BLACKLINE

FRANCHISE DISCLOSURE DOCUMENT

CHOP STOP FRANCHISING, INC.
A California corporation
2626 Foothill Blvd., Suite 230
La Crescenta, California 91214
(818) 369-7350
~~**www.chopstop.com**~~
www.chopstop.com
mark@chopstop.com

CHOP STOP FRANCHISING, INC. offers individual unit franchises for the operation of a Chop Stop® restaurant (a "Restaurant"), selling a variety of food items, including chopped salads, Chopurritos®, wraps, soups, specialty beverages and related food and beverages for the individual consumer.

The total investment necessary to begin operation of a Restaurant is from $~~327,000~~375,000 to $~~698,500~~699,000. This includes $~~26,000~~44,100 to $~~45,000~~62,300 that must be paid to the franchisor or affiliate.

Franchisees who qualify may sign a Development Agreement, which authorizes them to enter into multiple franchise agreements within a specified development area. Developer franchisees pay our standard initial fee of $~~30,000~~35,000 for their first Restaurant developed, $30,000 for the second and third Restaurants to be developed, and $25,000 for subsequent Restaurants developed. Developer franchisees pay a development fee equal to 50% of the total amount of initial fees under all of the Franchise Agreements to be executed under the Development Agreement, which amount is credited against the initial fees when each Franchise Agreement is signed.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no 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 Mark Kulkis at 2626 Foothill Blvd, Suite 230, La Crescenta, California 91214; telephone (818) 369-7350; email: mark@chopstop.com.

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

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

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

Issuance Date: April 15, ~~2021~~2022

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

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

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

TABLE OF CONTENTS

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this disclosure document, "we" means CHOP STOP FRANCHISING, INC., the franchisor. "You" means the person who buys the franchise. If a corporation, partnership or limited liability company buys a franchise, "you" also may refer to the shareholders of the corporation, partners of the partnership or members of the limited liability company.

The Franchisor

We are a California corporation, formed on March 17, 2014. Our principal place of business is 2626 Foothill Blvd, Suite 230, La Crescenta, California 91214; our telephone number is (818) 369-7350. Our agents for service of process are disclosed in Exhibit D.

Our Business Experience

We sell franchises for the operation of a restaurant offering a variety of food items, including chopped salads, Chopurritos®, wraps, soups, specialty beverages and related food and beverage products under the name "Chop Stop" (the "Restaurant"). We began offering franchises for Chop Stop Restaurants in April 2015.

Our predecessor and affiliate is Chop Stop, Inc. ("CSI"), a California corporation formed on July 14, 2010. CSI has the same principal business address as us. CSI licensed to us the right to sub-license the Marks and to franchise the System (both terms defined below) through a License Agreement between us and CSI dated December 30, 2014. CSI does not offer franchises in any line of business. CSI currently operates 5 Chop Stop Restaurants in California similar to the franchise being offered. For purposes of this disclosure document, we refer to the Restaurants operated by CSI as "company-owned" Restaurants.

Other than as described above, we have no affiliates, predecessors or parents required to be disclosed in this Item 1.

Franchise Offered

Chop Stop Restaurants offer different types of chopped salads, Chopurritos®, wraps, soups, specialty beverages and related food and beverage products. The typical customer includes any individual who enjoys quick service or health food. ~~You~~If we grant you a Chop Stop franchise, you must sign a "Franchise Agreement", a copy of which is attached as Exhibit B to this disclosure document, under which you receive the right to own and operate a Restaurant at a location we approve, offering the products and services we approve and using our formats, designs, methods, specifications, standards, operating and marketing procedures and the "Marks" (as defined in Item 13), including the Mark "Chop Stop" (collectively, the "System").

In addition, we offer to select, qualified individuals that meet our then-current standards the opportunity to acquire the right to develop multiple Chop Stop restaurants within a specific Development Area under the Multiple Restaurant Development Agreement attached as Exhibit C (the “Development Agreement”). If you sign a Development Agreement, you will receive the right to open a certain number of Chop Stop restaurants within a specified geographic area (the “Development Area”) over a defined period of time (the “Development Schedule”). We determine the Development Schedule on the basis of the market potential and the size of the Development Area. We refer to these franchisees as “Developers” or “Developer franchisees.” Developers will sign our then-current form of Franchise Agreement for each Chop Stop restaurant they open under their Development Agreements.

Market, Competition, Laws and Regulations, Referral Program

The market for healthy, quick service food is well developed. Your competition will include other quick service restaurants, including other franchise systems’ restaurant chains, as well as local stores and restaurants offering prepared food.

In addition to laws and regulations that apply to businesses generally, federal, state and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of your Restaurant, including those which (a) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for restaurants and disclosure of nutritional information; employee practices concerning the storage, handling, cooking and preparation of food; restrictions on smoking; availability of and requirements for public accommodations, including restrooms; (b) establish standards pertaining to employee health and safety; (c) establish standards and requirements for fire safety and general emergency preparedness; and (d) regulate the proper use, storage and disposal of waste, insecticides, and other hazardous materials. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your franchise and should consider both their effect and cost of compliance.

As of the issuance date of this Disclosure Document, we have established a referral program for our existing franchisees, subject to certain qualifications. Generally, if an existing franchisee refers a qualified candidate to us with whom we have not had previous communications and we execute a franchise agreement with that candidate within a certain period of time, we will pay the referring franchisee a referral fee we establish. We reserve the right to either modify or cancel this referral program at any time.

ITEM 2

BUSINESS EXPERIENCE

Chief Executive Officer: Mark Kulkis

Mr. Kulkis has been our Chief Executive Officer since our formation in March 2014. Mr. Kulkis has also served as CSI’s Chief Executive Officer since July 2010~~. Mr. Kulkis served as President of Kick Ass Pictures, Inc., in Glendale, California from January 2001 to May 2014~~.

Director of Operations: Joey Gonzalez

Mr. Gonzalez has been the Vice President, Operations for us and CSI since December 2016. Prior to that, Mr. Gonzalez served as our Director of Operations since our formation in

March 2014 to December 2016 and held the same position with CSI from October 2010 to December 2016.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

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

ITEM 5

INITIAL FEES

The "Initial Franchise Fee" for a Restaurant franchise is $~~30,000~~35,000. If you are an existing Chop Stop franchisee and are purchasing an additional Restaurant, you will pay us a reduced Initial Franchise Fee equal to two-thirds of our then-current Initial Franchise Fee or $~~25,000~~30,000, whichever is greater.

If you sign a Development Agreement, you must pay us a Development Fee equal to 50% of the Initial Franchise Fee for each franchise you plan to develop. The Development Fee will be credited against the Initial Franchise Fee due when each Franchise Agreement is signed. You will pay the following Initial Franchise Fees for each Restaurant developed under the Development Agreement: (i) $~~30,000~~35,000 for the first Restaurant; (ii) $~~25,000~~30,000 for the second and third Restaurants; and (iii) $~~20,000~~25,000 for the fourth and each subsequent Restaurant.

We participate in the International Franchise Association's VetFran Program. If you are an honorably discharged, former full-time active duty service member of the U.S. Army, Navy, Air Force, Marines, or Coast Guard, who also meets our qualifications for new Chop Stop franchisees, we will discount the Initial Franchise Fee by up to $10,000 based upon the percent the Restaurant is owned by the veteran. For example, if you are a veteran and own 100% of the Restaurant, then you will be entitled to the full $10,000 discount. If you are a veteran and own 50% of the Restaurant, then you will receive a $5,000 discount. The VetFran discount may be used only once for one Restaurant franchise. The VetFran discount may be used for your first Franchise Agreement executed under a Development Agreement if you qualify as a Developer.

The Initial Franchise Fee is paid to us when you sign the Franchise Agreement and is not refundable under any circumstances. During our ~~2020~~2021 fiscal year, we received Initial Franchise Fees ranging from $25,000 to $30,000.

As of the issuance date of this disclosure document, before you begin operations, you must purchase an "Opening Package" from us or our affiliate that will include uniforms, umbrellas (as applicable), gift cards, pictures and other in-store merchandising supplies required in the operation of your Restaurant. In the future, we may require you to purchase the Opening Package from a supplier we designate. We estimate that the cost of the Opening Package will range from $6,000 to $15,000.

You will also be required to purchase certain furniture and fixtures from us or our affiliates, which currently includes countertop slabs, vinyl flooring for the dining room, and certain dining room furniture. We estimate that the cost of ~~this~~ these three items will range from $3,100 to $12,300.

Except as described above, you are not required to make any other payments to us or our affiliates for services or goods provided before your Restaurant opens.

ITEM 6

OTHER FEES

Type of Fee	**Amount** (See Note 1)	Due Date	Remarks
Royalty Fee	5% of total Net Sales. (See Note 2)	Payable weekly by electronic funds transfer on the Wednesday of each week for the 7-day period ending each Sunday.	
Brand Fund Fee	As of the issuance date of this disclosure document, 0.5% of Net Sales	Payable by electronic funds transfer at same time as Royalty Fee.	We may periodically increase the Brand Fund Fee upon prior written notice to you, provided that the Brand Fund Fee will not exceed 2.5% of total Net Sales. See Item 11.
Income and Sales Taxes	We may collect from you the cost of all taxes arising from our licensing of intellectual property to you in the state where your Restaurant is located, as well as any assessment on fees and any other income we receive from you.	Payable weekly by electronic funds transfer at same time as Royalty Fee.	Only imposed if state collects these taxes or assessments.
Local Advertising	1% of total Net Sales.	By the end of each calendar quarter during the year, (except for 90-day requirement for Restaurant opening campaign).	The 1% minimum must be spent each calendar quarter, unless we approve a different spending schedule in writing. (See Note 3 and Item 11)
Advertising Cooperative Contributions	In the future, we may require you to participate in local or regional advertising cooperatives.	Established by us.	Any financial contributions made by you to a required regional cooperative advertising program will be credited against your local advertising requirement.
Restaurant Opening Campaign	You must spend a minimum of $6,000 for advertising and marketing activities during the first 90 days of Restaurant	When incurred.	If you fail to spend the $6,000 minimum on approved opening campaign advertising, we have the right to collect from you the

Type of Fee	Amount (See Note 1)	Due Date	Remarks
	operations.		difference between the $6,000 minimum and the amount you actually spend. We will spend amounts collected from you on advertising for your Restaurant or contribute it to the system-wide Brand Fund, as we deem appropriate.
Approved Supplier/Product Testing Fee	Will vary under circumstances.	Payable when you request our approval of a proposed supplier or product.	
Change of Location Fees	25% of our then-current Initial Franchise Fee.	Payable (at our option) before we review the proposed new Restaurant site.	We reserve the right to charge this fee if you desire to change the location of your Restaurant. (Also, see Note 4)
Transfer Fee	60% of then-current standard Initial Franchise Fee. 40% of our then-current Initial Franchise Fee if transfer is to an existing Chop Stop franchisee.	Before completion of transfer.	You pay this fee when the Franchise Agreement or a substantial portion of the assets of the Restaurant or any controlling interest in you is transferred.
Renewal Fee	$2,000	At least 30 days before renewal of Franchise Agreement.	
Remodeling Expenses	Will vary under circumstances.	When incurred.	(See Note 4)
Costs and Attorneys' Fees	Will vary under circumstances.	When incurred.	We may recover costs and reasonable attorneys' fees if you lose in a dispute with us.
Audit	Cost of audit plus 1½% interest per month from due date.	30 days after billing.	Payable only if audit shows an understatement of at least 2% of Net Sales for any month.
Interest Expenses	Lesser of 1½% per month or the maximum rate permitted by law.	Immediately, if invoices are not timely paid.	Payable if you do not timely pay Royalty Fee, Brand Fund or other amounts owed to us or our affiliates.
Insurance	Cost of insurance.	Payable before opening.	If you fail to obtain and maintain required insurance, we may immediately obtain insurance and you must promptly reimburse us for insurance, including late charges, together with an administrative fee equal to 5% of the insurance premium.
Proprietary Software License Fee	We currently do not charge this fee but may charge it in the future.	When incurred.	We reserve the right to charge you a license fee related to your use of the Proprietary Software. (See Item 11)
Technology Fee	Our current fee is $70 per month. The fee will not exceed $500 per month.	Payable monthly.	(See Item 11)
Operating Assistance/ Additional Training	Currently $200 per week, per trainer we provide, if assistance or training is provided at our training	When incurred.	We may provide you with additional operating assistance for a fee. You may request such assistance or we

Type of Fee	**Amount** (See Note 1)	Due Date	Remarks
	Restaurant in Glendale, California, and $40 per hour, per trainer, plus all of our reasonable travel and living expenses, if assistance or training is provided at your Restaurant.		may require such assistance if you fail to meet operating standards.
Shift Leader Training Program	Currently $200 per week, per trainer we provide, plus all of your prospective shift leader's travel and living expenses.	When incurred.	
Initial Training	$1,200 per attendee	When incurred.	We will provide the initial training program to up to 4 individuals at no charge. Additional individuals may attend the initial training program for a fee of $1,200 per person.
Convention Fee	Our then-current fee.	Upon demand.	We may hold or sponsor annual franchise conventions, and we may require you and designated employees to attend. We reserve the right to charge you a fee for any annual franchise convention or meeting that we sponsor or designate, regardless of your attendance.
PCI Compliance System	Cost of third-party PCI compliance programs.	When incurred.	Payable to us if we elect to manage these programs for the entire system, and require reimbursement for third-party fees attributable to your Restaurant.

Notes:

1. Except where otherwise noted, all fees are payable to us, are non-refundable, and are uniformly imposed.

2. "Net Sales" means the aggregate amount of all sales of goods and services (including service charges in lieu of gratuity and delivery fees), whether for cash, on credit (not adjusted for credit card fees) or otherwise, made or provided in connection with the Restaurant, including off premises sales and monies derived at or away from the Restaurant, and including all sales made via third-party delivery and ordering applications, regardless of whether payment is made directly to the Restaurant or a third party on behalf of the Restaurant, and not adjusted for any fees paid to any third-party delivery and ordering application. Net Sales does not include taxes you pay or accrue. Net Sales does not include adjustments for returns, discounts to customers on items sold and Net Sales is not adjusted for any uncollected accounts.

3. If you do not spend the required minimum amount during any calendar quarter for approved local advertising or cooperative advertising (if applicable), you must deposit with us the difference between what you should have spent for advertising during the quarter and what you actually spent for approved advertising during the quarter. We will deposit these monies in the Chop Stop Brand Fund (see Item 11 for further discussion).

4. You must remodel your Restaurant on notice from us. Any refurbishing must comply with our then-current standards for Chop Stop Restaurants. The scope of refurbishing may range from simply painting the Restaurant to completely refurbishing the entire Restaurant, including replacement of fixtures, signs, supplies and equipment. We cannot estimate the current cost for a refurbishing project because the refurbishing requirements will vary. You may make these payments in whole or in part to various third parties. If you relocate your Restaurant, you will incur certain build-out or remodeling expenses at the new Restaurant premises in addition to paying us the relocation fee.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure (See Note 1)	**Amount** (See Note 2)		**Method of Payment**	**When Due**	**To Whom Payment Is To Be Made**
	Low	**High**			
Initial Franchise Fee	~~$20,000 - $30,000~~ $35,000$35,000		Lump Sum	On signing Franchise Agreement	Us
Real Estate Consultant(3)	~~$0 – $4,500~~$1,000	$2,000	As Agreed	As Incurred	Approved Suppliers
Design/Architect Fees(4)	~~$8,500 – $13,000~~$10,000	$20,000	As Agreed	As Incurred	Approved Suppliers
Construction Management(5)	$10,000	$10,000	As Agreed	As Incurred	Approved Suppliers
Plans & Permits	$~~2,000 –~~ 3,000$22,000		Lump Sum	As Incurred	Third Parties
Leasehold Improvements(6)	~~$135,000 – $230,000~~$150,000	$250,000	Lump Sum	As Incurred	Third Parties
Rent, Utilities and Security Deposits Before Opening	$10,000~~–~~ $36,000		Lump Sum	As Incurred	Third Parties
Signage(7)	$5,000~~–~~ $15,000		Lump Sum	As Incurred	Approved Suppliers Or Third Parties
Furniture, Fixtures & Restaurant Equipment(8)	$45,000~~–~~ $97,000		As Agreed	As Incurred	Us, Approved Suppliers Or Third Parties
Initial Supply of Smallwares(9)	$10,000~~–~~ $18,000		Lump Sum	As Incurred	Approved Suppliers Or Third Parties
Initial Inventory (Food + Paper + Janitorial)(10)	$11,000~~–~~ $17,000		As Agreed	As Incurred	Approved Suppliers

Type of Expenditure (See Note 1)	**Amount** (See Note 2)		**Method of Payment**	**When Due**	**To Whom Payment Is To Be Made**
	Low	**High**			
					Or Third Parties
Office Equipment & Supplies[11]	~~$1,000 – $10,000~~ $5,000$15,000		As Agreed	As Incurred	Third Parties
POS System[12]	$~~20,000 –~~ 17,000$23,000		Lump Sum	As Incurred	Approved Suppliers
Security System	$3,000~~–~~ $10,000		As Agreed	As Incurred	Approved Suppliers Or Third Parties
Opening Package[13]	$6,000~~–~~ $15,000		Lump Sum	As Incurred	Us or Approved Suppliers
Professional Fees[14]	$1,500~~–~~ $6,000		Lump Sum	As Incurred	Third Parties
Insurance (First 3 months)[15]	~~$1,000 – $3,000~~$1,500	$3,000	As Agreed	As Incurred	Third Parties
Training Expenses[16]	$0~~–~~ $21,000		As Incurred	As Incurred	Third Parties
Staff Training [17]	$7,000~~–~~ $17,000		Lump Sum	As Incurred	Third Parties
Restaurant Opening Marketing[18]	$6,000	$6,000	Lump Sum	As Incurred	Approved Suppliers
Additional Funds[19]	~~$25,000 – $95,000~~ $38,000$61,000		As Incurred	As Incurred	Third Parties
TOTAL ~~ESTIMATED INITIAL INVESTMENT~~[20]	**~~$327,000 - $698,500~~$375,000**	**$699,000**			

Notes:

1. The typical size of a Chop Stop restaurant ranges from 1,100 to 1,400 interior square feet. For several items discussed below, your cost will increase as the number of square feet increases. Subject to our minimum standards, the size of your Restaurant is principally determined by requirements or restrictions that your landlord and local municipality or zoning boards may impose, and availability and cost of leasable space. This Table reflects your estimated initial investment for a single Restaurant operated under the Franchise Agreement. This information assumes that you will lease the premises for your Restaurant in an in-line plaza. If you lease the premises in a free-standing building or purchase the Restaurant premises, your costs will be higher.

2. Except where otherwise noted, all fees that you pay to us are non-refundable. Third-party lessors, contractors and suppliers will decide if payments to them are refundable.

3. You are required to use our then-current approved supplier for real estate consulting, who may assist you with the letter of intent and reviewing the lease to determine if it has all of our

required provisions~~. Our currently approved supplier will waive the $4,500 real estate consulting fee if are located within their area and you engage them as your real estate broker~~.

4. We furnish you with prototypical plans for your Restaurant and you are required to work with our then-current designated construction management vendor in connection with overseeing the construction and buildout of your Restaurant. The above estimates assumes that you will pay the flat fee that we have negotiated on behalf of our franchisees. You may also be required by local codes to engage an architect in connection with the build out of your Restaurant.

5. You must contract with our designated construction supervisor to oversee your contractor and confirm that your Restaurant is constructed in accordance with our standards and specifications.

6. Typical locations for your Restaurant are smaller free-standing, multiple use and strip mall locations. Assuming that you will lease the premises for your Restaurant, you will need to make certain leasehold improvements to the leased premises to comply with our approved plans and specifications. We anticipate that you will negotiate the cost of leasehold improvements as part of your rental expense. The exact cost or impact on your rental expense will depend on several factors, including the condition of the premises, whether you elect to do more than the minimum required renovations, the landlord's agreement to reimburse you for certain improvements, the size and location of the premises for your Restaurant and other economic factors. Although we do not recommend that you purchase the land and building for your Restaurant, you will incur significantly greater costs in developing your Restaurant if you choose to do so. You will incur greater start-up costs if you cannot negotiate the cost of leasehold improvements as part of your rental expense.

