and accounting programs. 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 Olympus POS software of about \$60 per month. Olympus also offers optional payroll and accounting services for an additional \$245 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 \$45 per month (approximately \$540 per year) for 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, 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 consist of approximately **314** pages. The table of contents for the Confidential Operating Manual, as of the date of this disclosure document, is provided as Exhibit E.

Training.

Before you open your Franchised Store, 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 Franchised Store 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 Franchised Store at the franchise location. The training program will last for approximately 3 days at a location to be designated by Sub Zero and approximately 20 hours training to take place on-site at your Franchised Store. 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 Franchised Store. 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 Franchised Store'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
Accounting & Insurance	2	2	Provo, Utah or another location we designate and your Franchised Store
Mobile Unit	0-2	0-2	Provo, Utah or another location we designate and your Franchised Store
Products	2	6	Provo, Utah or another location we designate and your Franchised Store
Operational Procedures	6	8	Provo, Utah or another location we designate and your Franchised Store
Safety & Security; Liquid Nitrogen	3	1	Provo, Utah or another location we designate and your Franchised Store
Promoting & Marketing	5		Provo, Utah or another location we designate and your Franchised Store

Explanatory Notes:

1. The hours provided above are approximate and are subject to change.
2. Our training supervisor is Mary Oliphant. Our other trainers include Jerry Hancock and Naomi Hancock.

Ms. Oliphant has served as our Vice President of Operations since February 2013 and operated our affiliate's Sub Zero™ store location in Provo, Utah from April 2008 to February 2013.

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 . We may use other training personnel under Mr. Hancock's supervision for aspects of the training program.

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

We may use other training personnel under Ms. Oliphant's supervision for aspects of the 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 Franchised Store, then you must pay us for this training.

AREA DEVELOPER FRANCHISES:

Our Initial Obligations

1. Assist you in preparing franchise compliance documents, if required. (Paragraph 5.2, Area Developer Agreement)
2. Provide you with required forms and reports. (Paragraph 2, Area Developer Agreement)
3. Provide for you the initial training program we provide to Individual Unit Franchisees and our franchise sales training program for area developer franchise sales agents. (Paragraph 4, Area Developer Agreement)
4. Loan you a Confidential Operations Manual. (Paragraph 5.1, Area Developer Agreement)
5. Designate your Development Area. (Paragraph 1.1 and Exhibit A, Area Developer Agreement)
6. Train your initial managers. (Paragraph 4.1, Area Developer Agreement)

Our Ongoing Obligations

1. Assist you in preparing franchise compliance documents, if required. (Paragraph 5.2, Area Developer Agreement)
2. Approve or disapprove, in writing, franchisee candidates referred by you. (Paragraph 6.1, Area Developer Agreement)
3. Approve or disapprove of all of your proposed ads, marketing materials and programs for prospective franchisees prior to use. (Paragraph 6.2, Area Developer Agreement)
4. We may provide additional programs and seminars. (Paragraph 4.1, Area Developer Agreement)
5. Train managers you hire. (Paragraph 4.1, Area Developer Agreement)
6. We may outline training programs for your employees, including franchise sales agents, in our Operations Manuals. (Paragraph 4.1, Area Developer Agreement)

Time to Open

After signing the Area Developer Agreement, completing mandatory training and complying with any other pre-opening obligations, you may begin to operate as area developer in your territory in compliance with your Area Developer Agreement. This typically occurs from 1 to 6 months after signing the Area Developer Agreement. This time period may be affected by your ability to secure financing (if applicable) state franchise sales agent registration for you (if applicable) and other factors.

Operations Manual Table of Contents

The Operations Manual is confidential and remains our property. It contains mandatory and suggested specifications, standards and procedures. We may modify the Operations Manual, but the modifications

will not alter your basic status and rights under the Area Developer Agreement. The Table of Contents of our Operations Manual and the number of pages devoted to each major section is provided in Exhibit E.

Training Requirements for Area Developers

You, or one of your owners who owns at least 10% of you, must attend and complete to our satisfaction the initial training program we provide to Individual Unit Franchisees (as described in the Individual Unit Franchise Agreement) and our franchise sales training program for area developer franchise sales agents. You will bear all travel, meals, incidental and lodging expenses in connection with this training. You are encouraged to begin training before incurring any costs or expenses related to the planned opening of your Area Development Franchise. We will not be liable for any costs or expenses you incur if we terminate this Agreement because you fail to satisfactorily complete the mandatory training course.

The current training schedule for area developer franchise sales agents includes:

TRAINING PROGRAM*

Subject	Hours Of Class Room Training	Hours Of On The Job Training	Location
Marketing and Promotion	8	10	Provo, Utah or other designated location
New Franchise Procedures and Requirements	8	0	Provo, Utah or other designated location
Office Procedures	8	0	Provo, Utah or other designated location
Ongoing Services	8	20	Provo, Utah or other designated location

* The Training Schedule may be amended.

Our training supervisor is Mary Oliphant. Our other trainers include Jerry Hancock and Naomi Hancock

Ms. Oliphant has served as our Vice President of Operations since February 2013 and operated our affiliate’s Sub Zero™ store location in Provo, Utah from April 2008 to February 2013.

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. We may use other training personnel under Mr. Hancock’s supervision for aspects of the training program.

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

We may use other training personnel under Ms. Oliphant's supervision for aspects of the training program.

Instructional materials will include the Area Developer Operations Manual and reporting forms.

You will notify us of any persons you hire to manage your performance under this Agreement. Each manager you hire must successfully complete the mandatory training program within one month after being hired. You will bear all costs of the training, including a reasonable training fee at our then current rates. Each of your employees, including franchise sales agents, franchise trainers, administrators and franchise service providers, will complete a training program as prescribed in our Manuals. All training programs for your employees will be conducted under the direction of you or your designated manager who has successfully completed the mandatory training course.