7. This amount includes estimated expenses for interior and exterior Restaurant signs and menu boards.

8. This amount includes estimated expenses for dining area furniture, outdoor furniture, Restaurant equipment (refrigeration, cooking, heating and chopping equipment), trash receptacles and other fixtures for your Restaurant. This amount includes your required purchases of certain furniture and fixtures from us or our affiliates, which currently includes countertop slabs, vinyl flooring for the dining room, and certain dining room furniture. We estimate that the cost of these three items will range from $3,100 to $12,300.

9. This amount estimates the amount you spend on an initial supply of smallwares, which includes items such as steel bowls (for mixing salads), storage inserts, utensils, knives and other items.

10. You will need to purchase an opening inventory of supplies that complies with our specifications and is purchased from approved suppliers. We may be a designated supplier for certain items. See Item 8 for additional information. This amount does not reflect amounts needed to replenish inventory during the initial stage of operation.

11. This estimate includes desks, printers and other office equipment used in the operation of the Restaurant.

12. We require you to purchase the point-of-sale system that we designate for the Restaurant. See Items 8 and 11.

13. As described in Item 5, you must purchase an Opening Package that will include uniforms, umbrellas, gift cards, pictures and other in-store merchandising supplies used in the operation of your Restaurant.

14. This includes fees that may be paid to outside attorneys, accountants, bookkeepers, human resource agencies and other professionals.

15. You must purchase insurance coverage of the types and having the limits that we designate in the Operations Manual. The estimate listed is for your first 3 months of operation and is based on our current requirements, which are summarized in Item 8.

16. This includes an estimate of travel expenses for 4 individuals to attend our initial training course as described in Item 11, and does not include any living expenses incurred during training. The low end of the range anticipates that you live near our required training location.

17. You will incur labor costs to train your staff in the operation of a Chop Stop Restaurant.

18. You must spend a minimum of $6,000 for Restaurant opening campaign expenses within the first 90 days after you open your Restaurant. You will use our designated media vendor (if any) and you must implement our recommended media plan (if any) in conducting the Restaurant opening campaign.

19. This amount estimates the additional capital you will need during the first 3 months of Restaurant operations, including initial employee wages and fringe benefits, taxes, Restaurant supplies and interest payments on any business loans. It does not include inventory costs beyond the opening inventory costs identified in the Table and does not include any compensation paid to you during this 3-month period. These amounts are estimates, and we cannot guarantee that you will not incur additional expenses in starting the Restaurant. Your costs will depend on factors such as how much you follow our systems and procedures, your management skills and experience, local economic conditions, the local market for Chop Stop products, the prevailing wage rate, competition, the amount of the initial investment you decide to finance and the sales level reached during the initial period.

20. This total is an estimate of your pre-opening initial investment and the expenses you will incur during the first 3 months of Restaurant operations. This total is based on our estimate of average costs and prevailing market conditions and CSI's ~~7 years of~~ experience operating Chop Stop restaurants since 2010. You should review this amount carefully with a business advisor before deciding to purchase the franchise.

We have not included a separate table for the initial investment if you sign a Development Agreement. If you become a Developer franchisee, you will pay a Development Fee equal to 50% of the Initial Franchise Fee for each Restaurant you agree to develop according to the Development Schedule described in the Development Agreement (see Item 5). Other than the Development Fee, start-up costs for the individual Restaurants opened under the

Development Agreement are the same as the estimated costs to open a single restaurant (which described in the table shown at the beginning of this Item 7) subject to potential increases over time due to inflation and other economic factors.

We do not offer financing for ~~Developer or~~ any part of ~~our franchisees~~the initial investment.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To ensure a uniform image and uniform quality of products and services throughout the Chop Stop system, you must maintain and comply with our quality standards.

Designated Products and Services

You must purchase for use or sale at your Restaurant those food products and other services and products that we designate. You are required to purchase certain items from us, our designees or from other suppliers we approve. We have the right to designate a different required supplier of items required in your Restaurant at any time.

We, our affiliates or our designees may be the designated or sole source of supply for certain services and products. As of the issuance date of this disclosure document, you must purchase the Opening Package and certain furniture and fixtures (currently select countertops, vinyl flooring, and dining room furniture) from us or our affiliate. As of the issuance date of this disclosure document, we and our affiliates are not the sole source of supply for any other items required in the operation of your Restaurant.

You must purchase all soft drinks sold from your Restaurant from our designated supplier, currently Pepsi. We have designated US Foods, Inc. ("US Foods") as the only approved broadline distributor of food items for franchisees located within its distribution area. We have designated Sunrise Produce as the only approved distributor of certain produce items in the Southern California region. If your Restaurant is located outside of a designated supplier's distribution area, you must buy the designated food items and designated brand of soft drinks from another supplier on our approved suppliers list.

You must use our then-current approved suppliers for real estate consulting ~~(currently, Pacific West Property Group)~~ and construction management ~~(currently, Pinnacle Construction Management)~~. You are also required to engage a third party company that will provide human resource services which meets our standards and specifications. Our currently recommended supplier for such services is Guardian HR.

You must use our designated merchant bank for our gift card program. You must use our designated IT firm, currently Triton Consulting, to install a PCI compliant network and the POS System in your Restaurant, as further described in Item 11. You must also use our designated music service ~~(~~and designated playlist(s) or stations (currently, Custom Channels) for the music played in your Restaurant. You must purchase "front of house supplies" (including uniforms, in-store signage, gift cards and other such items bearing the Chop Stop logo) from our designated supplier (currently Clayton Kendall).

We and our affiliates have the right to receive fees, payments, rebates, commissions or other consideration from third-party manufacturers, suppliers and/or distributors, including bonuses as a result of entering into long term contracts and the opening new restaurants, which may or may not be reasonably related to services we or our affiliates provide to these third parties. We and our affiliates have the right to receive fees and payments from third-party manufacturers, suppliers, and/or distributors from less than 1% up to 10% or more of each of these third parties' sales of products, services, equipment, goods and supplies to Chop Stop franchisees. We and our affiliates have the right to increase or decrease this percentage in the future. We and our affiliates will retain and use any fees, payments, rebates, commissions or other consideration as we deem appropriate or as required by a particular manufacturer, supplier or distributor.

During our ~~2020~~2021 fiscal year, we and our affiliate CSI received revenues in the amount of $~~99,789.00~~60,523 as the result of required purchases and leases of products and services by franchisees and company-owned restaurants, or ~~2.26~~1.2% of our and CSI's total revenues of $~~4,417,004.00~~5,062,985, according to our audited financial statements for the year ended December ~~27~~26, ~~2020~~2021, which are included in this disclosure document, and the unaudited financial statements of CSI.

Location of your Restaurant; Real Estate Lease

You must locate a site for your Restaurant that we consent to, and you may not sign a lease until we have accepted your site in writing. We accept locations on a case-by-case basis, considering items such as size, appearance and other physical characteristics of the site, demographic characteristics, traffic patterns, competition from other businesses in the area and other commercial characteristics, such as rental obligations and other lease terms (including those that we require be in the lease). You are not required to purchase, lease or sublease the Restaurant premises from us or our affiliate.

Fixtures, Equipment, Furniture & Signs

You must construct and develop your Restaurant. We will furnish to you prototypical plans and specifications for your Restaurant, including requirements for interior and exterior materials, decor, fixtures, equipment, furniture and signs. You must use our designated design firm to adapt the prototypical plans to your location. You must meet our specifications and standards in developing your Restaurant. You must submit construction plans and specifications to us for our approval before you begin construction of your Restaurant, and you must submit all revised plans and specifications to us during the course of construction. You must contract with our designated construction supervisor to oversee your contractor and confirm that your Restaurant is constructed in accordance with our standards and specifications. You are responsible for ensuring that the plans and specifications comply with the Americans with Disabilities Act and all other applicable federal, state and local laws, ordinances, building code and permit requirements and lease requirements and restrictions. In developing and operating your Restaurant, you may purchase only the types of construction and decorating materials, fixtures, equipment, furniture and signs that we require and have approved as meeting our specifications and standards for quality, design, appearance, function and performance. Currently, you may purchase decorating materials, fixtures, equipment, furniture and signs from any supplier who can satisfy our standards and specifications. In the future, we may designate a specific supplier, or we or our affiliate may be an approved supplier of one or more of the other items.

Computer Hardware and Software

As of the issuance date of this disclosure document, the designated POS System for the Restaurant is the Micros RES system, which you must purchase from our designated supplier, Micros. You are also required to purchase the restaurant management software that we designate for use in the Chop Stop Restaurants. Currently, the required restaurant management software is RADAR business intelligence software, which you must purchase from our designated supplier, Compeat~~. We will also require you to use our franchise management software and communication portal, which is currently FranConnect~~.

You must also use our designated online ordering platform, which is currently offered by Onosys. You must also use our designated bookkeeping vendor, which is currently ProfitKeeper.

Insurance

You must purchase and maintain for each Restaurant you operate, at your expense, the types of coverages, with the minimum limits that we designate in the Operations Manual. Currently, the Operations Manual requires you to maintain comprehensive general liability coverage including products liability, property damage, and personal injury coverage, with minimum limits of at least $1,000,000 per occurrence and $2,000,000 in the aggregate. You must also obtain business interruption coverage of at least $1,000,000 for each occurrence (for a minimum of 12 months); business property replacement cost coverage (100%); automobile liability insurance coverage for any vehicles used in the operation of the Restaurant of at least $1,000,000 for each occurrence; employment practices liability insurance coverage of at least $1,000,000 per occurrence and $1,000,000 in the aggregate, with franchisor co-defendant claim coverage; and umbrella liability coverage of at least $1,000,000. In addition, you agree to purchase and maintain worker's compensation and other insurance as we or the Restaurant landlord (if applicable), require or is otherwise necessary to meet statutory requirements. All insurance policies must insure you, us, CSI and any other person or entity that we designate as an additional insured from all liability, damages or injury~~,~~; must be purchased from an approved supplier~~,~~; must require your insurance to be "primary" and "non-contributory" with any insurance carried by us, CSI or any other person or entity that we designate as an additional insured~~,~~; must contain a waiver of the insurance company's right of subrogation against us, CSI and any other person or entity we designate as an additional insured~~,~~; provide that we will receive prior written notice (as specified in the Operations Manual) of a material change in or termination, expiration or cancellation of any policy; and must meet all other requirements that we designate. You must provide us with copies of a certificates of insurance and copies of insurance policies before you can open your Restaurant and upon renewal or extension of each insurance policy.

Advertising and Promotional Approval

You must use our designated media vendor (if any) and must implement our recommended media plan (if any) in conducting the Restaurant opening campaign. If we provide local store media planning systems, you must use our recommended media plan in promoting the Restaurant. You also must use only our approved advertising and promotional materials in promoting the Restaurant. See Item 11 for further information regarding advertising programs.

Supplier and Product Approval

Aside from products and certain other items described above which you must purchase from us, our affiliates or a source we designate, we will provide you with lists of approved manufacturers, suppliers and distributors and a list of approved products, other inventory items, fixtures, furniture, equipment, signs, supplies and other items or services necessary to operate your Restaurant. The lists may specify the manufacturer of a specific product or piece of equipment and will designate whether you are required to purchase those products only from a source identified on the list. The lists specify the suppliers and the products and services which we have approved for use in the System. We may revise these lists and provide you with a copy of approved lists as we deem advisable. We, an affiliate or a third-party vendor or supplier periodically may be the only approved supplier for certain products. As further described above, as of the issuance date of this disclosure document, you must purchase the Opening Package from us or our affiliate. If you want to use any unapproved product, material, fixture, equipment, sign or other item, or purchase any items from any supplier that we have not approved, you must first notify us in writing and must submit to us, at our request, sufficient specifications, photographs, drawings or other information or samples for us to determine whether the product, services, material, fixture, equipment, sign or other item complies with our specifications, or the supplier meets our approved supplier criteria. We will notify you of our decision within a reasonable time following our receipt of all information requested. You must pay the reasonable cost of the inspection and evaluation and the actual cost of the test. We may re-inspect the facilities and products of any supplier or approved item and revoke our approval of any item or supplier which fails to continue to meet any of our criteria. We will send written notice of any revocation of an approved supplier or supply. As part of the approval process, we may require that a proposed supplier sign a supplier agreement covering such items as insurance, product quality, trademark use, and indemnification. We do not provide material benefits to you based on your use of designated or approved sources of supply.

We apply certain general criteria in approving a proposed supplier, including the supplier's quality and pricing of products, ability to provide products/services that meet our specifications, responsiveness, ability to provide products/services within the parameters required by the System, quickness to market with new items, financial stability, credit program for franchisees, freight costs and the ability to provide support to the System (merchandising, field assistance, education and training respecting sales and use of products and services).

Miscellaneous

We may negotiate discounted prices for products with suppliers and you may, in that event, purchase products at the discounted price. We currently negotiate volume discounts for the Chop Stop system of company-owned and franchised Restaurants for food items from our approved supplier, US Foods, and for soft drink products from current and future designated suppliers of these products. However, we are not obligated under the Franchise Agreement to provide material benefits to franchisees for use of designated or approved sources.

We estimate that the purchase or lease of products, equipment, software, signs, fixtures, furnishings, supplies, advertising and sales promotions materials and other items which meet our specifications will represent approximately 60% to 80% of the cost to develop the Restaurant and 30% to 50% of the cost to operate your Restaurant.

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 other items of this disclosure document.

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 2 and 6(A) of Franchise Agreement; Sections 2 and 3.1 of Development Agreement	Item 11
b. Pre-opening purchases/leases	Sections 6(B)-(D) of Franchise Agreement; Development Agreement: Not Applicable	Items 7, 8 and 11
c. Site development and other pre-opening requirements	Sections 6(A)-(F) and 7(A) of Franchise Agreement; Section 3.1 of Development Agreement	Items 5, 7, and 11
d. Initial and ongoing training	Sections 7(B), 14(C) and 15(A) of Franchise Agreement; Development Agreement: Not Applicable	Items 7 and 11
e. Opening	Sections 6(E)-6(F), 7(C) and 15(A) of Franchise Agreement; Sections 2.3 and 2.4 of Development Agreement	Items 5 and 11
f. Fees	Sections 3(B), 4, 5(A)-(C), 5(E), 6(D), 6(G), 11(C) and 14(C) of Franchise Agreement; Sections 2.4 and 4 of Development Agreement	Items 5, 6 and 7
g. Compliance with standards and policies/ Operations Manual	Sections 5(D)-(E), 6(H), 7(E) and 9 of Franchise Agreement; Sections 2.2 and 3.3 of Development Agreement	Items 11 and 16
h. Trademarks and proprietary information	Sections 1(B)-(C), 8 and 12 of Franchise Agreement; Section 5 of Development Agreement	Items 13 and 14
i. Restriction on products/services offered	Sections 2 and 9 of Franchise Agreement; Sections 2.6 and 3.3 of Development Agreement	Items 8 and 16
j. Warranty and customer service requirements	Sections 9(F)-(H) of Franchise Agreement; Development Agreement: Not Applicable	Item 11
k. Territorial development and sales quotas	Sections 2(B)-(D) of Franchise Agreement; Section 2 and Exhibit B of Development Agreement	Item 12
l. Ongoing product/service purchases	Sections 6(C)-(D), 9(E), 9(I) and 9(L) of Franchise Agreement; Development Agreement: Not Applicable	Items 8 and 11
m. Maintenance, appearance and remodeling requirements	Sections 9(A) and (B) of Franchise Agreement; Development Agreement: Not Applicable	Item 11
n. Insurance	Section 9(L) of Franchise Agreement;	Items 6, 7 and 8

Obligation	Section in Agreement	Disclosure Document Item
	Development Agreement: Not Applicable	
o. Advertising	Sections 5 and 6(F) of Franchise Agreement; Section 5.1 of Development Agreement	Items 6, 7 and 11
p. Indemnification	Section 18 of Franchise Agreement; Sections 13.2 and 13.3 of Development Agreement	None
q. Owner's participation/management/staffing	Sections 9(D) and (K) of Franchise Agreement; Development Agreement: Not Applicable	Items 11 and 15
r. Records and reports	Section 10 of Franchise Agreement; Section 3.5 of Development Agreement	Item 6
s. Inspections and audits	Section 11 of Franchise Agreement; Development Agreement: Not Applicable	Item 6
t. Transfer	Section 14 of Franchise Agreement; Section 6 of Development Agreement	Items 6 and 17
u. Renewal	Section 3 of Franchise Agreement; Development Agreement: Not Applicable	Items 6 and 17
v. Post-termination obligations	Sections 13(B), 13(D) and 17 of Franchise Agreement; Section 12 of Development Agreement	Item 17
w. Non-competition covenants	Sections 13(C) and 13(D) of Franchise Agreement; Sections 8.2 – 8.4 of Development Agreement	Item 17
x. Dispute resolution	Section 19 of Franchise Agreement; Section 8.5, 14 of Development Agreement	Item 17

ITEM 10

FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation. If you secure a business loan backed by the Small Business Administration (SBA), we will execute with you the mandated SBA Addendum to the Franchise Agreement.

ITEM 11

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

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

Pre-Opening Assistance. Before you open your Restaurant, we will:

(1) Provide you with basic plans and specifications for your Restaurant, including those for dimensions, interior design and layout, building materials, fixtures, equipment, furniture, signs and décor (Franchise Agreement – Section 6(B)).

(2) Provide the initial training program to certain individuals associated with your Restaurant, as further described below (Franchise Agreement – Section 7(B)).

(3) Provide to you access to the confidential Operations Manual. You must keep the Operations Manual confidential and discontinue using it when the Franchise Agreement terminates (Franchise Agreement – Section 7(E)).

(4) We will grant you the right to establish a specific number of Chop Stop Restaurants within the Development Area if you sign a Development Agreement. (Development Agreement, Section 2).

<u>Ongoing Assistance</u>. During the operation of your Restaurant, we will:

(1) Make available a business coach to assist you in the opening and initial operations of your Restaurant. The period of time such assistance will be provided will be determined based on your specific needs as determined by us during the initial training program. (Franchise Agreement – Section 7(C)).

(2) Provide advisory services relating to Restaurant operations, including products and services offered for sale, selecting and purchasing other approved materials and items, employee relations, marketing assistance and sales promotion programs, and operating, administrative, bookkeeping, accounting, inventory control and general operating procedures. Any visits to your Restaurant by us are to protect our interest in the Marks and System and not to control the day-to-day operation of your Restaurant or for supervision of your employees. (Franchise Agreement – Section 7(D)).

(3) Periodically provide you with updated and revised materials for the Operations Manual (Franchise Agreement – Section 7(E)).

(4) Operate the Brand Fund (as defined further below) (Franchise Agreement – Section 5(A)).

(5) Assist you in developing your Restaurant opening campaign (Franchise Agreement – Section 6(G)).

<u>Advertising Programs</u>. We establish and conduct various advertising programs as follows:

We separately account for a pool of available funds (the "Brand Fund") to be used by us for the purpose of advertising and promoting Chop Stop Restaurants, as well as promoting customer-centric Brand standards. You will pay us a weekly Brand Fund Fee in an amount we determine (not to exceed 2.5%) of your Restaurant's Net Sales (the "Brand Fund"). The specific percentage of Net Sales that you are required to pay (up to 2.5%) will be determined by us and communicated to you in writing (in the Operations Manual or otherwise) and may be updated periodically as we, in our sole judgment, deem appropriate. As of January 1, 2021, the Brand Fund Fee is 0.5% of Net Sales, collected on a weekly basis.

We will allocate the Brand Funds paid to us to the Brand Fund and separately account for these amounts, although we may not necessarily create or maintain a separate bank account for the Brand Fund. We will determine the use of monies in the Brand Fund. Expenditures may include (but are not limited to) the cost of formulating, developing and implementing advertising, marketing, promotional and public relations campaigns in any medium or format that we determine; the costs of loyalty programs, customer satisfaction, mystery shopper programs and other customer-centered initiatives; the cost related to developing, maintaining, implementing, and updating customer-facing websites and an intranet portal; and the reasonable costs of administering the Brand Fund, including the cost of employing advertising, public relations and other third-party agencies to assist us and providing promotional brochures and advertising materials to Chop Stop Restaurants and to regional and local advertising cooperatives, as well as accounting expenses and the actual costs of salaries and fringe benefits paid to our employees engaged in administration of the Brand Fund.