From time to time, we may provide conventions and refresher training programs or seminars and may require that you or your managers attend and complete them to our satisfaction. These programs and seminars will be held at locations we designate and will be provided without charge to you. You will be exclusively responsible for paying all travel, living and other expenses and compensation of attending these programs and seminars. Each year, you or the designated managers of your Franchise will be required to attend up to **30** hours of programs and seminars, depending upon program and seminar availability. In addition, we may deem it appropriate or necessary to provide additional training and supervision to you and your managers and employees at your office location. If so, you will fully participate in and complete this additional training and supervision, including additional or revised training programs and processes that may be added to the Manuals in the future. (Paragraph 4.1, Area Developer Agreement)

Advertising Requirements for Area Developers

At your own expense, you will conduct marketing campaigns to sell Sub Zero franchises in the Development Area. This may include using advertising media, attending trade shows and holding sales seminars or open houses. You will diligently market for new franchisees in the Development Area. You must submit all ads, marketing materials and programs for prospective franchisees to us for approval prior to use. Approval will not be unreasonably withheld. Advertising to attract franchisee candidates is to be placed in media in the Development Area and must be approved in advance by us. All advertising you place must follow the provisions of this Agreement.

You are solely responsible for preparing and placing all advertising or marketing to attract franchisee candidates, at your expense. Beginning 90 days after execution of this Agreement, to the extent needed to meet your development obligations, you should purchase, place or run advertising or marketing during exclusively designed to attract franchisee candidates.

On the 15th day of the month following each calendar quarter, you will provide copies of the ads or marketing materials you have purchased, placed and run during the period attract and solicit franchise sales, and include copies of the actual advertising or marketing materials purchased, placed and run, including 'tear sheets' or other proof of performance.

Our regional and national advertising and marketing may result in leads being generated for prospects within the Development Area. We will deliver or direct these leads to you. From time to time, you and we

may jointly elect to place advertisements to sell franchises in local media located in the Development Area. Prior to placement of any such advertising, we and you will negotiate the portion of the costs of such advertising each will be responsible to pay.

All leads we receive or generate from the Development Area will be forwarded to you. Area developers in adjacent territories or territories sharing media may advertise and market together and share the expense.

We, at our expense, may place advertising and marketing in national or regional media to generate sales leads. This may include a web site on the Internet. You may not have any web site independent of ours, subject to our direction and control. Leads received will be forwarded to you in the Development Area according to the residence of the interested party. We may handle leads and sales in all areas not under contract with you.

You will participate in all promotion and marketing activities we require of our Area Developer franchisees as outlined in the Manuals.

We currently do not have any local or regional area developer advertising cooperatives or councils.

Your Office in Development Area, Required Equipment

You are required to own and operate at least one individual unit franchise in the Development Area under a separate individual unit franchise agreement. You are not required to have a separate office for your Area Developer franchise. You must have the following equipment for your business operations under the Area Developer Agreement: a computer with high-speed internet access, an e-mail address, and a cellular telephone.

ITEM 12 TERRITORY

A. FRANCHISE AGREEMENT.

Your Location and Protected Territory

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 optional Mobile Unit operation (described below), your Sub Zero franchise will extend solely to that specific location. 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).

If you are simultaneously purchasing more than one franchise, we may provide a larger protected territory, depending on the locations that you want to specifically reserve and their proximity to each other. Generally, we only extend the protected territory to contiguous trade areas and define such protected 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).

You may, but are not required, to purchase a trailer for a Mobile Unit operation as part of your Sub Zero franchise. You may locate your Mobile Unit operation anywhere within your Protected Territory. You must obtain our prior written approval in order to locate your Mobile Unit operation anywhere outside of your Protected Territory. Our decision to grant or withhold such approval will be in our sole discretion. We may base our decision on factors outlined in our Operations Manual.

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 (ie, stadium, arena, mall, retail store, etc.) you must own and operate a traditional Franchised Store before you may open a Non-Traditional Location franchise (unless we approve otherwise). A Non-Traditional Location franchise is subject to special standards and specifications as may be 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.

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. We are not required to pay to you any compensation for soliciting or accepting orders near or inside your protected 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 Franchised Store.

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 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.

B. AREA DEVELOPER AGREEMENT.

In the Area Developer Agreement, we grant to you the right to provide the services indicated in the Area Developer Agreement for Individual Unit Franchisees in the territory described in Exhibit A to the Area Developer Agreement (the "Development Area"). The typical Development Area encompasses a

population of approximately 150,000 persons per franchise required to be developed during the term of the Developer Agreement. The minimum development obligation is typically 12 franchises over 10 years. Therefore, the Development Area may consist of a population of approximately 2,000,000 persons. Each Development Area will vary in size and dimensions, based upon advertising coverage, population, growth trends, topographics, geographics, density, and demographics.

For so long as the Area Developer Agreement is in effect, we will not operate, or grant an area development franchise or sales agent agreement to any person other than you to operate in the Development Area. However, we reserve all rights not granted to you in the Area Developer Agreement.

Neither we nor our affiliates are restricted from participating in other distribution methods (whether or not within the Development Area and without paying any compensation to you) 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 area developer franchise ("alternative distribution methods"). You may not use alternative distribution methods.

You will not receive an *exclusive* territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. However, as stated above, we will not operate, or grant an area development franchise or sales agent agreement to any person other than you to operate in the Development Area.

We do not operate or franchise the operation of, or have any presently formulated plans or policy to operate or franchise the operation of, any business selling or leasing under different trade names or trademarks, goods or services similar to or competitive with those to be offered by you.

You may relocate your office in the Development Area upon our written approval.

Your failure to meet the Minimum Development Obligation during two out of any three consecutive 12-month Development Periods as outlined in the Area Developer Agreement may result in termination of your Area Developer Agreement. Upon termination for this cause, you may not establish any new or additional franchise or offer, assist or service any other party to establish or operate an Individual Unit Franchise under the Area Development Agreement. You will cease all training, support and services to the Individual Unit Franchisees in the Development Area.

After termination or expiration of the Area Development Agreement, you will cease all use of the Marks and confidential information. You will abide by all post-termination covenants in this Agreement, including without limitation confidentiality, non-competition, and indemnity. You will no longer receive any portion of the Initial Franchise Fees or ongoing payments received from Individual Unit Franchisees. We will be free to resell or transfer your rights under this Agreement and to market all types of franchises directly within the Development Area with no obligation to remit any of the revenues from sales or fees of those franchises to you. All of your rights under the Area Development Agreement will cease and you will comply with terms and conditions of this Agreement related to its expiration or termination.

Minimum Development Obligations

- (a) You will sell, open and operate, or otherwise qualify and procure, within the Development Area, not less than the cumulative number of Sub Zero franchises required in Exhibit B to the Area Development Agreement, in the manner and within each of the time periods ("the Development Periods") specified in that Agreement ("the Minimum Development Obligation").