During our fiscal year ended December ~~27~~26, ~~2020~~2021, expenditures from the Brand Fund were allocated in the following manner: ~~60~~59% on marketing, ~~20~~25% on mystery shopper programs, ~~14~~12% on ~~administrative~~brand technology expenses, and ~~6~~4% on the consumer website.

We are not required to spend any particular amount on marketing, advertising or production in the area in which your Restaurant is located. Brand Fund Fees not spent in any fiscal year will be carried over for future use. We will not use Brand Fund Fees paid to us for advertising that is principally for the solicitation of franchise sales. At your request, we will provide you with an annual unaudited statement of the receipts and disbursements of the Brand Fund for the most recent calendar year.

Each new Chop Stop franchisee must pay Brand Fund Fees at the same rate. Other franchisees may contribute to the Brand Fund at a different rate. In addition, each Chop Stop restaurant that we or our affiliates own will contribute to the Brand Fund on the same basis as the majority of franchisees.

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

You may develop advertising materials for your own use, at your own cost, if your materials are factually correct, accurately depict the Marks and communicate the brand position and character that we have established for Chop Stop Restaurants. If you develop advertising materials, you must provide a copy of the materials to us for our review and approval (in writing) before you use the advertising materials. You may advertise and sell the approved products and services at the Restaurant at the prices you determine and approved by us (and subject to applicable law).

In addition to the Brand Fund, you must spend a minimum of 1% of Net Sales during each calendar quarter on "approved" local advertising and promotional activities in your local geographic area. The specific percentage that you are required to spend will be designated by us in writing. We may modify the specific percentage within the 1% maximum whenever we deem appropriate. Restaurant advertising and promotional activities are "approved" if they are included in our recommended media plan for the Restaurant and otherwise satisfy our requirements (described above). Amounts spent on unapproved advertising activities will not qualify in determining whether you have satisfied this minimum expense requirement.

Additionally, during the first 90 days of Restaurant operations, you must spend a minimum of $6,000 for local Restaurant advertising to conduct a Restaurant opening campaign. You must use our designated media vendor (if any) and implement our recommended media plan (if any) in conducting the Restaurant opening campaign. We have the right to require you to provide us with a monthly report during the first year of Restaurant operations which identifies expenses for local advertising.

We have the right to require you to participate in and contribute to the local or regional advertising cooperative (a "Cooperative") established in the area where your Restaurant is located. If a Cooperative is established, you must contribute an amount determined by the Cooperative. All members of the Cooperative, including those restaurants we own, will contribute at the same rate. The Cooperative will use contributions to fund local and regional advertising and promotional campaigns and activities that we recommend or approve for use by the Cooperative. Contributions to the Cooperative are credited to your local advertising obligation described above.

Point-of-Sale System. You must use in the Restaurant the point-of-sale and reporting system, including all existing or future communication or data storage systems, components thereof and associated service, which we may develop or select for the System, including multiple workstations and a related back office computer (the "POS System"). Currently, we require you to use the Micros RES System (both hardware and software) with a minimum of 2 terminals, which you must purchase from the supplier, Micros. You must also purchase Compeat RADAR business intelligence software to assist in managing your Restaurant and in reporting Net Sales and other various operational figures to us, at a current cost of approximately $131 per month, per location. You must also purchase Micros support at a cost of approximately $1,500 per year, per location. In addition, you must use our designated online ordering platform, which is currently provided by Onosys, at a cost of $250 per month, per location. You must also purchase access ~~to our franchise management software and franchise portal, which is currently FranConnect, at a cost of $50 per month, per location; and~~ to our financial reporting software, which is currently ProfitKeeper, at a cost of $20 per month, per location~~. Both of these costs are~~ (currently included as a part of the Technology Fee).

We estimate that the total initial cost for the POS System will be from $~~20,000~~17,000 to $23,000. We reserve the right to change the point-of-sale system that we have selected for use in Restaurants in the future. We periodically may update or change the POS System in response to business, operations, marketing conditions or changes in technology, and you must make any update or change, at your expense.

The POS System may also include one or more proprietary software programs developed for us (the "Proprietary Software"). If we require you to use Proprietary Software, you must enter into our or our designee's standard form software license agreement in connection with your use of the Proprietary Software. You must pay the license fee, set-up fee and any other fees that we establish (if any) related to your use of any Proprietary Software licensed from us. You will pay the then-current fee for the Proprietary Software at or before the Proprietary Software is delivered to you. In addition, we reserve the right to consolidate software support, consulting and ongoing access to the Proprietary Software (if any), under a single technology package for Chop Stop franchisees provided by us or our designee, and you must pay us our then-current monthly technology fee for those services and other services that we may designate (the "Technology Fee"). Our Technology Fee is currently $70 per month, which includes services for our designated franchise management and financial reporting software. The Technology Fee will not to exceed $500 per month. You will also be required to pay any applicable licensing or technology-related fees directly to any of our designated third-party suppliers for any software or technology services obtained directly from our designees.

In order to establish and maintain uniform bookkeeping practices throughout our franchise system, we require that you submit financial statements to us on both a 4-week period and a quarterly basis, as specified in the Standards & Practices Manual. You must also use the exact same Chart of Accounts found in Exhibit A of our Basic Accounting Manual. You must also use our then-current financial reporting vendor, which is currently ProfitKeeper. We may also require you to contract directly with our then-current bookkeeper vendor and have you pay the vendor directly for any initial or ongoing fees.

The Franchise Agreement gives us the right to independently access operational and financial information and data produced by your POS System and other required computer and software systems. There are no contractual limitations on our right to access the information and data. You are required to comply with all applicable Payment Card Industry ("PCI") data security standards, at your cost, in connection with the Restaurant. You must use our designated IT firm, which is currently Triton Consulting, to install a PCI compliant network and your POS System in your Restaurant. We estimate the cost of this installation to range between $6,000 and $9,000.

Site Selection. If you already have a potential site for the Restaurant, you may propose the location to us. We may consent to the site after we have independently evaluated it. The site for the Restaurant will be identified in Attachment A to the Franchise Agreement. If you do not have a proposed site, you will sign Attachment B to the Franchise Agreement and will have 90 days following the date of the Franchise Agreement to identify a Restaurant site acceptable to us. We will provide you with our general site selection and evaluation criteria. You must also engage our then-current real estate consultant, currently Pacific West Property Group, who will advise you on real estate site selection. You are solely responsible, however, for locating and obtaining a site which meets our standards and criteria and that is acceptable to us.

You must submit to us a site report in the format we designate, and containing information that we may reasonably require, for the proposed Restaurant site. The general site and evaluation criteria which you should consider include demographic characteristics of the proposed location, traffic patterns, parking, the predominant character of the neighborhood, the proximity to other businesses (including other Chop Stop Restaurants), and other commercial characteristics, and the proposed location, size of premises, appearance and other physical characteristics. We will notify you in writing within 120 days after we receive your complete site report and other materials we request whether the proposed site satisfies our site selection criteria.

Development Time. The typical length of time between our acceptance of the Franchise Agreement and the opening of your Restaurant is from 9 to 12 months. This period may be longer or shorter, depending on the speed of acquiring a location, the time of year, availability of financing, local construction delays, how soon you can attend training or other factors. You must complete development and open your Restaurant within 12 months following the date of the Franchise Agreement or 5 months from the date we accept your proposed Restaurant site, whichever is earlier. We have the right to terminate the Franchise Agreement if you fail to obtain approval of a location for the Restaurant within 9 months after the date of the Franchise Agreement.

If you enter into a Development Agreement, we and you will agree to a Development Area and the Development Schedule which identifies the number of Chop Stop Restaurants you will develop, and the time frame in which the Chop Stop Restaurants will be developed. You may not develop any Chop Stop Restaurant until there is a separately signed franchise agreement between you and us, and we have evaluated and accepted the site as described in this disclosure document.

Training. Before you open your Restaurant we will provide the initial training program to up to a total of 4 people. Except as we otherwise approve in writing, at a minimum, at least 3 individuals including you (or a designated Principal Owner, if you are an entity), the Operating Manager and one additional individual we approve must complete the initial training program to our satisfaction prior to opening the Restaurant for business. If you select a fourth individual to attend training, we may authorize that individual to complete select portions of the initial training program, depending on their qualifications and anticipated role at your Restaurant.

Additional individuals may attend the initial training program for a fee of $1,200 per person. Our initial training program is conducted at our training restaurant in Glendale, California, or another location we designate.

The initial training program will take place over a period of approximately 6 weeks, as we determine. The training program includes instruction and on-site training relating to Restaurant operations, understanding the equipment usage and maintenance, customer service, marketing and sales programs, accountability for sales and marketing and methods of controlling operating costs. If, during the initial training program, we determine that the Operating Manager is not qualified to manage the Restaurant, we will notify you and you must select and enroll a substitute Operating Manager in the initial training program.

You must have a designated shift leader present at the Restaurant during all employee shifts. All shift leaders must be certified by us, in advance. Certification consists of 2 weeks of shift leader training, which takes place after the employee has worked in the Restaurant for a minimum of thirty (30) hours per week for a minimum of 6 weeks. Prior to attending certification training, your prospective shift leaders must also be certified by the Operating Manager in the roles of cashier, salad-maker and prep worker. The shift leader training takes place in our Glendale training restaurant, and the fee for the training is $200 per week, per trainer we provide.

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

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Food Prep	5	30	Our training Restaurant (Glendale)
Cashier Training	5	25	Our training Restaurant (Glendale)
Salad Making	5	35	Our training Restaurant (Glendale)
Safety & Sanitation	5	5	Our training Restaurant (Glendale)
Manager Training	25	25	Our training Restaurant (Glendale)
Restaurant Accounting	10	11	Our training Restaurant (Glendale)
Marketing	3	2	Our training Restaurant (Glendale)
Human Resources	5	4	Our training Restaurant (Glendale)
On-site Training & Review	0	40	Your Restaurant Location
Totals	**63**	**177**	

We will only conduct the on-site training and review portion of the initial training at your Restaurant once you have successfully passed all necessary inspections, have received a certificate of occupancy, and have paid all invoices from Chop Stop Franchising Inc. and Chop Stop Inc. in full. Subject to our availability, we estimate that we will begin the on-site training and review at your Restaurant within approximately 2 weeks from the time you receive your certificate of occupancy.

The instructional materials for the training program consist of the Operations Manuals, handouts and visual aids, lectures, classroom discussion, hands-on demonstrations and practice training. Joey Gonzalez oversees the training program. Mr. Gonzalez has over 36 years of operations experience in the restaurant industry, and has 10 years of experience with us.

After the Restaurant opens, we will provide training (at times we determine) to any new Operating Manager or shift leader at your expense. We may require that you or a Principal Owner, the Operating Manager, or any shift leader attend all supplemental and refresher training programs that we designate for up to 5 days each calendar year. The purpose of our training programs (both the initial training program and ongoing training) is to provide you and your managers with information enabling you to comply with the Chop Stop System and brand standards, and is not to control the day-to-day operation of your Restaurant or to supervise your employees. We may charge you a fee for these supplemental and refresher training programs. Currently, the fee for such training programs is $200 per week, per trainer we provide. We may adjust this fee from time to time, as communicated in the Operations Manual or otherwise in writing.

You are solely responsible for the compensation, travel, lodging and living expenses that you and your employees incur in attending the initial training program and the manager certification program, as well as any supplemental or refresher training programs. You also are solely responsible for paying your employees and providing all necessary insurance, including worker's compensation insurance, for you and your employees, while you and your employees attend training.

We reserve the right to hold or sponsor annual franchise conventions and meetings relating to the System, new operational procedures or programs, training, business management, sales and sales promotion, or similar topics. We may require you and designated employees to attend these conventions and meetings. We reserve the right to charge you a fee for any annual franchise convention or meeting that we sponsor or designate, regardless of your attendance. You are solely responsible for the compensation, travel, lodging and living expenses that you and your employees incur in attending the conventions or meetings.

Operations Manual. We will give you access to our confidential Operations Manual (the "Operations Manual"). The Operations Manual contains mandatory and suggested specifications, standards and operating procedures that we develop for Chop Stop Restaurants and information relating to your other obligations. We may add to, and otherwise modify, the Operations Manual to reflect changes in authorized products and services, and specifications, standards and operating procedures of a Chop Stop restaurant and we will provide you with written or electronic notification of such additions and modifications. The current Operations Manual, as of the issuance date of this disclosure document, contains a total of 295 pages. The Operations Manual table of contents is attached as Exhibit H.

ITEM 12

TERRITORY

You will receive a "Protected Territory" as identified in Attachment A to the Franchise Agreement. The size of your Protected Territory will vary depending on a number of factors, including market demographics, the market penetration of Chop Stop Restaurants and similar businesses, the availability of appropriate sites, traffic patterns and growth trends in the market, although a typical Protected Territory will contain a minimum population of approximately 30,000 individuals considering both permanent residents and the daytime workforce. During the term of the Franchise Agreement, if you are in compliance, we will not directly operate or franchise another to operate any other Chop Stop restaurant within the Protected Territory.

The Franchise Agreement does not include the right to sell any products or services identified by the Marks through any other channels of distribution, including the Internet (or any other existing or future form of electronic commerce). You will not open any other Chop Stop restaurant in the Protected Territory unless we permit you to do so under a separate franchise agreement. You will not have the right to subfranchise or sublicense any of your rights under the Franchise Agreement. The following categories of locations are specifically excluded from the Protected Territory even if they are located within the physical boundaries described in the Franchise Agreement: airports and other transportation terminals, sports facilities, hospitals, college and university campuses, corporate campuses, a department within an existing retail store, hotels, grocery stores, shopping malls and other similar types of locations that have a restricted trade area ("Captive Market Locations"). You will not receive an exclusive territory. You may face competition from other franchises, from outlets that we own or from other channels of distribution or competitive brands that we control.

The location of the Restaurant and the Protected Territory will be identified in Attachment A to the Franchise Agreement. If you do not have a site for your Restaurant when you sign the Franchise Agreement, you will sign Attachment B to the Franchise Agreement and will have 90 days after the date of the Franchise Agreement to find a site for the Restaurant (acceptable to us) within the designated geographic area. Once we approve a location within the geographic area established in Attachment B, we and you will then sign Attachment A (which identifies the Protected Territory for your Restaurant). The Protected Territory is usually identified on Attachment A using a written description and reference to a map.

You may relocate your Restaurant only with our written consent, which we will not unreasonably withhold. If we permit you to relocate your Restaurant, you must pay us a relocation fee of 25% of our then-current initial franchise fee for services we will provide in assisting you in relocating your Restaurant. In addition, you will need to build out the Restaurant consistent with our then-current standards for new Chop Stop Restaurants. If you lose the right to occupy your business premises and have not made arrangements to relocate under the requirements of the Franchise Agreement (including re-opening at your new location within 5 days) we have the right to terminate the Franchise Agreement.

We (for ourselves and our affiliates) reserve the right to sell in your Protected Territory under the Marks through dissimilar channels of distribution (i.e., other than the operation of full-service restaurants), including by direct mail, wholesale activities and other customers further described below, retail catering and delivery service, and electronic means such as the Internet and websites we establish. Under the Franchise Agreement, you are not permitted to offer off-site catering or delivery services from the Restaurant unless we have given you prior written authorization. We may authorize you to perform delivery in your Protected Territory or in a different (possibly smaller) area as we deem appropriate. We can terminate your right to perform delivery or change your delivery area at any time upon written notice to you. If we permit you to offer delivery services, you must follow our policies, requirements and instructions.

We also reserve the right to sell any products or services in your Protected Territory under trademarks other than the Marks through similar or dissimilar channels of distribution, including by electronic means such as the Internet and by websites we establish. We may advertise the System on the Internet and may create, operate, change or discontinue the use of a website using the Marks. We may grant franchises anywhere outside your Protected Territory and we may operate or grant others licenses to operate a Chop Stop restaurant in any Captive Market Location within or outside your Protected Territory. We also may operate and franchise others to operate retail stores using different trademarks even if these stores compete with the Restaurant. We may purchase or be purchased by, or merge or combine with competing businesses or restaurant chains.

We do not grant to you any options, rights of first refusal or similar rights to acquire additional franchises within a particular territory.

Neither we nor any affiliate operates, franchises, or has any current plans to operate or franchise any business selling the products and services authorized for sale at a Chop Stop restaurant under any other trademark or service mark.

If you sign a Development Agreement with us, you will receive a Development Area in which to develop more than 1 Chop Stop Restaurant. The Development Area is described in Attachment A to the Development Agreement. Captive Market Locations are specifically excluded from the Development Area even if they are physically located within the area described in Attachment A to the Development Agreement, and we have the right to operate or to franchise or license others the right to operate Restaurants or other businesses identified by the Marks at all Captive Market Locations. You will not receive an exclusive territory. You may face competition from other franchises, from outlets that we own or from other channels of distribution or competitive brands that we control.

The size of the Development Area will vary, depending on the number of Chop Stop Restaurants that you and we agree upon, the population base, the population density, growth trends of the population, demographics, the density of residential and business entities, and major topographical features which define contiguous areas, like rivers, mountains and major freeways. We will not operate or grant a franchise to another party to operate a Chop Stop Restaurant in the Development Area so long as you meet the Development Schedule, meet our standards for Chop Stop franchisees who wish to open additional Chop Stop Restaurants, comply with the terms of the Development Agreement, and comply with each related Franchise Agreement. However, we have the right, without any compensation to you, to grant other franchises or develop and operate company-owned Chop Stop Restaurants anywhere outside of the Development Area. Furthermore, as described above with respect to the Franchise Agreement, we have certain rights under the Development Agreement and each Franchise Agreement to sell products and services using the Marks or other marks using similar or dissimilar channels of distribution in the Development Area without any compensation to you. If you do not comply with the Development Schedule and the Development Agreement, we may terminate the Development Agreement and grant individual or multiple unit rights within the Development Agreement to third parties.

ITEM 13

TRADEMARKS

We grant you the right to operate your Restaurant under the name "Chop Stop," and other trademarks or service marks (the "Marks"). Those rights are granted under the Franchise Agreement.

The following schedule list only the principal Marks that you are licensed to use. We have filed all required affidavits and renewal registrations for those Marks listed below.

Principal Trademarks	U.S. Registration No.	Registration Date	Register
Chop Stop	4,572,566	July 22, 2014	Principal
Chop Stop (Design)	4,013,980	August 16, 2011	Principal
Chopurrito	4,571,783	July 22, 2014	Principal
More Than a Salad	4,571,765	July 22, 2014	Principal

CSI owns the Marks and has licensed us the perpetual right to use the Marks and to sublicense the use of the Marks to operate Chop Stop Restaurants under a license agreement dated December 30, 2014 (the "License Agreement"). CSI may terminate the License Agreement if our misuse of the Marks materially impairs the goodwill associated with the Marks, if we violate any provision under the License Agreement or we do not comply with CSI's instructions concerning the quality of the Marks. If the License Agreement is terminated, any then-existing sublicenses (franchises) will continue for the term of the sublicenses provided that the franchisees comply with all other terms of their franchise agreements. The License Agreement contains no other limitations.

We have the right to periodically change the list of Marks. Your use of the Marks and any goodwill is to our and CSI's exclusive benefit and you retain no rights in the Marks. You also retain no rights in the Marks when the Franchise Agreement expires or terminates. You are not permitted to make any changes or substitutions respecting the Marks unless we direct in writing. You may not use any Mark or portion of any Mark as part of your business entity name. You may not use any Mark in any modified form or in the sale of any unauthorized product or service, or in any unauthorized manner. You may not use the Marks on your employment applications, employee evaluation forms, benefits statements, payroll checks or other documents or materials relating to your employees. You may not use any Mark or portion of any Mark on any website without our prior written approval.

There are currently no effective material determinations by the U.S. Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, or any pending infringement, opposition or cancellation proceeding, or any pending material litigation, involving the principal Marks that are relevant to your use in any state. There are currently no agreements in effect that significantly limit our rights to use or license the use of any principal Marks in any manner material to the franchise.

You must immediately notify us of any apparent infringement of or challenge to your use of any Marks, and we have sole discretion to take any action we deem appropriate. We are unaware of any infringing uses or superior rights that could materially affect your use of the principal Marks.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of the Marks, or to participate in your defense or indemnify you. We reserve the right to control any litigation relating to the Marks and we will have the sole right to decide to pursue or settle any infringement actions relating to the Marks. You must notify us promptly of any infringement or unauthorized use of the Marks of which you become aware. If we determine that a trademark infringement action requires changes or substitutions to the Marks, you will make these changes or substitutions at your own expense. We will reimburse you for the reasonable direct costs associated with changes to your signage, menu boards and other required items bearing the Marks.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents or copyrights currently registered that are material to the franchise. We do claim copyright ownership and protection for the Operations Manual and our recipes, and for certain other written materials we provide to assist you in operating your Restaurant.

We own certain proprietary or confidential information relating to the operation of Chop Stop Restaurants, including information in the Operations Manual and recipes ("Confidential Information"). You must keep confidential during and after the term of the Franchise Agreement the Confidential Information. When your Franchise Agreement expires or terminates, you must return to us all Confidential Information and all other copyright material. You must notify us immediately if you learn of an unauthorized use of the Confidential Information. We are not obligated to take any action and we will have the sole right to decide the appropriate response to any unauthorized use of the Confidential Information. You must comply with all changes to the Operations Manual at your cost. We own and will periodically establish policies under which we or you may use Restaurant customer data.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must designate an individual we approve and who successfully completes our required training to be the operating manager ("Operating Manager"). The Operating Manager is responsible for day-to day Restaurant operations. The Operating Manager assumes his/her responsibilities on a full-time basis and may not engage in any other business or other activity that requires any significant management responsibility, time commitments or otherwise may conflict with his/her obligations. If you (or a Principal Owner) are not the Operating Manager, you must remain active in overseeing Restaurant operations. In addition, at all times, the Restaurant must be under the direct, on-site supervision of the Operating Manager or a certified shift leader. We recommend that the Operating Manager have food service experience.

All of your Principal Owners (if you are a corporation, partnership or other entity) must sign the Guaranty and Assumption of Obligations attached to the Franchise Agreement. A "Principal Owner" is defined in the Franchise Agreement as any person or entity who directly or indirectly owns a 10% or greater interest in you. Under the Guaranty and Assumption of Obligations, Principal Owners agree to discharge all obligations of the franchisee entity to us under the Franchise Agreement and are bound by all of its provisions, including maintaining the confidentiality of Confidential Information described in Item 14 and complying with the non-compete covenants described in Item 17. In addition, the Operating Manager must sign a written agreement to maintain the confidentiality of our Confidential Information described in Item 14 and comply with the non-compete covenants described in Item 17.

If at any time the Operating Manager does not manage the Restaurant, we immediately may appoint a manager to manage the Restaurant for you and charge you a reasonable fee for these management services.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell in your Restaurant all, and only, those products and services that we have approved for sale at Chop Stop Restaurants. You must at all times maintain an inventory of approved products and other items in such quantities and variety that we direct. We may add new products or services that you must offer at or use in your Restaurant. Our right to modify the approved list of products and services to be offered at a Restaurant is not limited.

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 Agreement (FA) Or Development Agreement (DA)	Summary
a. Length of the franchise term	FA: Section 3 DA: Section 2.1	FA: 10 years. DA: Until date you are required to sign last Franchise Agreement under the Development Schedule
b. Renewal or extension of the term	FA: Section 3 DA: 2.1	FA: If you are in good standing, you can renew the Franchise Agreement for 2 additional 5 year terms. DA: Not applicable
c. Requirements for you to renew or extend	FA: Section 3 DA: Not applicable	FA: Provide advance notice, comply with current franchise agreement, you and your Operating Manager satisfactorily complete any new/refresher training programs, sign new agreement (which may contain materially different terms and conditions than your original Franchise Agreement), remodel, provide proof you will maintain possession of the Restaurant premises, pay renewal fee and sign a general release of claims. DA: Not applicable
d. Termination by you	FA: Section 16 DA: Section 10	FA & DA: If you comply with the Franchise Agreement, and we fail to cure a material provision within 60 days after written notice.
e. Termination by us without cause	FA: Not applicable DA: Not applicable	
f. Termination by us with cause	FA: Section 15 DA: Section 9	FA & DA: We may terminate the agreement only if you default.
g. "Cause" defined – curable defaults	FA: Sections 15(A) and (B) DA: Section 9.1	FA: You have 30 days to cure failure to open Restaurant when required, failure to complete training, failure to comply with System standards, failure to conform to System and a violation of any material provision of the Agreement. You have 10 days to cure a failure to pay amounts due us or any creditors. You have 72 hours to cure a health code violation. DA: You have 30 days to cure failure to meet development schedule, or a violation of a material term of agreement not listed in the non-curable defaults. You have 10 days to cure a failure to pay amounts due us.
h. "Cause" defined – non-curable defaults	FA: Sections 15(A) and (B) DA: Section 9.2	FA: Failure on 3 or more occasions in any 12 months to comply with any provision, default which is not curable, repeatedly deceiving Restaurant customers, a material misrepresentation on franchise

Provision	Section in Franchise Agreement (FA) Or Development Agreement (DA)	Summary
		application, conviction of or proof that you have committed a felony or other crime which harms the Restaurant's reputation, insolvency, an assignment of assets to creditors, Restaurant abandonment, defaults which injure the goodwill associated with the Marks, unauthorized assignment of agreement or interest, operation of the Restaurant that results in a threat to public health or safety, expiration or termination of a lease for the Restaurant premises. DA: Same as FA, plus receiving 2 or more operational violation warnings from us for Restaurants operated by you in the Development Area and default by you of any FA resulting in termination.
i. Your obligations on termination/nonrenewal	FA: Sections 13(B), 13(D) and 17 DA: Section 12	FA: Cease operation of the Restaurant and use of Marks, pay all amounts due us, stop using and return manuals and other materials, assign to us the Restaurant telephone number and telephone listing or (at our option) disconnect the telephone number, remove all signs and other materials containing any Marks, comply with obligations under any proprietary software license/access agreements, cancel all fictitious or assumed name filings, cease using Confidential Information, sell back to us or return all products and agree not to divert Restaurant customers to any competing business for 2 years (also see o, r below). DA: No further development rights, cease using Confidential Information, comply with non-compete covenant.
j. Assignment of contract by us	FA: Section 14(A) DA: Section 6.3	FA & DA: Assignee must fulfill our obligations under the agreement.
k. "Transfer" by you-defined	FA: Section 14(C) DA: Section 1.10	FA: Includes transfer of Restaurant or its assets, or your interest in agreement or change in interest in ownership of your entity. DA: Includes transfer of your interest in agreement or change in interest in ownership of your entity.
l. Our approval of transfer by franchisee	FA: Sections 14(B), (C) and (D) DA: Sections 6.1 and 6.2	FA & DA: We have the right to approve all transfers, but will not unreasonably withhold approval.
m. Conditions for our approval of transfer	FA: Section 14(C) DA: Section 6.1 and 6.2	FA: New franchisee qualifies and completes training, all amounts owed us or our affiliates are paid, and you are in good standing, new franchisee assumes existing Agreement or (at our option) signs then-current agreement, we approve transfer agreement, transfer fee paid, lease assigned (if applicable), you sign non-compete agreement and general release. DA: New developer qualifies and takes assignment of all franchise agreements, all amounts owed us or our affiliates are paid, and you are in good standing, new franchisee assumes existing Agreement or (at our option) signs then-current agreement, we approve transfer agreement, transfer fee paid, you sign non-compete agreement and general release.
n. Our right of first refusal to acquire your business	FA: Section 14(F) DA: Section 6.5	FA & DA: We can match any offer for your business.
o. Our option to purchase your business	FA: Section 17(C) DA: Not applicable	FA: When the Franchise Agreement expires or terminates, we may purchase assets at fair market value, less the value of any goodwill associated with our trademarks and other intangible assets.

Provision	Section in Franchise Agreement (FA) Or Development Agreement (DA)	Summary
		DA: Not applicable
p. Your death or disability	FA: Section 14(D) DA: Section 6	FA: Franchise must be assigned by estate to an approved buyer within reasonable time not exceeding 12 months. DA: Treated as any other transfer
q. Non-competition covenants during the term of the franchise	FA: Section 13(C) DA: Section 8.2, 8.3	FA & DA: No involvement in wholesale or retail business or other competing business that distributes or sells any salads, entrée bowls, wraps, salads, specialty beverages and related food and beverage products, and related food and beverage products (including any e-commerce business).
r. Non-competition covenants after the franchise is terminated or expires	FA: Sections 13(D) and 17(A) DA: Section 8.4	FA & DA: No business that operates or distributes or sells to, at wholesale or retail, fast/casual restaurants, stores or any location that offers salads, entrée bowls, wraps, salads, specialty beverages and related food and beverage products or competing business within 10 miles of the Restaurant location or within a 10 mile radius of the former site of the Restaurant or any other then existing Chop Stop restaurant; no e-commerce business or website that offers salads, entrée bowls, wraps, salads, specialty beverages and related food and beverage products or competing business within 5 miles of the Restaurant location or within a 5-mile radius of the former site of the Restaurant or any other then existing Chop Stop restaurant.
s. Modification of the agreement	FA: Sections 7(E) and 20(M) DA: Section 15.6	FA & DA: No modifications generally, except in writing. We may modify Operations Manual, Marks, System and goods/services to be offered to your Restaurant.
t. Integration/merger clause	FA: Section 20(M) DA: Section 15.8.7	FA & DA: Only the terms of the agreement (including exhibits) are binding (subject to federal and state law). Any other promises may not be enforceable.
u. Dispute resolution by arbitration or mediation	FA: Section 19 DA: Section 14	FA & DA: Except for injunctive or extraordinary relief, all disputes will be subject to binding arbitration at our corporate headquarters at the time the arbitration is filed.
v. Choice of forum	FA: Section 20(D) DA: Section 15.4	FA & DA: Litigation must be in state or federal court in the state where our corporate headquarters is located at the time the suit is commenced (subject to state law).
w. Choice of law	FA: Section 20(E) DA: Section 15.5	FA & DA: Federal Arbitration Act, federal trademark laws, and the laws of the state in which the Restaurant/Development Area is located apply.

ITEM 18

PUBLIC FIGURES

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

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

The table below contains information on the average and median Net Sales for ~~certain of~~ our ~~franchised and~~ company-owned and franchised Chop Stop restaurants ~~for our “2019~~that were open and continuously operating for the entire fiscal year for the following Fiscal ~~Year”~~Years: Fiscal 2019 (December 31, 2018 to December 29, 2019), ~~and our “2020~~ Fiscal ~~Year”~~2020 (December 30, 2019 to December 27, 2020)~~. At the end of our 2019~~, and Fiscal ~~Year, there were a total of 15 Chop Stop restaurants (10 franchised and 5 company-owned), and at the end of our~~2021 (December 28, 2020 ~~Fiscal Year, there were a total of 23 Chop Stop restaurants (18 franchised and 5 company-owned~~to December 26, 2021). During 2020, all Chop Stop restaurants were required to temporarily close or limit operations to take-out and/or delivery only due to federal, state, and local laws or regulations that were imposed in response to both COVID-19 and civil unrest. During 2021, some of these government restrictions continued. All 15 Chop Stop restaurants that were open at the end of our 2019 Fiscal Year were located in California; and 20 of the 23 Chop Stop restaurants that were open at the end of our 2020 Fiscal Year were located in California. California enacted some of the strictest COVID-19 closures in the nation, and those closures remained in effect longer than almost anywhere else in the country. No Chop Stop restaurant permanently closed during ~~our~~the 2019 Fiscal Year, 2020 Fiscal Year, or ~~our 2020~~2021 Fiscal Year after opening and commencing operations.

At the start of our 2019 Fiscal Year we had 5 company-owned restaurants and 3 franchised restaurants (all located in California). At the start of our 2020 Fiscal Year we had 5 company-owned restaurants and 10 franchised restaurants (all located in California). At the start of our 2021 Fiscal Year we had 5 company-owned restaurants and 18 franchised restaurants (all located in California with the exception of 2 franchised restaurants in Nevada and 1 franchised restaurant in Texas).

The Chop Stop restaurants presented in the ~~table~~tables below ~~are all located in California,~~ have a footprint ranging from 1,100 to 1,700 square feet, and have been open from 1 to ~~10~~11 years.

TABLE NUMBER 1

~~Net Sales(1)~~	~~2019 Fiscal Year (8 restaurants(2))~~	~~2020 Fiscal Year (8 restaurants(2))~~	~~Percentage Change Between 2019 and 2020 Fiscal Years~~	~~2020 Fiscal Year (15 restaurants(3))~~	~~Percentage Change Between 2019 and 2020 Fiscal Years~~
~~Average~~	~~$980,556~~	~~$798,649~~	~~-19%~~	~~$669,924~~	~~-32%~~

~~Median~~	~~$995,686~~	~~$838,883~~	~~-16%~~	~~$638,234~~	~~-36%~~
~~High~~	~~$1,410,727~~	~~$1,094,358~~	~~-22%~~	~~$1,094,358~~	~~-22%~~
~~Low~~	~~$680,792~~	~~$570,216~~	~~-16%~~	~~$402,984~~	~~-41%~~

COMPANY-OWNED RESTAURANTS

FISCAL YEAR	NO. OF RESTAURANTS	NET SALES[1]			
		AVERAGE	HIGH	MEDIAN	LOW
2019	5[2]	$1,034,456	$1,410,727	$999,312	$845,271
2020	5[3]	$828,242	$1,094,358	$864,466	$638,234
2021	5[4]	$887,572	$1,134,916	$970,373	$597,814

TABLE NUMBER 2

FRANCHISED RESTAURANTS

FISCAL YEAR	NO. OF RESTAURANTS	NET SALES[1]			
		AVERAGE	HIGH	MEDIAN	LOW
2019	3[2]	$890,721	$995,956	$995,415	$680,792
2020	10[3]	$590,765	$841,046	$569,604	$402,984
2021	18[4]	$705,764	$997,692	$702,223	$452,773

Notes to ~~Table~~Tables 1 and 2:

1. "Net Sales" means the aggregate amount of all sales of goods and services (including service charges in lieu of gratuity and delivery fees), whether for cash, on credit (not adjusted for credit card fees) or otherwise, made or provided in connection with each Chop Stop restaurant, including off premises sales and monies derived at or away from the restaurant, and including all sales made via third-party delivery and ordering applications, regardless of whether payment is made directly to the Chop Stop restaurant or a third party on behalf of the Chop Stop restaurant, and not adjusted for any fees paid to any third-party delivery and ordering application. Net Sales does not include taxes paid or accrued. Net Sales does not include adjustments for returns~~,~~ or discounts to customers on items sold, and Net Sales is not adjusted for any uncollected accounts.

2. These 8 Chop Stop restaurants (3 franchised and 5 company-owned) were open and operating for at least 12 months as of the end of our 2019 Fiscal Year, ~~and~~ at least 24 months at the end of our 2020 Fiscal Year ~~(not including~~, and at least 36 months at the end of our 2021 Fiscal Year (excluding any temporary closures that occurred during 2020 due to COVID-19 or situations where only take-out orders were accepted).

3. These 15 Chop Stop restaurants (10 franchised and 5 company-owned) were open and operating for at least 12 months at of the end of our 2020 Fiscal Year ~~(not including~~, and at least 24 months at the end of our 2021 Fiscal Year (excluding any temporary closures that occurred during 2020 due to COVID-19 or situations where only take-out orders were accepted).

4. These 23 Chop Stop restaurants (18 franchised and 5 company-owned) were open and operating for at least 12 months at of the end of our 2021 Fiscal Year (excluding any temporary closures that occurred during 2021 due to COVID-19 or situations where only take-out orders were accepted).

ADDITIONAL NOTES TO THE FINANCIAL PERFORMANCE REPRESENTATION:

A. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

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

C. The information presented above relates to the actual historical performance of the Chop Stop restaurants presented above. The financial information we utilized in preparing this Item 19 was based entirely upon information reported to us by our POS system. None of this information was audited.

D. You are responsible for developing your own business plan for your Restaurant, including capital budgets, financial statements, projections and other elements appropriate to your particular circumstances. We encourage you to consult with your own accounting, business, and legal advisors in doing so.

E. The financial performance representation does not reflect any costs or expenses that must be deducted from Net Sales to obtain your net profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Restaurant. Franchisees or former franchisees, listed in this disclosure document, may be one source of this information.

Other than the above information, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets, nor do we authorize our employees or representatives to make any such representations either orally or in writing. If you receive any other financial performance information or projections of your future income, you should report it to Mark Kulkis at 2626 Foothill Blvd, Suite 230, La Crescenta, California 91214, telephone (818) 369-7350, contact the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

TABLE NUMBER 1
Systemwide Restaurant Summary
For Years ~~2018-2020[1]~~2019-2021[1]

Restaurant Type	Year	Restaurants at the Start of the Year	Restaurants at the End of the Year	Net Change
Franchised	~~2018~~ 2019	~~2~~ 3	~~3~~ 10	~~+1~~ +7
	2020	10	18	+8
	2021	18	21	+3
Company-Owned	~~2018~~ 2019	~~5~~ 5	~~5~~ 5	~~0~~ 0
	2020	5	5	0
	2021	5	5	0
Total Restaurants	~~2018~~ 2019	~~7~~ 8	~~8~~ 15	~~+1~~ +7
	2020	15	23	+8
	2021	23	26	+3

TABLE NUMBER 2
Transfers of Restaurants from Franchisee to New Owners (Other than the Franchisor)
For Years ~~2018-2020[1]~~2019-2021[1]

State	Year	Number of Transfers
California	2019	0
	2020	0
	2021	1
TOTAL	~~2018~~ 2019	~~0~~ 0
	2020	0
	2021	1

TABLE NUMBER 3
Status of Franchised Restaurants
For Years ~~2018-2020[1]~~2019-2021[1]

State	Year	Restaurants at the Start of the Year	Restaurants Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Restaurants at the End of the Year
California	~~2018~~ 2019	~~2~~ 3	~~1~~ 7	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~3~~ 10

State	Year	Restaurants at the Start of the Year	Restaurants Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Restaurants at the End of the Year
	2020	10	5	0	0	0	0	15
	2021	15	2	0	0	0	0	17
Nevada	~~2018~~ 2019	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0
	2020	0	2	0	0	0	0	2
	2021	2	1	0	0	0	0	3
Texas	~~2018~~ 2019	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0
	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
~~TOTAL~~	~~2017~~	~~2~~	~~1~~	~~0~~	~~0~~	~~0~~	~~0~~	~~3~~
TOTAL	**2018**	**3**	**7**	**0**	**0**	**0**	**0**	**10**
	2020	**10**	**8**	**0**	**0**	**0**	**0**	**18**
	2021	**18**	**3**	**0**	**0**	**0**	**0**	**21**

TABLE NUMBER 4
Status of Company-Owned Restaurants
For Years ~~2018-2020~~(1)2019-2021(1)

State	Year	Restaurants at the Start of the Year	Restaurants Opened	Restaurants Reacquired From Franchisees	Restaurants Closed	Restaurants Sold to Franchisees	Restaurants at the End of the Year
California	~~2018~~ 2019	~~5~~ 5	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~0~~ 0	~~5~~ 5
	2020	5	0	0	0	0	5
	2021	5	0	0	0	0	5
TOTAL	~~2018~~ **2019**	~~5~~ **5**	~~0~~ **0**	~~0~~ **0**	~~0~~ **0**	~~0~~ **0**	~~5~~ **5**
	2020	**5**	**0**	**0**	**0**	**0**	**5**
	2021	**5**	**0**	**0**	**0**	**0**	**5**

TABLE NUMBER 5
Projected Openings as of December ~~27~~26, ~~2020~~2021

State	Franchise Agreements Signed But Restaurant Not Opened	Projected New Franchised Restaurants through the End of the Current Fiscal Year	Projected New Company-Owned Restaurants through the End of the Current Fiscal Year
California	~~7~~8(2)	~~4~~5	0
Colorado	~~2~~1(3)	1	0
Nevada	0	0	0
Texas	1(3)	1	0
TOTAL	**10**	~~6~~7	**0**

Notes to Tables:

1. The numbers in Tables 1 to 4 are as of our fiscal years ending December 26, 2021, December 27, 2020, and December 29, 2019 ~~and December 30, 2018~~.