- (b) Each Sub Zero franchise opened within the Development Area will be the subject of a separate agreement. In the case of a Sub Zero franchise you operate, we and you will enter into our standard individual unit franchise agreement (“Individual Unit Franchise Agreement”) in the form attached as an exhibit to the then current form of our Franchise Disclosure Document. In the case of a Sub Zero franchise operated by an individual unit franchisee who is procured and qualified by you, then that Individual Unit Franchisee and we will enter into the standard form Individual Unit Franchise Agreement.
- (c) All individual unit franchisees in the Development Area which are the subject of an Individual Unit Franchise Agreement will be counted in determining whether the Minimum Development Obligation will have been met within the Development Period.

You must develop a particular number of Sub Zero franchises within your Development Area. Your particular development schedule will be based on the size of the Development Area and its population, growth trends, topography, geography, density, and demographics. To date, the typical development schedule has called for approximately 12 Sub Zero franchises (including the franchise you are required to own and operate) during the first ten years of the Area Developer Agreement.

This schedule will be reviewed annually for determination of royalty percentages or other ongoing payments paid to you and at renewal time for completion of development.

Additionally, upon renewal, changes in population and other changes in the Development Area will also be reviewed. Additional franchises may be required to be developed during a renewal period due to such changes. Population changes should be identifiable by city or census tract. The fee schedule may need to be modified at the time a contract is renewed.

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 area developer franchises or grant sub franchises in any territory.

**ITEM 13
TRADEMARKS**

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

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

This 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.

We do not have a federal registration for the above mark. Therefore, the above mark does not have many legal benefits and rights as a federally registered trademark. If our right to use the above mark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

In addition to the above, we use certain names, marks, logos, slogans, designs, and trade dress that are protected under common law. These include, without limitation, the following logos:



We will grant you a license to use one or more of the Marks in operating the Franchised Store. 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, owns a pending patent application that is material to the franchise. The patent relates to the process used in our franchise system for “instant freezing” ice cream. Following is relevant information:

Serial Number	Filing Date	Title
11/431,389	May 9, 2006	Method of Making Frozen Confections

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 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 significantly limit our right to use or authorize franchisees to use the copyrighted materials. Furthermore, we do not actually know of any infringing uses which could materially affect a franchisee’s use of the copyrighted materials in any state. We need not protect or defend 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 indemnify you against a claim of intellectual property infringement.

We may delegate to independent area developers performance of any of our duties, including ongoing support, supervision and inspections. Area Developers are given specific assignments by us and if an Area Developer 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. Each Area Developer 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

For Individual Unit Franchisees, you are not required to be actively engaged in your Franchised Store 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 Franchised Store and personally supervise the Franchised Store’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 Franchised Store. 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.

For Area Developers, you are required to be actively engaged in your Area Developer franchise operations to fulfill your obligations.

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 or Area Developer Agreement and any other agreements between you and us (or our affiliates). Our “Owner’s Guaranty” is part of the Franchise Agreement or Area Developer Agreement. If your spouse or one of your owners’ spouses has any property interest in the Franchise Agreement, your ownership or the Franchised Store 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 or Area Developer Agreement.

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

You may not engage in any other business or activity that conflicts with your obligations to the Franchised Store or Area Developer 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. Our standards, including the Operations Manuals, regulate the goods and/or services required or authorized for the Franchised Store or Area Developer 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	Section 3	5 years
(b) Renewal or extension of the term	Section 3(b)	If you are in good standing, you can renew for additional 5-year terms.
(c) Requirements for franchisee to renew or extend	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 Franchised Store 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.

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
(d) Termination by franchisee	Section 15(a)	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	Sections 15(b) and 15(c)	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	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 Franchised Store, 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	Section 15(b)	Non-curable defaults include failure to open the Franchised Store within the earlier of 3 months after you sign your lease for the franchise location or 9 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 Franchised Store 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 Franchised Store at an approved site within 90 days of closing the Franchised Store at the Franchised Location; 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	Section 16	Obligations include not operating the Franchised Store 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 within 30 days.
(j) Assignment of contract by franchisor	Section 14(a)	No restriction on our right to assign.

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
(k) "Transfer" by franchisee – defined	Section 14(b)	Includes transfer of Franchise Agreement, the Franchised Store, the Site, an equity or voting interest or management change.
(l) Franchisor's approval of transfer by franchisee	Sections 14(b) and 14(c)	All transfers must be submitted for our prior written approval.
(m) Conditions for franchisor approval of transfer	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 Store; and you submit to us additional information that we require.
(n) Franchisor's right of first refusal to acquire franchisee's business	Section 14(h)	We can match any offer for your Franchised Store or an ownership interest in your owner.
(o) Franchisor's option to purchase franchisee's business	Section 16(c)	We have an option to buy your Franchised Store (including real estate) at fair market value after the Franchise Agreement terminates.
(p) Death or disability of franchisee	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	Section 13(a)(v)	You will not engage, directly or indirectly, as an owner, operator or manager in any other business, including a food preparation business, without our consent.
(r) Non-competition covenants after the franchise is terminated or expires	Sections 13(b) and 13(c).	For 730 days, no direct or indirect interest in a business that offers desserts or ice cream as its primary menu item and is located within 10 miles of the Site or any other Sub Zero store.

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
(s) Modification of the agreement	Section 21(d)	No modifications except by written agreement signed by you and us.
(t) Integration/merger clause	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	Section 20(f)	Except for certain claims, the parties must arbitrate all disputes in Salt Lake City, Utah.
(v) Choice of forum	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	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 I to this Disclosure Document for a state-specific Addendum to this Item.

THE FRANCHISE RELATIONSHIP

The following table lists certain important provisions of the Area Developer Agreement and related agreements. You should read these provisions in the agreements attached to this Franchise Disclosure Document.

Provisions	Section in Area Developer Agreement	Summary
a. Length of the franchise term	Paragraph 8.1	10 years
b. Renewal or extension of term	Paragraph 8.1	One additional 10-year term
c. Requirements for you to renew or extend	Paragraph 8.1	You must: a. Be in compliance with all terms and conditions of Area Developer Agreement and individual unit Franchise Agreements.

Provisions	Section in Area Developer Agreement	Summary
		<p>b. Reimburse us for our reasonable out-of-pocket costs concerning the renewal.</p> <p>c. Sign a general release to release us from any claims you may have against us.</p> <p>d. Attend and successfully complete any retraining program we prescribe in writing. This will be done at your expense, including travel, meals, lodging, and our then current training fee.</p> <p>e. Sign a new Area Developer Agreement. You may be asked to sign a contract with materially different terms and conditions than your original contract.</p>
d. Termination by you	Paragraph 8.3	<p>You may terminate the Area Developer Agreement at any time upon at least 30 prior written notice to us.</p> <p>At any time upon 30 days advance written notice to you, we may elect to terminate this Agreement upon paying to you the greater of: (1) two times the Area Development Fee you paid, or (2) three times your share of royalty fees collected during the 12 months immediately preceding the date of our written notice of termination.</p>
e. Termination by us without cause	N/A	We may only terminate the Area Developer Franchise Agreement for cause.
f. Termination by us with cause	Paragraph 8.3	We may terminate the Area Developer Agreement for cause.
g. "Cause" defined – curable defaults	Paragraph 8	Master Franchisee’s material breach must be cured within 30 days after notice specifying the nature of the breach.
h. "Cause" defined – non-curable defaults	Paragraph 8.3	<p>The Area Developer Agreement will terminate automatically if you: are convicted of a felony reflecting unfavorably on us or the Marks; commit a material act of dishonesty resulting in direct or indirect damage to us or the Marks; abandon the business; fail to meet your Minimum Development Obligation during two out of any three consecutive 12-month Development Periods; fail on three or more separate occasions within any period of 12 consecutive months to comply with the Area Developer Agreement; commit a material breach of a Franchise Agreement or any other agreement between us and you that is not cured upon the notice, if any, specified in the Franchise Agreement or other agreement; or become insolvent or subject to any chapter of</p>

Provisions	Section in Area Developer Agreement	Summary
		the US Bankruptcy Code (see Area Developer Agreement for more information and exceptions).
i. Your obligation on termination/non-renewal	Paragraphs 8.4 and 10	Cease acting as Area Developer; cease all use of Marks and Confidential Information; nonsolicitation of employees; non-competition; nondisclosure.
j. Assignment of contract by us	Paragraph 9.1	No restriction on our right to assign
k. "Transfer" by you - definition	Paragraph 9.2	You may not sell, assign, sub-license, mortgage, encumber, transfer by operation of law or by any other means, or otherwise dispose of Area Developer Agreement, or the rights or interests under the Agreement including any assets, without our prior written consent.
l. Our approval of transfer	Paragraph 9.2	We have the right to approve all transfers by you. We will not unreasonably withhold approval.
m. Conditions for our approval of transfer	Paragraph 9.2	For a transfer to a third party, the transferee must meet our then current standards; there must be no existing default by you; transferee must sign our current agreement forms and transferee and transferee's manager must complete training and pay reasonable training fee. Your or the transferee must pay a transfer fee of \$10,000. In addition, you or the transferee must pay a 10 percent commission on the gross transfer price if we obtain the transferee for you.
n. Our right of first refusal to acquire your business	Paragraph 9.3	We may purchase on the same terms that are acceptable to you. We have 30 days to decide whether to purchase after you notify us of the proposed sale.
o. Our option to purchase your business	N/A	N/A
p. Your death or disability	Paragraph 9.4	Within 180 days, your heirs, beneficiaries, devisees or legal representatives may apply to continue to operate the franchise (in which case there is no transfer fee), or transfer Franchise interest
q. Non-competition covenants during the term of the franchise	Paragraph 10.1	You must not directly or indirectly compete or assist in competition with any business engaged in the development or sale of products, programs or services comparable to the Method of Operation or in competition with the Sub Zero franchise system, including a business

Provisions	Section in Area Developer Agreement	Summary
		that offers desserts or ice cream as its primary menu item.
r. Non-competition covenants after the franchise is terminated or expires	Paragraph 10.1	For 730 days after termination or expiration, and within Development Area, within 200 miles of the Development area, within those states where Sub Zero franchises and regional developers are located and within the United States of America, you must not directly or indirectly compete or assist in competition with any business engaged in the development or sale of products, programs or services comparable to the Method of Operation or in competition with the Sub Zero franchise system, including a business that offers desserts or ice cream as its primary menu item.
s. Modification of the agreement	Paragraph 11.9	The Area Developer Agreement can be modified only by written agreement between us and you.
t. Integration/merger clause	Paragraph 11.9	Only the terms of the area development agreement are binding (subject to state law). Any representations or promises outside the disclosure document and area development agreement may not be enforceable. Nothing in the area development 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	Paragraph 11.1	No dispute is required to be arbitrated. Except for certain claims regarding confidential information or the Marks, If a dispute arises between the Parties, the Parties agree to participate in at least 6 hours of mediation in accordance with the Mediation Procedures of the US Arbitration & Mediation Service or of any similar organization that specializes in the mediation of commercial business disputes. The Parties agree to equally share the costs of mediation. Mediation will take place in Salt Lake City, Utah.
v. Choice of forum	Paragraph 11.1	Subject to applicable state law, disputes will be mediated, tried, heard, and decided in Salt Lake City, Utah, except as limited by state law and as stated in State Addenda to this Franchise Disclosure Document.
w. Choice of law	Paragraph 13	Subject to applicable state law, Utah law applies (subject to state law), except that disputes regarding the Marks will be governed by the United States Trademark Act of 1946

Provisions	Section in Area Developer Agreement	Summary
		(Lanham Act, 15 U.S.C. Sec. 1051 et seq.).

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.

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

The following information outlines the average monthly gross sales for all of our Sub Zero store locations (both franchisees and affiliate owned) in the United States from January 1, 2011 to August 31, 2013. Most of the average monthly calculations commence with the first month in which the store had a full month of operations. Not all locations were open during each period or the entire period covered by the financial performance representation. See the notes following each table for additional details.