2. Includes ~~two~~3 Multi-Restaurant Development Agreements.

3. Includes ~~one~~1 Multi-Restaurant Development Agreement.

Exhibit E contains a list of: (i) each franchisee operating as of December ~~27~~26, ~~2020~~2021, (ii) each franchisee that had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily left the system during our ~~2020~~2021 fiscal year (if any) and (iii) each franchisee who has signed a Franchise Agreement but their Restaurant was not yet open as of December ~~27~~26, ~~2020~~2021.

If you buy a Chop Stop franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

No current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our System.

We have no trademark specific franchisee association.

ITEM 21

FINANCIAL STATEMENTS

Exhibit A contains our audited financial statements as of the fiscal years ending December 26, 2021, December 27, 2020, and December 29, 2019 ~~and December 30, 2018~~, along with the independent auditor's report.

ITEM 22

CONTRACTS

The Franchise Agreement (with Attachments) is attached as Exhibit B, the Multi-Restaurant Development Agreement (with Attachments) is attached as Exhibit C, the disclosure acknowledgment agreement is attached as Exhibit F and the state specific addendum to Franchise Agreement is attached as Exhibit G.

ITEM 23

RECEIPTS

Two copies of an acknowledgment of your receipt of this disclosure document are included at the end of this disclosure document (Exhibit I). You should keep one copy as your file copy and return the second copy to us.

EXHIBIT A

New Exhibit-Replaces Prior Version

FINANCIAL STATEMENTS

CHOP STOP FRANCHISING, INC.

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 26, 2021, DECEMBER 27, 2020, AND DECEMBER 29, 2019

KEZOS & DUNLAVY
Certified Public Accountants
& Business Advisors

CHOP STOP FRANCHISING, INC.

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KEZOS & DUNLAVY
Certified Public Accountants
& Business Advisors

Independent Auditor's Report

To the Board of Directors
Chop Stop Franchising, Inc.
La Crescenta, CA

Opinion

We have audited the accompanying financial statements of Chop Stop Franchising, Inc., which comprise the balance sheets as of December 26, 2021, December 27, 2020, and December 29, 2019, and the related statements of operations, stockholder's interests, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chop Stop Franchising, Inc. as of December 26, 2021, December 27, 2020, and December 29, 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Restrictions on Use

The use of this report is restricted to inclusion within the Company’s Franchise Disclosure Document (FDD) and is not intended to be, and should not be, used or relied upon by anyone for any other use.

Kezos & Dunlavy

St. George, Utah
April 14, 2022

CHOP STOP FRANCHISING, INC.

BALANCE SHEETS

		As of December 26, 2021		As of December 27, 2020		As of December 29, 2019
Assets						
Current Assets						
Cash	$	685,793	$	259,544	$	443,531
Accounts receivable		18,000		15,025		45,000
Shareholder receivable		89,144		228,771		264,901
Deferred commissions, current		2,733		2,733		2,862
Total Current Assets		795,670		506,073		756,294
Deferred commissions, net of current		21,698		24,431		36,485
Total Assets	$	817,368	$	530,504	$	792,779
Liabilities and Stockholder's Equity						
Current Liabilities						
Accounts payable	$	16,020	$	2,889	$	6,975
Credit card liability		8,830		-		-
Deferred revenue, current		44,725		43,782		32,532
National advertising fund		32,345		16,226		53,166
Total Current Liabilities		101,920		62,897		92,673
Deferred revenue, net of current		453,426		469,214		569,551
Total Liabilities		555,346		532,111		662,224
Stockholder's Equity						
Common stock, no par value, 1 share authorized, issued, and outstanding		100,200		100,200		100,200
Retained earnings		161,822		(101,807)		30,355
Total Stockholder's Equity		262,022		(1,607)		130,555
Total Liabilities and Stockholder's Equity	$	817,368	$	530,504	$	792,779

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

CHOP STOP FRANCHISING, INC.
STATEMENTS OF OPERATIONS

	For the Year Ended:		
	December 26, 2021	December 27, 2020	December 29, 2019
Revenues			
Franchise sales	$ 69,845	$ 167,212	$ 175,453
Franchise royalties	626,591	295,978	244,966
Total Revenues	696,436	463,190	420,419
Operating Expenses			
Professional services	24,668	24,837	30,117
Management fees	115,207	31,805	78,523
Marketing	29,163	5,500	16,184
General and administrative	14,244	33,526	35,869
Total Operating Expenses	183,282	95,668	160,693
Operating Income	513,154	367,522	259,726
Other Income			
Interest income	475	316	917
Total Other Income	475	316	917
Net Income	$ 513,629	$ 367,838	$ 260,643

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

CHOP STOP FRANCHISING, INC.

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

For the Years Ended December 26, 2021, December 27, 2020, and December 29, 2019

	Common Stock	Retained Earnings	Total
Balances as of December 31, 2018	$ 100,200	$ 245,247	$ 345,447
Adoption of ASC 606	-	(25,535)	(25,535)
Stockholder dividends	-	(450,000)	(450,000)
Net income	-	260,643	260,643
Balances as of December 29, 2019	100,200	30,355	130,555
Stockholder dividends	-	(500,000)	(500,000)
Net income	-	367,838	367,838
Balances as of December 27, 2020	100,200	(101,807)	(1,607)
Stockholder dividends	-	(250,000)	(250,000)
Net income	-	513,629	513,629
Balances as of December 26, 2021	$ 100,200	$ 161,822	$ 262,022

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

CHOP STOP FRANCHISING, INC.
STATEMENTS OF CASH FLOWS

	For the Year Ended:		
	December 26, 2021	December 27, 2020	December 29, 2019
Cash flows from operating activities:			
Net income	$ 513,629	$ 367,838	$ 260,643
Adjustments to reconcile net income to net cash provided by operating activities:			
Change in operating assets and liabilities:			
Accounts receivable	(2,975)	29,975	25,000
Shareholder receivable	139,627	36,130	(264,901)
Deferred commissions	2,733	12,183	(19,846)
Accounts payable	13,131	(4,086)	(22,999)
Accrued expenses, related party	8,830	-	(110,633)
National advertising fund	16,119	(36,940)	18,095
Deferred revenue	(14,845)	(89,087)	243,297
Net cash provided by operating activities	676,249	316,013	128,656
Cash flows from financing activities:			
Stockholder dividends	(250,000)	(500,000)	(450,000)
Net cash used in financing activities	(250,000)	(500,000)	(450,000)
Net change in cash and cash equivalents	426,249	(183,987)	(321,344)
Cash and cash equivalents at beginning of period	259,544	443,531	764,875
Cash and cash equivalents at end of period	$ 685,793	$ 259,544	$ 443,531
Supplementary disclosures of cash flows			
Common stock issued for property and equipment			
Cash paid for interest	$ -	$ -	$ -
Cash paid for taxes	$ 800	$ 800	$ 800

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

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

(a) Nature of Business

Chop Stop Franchising, Inc. (the "Company") was formed in the state of California on March 17, 2014 and began operations on August 21, 2014. The Company was established to create a franchising system in the food service industry.

The Company's fiscal year is on a fifty-two (52) / fifty-three (53) week basis. Year-end is usually the last Sunday in the month of December. Fiscal years 2021, 2020, and 2019 ended on December 26, 2021, December 27, 2020, and December 29, 2019, respectively.

(b) Accounting Standards Codification

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

(c) Use of Estimates

Management of the Company will make a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with GAAP. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment; and valuation allowances for receivables. Actual results could differ from those estimates.

(d) Accounts Receivable

Accounts receivable are recorded for amounts due based on the terms of executed franchise agreements for franchise sales and royalty fees. These receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of outstanding amounts. Management regularly evaluates individual customer receivables considering their financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. As of December 26, 2021, December 27, 2020, and December 29, 2019, the Company had receivables of $18,000, $15,025, and $45,000, respectively. As December 26, 2021, December 27, 2020, and December 29, 2019, the Company had no allowance for uncollectible accounts.

(e) Advertising Fund

The Company's franchisees are required to contribute 0.5% of their monthly gross revenue to the national advertising fund. Advertising fees paid by the franchisees are held by the Company in a separate bank account and are recorded as a liability until the related advertising services have been performed. The Company's national advertising fund liability as of December 26, 2021, December 27, 2020, and December 29, 2019 was $32,345, $16,226, and $53,166, respectively.

(f) Revenue Recognition

The Company's revenues consist of initial franchise fees and royalty fees from locations operated by conventional franchisees. ASC 606, *Revenue from Contracts with Customers*, provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. This standard does not impact the Company's recognition of royalties from locations operated by a franchisee. The standard does change the timing in which the Company recognizes initial fees received from new franchisees. The Company's policy through December 30, 2018 was to recognize initial fees upon the commencement of the franchisee's operations. Beginning on December 31, 2018, initial franchise fees have been recognized as the Company satisfies the performance obligation over the franchise term, which is generally ten years.

The Company adopted ASC 606 as of December 31, 2018, using the modified retrospective method. This method allows the standard to be applied retrospectively through a cumulative catch-up adjustment recognized upon adoption. As such, comparative information in the Company's financial statements has not been restated and continues to be reported under the accounting standards in effect for those periods. The cumulative adjustment recorded upon adoption of ASC 606 consisted of deferred contract costs of $13,751, commissions payable of $18,000, and deferred initial franchise fees of $21,286.

(g) Income Taxes

The Company was formed as a Qualified Subchapter S-corporation under the parent company Chop Stop, Inc. for income tax purposes. The stockholders of the S-Corporation are individually taxed on their proportionate share of the Company's taxable income. In addition, the Company is subject to a state franchise tax of 1.5% of its taxable income, with a minimum of $800.

The Company has adopted guidance issued by the FASB that clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold of more likely than not and a measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In making this assessment, a company must determine whether it is more likely than not that a tax position will be sustained upon examination, based solely on the technical merits of the position and must assume that the tax position will be examined by taxing authorities.

The Company's policy is to include interest and penalties related to unrecognized tax benefits in income tax expense. The Company will file tax returns with the Internal Revenue Service ("IRS"), and the state of California. The Company will be subject to income tax examinations by the IRS and state tax authorities for such filing. As of December 26, 2021, the 2018-2020 tax returns are subject to examination.

(2) Financial Instruments

(a) Cash and Cash Equivalents

For certain of the Company's financial instruments, including cash and cash equivalents and accounts receivable carrying amounts may approximate fair value due to their short maturities. The amounts shown for related party loans payable may also approximate fair value because current interest rates and terms offered to the Company for similar debt are substantially the same. As of December 26, 2021, December 27, 2020, and December 29, 2019, the Company had cash and cash equivalents of $685,793, $259,544, and $443,531respectively.

(b) Concentration of Risk

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

(3) Related Party Transactions

Accrued expenses – related party

Since inception in August of 2014, Chop Stop, Inc. which is the sole shareholder of the Company, has paid for operating expenses on behalf of the Company. During the year ended December 29, 2019, the Company repaid all amounts due and made loans to the shareholder. The balance due from the shareholder as of December 26, 2021, December 27, 2020, and December 29, 2019 was $89,144, $228,771, and $264,901, respectively. The amounts are due on demand and charge no interest.

Management fees

The Company has an agreement with Chop Stop, Inc. which is the sole shareholder of the Company to provide certain management services for the Company, including paying for some its payroll expenses and other common expenses for which Chop Stop, Inc. has paid for or for other services provided directly to the Company. This management fee totaled $115,207, $31,805, and $78,523 for the years ended December 26, 2021, December 27, 2020, and December 29, 2019, respectively.

(4) Franchise Agreements

The Company's franchise agreements generally provide for a payment of initial fees as well as continuing royalties, and national advertising fees to the Company based on a percentage of sales. Under the franchise agreement, franchisees are granted the right to operate a location using the Chop Stop system for a period of ten years. Under the Company's revenue recognition policy, the Company allocates a portion of the initial franchise fee to initial training and grand opening assistance, which is recognized when the franchisee begins operations. The remainder is deferred, and the revenue is amortized over the life of the contract. In addition, the Company defers related contract costs such as broker commissions over the same period and records them as deferred contract costs.

The Company has estimated the following current and non-current portions of deferred revenue as of December 26, 2021, December 27, 2020, and December 29, 2019:

	2021	2020	2019
Deferred revenue, current	$ 44,725	$ 43,782	$ 32,532
Deferred revenue, net of current	453,426	469,214	569,551
	$ 485,771	$ 512,996	$ 602,083

The Company has estimated the following current and non-current portions of deferred contract costs as of December 26, 2021, December 27, 2020, and December 29, 2019:

	2021	2020	2019
Deferred contract costs, current	$ 2,733	$ 2,733	$ 2,862
Deferred contract costs, net of current	21,698	24,431	36,485
	$ 24,431	$ 27,164	$ 39,347

(5) Commitments and Contingencies

(a) Litigation

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

In the opinion of management, all matters are of such kind, or involve such amounts that unfavorable disposition, if any, would not have a material effect on the financial position of the Company. Accordingly, no provision for any contingent liabilities that may result has been made in the accompanying financial statements.

(b) COVID-19

On March 11, 2020, the World Health Organization classified the outbreak of a new strain of the coronavirus ("COVID-19") as a pandemic. The COVID-19 outbreak in the United States began in mid-March 2020 and has continued through 2020 and subsequent to the fiscal year end. It is continuing to disrupt supply chains and affect production and sales across a range of industries. Management believes the pandemic has had a material effect on the Company's operations, reducing revenue from both new and existing franchisees. The extent of the impact of COVID-19 on the Company's future operational and financial performance continues to evolve and will depend on certain ongoing developments, including the duration and spread of the outbreak, impact on the Company's customers and vendors all of which are uncertain and cannot be reasonably estimated. At this point, the full extent to which COVID-19 may impact the Company's future financial condition or results of operations is uncertain.

(6) Subsequent Events

Management has reviewed and evaluated subsequent events through April 14, 2022, the date on which the financial statements were issued.

EXHIBIT B

FRANCHISE AGREEMENT

CHOP STOP FRANCHISE AGREEMENT

____
YOU (FRANCHISEE)

____
DATE OF AGREEMENT

CHOP STOP FRANCHISING, INC.
FTC ~~2021~~2022 Franchise Agreement

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CHOP STOP FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Agreement") is made and entered into this _____ day of _______________, 20_______, between CHOP STOP FRANCHISING, INC., a California corporation, with a principal place of business at 2626 Foothill Blvd, Suite 230, La Crescenta, California 91214 ("we" or "us"), and ______________________________________, a _________________________ formed and operating under the laws of the State of ______________________________________, and ____ a __________________, with a principal place of business at ____("you").

INTRODUCTION

A. We developed and own a system (the "Business System") relating to the development and operation of quick service restaurants selling a variety of food items, including chopped salads, Chopurritos®, wraps, soups, specialty beverages and related food and beverage products for the individual consumer.

B. Chop Stop, Inc. is the owner of the Chop Stop trademark, and other trademarks and service marks (the "Marks") used in operating the Business System and has granted us a license to use and license the use of the Marks.

C. We grant qualified persons the right to develop, own and operate a Chop Stop restaurant at a specific location.

D. You desire to obtain the right to develop and operate a Chop Stop restaurant using the Business System at a specific location.

AGREEMENTS

In consideration of the mutual covenants and agreements stated below, the parties agree as follows:

1. DEFINITIONS

A. "Business System" means our proprietary system for developing and operating Chop Stop Restaurants, which includes the offer of Menu Items for individual consumers under the Marks, using certain distinctive types of retail facilities, equipment (including the POS System (as defined in Section 6(D) below)), supplies, Confidential Information, business techniques, methods and procedures, and sales promotion programs, as we periodically may modify and further improve.

B. "Confidential Information" means the methods, techniques, formats, marketing and promotional techniques and procedures, specifications, information, recipes, Operations Manual (as defined in Section 7(E)), systems and knowledge of and experience in the operation and franchising of Chop Stop restaurants that we communicate to you or that you otherwise acquire in operating the Restaurant under the Business System. Confidential Information does not include information, processes or techniques that are generally known to the public, other than through disclosure (whether deliberate or inadvertent) by you.

C. "Marks" means the mark "Chop Stop" and other trademarks, service marks, domain names, logos, slogans, and commercial symbols that we have designated, or may in the future designate, for use in the Business System.

D. “Menu Items” means the salads, Chopurritos®, wraps, specialty beverages and related food and beverage products and other accessories that we may (1) identify on the authorized menu for Chop Stop restaurants, as we periodically may modify, or (2) otherwise approve for sale in the Restaurant.

E. “Net Sales” means the aggregate amount of all sales of goods and services (including service charges in lieu of gratuity and delivery fees), whether for cash, on credit (not adjusted for credit card fees) or otherwise, made or provided at or in connection with the Restaurant, including off premises sales and monies derived at or away from the Restaurant, and including all sales made via third-party delivery and ordering applications, regardless of whether payment is made directly to the Restaurant or a third party on behalf of the Restaurant, and not adjusted for any fees paid to any third-party delivery and ordering application. The term “Net Sales” does not include: (1) any federal, state, municipal or other sales, value added or retailer’s excise taxes paid or accrued by you; and (2) adjustments for net returns on salable goods and discounts allowed to customers on sales. Net Sales will not be adjusted for uncollected accounts. For purposes of the Royalty Fee described in Section 4(B) below, the sale is made at the earlier of delivery of the product or service, or receipt of payment.

F. “Operating Manager” means a Principal Owner (or, if we consent in writing, an employee of you) who is designated by you as the individual responsible for the day-to-day operation of the Restaurant. We must approve the Operating Manager and the Operating Manager must successfully complete our initial training program and all mandatory follow-up training programs.

G. “Principal Owner” means any person or entity who directly or indirectly owns a ten percent (10%) or greater interest in you. If any corporation or other entity other than a partnership is a Principal Owner, a “Principal Owner” also will mean a shareholder or owner of a ten percent (10%) or greater interest in such corporation or other entity. If a partnership is a Principal Owner, a “Principal Owner” also will mean each general partner of such partnership and, if such general partner is an entity, each owner of a ten percent (10%) or greater interest in such general partner. If you are one or more individuals, each individual will be deemed a Principal Owner of you. We have the right to require all Principal Owners to attend and successfully complete our initial and follow-up training programs or an owners’ orientation program.

H. “Protected Territory” means the geographic area, identified in Attachment A, which is an area surrounding the location of the Restaurant determined by us.

I. “Restaurant” means the Chop Stop restaurant developed and operated under this Agreement which offers the Menu Items.

2. GRANT OF FRANCHISE

A. Grant Of Franchise, Authorized Location And Protected Territory. Subject to the provisions contained in this Agreement, we grant you the right to own and operate a Chop Stop Restaurant at a site we approve (the “Authorized Location”) and to use the Marks and other aspects of the Business System in operating the Restaurant. The location of the Restaurant and your Protected Territory are identified in Attachment A, or alternatively, we and you will complete and sign Attachment B, in which we and you agree on a geographic area in which the location of the Restaurant will be established, subject to our acceptance, within ninety (90) days after the date of this Agreement. You do not receive any territorial rights upon designation of the geographic area in Attachment B, and we and our affiliates have the right to operate and franchise other Chop Stop Restaurants within the designated area. Once we consent to a location for the Restaurant within the geographic area established in ~~Attachment B~~, however, we and you will sign ~~Attachment A~~ and identify the Protected Territory.