System-Wide Averages
Average Annual Sales and Average Monthly Sales:
January 2011 through August 2013
(Both franchisee-owned and affiliate-owned)

	Average Annual Sales	Average Monthly Sales
2011	\$165,983 ¹	\$13,363 ²
2012	\$174,190 ³	\$13,526 ⁴
2013	N/A	\$15,805 ⁵

1. This average comes from the 9 stores that were opened for more than 8 months during the 2011 calendar year. It does not include the numbers for the non-traditional location that was located inside a grocery store. 5 out of 9 (55%) of the locations attained or surpassed the stated number.
2. This average comes from all 13 stores that were opened during the 2011 calendar year. 8 out of 13 (62%) Sub Zero store locations attained or surpassed the stated number.
3. This average comes the 12 stores that were opened for more than 8 months during the 2012 calendar year. 5 out of 12 (41.6%) locations attained or surpassed the stated number.
4. This average comes from all 22 stores that were opened during the 2012 calendar year. 11 out of 22 (50%) locations attained or surpassed the stated number.
5. This number comes from all 28 stores that were opened during the 2013 calendar year. 13 out of 28 (46%) Sub Zero store locations attained or surpassed the stated number.

Top Three and Bottom Three Performers
Average Annual Sales and Average Monthly Sales:
January 2011 through August 2013
(Both franchisee-owned and affiliate-owned)

	Top 3		Bottom 3	
	Avg Annual Sales	Avg Monthly Sales	Avg Annual Sales	Avg Monthly Sales
2011	207,137 ¹	17,785 ³	126,382 ²	9,198 ⁴
2012	243,268 ⁵	22,786 ⁷	106,349 ⁶	7,833 ⁸
2013	N/A	N/A	34,319	6,535

1. More than 8 months - 2 out of 3 (66.7%) attained or surpassed the stated number.
2. More than 8 months - 2 out of 3 (66.7%) attained or surpassed the stated number.
3. The 12 – not including Macey’s - 2 out of 3 (66.7%) attained or surpassed the stated number.
4. The 12 – not including Macey’s - 2 out of 3 (66.7%) attained or surpassed the stated number.
5. More than 8 months – 1 out of 3 (33%) attained or surpassed the stated number.
6. More than 8 months – 2 out of 3 (66.7%) attained or surpassed the stated number.
7. The 12 – not including Macey’s - 2 out of 3 (66.7%) attained or surpassed the stated number.
8. The 12 – not including Macey’s - 2 out of 3 (66.7%) attained or surpassed the stated number.
9. 1 out of 3 (33%) attained or surpassed the stated number.
10. 1 out of 3 (33%) attained or surpassed the stated number.

All Sub Zero Store Locations
Annual Sales and Average Monthly Sales:
January 2011 through August 2013
(Both franchisees and affiliate-owned)

Location	2011		2012		2013	
	Annual Sales	Average Monthly Sales	Annual Sales	Average Monthly Sales	Annual Sales	Average Monthly Sales
Store 1 ¹	\$16,843	\$5,614	\$72,719	\$8,079	\$6,253	\$6,253
Store 2 ²	\$57,515	\$14,378	\$242,696	\$20,224	\$248,846	\$31,105
Store 3 ³	\$99,783	\$12,472	\$108,636	\$9,053	\$78,863	\$9,857
Store 4 ⁴	\$207,555	\$18,868	\$215,543	\$17,961	\$155,771	\$19,471
Store 5 ⁵	\$143,092	\$11,924	\$121,770	\$10,147	\$88,051	\$9,783
Store 6 ⁶	\$161,665	\$13,472	\$157,978	\$13,568	\$63,677	\$12,735
Store 7 ⁷	\$136,273.09	\$11,356.09				
Store 8 ⁸	\$85,000.02	\$10,625.00				
Store 9 ⁹			\$76,871.70	\$10,981.67	\$98,223.35	\$12,277.92

Location	2011		2012		2013	
	Annual Sales	Average Monthly Sales	Annual Sales	Average Monthly Sales	Annual Sales	Average Monthly Sales
Store 10 ¹⁰	\$188,531.62	\$15,710.97	\$163,338.97	\$14,849.00	\$142,149.41	\$17,768.68
Store 11 ¹¹	\$225,325.93	\$18,777.16	\$169,951.47	\$15,450.13	\$142,832.39	\$17,854.05
Store 12 ²	\$29,606.88	\$2,691.53	\$5,608.84	\$934.81		
Store 13 ¹³			\$39,341.06	\$6,556.84	\$52,149.58	\$6,518.70
Store 14 ¹⁴			\$54,640.49	\$13,660.12	\$140,254.55	\$17,531.82
Store 15 ¹⁵			\$271,566.54	\$30,174.06	\$178,034.04	\$22,254.26
Store 16 ¹⁶			\$88,642.15	\$8,864.22	\$54,691.62	\$6,836.45
Store 17 ¹⁷			\$93,624.48	\$11,703.06	\$60,791.87	\$7,598.98
Store 18 ¹⁸			\$93,657.02	\$13,379.57	\$99,597.66	\$12,449.71
Store 19 ¹⁹			\$79,201.15	\$13,200.19	\$91,019.54	\$11,377.44
Store 20 ²⁰			\$46,435.42	\$15,478.47	\$171,134.41	\$21,391.80
Store 21 ²¹			\$11,514.46	\$11,514.46	\$115,035.46	\$14,379.43
Store 22 ²					\$152,087.94	\$21,726.85
Store 23 ²³					\$127,924.12	\$21,320.69
Store 24 ²⁴					\$156,474.63	\$39,118.66
Store 25 ²⁵					\$98,209.84	\$32,736.61
Store 26 ²⁶					\$64,725.13	\$21,575.04
Store 27	\$170,716	\$14,226	\$168,104	\$14,008	\$119,006	\$14,875
Store 28	\$175,689.73	\$14,640.81	\$194,045.41	\$16,170.45	\$120,083.49	\$15,010.44
Store 29					\$81,726.33	\$10,215.79
Store 30					\$175,574.32	\$21,946.79
Store 31			\$180,921.50	\$15,076.79	\$104,081.34	\$13,010.17

1. This store only reported to us gross sales for 3 months in 2011, 9 months in 2012, and 1 month in 2013, thus the store's actual annual gross sales and average monthly gross sales numbers likely differ from what was reported.
2. This store only reported to us gross sales for 4 months in 2011, thus the store's actual annual gross sales and average monthly gross sales numbers likely differ from what was reported.
3. This store opened in May of 2011, thus monthly and annual sales in 2011 only reflect 8 months of sales.

4. This store opened in February of 2011, thus monthly and annual sales in 2011 only reflect 11 months of sales.
5. This store was transferred in March of 2012. This store only reported to us gross sales for 10 months in 2012, thus the store's actual annual gross sales and average monthly gross sales numbers likely differ from what was reported.
6. This store was transferred in June of 2012. This store only reported to us gross sales for 10 months in 2012. Also, this store only reported to us gross sales for 5 months in 2013. Thus the store's actual annual gross sales and average monthly gross sales numbers for 2012 and 2013 likely differ from what was reported.
7. This store closed in 2011.
8. This store closed in September of 2011, thus sales reported only include 8 months in 2011.
9. This store opened in June of 2012, thus monthly and annual sales in 2012 only reflect 7 months of sales.
10. This store only reported to us gross sales for 11 months in 2012, thus the store's actual annual gross sales and average monthly gross sales numbers likely differ from what was reported.
11. This store only reported to us gross sales for 11 months in 2012, thus the store's actual annual gross sales and average monthly gross sales numbers likely differ from what was reported.
12. This store only reported to us gross sales for 11 months in 2011, thus the store's actual annual gross sales and average monthly gross sales numbers likely differ from what was reported. Also, This store closed in June of 2012, thus sales reported only include 6 months in 2012.
13. This store opened in July of 2012, thus monthly and annual sales in 2012 only reflect 6 months of sales.
14. This store opened in September of 2012, thus monthly and annual sales in 2012 only reflect 4 months of sales.
15. This store opened in April of 2012, thus monthly and annual sales in 2012 only reflect 9 months of sales.
16. This store opened in March of 2012, thus monthly and annual sales in 2012 only reflect 10 months of sales.
17. This store opened in May of 2012, thus monthly and annual sales in 2012 only reflect 8 months of sales.
18. This store opened in June of 2012, thus monthly and annual sales in 2012 only reflect 7 months of sales.
19. This store opened in July of 2012, thus monthly and annual sales in 2012 only reflect 6 months of sales.
20. This store opened in October of 2012, thus monthly and annual sales in 2012 only reflect 3 months of sales.
21. This store opened in December of 2012, thus monthly and annual sales in 2012 only reflect 1 month of sales.
22. This store opened in February of 2013, thus monthly and annual sales in 2013 only reflect 7 month of sales.
23. This store opened in March of 2013, thus monthly and annual sales in 2013 only reflect 6 month of sales.
24. This store opened in May of 2013, thus monthly and annual sales in 2013 only reflect 4 month of sales.
25. This store opened in June of 2013, thus monthly and annual sales in 2013 only reflect 3 month of sales.
26. This store opened in June of 2013, thus monthly and annual sales in 2013 only reflect 3 month of sales.

Bases

These sales figures are derived from the actual historical performance of all Sub Zero stores in operation during the period from January 1, 2011 to August 30, 2013.

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

YOUR INDIVIDUAL FINANCIAL RESULTS MAY DIFFER SUBSTANTIALLY FROM THE RESULTS DISCLOSED IN THIS ITEM 19.

CHARACTERISTICS OF THE INCLUDED FRANCHISES MAY DIFFER SUBSTANTIALLY FROM YOUR FRANCHISE DEPENDING ON YOUR PREVIOUS BUSINESS AND MANAGEMENT EXPERIENCE, COMPETITION IN YOUR AREA, LENGTH OF TIME THAT THE INCLUDED FRANCHISES HAVE OPERATED AS COMPARED TO YOUR FRANCHISE, AND THE SERVICES OR GOODS SOLD IN YOUR FRANCHISE AS COMPARED TO THE INCLUDED FRANCHISES. THE SALES, PROFITS AND EARNINGS OF AN INDIVIDUAL FRANCHISEE MAY VARY GREATLY DEPENDING ON THESE AND A WIDE VARIETY OF OTHER FACTORS, INCLUDING THE LOCATION OF THE FRANCHISE TERRITORY, POPULATION DEMOGRAPHICS, ECONOMIC AND MARKET CONDITIONS, LABOR AND PRODUCT COSTS, ETC.

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.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1
SYSTEMWIDE OUTLET SUMMARY
For the fiscal year ending June 30, 2011, 2012, and 2013**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2011	8	13	+5
	2012	13	17	+4
	2013	17	25	+8
Area Developers*	2011	1	4	+3
	2012	4	6	+2
	2013	6	11	+5

Company-Owned**	2011	1	1	0
	2012	1	2	+1
	2013	2	0	0
Total Outlets***	2011	10	18	+8
	2012	18	25	+7
	2013	25	38	+13

* The number of Area Developer operations is reflected in this row of this table. However, the individual unit franchises owned and developed by Area Developers are reflected in the row entitled “Franchised” in this table.

** We currently own and operate a franchise at Provo Towne Centre in Provo, Utah. The second “company-owned” outlet is owned and operated by Jerry Hancock, our founder, Chief Executive Officer, and Chairman of the Board, and Naomi Hancock, one of our directors and our affiliate’s Vice President.

*** This table and the relevant tables that follow include current individual unit franchisees and area developers that were assigned to us by our affiliate and predecessor.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For the fiscal years ending June 30, 2011, 2012, and 2013

<u>Column 1</u> <u>State</u>	<u>Column 2</u> <u>Year</u>	<u>Column 3</u> <u>Number of</u> <u>Transfers</u>
Utah	2011	0
	2012	2
	2013	0
Total	2011	0
	2012	2
	2013	0

Table No. 3
Status of Individual Unit Franchised Outlets
For the fiscal year ending June 30, 2011, 2012, and 2013