B. Nature of Your Protected Territory. During the term of this Agreement (as described in Section 3), if you are in compliance, we will not directly operate or franchise another to operate any other Chop Stop restaurant within the Protected Territory. The license granted to you under this Agreement is personal in nature, may not be used at any location other than at the Restaurant, and does not include the right to sell any Menu Items or services identified by the Marks at any location other than at the Restaurant or pursuant to catering and delivery activities we may authorize under Section 2(C) below. This Agreement does not include the right to sell any Menu Items or services identified by the Marks through any other channels of distribution, including the Internet (or any other existing or future form of electronic commerce). You will not open any other Chop Stop restaurant in the Protected Territory unless we permit you to do so under a separate franchise agreement. You will not have the right to subfranchise or sublicense any of your rights under this Agreement. You will not use the Restaurant for any purposes other than the operation of a Chop Stop restaurant. You also understand and agree that the following categories of locations are specifically excluded from the Protected Territory even if located within the area described in Attachment A: airports and other transportation terminals, sports facilities, hospitals, college and university campuses, corporate campuses, a department within an existing retail store, hotels, grocery stores, shopping malls and other similar types of locations that have a restricted trade area ("Captive Market Locations"). You acknowledge that we may purchase or be purchased by, or merge or combine with competing businesses or restaurant chains.

C. Catering and Delivery Services. You are not permitted to offer catering services at off-premises locations, although our authorized menu may include a "catering menu" containing larger volume items suitable for parties and events, which customers can pick up from your Restaurant. You may not offer delivery services from the Restaurant unless we give you prior written authorization to do so, and then only within your Protected Territory or a different, and possibly smaller, area that we designate. We reserve the right, at any time upon written notice to you, to terminate or restrict your right to offer delivery services or to change your delivery area as we deem appropriate for the management of delivery areas. If we permit you to offer delivery services, in doing so you must comply with this Agreement, the Operations Manual and any other policies, requirements, instructions or limitations that we may impose on such services; and you must have adequate insurance coverage and comply with all applicable laws in connection with those services.

D. Rights Reserved to us. We (for us and our affiliates) retain the right:

1. to directly operate, or to grant other persons the right to operate, Chop Stop restaurants at locations outside the Protected Territory;

2. to directly operate, or to grant other persons the right to operate, Chop Stop restaurants at Captive Market Locations within and outside the Protected Territory;

3. to promote, sell and distribute the Menu Items and the services authorized for sale at Chop Stop restaurants under trademarks and service marks other than the Marks through similar or dissimilar channels of distribution;

4. to promote, sell and distribute the Menu Items and the services authorized for sale at Chop Stop restaurants as well as ancillary products and services such as products and beverages, clothing and memorabilia under the Marks through dissimilar channels of distribution (*i.e.*, other than the operation of full-service Chop Stop restaurants), including direct mail, wholesale activities, retail catering and delivery services, and by electronic means such as the Internet, and pursuant to conditions we deem appropriate within and outside the Protected Territory; and

5. to promote the Business System and the Restaurants generally, including on the Internet (or any other existing or future form of one or more electronic commerce) and to create, operate, maintain and modify, or discontinue the use of websites using the Marks.

3. TERM OF FRANCHISE; RENEWAL RIGHTS

A. Term. The term of this Agreement will be for ten (10) years commencing on the date of this Agreement (the "Effective Date").

B. Successor Agreement. You will have the right to enter into a successor agreement for the Restaurant for two (2) additional terms of five (5) years each, provided you satisfy the following conditions:

1. You have given us written notice at least one hundred eighty (180) days but no more than three hundred and sixty (360) days before the end of the term of this Agreement of your intention to enter into a successor agreement;

2. You have complied with all of the material provisions of this Agreement and all other agreements between you and us or any of our respective affiliates, including the payment of all monetary obligations you owe to us or our affiliates, and have complied with our material operating and quality standards and procedures;

3. You provide documentation satisfactory to us that you have the right to maintain possession of the Restaurant premises during the renewal term described in our then-current Franchise Agreement and have, at your expense, made such reasonable capital expenditures necessary to remodel, modernize and redecorate the Restaurant premises and to replace and modernize the supplies, fixtures, signs, and equipment used in your franchised business so that the Restaurant reflects the then-current physical appearance of new Chop Stop restaurants, or are able to secure a new location within the Protected Territory which we have accepted (such acceptance not to be unreasonably withheld, but subject to our then-current relocation fee) and agree to make all required improvements to the Restaurant premises and install all required fixtures and equipment in compliance with our then-current standards and specifications for new Chop Stop restaurants;

4. You (or if you are an entity, a Principal Owner we approve) and the Operating Manager completes, to our satisfaction, any new training and refresher programs as we may reasonably require. You are responsible for travel, living and compensation costs of attendees;

5. You have paid to us at least thirty (30) days before the term of this Agreement expires a Successor Fee of Two Thousand Dollars ($2,000) in lieu of our then-current standard initial franchise fee applicable to new Chop Stop restaurants;

6. You sign our then-current standard Franchise Agreement which may differ materially from the provisions of this Agreement; provided that you will be required to pay the Successor Fee in lieu of the Initial Franchise Fee stated in the then-current Franchise Agreement; and

7. You and each Principal Owner sign a general release, in form acceptable to us, of all claims against us and our past and present affiliates, officers, directors, employees, and agents.

4. FRANCHISE AND OTHER FEES

A. Initial Franchise Fee. You will pay us an "Initial Franchise Fee" of Thirty Five Thousand Dollars ($~~30,000~~35,000). The Initial Franchise Fee is payable when you sign this Agreement. The Initial Franchise Fee is nonrefundable and is fully earned by us when we sign this Agreement. If you are an existing Chop Stop franchisee and desire to operate an additional Restaurant for which you will sign a separate Franchise Agreement, the Initial Franchise Fee will be equal to two-thirds (2/3) of our then-current Initial Franchise Fee or ~~Twenty-Five~~Thirty Thousand Dollars ($~~25,000~~30,000), whichever is greater.

B. Royalty Fee. You will pay us a non-refundable weekly Royalty Fee in an amount equal to five percent (5%) of your Net Sales. The Royalty Fee is due and payable on or before the Wednesday of each week for the seven (7) day period ending on Sunday of such week (Monday to Sunday) based on the Net Sales during such seven (7)-day period.

C. Electronic Transfer of Funds. During the term of this Agreement, you will maintain a separate, dedicated checking account for the Restaurant. You will not use funds from the Restaurant account for any purpose other than the operation of the Restaurant as contemplated in this Agreement (including payment of reasonable earnings to you or your owners). You will not intermingle personal funds or funds from any other business with the funds in the Restaurant account. You must sign the electronic transfer of funds authorization attached to this Agreement as Attachment E, or such other authorization or document as we periodically designate to authorize your bank to transfer, either electronically or through some other method of payment we designate, directly to our account and to charge your account for all amounts you owe us. Your authorization will permit us to designate the amount to be transferred from your account. If we require payment through electronic transfer of funds or a similar method of payment, you will maintain a balance in your accounts sufficient to allow us to collect the amounts owed to us when due. You will be responsible for any penalties, fines or similar expenses associated with the transfer of funds described herein.

D. Interest on Late Payments. All Royalty Fees, Brand Fund Fees (as defined below), and other amounts which you owe to us or our affiliates will bear interest after the due date at the lesser of: (1) one-and-one-half percent (1½%) per month; or (2) the maximum contract rate of interest permitted by law in the state in which the Restaurant is located.

E. Application of Payments. We have discretion to apply amounts due to us or any of our affiliates against any payments received from you or any amount we owe you.

F. Withholding Payments Unlawful. You agree that you will not withhold payment of any Royalty Fees, Brand Fund Fees or any other amount due us, and that the alleged non-performance or breach of any of our obligations under the Franchise Agreement or any related agreement does not establish a right at law or in equity to withhold payments due us for Royalty Fees, Brand Fund Fees or any other amounts due.

G. Tax Indemnification. You will indemnify us and reimburse us for all income, capital, gross receipts, sales, and other taxes that the state in which the Restaurant is located imposes as a result of your operation of the Restaurant or the license of any of our intangible property in the jurisdiction in which the Restaurant is located. If more than one (1) Chop Stop restaurant is located in such jurisdiction, they will share the liability in proportion to their Net Sales from the franchised business, except in the case of sales taxes and gross receipts taxes, which will be divided in proportion to taxable sales to you. If applicable, this payment is in addition to the Royalty Fee payments described above.

5. ADVERTISING

A. Brand Fund. During the term of this Agreement, you will pay to us a percentage of your Net Sales that we determine, up to a maximum of two and one-half percent (2.5%), as a Brand Fund fee (the "Brand Fund Fee"). We will separately account for the Brand Fund Fees paid by you and other Chop Stop franchisees and we will treat these fees as a system-wide marketing and promotional fund that we own and manage and control on behalf of the entire network of Chop Stop restaurants, separate from our other revenues (the "Brand Fund"). The specific percentage of Net Sales that you are required to pay up to two and one-half percent (2.5%) will be determined by us and communicated to our franchisees in writing (in the Operations Manual or otherwise) and may be updated from time to time as we, in our sole judgment, deem appropriate. The Brand Fund Fee is due and payable in the same manner as the Royalty Fee described in Section 4(B) above. We also will contribute to the Brand Fund for each Chop Stop restaurant that we or our affiliates operate in the United States, at the same percentage rate as a majority of franchised Chop Stop restaurants must pay into the Brand Fund. We have the sole right to manage and make expenditures from the Brand Fund. Disbursements from the Brand Fund will be made to pay expenses we incur in connection with the general promotion of the Marks and the Business System, including (but not limited to) the cost of formulating, developing and implementing advertising, marketing, promotional and public relations campaigns in any medium or format that we determine; the costs of loyalty programs, customer satisfaction, mystery-shopper programs, and other customer-centered initiatives; the cost related to developing, maintaining, implementing, and updating customer-facing websites and an intranet portal; and the reasonable costs of administering the Brand Fund, including the cost of employing advertising, public relations and other third-party agencies to assist us and providing promotional brochures and advertising materials to Chop Stop restaurants and to regional and local advertising cooperatives, as well as accounting expenses and the actual costs of salaries and fringe benefits paid to our employees engaged in administration of the Brand Fund. The Brand Fund is not a trust or escrow account, and we have no fiduciary obligations regarding the Brand Fund. We cannot ensure that you will benefit directly or on a pro rata basis from the future placement of any such advertising in your local market. We may spend in any fiscal year an amount greater or less than the aggregate contributions of Chop Stop restaurants to the Brand Fund in that year. Any funds not expended in the calendar year in which they were contributed will be applied and used for Brand Fund expenses in the following year. We may, through the Brand Fund, furnish you with approved local marketing plans and materials on the same terms and conditions as plans and materials we furnish to other Chop Stop restaurants. We will determine the methods of advertising, media employed and scope, contents, terms and conditions of advertising, marketing, promotional and public relations campaigns and programs. Upon written request, we will provide you an annual unaudited statement of the receipts and disbursements of the Brand Fund for the most recent calendar year.

B. Local Advertising and Restaurant Promotion. In addition to the Brand Fund Fee due under Section 5(A) above and the Restaurant Opening Campaign described in Section 6(F), you must spend a minimum amount of your Net Sales on "approved" Restaurant advertising and promotional activities in your local geographic area. The specific percentage that you are required to spend, which will not exceed one percent (1%) of Net Sales, will be designated by us in the Operations Manual or elsewhere in writing. We may modify the specific percentage within the one percent (1%) maximum whenever we deem appropriate. Unless we approve a different spending schedule in writing, these amounts must be spent during each calendar quarter, based on Net Sales for that quarter. At the conclusion of each calendar quarter, you will provide us with an accounting of the funds that you have spent for local advertising for the preceding calendar quarter in the manner we request. If you fail to spend the minimum amount required under this Section for the calendar quarter for approved regional cooperative advertising or local advertising, you will deposit with us the difference between what you should have spent for approved advertising during the quarter and what you actually spent for approved advertising during the calendar year. We will deposit that amount in the Brand Fund. For purposes of this Section, Restaurant advertising and promotional activities are "approved" if they are included in our recommended media plan for the Restaurant (if applicable) and otherwise comply with Section 5(D) below.

C. Cooperative Advertising. In the future, we may require that you will participate in, support and contribute to the cost of regional cooperative advertising programs we designate. We reserve the right to designate regional and local advertising markets, to establish regional advertising councils and to establish the bylaws and other rules under which such councils will operate. Any financial contributions made by you to a required regional cooperative advertising program will be credited against your local advertising requirement described in Section 5(B) above.

D. Approved Advertising, Media Plans and Restaurant Promotion Materials. We may develop, and make available to you, local restaurant media planning assistance. If we do so, you must use our recommended media plan in promoting the Restaurant or otherwise develop, and obtain our advance written approval to, an alternative media/promotion plan. In addition, you will use only our approved advertising and promotional materials in promoting the Restaurant. If you desire to use any advertising or promotional materials in promoting the Restaurant which we previously have not approved, you must submit all materials to us for our approval before using any such materials, which approval will not be unreasonably withheld. If we do not disapprove those advertising or promotional materials within fifteen (15) business days after you submit those materials to us, then you may use the materials, although we reserve the right to disapprove those materials at any later time. If you use any advertising or promotional materials without submitting those materials to us or if you use materials we disapprove, in addition to any separate remedies we may have, any amounts spent on those materials will not credited toward your local advertising obligations described in Section 5(B) above.

E. Participation in Certain Programs and Promotions. You must use your best efforts to promote and advertise your Restaurant and must participate in all advertising and promotional programs we establish, including but not limited to gift card or gift certificate programs, loyalty programs, prize contests or sweepstakes. You must, at your expense, participate in, and honor all provisions of such program(s), as further described in the Operations Manual or otherwise communicated in writing. You also must honor all coupons or discounts as we may reasonably specify in the Operations Manual or otherwise in writing. You may advertise and sell the Menu Items at the Restaurant at the prices you determine, as approved by us (and subject to applicable law). The expenditures required in this section 5(E), if any, will be in addition to those described in Sections 5(A) through 5(C) above.

6. DEVELOPMENT AND OPENING OF THE RESTAURANT

A. Lease for Restaurant Premises. If you enter into a lease for the Restaurant premises, you must provide the proposed lease to us and receive our prior written approval of the proposed lease (which will not be unreasonably withheld) before you sign it. In addition, you and the landlord of the Restaurant premises ("Landlord") must sign a "Lease Addendum" in the form attached hereto as Attachment C.

B. Your Development of Restaurant. Promptly after you sign a lease or acquire the premises for the Restaurant, and receive from us the prototype plans and specifications for the Restaurant, you will:

1. with the assistance of an architect we designate or approve, prepare and submit to us for approval (which will not be unreasonably withheld) any proposed modifications to our basic plans and specifications, which you may modify only to the extent necessary to comply with applicable ordinances, building codes, permit requirements and lease or deed requirements and restrictions;

2. obtain all required building, utility, sign, health, sanitation and business permits and licenses, and any other required permits and licenses;

3. construct all required improvements to the Restaurant premises, purchase and install all required fixtures and equipment and decorate the premises in compliance with the plans and specifications we approve and in compliance with all applicable ordinances, building codes, permit requirements and lease or deed requirements and restrictions;

4. establish filing, accounting and inventory control systems complying with our requirements; and

5. contract with a qualified, licensed, insured and bonded general contractor we approve to supervise the construction of the Restaurant.

You are solely responsible for ensuring that the construction and remodeling of your Restaurant complies with the construction standards set forth in our Operations Manual, if any, and adheres to any plans or designs that we have approved. You and the architect(s) and contractor(s) that you engage are solely responsible for ensuring that your Restaurant complies with all applicable laws, codes, and regulations, including, but not limited to the Americans with Disabilities Act. You are responsible for acquiring, at your expense, all licenses and building permits required in connection with the construction and remodeling of your Restaurant. Under no circumstances will we liable to you or any other party for your failure to comply with applicable laws, or for any costs or overruns that you incur in the construction and remodeling of your Restaurant.

C. Fixtures, Equipment, Furniture and Signs. You will use in constructing and operating the Restaurant only those types of construction and decorating materials, fixtures, equipment (including computer hardware and software), furniture, and signs that we have approved for Chop Stop restaurants as meeting our specifications and standards for appearance, function and performance. You may purchase approved types of construction and decorating materials, fixtures, equipment, furniture and signs from any supplier we approve or designate (which may include us and/or our affiliates). If you propose to purchase any material, fixture, equipment, furniture or sign we have not then approved, or any items from any supplier we have not then approved, you must first notify us in writing and will provide to us (upon our request) sufficient specifications, photographs, drawings and other information or samples for us to determine whether the material, fixture, equipment, furniture or sign complies with our specifications and standards, or the supplier meets our approved supplier criteria, which determination we will make and communicate in writing to you within a reasonable time.

D. Point-of-Sale System. You will use in the Restaurant the point-of-sale, reporting and management system, including all existing or future communication or data storage systems, components thereof and associated software and services, which we may develop or select for the Business System (the "POS System"). The POS System may include one or more proprietary software programs developed for us (the "Proprietary Software"). You must use the Proprietary Software (if available) from us or our designated third-party supplier. The Proprietary Software will remain the confidential property of us or our third-party supplier. If we require you to use Proprietary Software, you must enter into our or our designee's standard form software license agreement in connection with your use of the Proprietary Software. You must pay the license fees, set-up fees and any other fees that we establish (if any) related to your use of the POS System and any Proprietary Software. You will pay the then-current fee for the Proprietary Software at or before the time the Proprietary Software is delivered to you. In addition, we reserve the right to consolidate software support, consulting and ongoing access to the Proprietary Software and require that you use any other computer software or hardware that we determine in our sole discretion under a single technology package for Chop Stop franchisees, provided by us or our designee. We have the right to charge you a monthly technology fee for those services, not to exceed Five Hundred Dollars ($500) per month. We reserve the right to assign our rights, title and interest in any Proprietary Software to a third party we designate or to replace the Proprietary Software. In such event, you may be required to enter into a separate computer software license agreement specified by the third-party supplier of the Proprietary Software. You will also be required to pay any applicable licensing or technology-related fees directly to any of our designated third-party suppliers for any software or technology services obtained directly from our designees.

We have the right to access financial, inventory, customer and other information produced by or otherwise located on the POS System or other designated software platforms (collectively the "Restaurant Data"). We own and control the use of the Restaurant Data, and we have the right to access and use the Restaurant Data for business purposes that we deem advisable, including, but not limited to, analysis of sales history and buying patterns, and for marketing and sales purposes.

You must comply with all applicable Payment Card Industry ("PCI") data security standards in connection with the Restaurant and the Restaurant Data and we have the right to establish policies regarding the use of the Restaurant Data. In addition, we have the right to establish a system-wide PCI compliance program and you are required to take all steps necessary to fully participate in such a program, including, but not limited to: (i) paying fees or reimbursement amounts to us or to a third-party supplier we designate, (ii) entering into program agreements and providing information to us or the third-party supplier and (iii) purchasing all necessary equipment, software and services for the program. If we designate a third-party supplier for a PCI compliance program, we have the right to manage the program and to invoice you for fees and reimbursement amounts to be paid to the third-party supplier.

You will have at the Restaurant Internet access with a form of high-speed connection as we require. You will use an email address we designate for communication with us. The computer hardware component of the POS System must comply with specifications we develop. We reserve the right to require the POS System to be configured as a package unit. We have the right to designate a single source from whom you must purchase the POS System, any software or hardware components thereof or associated service, and we or our affiliates may be that single source. You will be required to use and, at our discretion, pay for all future updates, supplements and modifications to the POS System. You are solely responsible for protecting yourself from disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders, and you waive any and all claims you may have against us as the direct or indirect result of such disruptions, failures, or attacks. You must comply with all laws and regulations related to privacy and data protection, and must comply with any privacy policies or data protection and breach response policies we periodically may establish. You must notify us immediately of any suspected data breach at or in connection with the Restaurant.

E. Restaurant Opening. You must comply with any Restaurant opening requirements we periodically describe in the Operations Manual. You will not open the Restaurant for business without our prior written approval. You agree to complete the development and open the Restaurant for business within the time period stated in Attachment A or Attachment B, whichever Attachment is applicable.