<u>Column 1</u> <u>State</u>	<u>Column 2</u> <u>Year</u>	<u>Column 3</u> <u>Outlets</u> <u>at the</u> <u>Start of</u> <u>the</u> <u>Year</u>	<u>Column 4</u> <u>Outlets</u> <u>Opened</u>	<u>Column 5</u> <u>Terminations</u>	<u>Column 6</u> <u>Non-</u> <u>Renewals</u>	<u>Column 7</u> <u>Reacquired</u> <u>by</u> <u>Franchisor</u>	<u>Column 8</u> <u>Ceased</u> <u>Operations</u> <u>– Other</u> <u>Reasons</u>	<u>Column 9</u> <u>Outlets</u> <u>at End</u> <u>of the</u> <u>Year</u>
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<u>Column 1</u> <u>State</u>	<u>Column 2</u> <u>Year</u>	<u>Column 3</u> <u>Outlets</u> <u>at the</u> <u>Start of</u> <u>the</u> <u>Year</u>	<u>Column 4</u> <u>Outlets</u> <u>Opened</u>	<u>Column 5</u> <u>Terminations</u>	<u>Column 6</u> <u>Non-</u> <u>Renewals</u>	<u>Column 7</u> <u>Reacquired</u> <u>by</u> <u>Franchisor</u>	<u>Column 8</u> <u>Ceased</u> <u>Operations</u> <u>- Other</u> <u>Reasons</u>	<u>Column 9</u> <u>Outlets</u> <u>at End</u> <u>of the</u> <u>Year</u>
Arizona	2011	1	0	0	0	0	0	1
	2012	1	1	0	0	0	0	2
	2013	2	0	0	0	0	0	2
California	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	5	0	0	0	0	6
Florida	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	2	0	0	0	0	2
Idaho	2011	1	1	0	0	0	1	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Indiana	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Minnesota	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Utah	2011	8	2	0	0	0	0	10
	2012	10	5	3	0	1	0	11
	2013	11	0	0	0	0	1	10
Washington	2011	0	1	0	0	0	0	1
	2012	1	1	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Total	2011	8	6	0	0	0	1	13
	2012	13	7	3	0	1	0	17
	2013	17	9	0	0	0	1	25

Status of Area Developer Franchises
For the fiscal year ending June 30, 2011, 2012, and 2013

<u>Column 1</u> <u>State</u>	<u>Column 2</u> <u>Year</u>	<u>Column 3</u> <u>Outlets</u> <u>at the</u> <u>Start of</u> <u>the</u> <u>Year</u>	<u>Column 4</u> <u>Outlets</u> <u>Opened</u>	<u>Column 5</u> <u>Terminations</u>	<u>Column 6</u> <u>Non-</u> <u>Renewals</u>	<u>Column 7</u> <u>Reacquired</u> <u>by</u> <u>Franchisor</u>	<u>Column 8</u> <u>Ceased</u> <u>Operations</u> <u>- Other</u> <u>Reasons</u>	<u>Column 9</u> <u>Outlets</u> <u>at End</u> <u>of the</u> <u>Year</u>
Arizona	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
California	2011	0	2	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	1	0	0	0	0	3
Florida	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Indiana	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Minnesota	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Nevada*	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Texas	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Washington	2011	0	1	0	0	0	0	1
	2012	1	1	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Total	2011	1	3	0	0	0	0	4

<u>Column 1</u> <u>State</u>	<u>Column 2</u> <u>Year</u>	<u>Column 3</u> <u>Outlets at the Start of the Year</u>	<u>Column 4</u> <u>Outlets Opened</u>	<u>Column 5</u> <u>Terminations</u>	<u>Column 6</u> <u>Non-Renewals</u>	<u>Column 7</u> <u>Reacquired by Franchisor</u>	<u>Column 8</u> <u>Ceased Operations – Other Reasons</u>	<u>Column 9</u> <u>Outlets at End of the Year</u>
	2012	4	2	0	0	0	0	6
	2013	6	5	0	0	0	0	11

- The Nevada area developer territory includes portions of southern Nevada and southern Utah.

Table No. 4
Status of Company-Owned Outlets
For the fiscal year ending June 30, 2011, 2012, and 2013

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Utah	2011	1	0	0	0	0	1
	2012	1	0	1	0	0	2
	2013	2	0	0	0	0	2
Total	2011	1	0	0	0	0	1
	2012	1	0	1	0	0	2
	2013	2	0	0	0	0	2

Table No. 5
Projected Openings of Individual Unit Franchised Outlets
As Of October 1, 2013 through June 30, 2014

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the 2013-14 Fiscal Year	Projected New Company-Owned Outlets in the 2013-14 Fiscal Year
Alabama	2	1	0
California	6	2	0
Florida	0	1	0
Indiana	1	1	0
Louisiana	4	1	0
North Carolina	1	1	0
Texas	3	1	0
Washington	3	1	0
Totals*	20	9	0

**Projected Openings of Area Developer Operations
As Of October 1, 2013 through June 30, 2014**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the 2013-14 Fiscal Year	Projected New Company-Owned Outlets in the 2013-14 Fiscal Year
Florida	0	1	0
Louisiana	1	1	0
Ohio	0	1	0
Utah	0	0	0
Totals*	2	3	0

The following is a complete listing of all current individual unit franchisees that have been or are being assigned to us by our affiliate and predecessor (and the addresses and telephone numbers of all of their operations) as of the date of this Disclosure Document:

<u>Location</u>	<u>Name</u>	<u>Business Address</u>	<u>Phone</u>
Gilbert, AZ	Leon Merkley	1065 East Baseline Road, Suite 104, Gilbert, AZ 85233	480-528-7806
Paradise Valley Mall	Leon Merkley	4568 E. Cactus Rd., Phoenix, AZ 85032	602-788-0442
Carlsbad, CA	Steve Grady	201 Oak Ave., Suite D Carlsbad, CA 92008	408-892-3791
Carlsbad, CA (Westfield Plaza)	Suneethi Gudapati and Krishna Uppugonduri	2525 El Camino Real Carlsbad, CA 92025	858-519-7177
Encinitas, CA	Suneethi Gudapati and Krishna Uppugonduri	123 N. El Camino Read, Suite E Encinitas, CA 92024	858-519-7177
Escondido, CA	Suneethi Gudapati and Krishna Uppugonduri	272 E. Via Rancho Pkwy Escondido, CA 92025	858-519-7177
Rancho Cucamonga, CA	Mike and Gor Antashyan	10590 Town Center Drive, Suite 170, Rancho Cucamonga, CA 91730	818-281-3228
Sherman Oaks, CA	Rob West	14006 Riverside Drive, Sherman Oaks, CA 91423	805-587-4262
Simi Valley, CA	Rob West	2091 Madera Road, Suite D, Simi Valley, CA 93065	805-587-4262
San Diego, CA	Leon Merkley**	Not yet open	480-528-7806
Siesta Keys, FL	Doug Shenk	219 Avenida Madera, Sarasota, FL 34242	941-720-3529