F. Restaurant Opening Campaign. During the first ninety (90) days of Restaurant operations, you agree to conduct a Restaurant opening campaign, and will spend a minimum of Six Thousand Dollars ($6,000) for advertising and marketing activities in connection with the Restaurant opening campaign. You will use our designated media supplier (if any) and must implement our recommended media plan (if any) in conducting the Restaurant opening campaign. On or before the last day of each month during the first year of Restaurant operations, we have the right to require you to provide us with an accurate accounting of Restaurant opening campaign (advertising and marketing) expenses. If you fail to spend the full Six Thousand Dollars ($6,000) minimum on approved opening campaign advertising, we have the right collect from you the difference between the Six Thousand Dollars ($6,000) minimum and the amount you actually spend. We may spend amounts collected from you pursuant to this provision on advertising for your Restaurant or we may contribute it to our system-wide Brand Fund, as we deem appropriate.

G. Relocation of Restaurant. You will not relocate the Restaurant from the Authorized Location without our prior written consent. If you relocate the Restaurant under this Section, the "new" franchised location of the Restaurant to which we consent (the "new" Authorized Location), including the real estate and building, must comply with all applicable provisions of this Agreement and with our then-current specifications and standards for Chop Stop restaurants. We will not unreasonably withhold our consent to the proposed relocation, provided we have received at least ninety (90) days' written notice prior to the closing of the Restaurant at the existing Authorized Location, you have obtained a site acceptable to us, and you agree to open the new Authorized Location for the Restaurant within five (5) days after you close the Restaurant at the prior Authorized Location and otherwise comply with any other conditions that we may require. If you must relocate the Restaurant because the Restaurant was destroyed, condemned or otherwise became untenantable by fire, flood or other casualty, you must reopen the Restaurant at the new Authorized Location in the Protected Territory within six (6) months after you discontinue operation at the existing Authorized Location. In addition, we may require you to pay us a fee of twenty-five percent (25%) of our then-current initial franchise fee for services we will provide in connection with any relocation of the Restaurant before we will review a proposed new Authorized Location. There is no guarantee that an acceptable location will be available for relocation, and if you are unable to relocate your Restaurant within the Protected Territory and reopen your Restaurant within the time periods described in this Section 6(H), this Agreement will terminate.

H. Minimum Restaurant Capital Requirements. We reserve the right, as periodically described in the Operations Manual, to require you to directly invest (i.e., with assets belonging to you or the Principal Owner(s) of a corporate entity) a minimum amount of capital in operating the Restaurant.

7. TRAINING AND OPERATING ASSISTANCE

A. Development of Restaurant. We will provide you with general guidelines and specifications for development of the Restaurant, reflecting our requirements regarding dimensions, interior design and layout, image, building materials, fixtures, equipment, furniture, signs and decor. We will provide you with reasonable consulting services in connection with the selection and evaluation of the proposed Restaurant site and development of the Restaurant. However, you will maintain primary responsibility for selecting the Restaurant site and negotiating the terms of any applicable lease. You acknowledge that our assistance in site location and acceptance of the premises does not represent a representation or guaranty by us that the location will be a successful location for your Restaurant.

B. Training. Before the opening of the Restaurant, we will provide an initial training program on the operation of a Restaurant for up to four (4) individuals, provided at a place and time we designate. A minimum of three (3) individuals must attend and successfully complete the entire initial training program, including you (or a designated Principal Owner, if you are an entity) and the Operating Manager (if you or the designated Principal Owner will not be the individual responsible for the day-to-day operation of the Restaurant). Additional individuals may attend the initial training program for a fee of One Thousand Two Hundred Dollars ($1,200) per person.

The initial training program will take place over a period of approximately six (6) weeks, as we determine. The training program includes instruction and on-site training relating to Restaurant operations, understanding the equipment usage and maintenance, customer service, marketing and sales programs, accountability for sales and marketing and methods of controlling operating costs. If, during the initial training program, we determine that the Operating Manager is not qualified to manage the Restaurant, we will notify you and you must select and enroll a substitute Operating Manager in the initial training program.

In addition, all shift leaders must complete our two (2) week shift leader training program. The shift leader training program will take place at a place and time we designate, but only once your proposed shift leader has worked in the Restaurant for a minimum of thirty (30) hours per week for a minimum of 6 weeks. You will be responsible for paying the then-current shift leader training program fee, which is currently Two Hundred Dollars $200 per week, per trainer we provide. Prior to attending the shift leader training program, your prospective shift leaders must be certified by your Operating Manager in the roles of cashier, salad-maker, and prep worker.

After the Restaurant opens, we will provide training (at times we determine) to any new Operating Manager or shift leader at your expense. We may require that you (or a Principal Owner) and the Operating Manager, or any shift leader attend all supplemental and refresher training programs as we designate for up to five (5) days per person each calendar year. We may charge you a fee for these supplemental and refresher training programs at the then standard amount. Currently, the fee for such training programs is Two Hundred Dollars ($200) per week, per trainer we provide. We may adjust this fee from time to time, as communicated in the Operations Manual or otherwise in writing.

You are solely responsible for the compensation, travel, lodging and living expenses you and your employees incur in attending the initial training program, and the shift leader training program, as well as any supplemental or refresher training programs. You also are solely responsible for paying your employees and providing all necessary insurance, including worker's compensation insurance, for you and your employees, while you and your employees attend training.

C. Opening Assistance. We will provide you with the services of one (1) of our representatives to assist you in the opening and initial operations of the Restaurant. The period of time such assistance will be provided will be determined based on your specific needs as determined by us during the initial training program. We may also determine the time at which our representative is available to you.

D. Operating Assistance. We will advise you on operational issues and provide assistance in operating the Restaurant as we deem appropriate. Operating assistance may include advice regarding the following:

1. additional Menu Items and services authorized for sale at Chop Stop restaurants;

2. selecting, purchasing and marketing Menu Items, and other approved materials and supplies;

3. employee relations, marketing assistance and sales promotion programs and accountability of employees;

4. establishing and operating administrative, bookkeeping, accounting, inventory control, sales and general operating procedures for the proper operation of a Chop Stop restaurant.

We will provide such guidance, in our discretion, through our Operations Manual, bulletins or other written materials, telephone or email communications and/or meetings at our office or at the Restaurant in conjunction with an inspection of the Restaurant.

If at any point you are in default under this Agreement due to a failure to meet operational or quality standards or if you fail a quality assurance inspection that we conduct, we will have the right to provide you with mandatory operating assistance for your Restaurant and to charge you a fee for such services. In addition, upon your request we may agree to provide you with operating assistance above and beyond that which is ordinarily provided to Chop Stop franchisees. Currently, the fee for operational assistance that we mandate or additional services that you request is Two Hundred Dollars ($200) per week, per trainer we provide if the assistance takes place at our training restaurant in Glendale, California, or Forty Dollars ($40) per hour, per trainer that we provide plus our reasonable travel, lodging and living expenses that we incur in providing operational assistance if the assistance is provided at your Restaurant. We may adjust our fees from time to time, as communicated in the Operations Manual or otherwise in writing. Any visits to your Restaurant or inspections by us (including those conducted under Section 11(A)) are to protect our interest in the Marks and System and not to control the day-to-day operation of your Restaurant or for supervision of your employees.

E. Operations Manual. We will provide on loan to you, during the term of this Agreement, a hard copy of or electronic (Internet) access to an Operations Manual, which may include other handbooks, manuals and written materials (collectively, the "Operations Manual") for Chop Stop restaurants. The Operations Manual will contain mandatory and suggested specifications, standards and operating procedures that we develop for Chop Stop restaurants and information relating to your other obligations. We may add to, and otherwise modify, the Operations Manual to reflect changes in authorized Menu Items and services, and specifications, standards and operating procedures of a Chop Stop restaurant. The master copy of the Operations Manual that we maintain at our principal office or on our website, and make available to you by electronic access will control if there is a dispute involving the contents of the Operations Manual.

F. Annual Convention. We may hold or sponsor annual franchise conventions, and we may require you and designated employees to attend. We reserve the right to charge you a fee for any annual franchise convention or meeting that we sponsor or designate, regardless of your attendance. You will be responsible for your and your employees' travel, living and compensation costs in attending the annual franchise conventions.

8. MARKS

A. Ownership and Goodwill of Marks. You acknowledge that you have no interest in or to the Marks and that your right to use the Marks is derived solely from this Agreement and is limited to the conduct of business in compliance with this Agreement and all applicable specifications, standards and operating procedures that we require during the term of this Agreement. You agree that the use of the Marks and any goodwill established exclusively benefits us, and that you receive no interest in any goodwill related to your use of the Marks or the Business System. You must not, at any time during the term of this Agreement or after your termination or expiration, contest or assist any other person in contesting the validity or ownership of any of the Marks.

B. Limitations on Your Use of Marks. You agree to use the Marks as the sole identification of the Restaurant, but you must identify yourself as the independent owner in the manner we direct. You must not use any Mark as part of any corporate or entity name, or in any modified form, nor may you use any Mark in selling any unauthorized product or service or in any other manner we do not expressly authorize in writing. You may not use the Marks on your employment applications, employee evaluation forms, benefits statements, payroll checks or other documents or materials relating to your employees. You agree to display the Marks prominently and in the manner we direct on all signs and forms. Subject to our rights described in this Agreement, you agree to obtain fictitious or assumed name registrations as may be required under applicable law.

C. Restrictions on Internet and Website Use. We retain the sole right to advertise the Business System on the Internet and to create, operate, maintain and modify, or discontinue the use of, a website using the Marks. You have the right to access our website. Except as we may authorize in writing, however, you will not: (1) link or frame our website; (2) conduct any business or offer to sell or advertise any Menu Items or similar products or services on the Internet (or any other existing or future form of electronic communication); (3) create or register any Internet domain name in any connection with your franchise; and (4) use any email address which we have not authorized for use in operating the Restaurant. You will not register, as Internet domain names, any of the Marks that we now or hereafter may own or any abbreviation, acronym or variation of the Marks, or any other name that could be deemed confusingly similar.

D. Notification of Infringements and Claims. You must notify us immediately in writing of any apparent infringement of or challenge to your use of any Mark, or any claim by any person of any rights in any Mark or any similar trade name, trademark or service mark of which you become aware. You must not communicate with any person other than us and our counsel regarding any infringement, challenge or claim. We may take any action we deem appropriate and have the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge or claim relating to any Mark. You will sign all documents, provide assistance and take all action as we may reasonably request to protect and maintain our interests in any litigation or other proceeding or to otherwise protect and maintain our interests in the Marks.

E. Litigation. You will have no obligation to and will not, without our prior written consent, defend or enforce any of the Marks in any court or other proceedings for or against imitation, infringement, any claim of prior use, or for any other allegation. You will, however, immediately notify us of any claims or complaints made against you respecting the Marks and will, at your expense, cooperate in all respects with us in any court or other proceedings involving the Marks. We will pay the cost and expense of all litigation we incur, including attorneys' fees, specifically relating to the Marks. We and our legal counsel will have the right to control and conduct any litigation relating to the Marks.

F. Changes. You cannot make any changes or substitutions to the Marks unless we so direct in writing. We reserve the right, in our discretion, to modify or discontinue use of any Mark, or to use one or more additional or substitute trademarks or service marks. In such event, you will, at your expense, comply with such modification or substitution within a reasonable time after notice by us. We will reimburse you for the reasonable direct costs associated with changes to your signage, menu boards and other required items bearing the Marks.

9. RESTAURANT IMAGE AND OPERATING STANDARDS

A. Condition and Appearance of Restaurant/Remodeling of Restaurant. You agree to maintain the condition and appearance of the Restaurant (including adjacent parking areas and grounds), and refurbish and modify its layout, decor and general theme, as we may require to maintain the condition, appearance, efficient operation, ambience and overall image of Chop Stop restaurants, as we may modify. You will replace worn out or obsolete fixtures, equipment, furniture, or signs, repair the interior and exterior of the Restaurant, adjacent parking areas and grounds, and periodically clean and redecorate the Restaurant. If at any time in our reasonable judgment, the general state of repair, appearance or cleanliness of the Restaurant premises (including parking areas and grounds) or its fixtures, equipment, furniture or signs do not meet our then-current standards, we will so notify you, specifying the action you must take to correct the deficiency. If you fail, within ten (10) days after receipt of notice, to commence action and continue in good faith and with due diligence, to undertake and complete any required maintenance or refurbishing, we may (in addition to our rights under Section 15 below) enter the Restaurant premises and correct the deficiencies on your behalf, and at your expense.

You will additionally, at your expense, make such reasonable capital expenditures necessary to remodel, modernize and redecorate the Restaurant premises and to replace and modernize the supplies, fixtures, signs, and equipment used in your Restaurant so that your business reflects the then-current physical appearance of new Chop Stop restaurants. We may require you to take such action: (1) five (5) years after the date of this Agreement; (2) as a condition to the transfer of any interest as further described in Section 14(C); (3) as a condition of renewal; and (4) otherwise during the term of the Agreement as further described in the Operations Manual. You acknowledge and agree that the requirements of this Section 9(A) are both reasonable and necessary to ensure continued public acceptance and patronage of Chop Stop restaurants and to avoid deterioration or obsolescence in connection with the operation of the Restaurant.

If the Restaurant is damaged or destroyed by fire or any other casualty, you will, within thirty (30) days, initiate repairs or reconstruction, and thereafter in good faith and with due diligence continue (until completion) repairs or reconstruction, to restore the Restaurant premises to its original condition before the casualty. If, in our reasonable judgment, the damage or destruction is of a nature or to an extent that you can repair or reconstruct the premises of the Restaurant consistent with the then-current decor and specifications of a new Chop Stop restaurant without incurring substantial additional costs, we may require, by giving written notice, that you repair or reconstruct the Restaurant premises in compliance with the then-current decor and specifications.

B. Restaurant Alterations. You may not alter the premises or appearance of the Restaurant, or make any unapproved replacements of or alterations to the fixtures, equipment, furniture or signs of the Restaurant without our prior written approval. We may, in our discretion and at your sole expense, correct any alterations to the Restaurant that we have not previously approved.

C. Restriction on Use of Premises. You agree that you will not, without our prior written approval, offer at the Restaurant any products or services we have not then authorized for use or sale for Chop Stop restaurants, nor will the Restaurant or the premises which it occupies be used for any purpose other than the operation of a Chop Stop restaurant in compliance with this Agreement.

D. Your Hiring and Training of Employees. You will hire all employees of the Restaurant, be exclusively responsible for the terms of their employment and compensation, and implement a training program for Restaurant employees in compliance with our requirements as specified in the Operations Manual. You will maintain at all times a staff of trained employees sufficient to operate the Restaurant in compliance with our standards. At all times, the Restaurant must be under the direct, on-site supervision of the Operating Manager or a designated shift leader. In the event that one (1) of your shift leaders is terminated or otherwise leaves their employment, you must replace and train a replacement shift leader within thirty (30) days.

E. Authorized Ingredients, Supplies and Equipment. You agree to use in the operation of the Restaurant only such Menu Items, ingredients, recipes, formulas, supplies and equipment which we have approved as being suitable for use and meeting the standards of quality and uniformity for the Business System and are purchased from suppliers we have approved (which may include us and/or our affiliates). We periodically may modify the lists of approved brands and suppliers. If you propose to offer for sale or use in operating the Restaurant any products, ingredients, supplies and equipment which we have not approved, you must first notify us in writing and provide sufficient information, specifications and samples concerning the brand and/or supplier to permit us to determine whether the brand complies with our specifications and standards and/or the supplier meets our approved supplier criteria. You will be required to reimburse us for any costs we incur in our evaluation or testing of a proposed supplier or product. We will notify you within a reasonable time whether the proposed brand and/or supplier is approved. We may develop procedures for the submission of request for approved brands or suppliers and obligations that approved suppliers must assume (which may be incorporated in a written agreement to be signed by the approved supplier). We may impose limits on the number of suppliers and/or brands for any Menu Items, ingredients, supplies or equipment sold or used in, or otherwise related to the Restaurant, and we may require that you use only one (1) supplier for any Menu Items, ingredients, supplies or equipment. You agree that certain Menu Items, materials, and other items and supplies may only be available from one (1) source, and we or our affiliates may be that source. WE AND OUR AFFILIATES MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, RESPECTING PRODUCTS, EQUIPMENT (INCLUDING ANY REQUIRED POINT-OF-SALE SYSTEMS), SUPPLIES, FIXTURES, FURNISHINGS OR OTHER ITEMS THAT ARE MANUFACTURED OR DISTRIBUTED BY THIRD PARTIES AND THAT WE APPROVE FOR USE IN THE BUSINESS SYSTEM.

F. Health and Sanitation. You must comply with all applicable governmental health and sanitary standards in operating and maintaining your Restaurant. You also must comply with any higher standards that we prescribe, as set forth in the Operations Manual or otherwise in writing. In addition to complying with such standards, if the Restaurant will be subject to any governmental sanitary or health inspection under which it may be rated in one or more than one classification, the Restaurant will be maintained and operated so as to be rated in the highest available health and sanitary classification respecting each such inspection. If you fail to be rated in the highest classification or receive any notice that you are not in compliance with all applicable health and sanitary standards, you will immediately notify us of such failure or noncompliance.

G. Period of Operation. We will approve the hours of operation for the Restaurant and you may not modify those hours of operation without our prior written consent.

H. Standards of Service. You must at all times give prompt, courteous and efficient service to your customers. You must, in all dealings with your customers and suppliers and the public, adhere to the highest standards of honesty, integrity and fair dealing.

I. Specifications, Standards and Procedures. You acknowledge that each and every detail of the appearance and operation of the Restaurant is important to us and other Chop Stop restaurants. You agree to maintain the highest standards of quality and service in the Restaurant and agree to comply with all mandatory specifications, standards and operating procedures (whether contained in the Operations Manual or any other written or oral communication to you) relating to the appearance or operation of a Chop Stop restaurant, including:

1. type and quality of Menu Items;

2. methods and procedures relating to marketing, customer service and order processing;

3. the safety, maintenance, cleanliness, function and appearance of the Restaurant premises and its fixtures, equipment, furniture, décor and signs;

4. qualifications, dress, general appearance and demeanor of Restaurant employees. Each of your employees will wear only those uniforms which we have approved in writing;

5. the style, make and/or type of equipment (including computer equipment) used in operating the Restaurant;

6. use and illumination of exterior and interior signs, posters, displays, standard formats and similar items; and

7. Restaurant advertising and promotion.

J. Compliance with Laws and Good Business Practices. You must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Restaurant and must operate the Restaurant in full compliance with all applicable laws, ordinances and regulations. You must notify us in writing within five (5) days of the commencement of any action, suit, proceeding or investigation, and of the issuance of any order, injunction, award of decree, by any court, agency or other governmental instrumentality that may adversely affect the operation or financial condition of you or the Restaurant. You will not conduct any business or advertising practice which injures our business, the Business System or the goodwill associated with the Marks and other Chop Stop restaurants.

K. Management of the Restaurant/Conflicting Interests. The Restaurant must at all times be under the direct supervision of the Operating Manager. If the Operating Manager is not you or a Principal Owner, you or a Principal Owner must remain active in overseeing Restaurant operations. If you are an entity with multiple Principal Owners, there must at all times be a single Principal Owner authorized by you to communicate with us, and receive communications from us, regarding all matters relating to the Restaurant and this Agreement (the "Representative Owner"). If your Operating Manager is a Principal Owner, the Operating Manager must be the Representative Owner. Otherwise, you must designate a Representative Owner at the time you enter into this Agreement, and you may not change the Representative Owner without our consent.

You must at all times faithfully, honestly and diligently perform your obligations and continuously use your best efforts to promote and enhance the business of the Restaurant. The Operating Manager must assume responsibilities on a full-time basis and must not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility, time commitments or otherwise may conflict with your obligations.

If at any time the Operating Manager is not managing the Restaurant, we immediately may appoint a manager to maintain Restaurant operations on your behalf. Our appointment of a manager of the Restaurant does not relieve you of your obligations or constitute a waiver of our right to terminate the Franchise Agreement under Section 15 below. We are not liable for any debts, losses, costs or expenses you incur in operating the Restaurant or to any creditor of yours for any Menu Items, materials, supplies or services purchased by the Restaurant while it is managed by our appointed manager. We may charge a reasonable fee for management services and cease to provide management services at any time.