<u>Location</u>	<u>Name</u>	<u>Business Address</u>	<u>Phone</u>
Sarasota, FL	Brad Lord	4065 Clark Rd., Sarasota, FL 34233	352-514-3395
Boise, ID	Mark and Karen Dubois*	Fairview and Milwaukee, Boise, ID 83704	208-906-8813
Indianapolis, IN	Jason Barth and Jason Jenkins	427 Massachusetts Ave Indianapolis, IN 46204	317-252-0271
New Albany, IN	Michael Reis	3012 Charlestown Crossing Way New Albany, IN 47150	502-931-7822
Chanhassen, MN	Gwen Michaels	7828 Market Blvd Chanhassen, MN 55317	612-432-2097
Eden Prairie, MN	Troy Risch	8251 Flying Cloud Dr. Eden Prairie, MN 55344	612-219-6307
New Philadelphia, OH	Michelle Provan	(Not yet open)	330-364-2828
Cedar City, UT	Running Quail Enterprises (Shane Smith)	1390 Providence Center Dr. #2, Cedar City, UT 84720	888-FOR-SUB0
Draper, UT	Judy Nicoll	129 E. 13800 S., Draper, UT 84020	385-275-7281
Layton, UT	Jamie Smith Dicks**	1978 North 1200 West, Layton, UT 84041	801-916-8282
Murray, UT	Tyson Foster	5612 S. 900 E., Murray, UT 84107	801-263-0406
Ogden, UT	Monte Chournos	2350 Kiesel Ave., Ogden, UT, 84401	801-940-2063
Pleasant Grove, UT	Cameron Foote	672 North 2000 West, Pleasant Grove, UT 84062	801- 244-7002
Sandy, UT	Dan and Christian Thurgood	1846 East 9400 South, Sandy, UT 84092	801-935-9262
Spanish Fork, UT	Joe Shenk	788 N. 800 E., Spanish Fork, UT 84660	801-400-3000
St. George, UT	Running Quail Enterprises (Shane Smith)	2376 Red Cliffs Blvd, Suite 309A, St. George, UT 84790	888-FOR-SUB0
West Jordan, UT	Toni Hakes	7689 S Jordan Landing Blvd #140, West Jordan, UT 84084	801-652-0743
Federal Way, WA	Jack Walsh	31653 Pacific Hwy South #A, Federal Way, WA 98003	253-941-3248
Longview, WA	David Russell and Jeff Kockritz	1208 Washington Way, Longview, WA 98632	360-736-2029

* This franchisee signed three franchise agreements and has opened one franchise as of the date of this Disclosure Document.

** These franchisees have signed franchise agreements but have not yet opened as of the date of this Disclosure Document.

The following is a complete listing of all current “company-owned” stores 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>
Jerry Hancock*	1774 N. University Pkwy., Unit 56B, Provo, UT 84604	(801) 375-0104
Sub Zero Franchising, Inc.	1200 Towne Centre Dr., Provo, UT 84601	(801)494-0988

* Jerry Hancock is our Chairman of the Board (see Item 2). Naomi Hancock is the Vice President of our affiliate, Sub Zero Ice Cream, Inc.

The following is a complete listing of our current area developers and their addresses and telephone numbers as of the date of this Disclosure Document:

<u>Territory</u>	<u>Name</u>	<u>Business Address</u>	<u>Phone</u>
Arizona	Leon Merkley	1065 East Baseline Road, Suite 104, Gilbert, AZ 85233	480-528-7806
California - San Diego County	Leon Merkley	1065 East Baseline Road, Suite 104, Gilbert, AZ 85233	480-528-7806
California - Los Angeles, Orange, and Ventura Counties	Rob West	2312 Elmdale Ave., Simi Valley, CA 93065	805-587-4262
California – Riverside	Ken Jani	20534 Longbay Dr., Yorba Linda, CA 92887	714-595-3605
Florida – Sarasota	KADOJI Inc (Douglas Shenk)	6789 Island Creek Rd, Sarasota, FL 34240	941-720-3529
Indiana	SZ Indiana Development Groups, LLC (Jason Barth And Jason Jenkins)	1051 3 rd Ave. SW, Carmel, IN 46032	317-281-7451
Minnesota - Minneapolis	TE Squared (Troy Risch)	9470 Foxford Rd, Minneapolis, MN	612-219-6307
Portland, OR/Vancouver, WA	David Russell and Jeff Kockritz	1583 Mt. Pleasant Rd., Kelso, WA 98626	360-414-5277
Seattle, WA	Jack Walsh	31653 Pacific Hwy South #A, Federal Way, WA 98003	253-941-3248
Southern Utah and Southern Nevada	Running Quail Enterprises (Shane Smith)	3504 Helmsman Drive, North Las Vegas, NV 89032	702-688-3813
Texas	Sub Zero Area Development	2136 Encino Loop, San Antonio, TX 78259	361-779-2763

<u>Territory</u>	<u>Name</u>	<u>Business Address</u>	<u>Phone</u>
	of Texas, LLC (Aniq Lahkpaty, Allyshezad Lahkpaty, Shoaib Kalwani)		

The following is 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 unit and area developer 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 the date of this Disclosure Document.

Location	Name	Business Address	Phone
Napa Valley	Sam Quiroz	(not yet open)	(707)583-6711

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, 2011, 2012, and 2013. Our fiscal year end is June 30.

**ITEM 22
CONTRACTS**

The following agreements are exhibits:

- (a) Franchise Agreement—Exhibit B
- (b) Area Developer Agreement – Exhibit C (including Spousal Consent)
- (c) Conditional Assignment of Telephone and Directory Listings - Exhibit F
- (d) Abandonment, Relinquishment, & Termination of Assumed Business Name - Exhibit G
- (e) Authorization for Electronic Funds Transfer - Exhibit H
- (f) State Law Addendum—Exhibit I
- (g) Franchisee Closing Questionnaire—Exhibit J

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.

Exhibit C to the Area Developer Agreement contains the following Spousal Consent, to be signed by spouses of any franchisees signing the area developer agreement:

Each of the undersigned, each being the spouse of an individual who executed this Agreement as you or if you are a partnership, a spouse of a general partner, consents to all of the terms of this Agreement and the execution of it.

Dated: _____

By: _____

By: _____

**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 K).