L. Insurance. You agree to purchase and maintain in force, at your expense, the types of insurance coverages, with the minimum limits, that we designate in the Operations Manual~~. As of March 1, 2019, the Operations Manual requires you to maintain~~, including, without limitation: comprehensive general liability insurance, including products liability, property damage, and personal injury coverage ~~with a combined single limit of at least One Million Dollars ($1,000,000) for each occurrence and at least Two Million Dollars ($2,000,000) in the aggregate. You will also purchase and maintain in force, at your expense~~, business interruption coverage ~~of at least One Million Dollars ($1,000,000) for each occurrence (a minimum of 12 months)~~; business property replacement cost coverage (100%); automobile liability insurance coverage for any vehicles used in the operation of the Restaurant ~~of at least One Million Dollars ($1,000,000) for each occurrence~~; employment practices liability insurance coverage ~~of at least One Million Dollars ($1,000,000) per occurrence and One Million Dollars ($1,000,000) in the aggregate~~with franchisor co-defendant claim coverage;~~ and~~ umbrella liability coverage ~~of at least One Million Dollars ($1,000,000)~~; and such other types of insurance and all in such amounts as we may specify from time to time. In addition, you agree to purchase and maintain in force, at your expense, worker's compensation and other insurance as we or the Restaurant landlord (if applicable), require or is otherwise necessary to meet statutory requirements.

All insurance policies will: (1) be issued by an insurance carrier(s) acceptable to us and that have an A.M. Best rating of A- or higher; (2) will name us, Chop Stop, Inc. and any other person or entity we designate as an additional insured; (3) contain a waiver of the insurance company's right of subrogation against us, Chop Stop, Inc. and any other person or entity we designate as an additional insured; (4) require your insurance to be "primary" and "non-contributory" with any insurance carried by us, Chop Stop, Inc. or any other person or entity we designate as an additional insured; (5) contain the above-mentioned insurance coverage for each Chop Stop restaurant that you operate; and (6) provide that we will receive thirty (30) days' prior written notice of a material change in or termination, expiration or cancellation of any policy (or such shorter period as required by the insurance carrier and approved by us). You must obtain such endorsements added to the policies to carry out the requirements of this Agreement. We periodically may, with prior written notice to you, increase the minimum liability protection requirements, and require different or additional kinds of insurance to reflect inflation or changes in standards of liability. If at any time you fail to maintain in effect any insurance coverage we require, or to furnish satisfactory evidence thereof, we, at our option, may obtain insurance coverage for you. You agree to promptly sign any applications or other forms or instruments required to obtain any insurance and pay to us, on demand, any costs and premiums we incur, together with an administrative fee equal to five percent (5%) of the insurance premium. You will provide us with a copy of the certificate of insurance and a copy of the insurance policy in compliance with these requirements before opening. In addition, you will provide us with a copy of the certificate of and policy for or other evidence of the renewal or extension of each insurance policy.

M. Participation in Internet Website. You will participate in a Chop Stop website listed on the Internet or other online communications and participate in any intranet system we control. We will, at our discretion, determine the content and use of a Chop Stop website and intranet system and will establish rules under which you may or will participate. We will retain all rights relating to the Chop Stop website and intranet system and may alter or terminate the website or intranet system upon thirty (30) days' notice to you. Your general conduct on the Internet and the Chop Stop intranet system, and specifically your use of the Marks or any advertising on the Internet (including the domain name and any other Marks we may develop as a result of participation in the Internet), will be subject to the provisions of this Agreement. You acknowledge that certain information obtained through your online participation in the website or intranet system is considered Confidential Information (as defined in Section 12 below), including access codes and identification codes. Your right to participate in the Chop Stop website or intranet system or otherwise use the Marks or the Business System on the Internet will terminate when this Agreement expires or terminates.

N. Quality Assurance and Customer Satisfaction Programs. We have the right to establish quality assurance and customer satisfaction programs, which may include (but are not limited to) a system-wide mystery shopper program and a program for resolution of customer complaints. You are required to take all steps necessary to fully participate in such programs, including, but not limited to: (i) paying fees or reimbursement amounts to us or to third-party suppliers we designate, (ii) entering into program agreements and providing information to us or third-party suppliers, and (iii) purchasing all necessary equipment, software and services. Expenses may include (but are not limited to) the cost of mystery shoppers or other quality monitoring services and amounts reimbursed to us for the cost of credits, gift certificates, vouchers, rewards points, refunds or other financial or nonfinancial consideration given to Restaurant customers as part of a customer service program. You must follow all procedures we prescribe for our quality assurance and customer satisfaction programs, which we may change, create or discontinue from time to time as we deem appropriate. If we designate a third party supplier to provide services to Chop Stop franchisees, we have the right to manage the program and to invoice you for fees and reimbursement amounts to be paid to the third party supplier.

O. Human Resources. You are required to engage a third-party vendor, which meets our minimum standards and specifications, that will assist you with creating, implementing, and carrying out human resource services and policies for the Restaurant. We may also require you to engage such third-party vendor(s) to provide other back-office services as we may set forth in the Operations Manual or otherwise in writing.

10. RECORDS AND REPORTS

A. Accounting Practices. During the term of this Agreement, you will adhere to the standardized bookkeeping practices and chart of accounts that we designate for Chop Stop franchisees. You must contract with and use, at your expense, the accounting service, financial reporting vendor, or bookkeeping company that we designate for Chop Stop franchisees, unless we, in our sole discretion, grant you a written waiver to use an alternative bookkeeper that we approve. You must continue to adhere to the same chart of accounts that our designated supplier established for your business or that we designate in the Operations Manual, regardless of who provides bookkeeping for your business. If at any point during the term of the Franchise Agreement you fail to meet our accounting standards or fail to provide timely weekly financial reports as required under Section 10(C) below, then in addition to any other remedies available to us, we have the right upon written notice to you to require that you use our designated accounting service or bookkeeping company for the remainder of the term of this Agreement.

B. Records. During the term of this Agreement, you will, at your expense, maintain at the Restaurant premises and retain for a minimum of five (5) years from the date of their preparation, complete and accurate books, records and accounts (using such methods and systems of bookkeeping and accounting as we may require) relating to the Restaurant (the "Records"), in the form and manner we direct in the Operations Manual or otherwise in writing. The required Records may include the following: (1) daily cash reports; (2) cash receipts journal and general ledger; (3) cash disbursements journal and weekly payroll register; (4) employee meal records; (5) monthly bank statements and daily deposit slips and canceled checks; (6) all tax returns relating to the Restaurant and of each of the Principal Owners; (7) suppliers' invoices (paid and unpaid); (8) dated cash registered tapes (detailed and summary); (9) monthly balance sheets and profit and loss statements; (10) weekly inventories; (11) records of promotion and coupon redemption; and (12) such other records and information as we periodically may request. You will be permitted to preserve the Records and submit reports electronically, consistent with our requirements.

C. Reports and Tax Returns. You will deliver or allow us (or our designee) access (including electronic access, if applicable) to the following: (1) daily statements relating to Net Sales of the Restaurant; (2) weekly core financial reports in the manner and using the chart of accounts required under Section 10(A) above; (3) monthly income statements in a format we require; (4) at our request, a quarterly profit and loss statement for the Restaurant for the immediately preceding calendar quarter and a year-to-date profit and loss statement; (5) an annual profit and loss statement and source and use of funds statement for the Restaurant for the year and a balance sheet for the Restaurant as of the end of the year, reviewed by an independent certified public accountant no later than April 15th each year; and (6) at our request, all tax returns relating to the Restaurant and of each of the Principal Owners. You also will provide to us copies of all Records and other information and supporting documents as we designate. All financial statements, reports and information must be on forms we approve and signed and verified by you.

11. ~~INSPECTION AND AUDITS~~

A. Our Right to Inspect the Restaurant. To determine whether you are complying with this Agreement, we may, at any time during business hours and without prior notice to you, inspect the Restaurant and test, sample, inspect and evaluate your supplies, ingredients and Menu Items as well as the storage, preparation and formulation of those items. You will fully cooperate with our representatives making any inspection and will permit our representatives to take photographs or videotapes of the Restaurant and to interview employees and customers of the Restaurant.

B. Our Right to Examine Books and Records. We may, at all reasonable times and without prior notice to you, examine, audit, or request copies of the Records, including the books, records and state and/or federal income tax records and returns of any Principal Owner. You must maintain all Records and supporting documents at all times at the Restaurant premises. You will make financial and other information available at a location we reasonably request, and will allow us (and our agents) full and free access to any such information at the Restaurant. You otherwise will fully cooperate with our representative and independent accountants hired to conduct any examination or audit.

C. Result of Audit; Unreported Net Sales. If any examination or audit discloses an understatement of Net Sales, you will pay to us, within fifteen (15) days after receipt of the examination or audit report, the Royalty Fees and any Brand Fund Fees due on the amount of the understatement, plus interest (at the rate provided in Section 4(D) above) from the date originally due until the date of payment. You must reimburse us for the cost of the audit or examination, including the charges of any independent accountants and the travel expenses, room and board and compensation of our employees, if: (1) an examination or audit is necessary because you failed to timely provide required information; (2) any examination or audit results in a determination that Net Sales for any month are understated by greater than two percent (2%); or (3) you fail to spend the minimum amount required for local restaurant promotion under Section 5(B) above. The foregoing remedies are in addition to all of our other remedies and rights under applicable law.

12. CONFIDENTIAL INFORMATION/IMPROVEMENTS

A. Confidential Information. You acknowledge and agree that you do not acquire any interest in the Confidential Information, other than the right to use it in developing and operating the Restaurant pursuant to this Agreement, and that the use or duplication of the Confidential Information in any other business constitutes an unfair method of competition. You acknowledge and agree that the Confidential Information is proprietary and is our trade secret and is disclosed to you solely on the condition that you agree that you: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (3) will not make unauthorized copies of any Confidential Information disclosed in written form; (4) will adopt and implement all reasonable procedures we direct to prevent unauthorized use or disclosure of the Confidential Information, including restrictions on disclosure to Restaurant employees; and (5) will sign a Confidentiality Agreement and will require the Operating Manager and other managers, employees and agents with access to Confidential Information to sign such an agreement in a form we approve.

Notwithstanding any other provision of this Agreement, you may, in accordance with any applicable law which includes but is not limited to the federal Defend Trade Secrets Act, disclose Confidential Information, including our trade secrets, (a) in confidence, to federal, state, or local government officials, or to an attorney of yours, for the sole purpose of reporting or investigating a suspected violation of law; or (b) in a document filed in a lawsuit or other legal proceeding, but only if the filing is made under seal and protected from public disclosure. Nothing in this Agreement is intended to conflict with any applicable law or create liability for disclosures expressly allowed by law.

B. Improvements. You must fully and promptly disclose to us all ideas, concepts, products, recipes, process methods, techniques, improvements, additions and Restaurant Data relating to the development and/or operation of a Chop Stop restaurant or the Business System, or any new trade names, service marks or other commercial symbols, or associated logos relating to the operation of the Restaurant, or any advertising or promotion ideas related to the Restaurant (collectively, the "Improvements") that you, the Principal Owners or your employees or agents conceive or develop during the term of this Agreement. You and your Principal Owners, agents and employees acknowledge and agree that any Improvement is our property, and you and your Principal Owners, agents or employees must sign all documents necessary to evidence the assignment of the Improvement to us without any additional compensation. You acknowledge and agree that we may use the Improvement and disclose and/or license the Improvement for use by others. You must not introduce any Improvement or any additions or modifications of or to the Business System into the Restaurant without our prior written consent.

13. COVENANTS

A. Organization. If you are a corporation, limited liability company, partnership or other entity, then you covenant that:

1. You are organized and validly exist under the laws of the state where you were formed;

2. You are qualified and authorized to do business in the jurisdiction where the Protected Territory and Restaurant is located;

3. Your articles of incorporation, bylaws, operating agreement, member control agreement or other organizational documents ("Authorizing Documents") at all times will provide that your business activities will be limited exclusively to the ownership and operation of the Restaurant, unless you otherwise obtain our written consent;

4. You have the power under the Authorizing Documents to sign this Agreement and comply with the provisions of this Agreement;

5. You must provide us copies of all Authorizing Documents and any other documents, agreements or resolutions we request in writing;

6. The names of the Principal Owners are accurately stated on the Guaranty attached hereto as Attachment D; and

7. At all times, you will maintain a current schedule of the Principal Owners and their ownership interests (including the Principal Owners' names, address and telephone numbers) and will immediately provide us with an updated ownership schedule if there is any change in ownership.

B. Non-Solicitation of Customers. You covenant that, during the term of this Agreement, and for a period of two (2) years thereafter, you will not, directly or indirectly divert or attempt to divert any business, account or customer of the Restaurant or any other Chop Stop restaurants or the Business System to any competing business.

C. Covenant Not to Compete During Term. You (and each Principal Owner and the Operating Manager) will not, during the term of this Agreement, directly or as an employee, agent, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership or corporation: (i) divert or attempt to divert any business or customers of the Restaurant to any competitor or perform any act that would damage the goodwill associated with the Marks or the Business System; or (ii) own, operate, lease, franchise, conduct, engage in, be connected with, having any interest in, or assist any person or entity engaged in any business (including any e-commerce or Internet-based business) that distributes, sells or otherwise deals in, at wholesale or retail, salads, entrée bowls, wraps, salads, specialty beverages and related food and beverage products, or any other related business that is competitive with or similar to a Chop Stop restaurant, except: (1) with our prior written consent; (2) the ownership of securities listed on a stock exchange or traded on the over-the-counter market that represent one percent (1%) or less of that class of securities; or (3) under a separate agreement between you and us.

D. Post-Term Covenant Not to Compete. You (and each Principal Owner and Operating Manager) will not, for a period of two (2) years after this Agreement expires or is terminated or the date on which you cease to operate the Restaurant, whichever is later, directly or as an employee, agent, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership or corporation: (1) divert or attempt to divert any business or customers of the Restaurant to any competitor or perform any act that would damage the goodwill associated with the Marks or the Business System; or (2) own, operate, lease, franchise, conduct, engage in, be connected with, having any interest in, or assist any person or entity engaged in any business that operates, or distributes or sells to, at wholesale or retail, fast/casual restaurants, stores or any other location offering salads, entrée bowls, wraps, salads, specialty beverages and related food and beverage products, or any other related business that is competitive with or similar to a Chop Stop restaurant or any wholesale or retail business we then may operate relating to the sale of any Menu Items that is located at the Restaurant or within a ten (10)-mile radius of the former site of the Restaurant or any other then existing Chop Stop restaurant; provided, however, that this Section 13(D) will not apply to: (i) other Chop Stop restaurants that you operate under separate Chop Stop franchise agreements; or (ii) the ownership of securities listed on a stock exchange or traded on the over-the-counter market that represent one percent (1%) or less of that class of securities. For purposes of this Section, any form of e-commerce business or website that offers salads, entrée bowls, wraps, salads, specialty beverages and related food and beverage products or other Menu Items offered at a Chop Stop restaurant will be in violation of this provision if such e-commerce business or website offers, sells or otherwise makes its products or services available to individuals residing within or businesses located within a five (5)-mile radius of the former site of the Restaurant or any other then-existing Chop Stop Restaurant.

E. Injunctive Relief. You agree that damages alone cannot adequately compensate us if there is a violation of any covenant in this Section in that injunctive relief is essential for our protection. You therefore agree that we may seek injunctive relief without posting any bond or security, in addition to the remedies that may be available to us at equity or law, if you or anyone acting on your behalf violates any covenant in this Section. The covenants stated in this Section will survive the termination or expiration of this Agreement.

14. ASSIGNMENT

A. By Us. This Agreement is fully assignable by us and benefits our successors and assigns. Any such assignment will require the assignee to fulfill our obligations under this Agreement. You acknowledge and agree that, following the effective date of any such assignment, you will look solely to the transferee or assignee, and not to us, for the performance of all obligations under this Agreement.

B. Your Assignment to Corporation or Limited Liability Company. You (as an individual) may assign this Agreement to a corporation or a limited liability company that conducts no business other than the Restaurant (or other Chop Stop restaurants under franchise agreements with us), provided: (1) you or the Operating Manager actively manage the Restaurant; (2) you own at least fifty-one percent (51%) of the ownership interest in the corporation or limited liability company; (3) you and all Principal Owners of the assignee entity sign the Personal Guaranty attached hereto as Attachment D; (4) you provide us fifteen (15) days' written notice before the proposed date of assignment of this Agreement to the corporation or limited liability company; (5) you provide to us a certified copy of the articles of incorporation, operation agreement, organizational documents, and a list of all shareholders or members having beneficial ownership, reflecting their respective interest in the assignee entity; and (6) the organizational documents and all issued and outstanding stock or membership certificates will bear a legend, in form acceptable to us, reflecting or referring to the assignment restrictions stated in Section 14(C) below. You will not pay a transfer fee for an assignment under this Section 14(B).

C. Your Assignment or Sale of Substantially all of Your Assets. You understand that we have entered into this Agreement in reliance upon your individual or collective character, aptitude, attitude, business ability and financial capacity. You (and your Principal Owners) will not transfer (whether voluntary or involuntary), assign or otherwise dispose of, in one or more transactions, your business, the Restaurant, substantially all or all of the assets of the Restaurant, this Agreement or any interest in you unless you obtain our prior written consent (except as provided in Section 14(B) above). We will not unreasonably withhold our consent to an assignment of this Agreement, provided you comply with any or all of the following conditions which we may, in our discretion, deem necessary:

1. All of your accrued monetary obligations to us and our affiliates have been satisfied, and you otherwise are in good standing under this Agreement and any other agreement between you and us;

2. The transferee (or the managing Principal Owners, if applicable) is approved by us and demonstrates to our satisfaction that he/she meets our managerial, financial and business standards for new Chop Stop restaurants, possesses a good business reputation and credit rating, and has the aptitude and ability to conduct the franchised business. You understand that we may communicate directly with the transferee during the transfer process to respond to inquiries, as well as to ensure that the transferee meets our qualifications;

3. The transferee enters into a written agreement, in form satisfactory to us, assuming and agreeing to discharge all of your obligations and covenants under this Agreement for the remainder of your term or, at our option, signs our then-current standard form of franchise agreement (which will provide for the same Royalty Fees and Brand Fund Fees required for a term equal to the remaining term of this Agreement, although such agreement may provide other rights and obligations from those provided in this Agreement);

4. The transferee, new Operating Manager and one additional individual we approve successfully complete the initial training program required of new Chop Stop restaurants;

5. If required, the lessor of the Restaurant premises consents to your assignment or sublease of the premises to the transferee;

6. You pay us a transfer fee equal to sixty percent (60%) of our then-current standard initial franchise fee applicable to new Chop Stop restaurants (if the transferee is an existing Chop Stop franchisee, the transfer fee is equal to forty percent (40%) of our then-current standard initial fee);

7. You (and each Principal Owner, if applicable) sign a general release, in a form and substance satisfactory to us, of any and all claims against us and our affiliates, officers, directors, employees and agents, except to the extent limited or prohibited by applicable law;

8. We approve the material provisions of the assignment or sale of assets which assignment or sale cannot permit you to retain a security interest in this Agreement or any other intangible asset; and

9. You (and each Principal Owners, if applicable) sign an agreement, in form satisfactory to us, in which you and each Principal Owner covenant to observe the post-termination covenant not to compete and all other applicable post-termination obligations.

D. Death or Disability. If you (or the managing Principal Owner) die or are permanently disabled, your executor, administrator or other personal representative, or the remaining Principal Owners, must appoint (if necessary) a competent Operating Manager acceptable to us within a reasonable time, not to exceed thirty (30) days, from the date of death or permanent disability. The appointed Operating Manager must satisfactorily complete our designated training program. If you have been the designated Operating Manager and an approved Operating Manager is not appointed within thirty (30) days after your death or permanent disability, we may, but are not required to, immediately appoint an Operating Manager to maintain Restaurant operations on your behalf until an approved assignee can assume the management and operation of the Restaurant. Our appointment of an Operating Manager does not relieve you of your obligations, and we will not be liable for any debts, losses, costs or expenses you incur in operating the Restaurant or to any creditor of yours for any Menu Items, materials, supplies or services purchased by the Restaurant while it is managed by our appointed manager. We may charge a reasonable fee for management services and may cease to provide management services at any time.

If you (or the managing Principal Owner) die or are permanently disabled, your executor, administrator, or other personal representative must transfer your interest within a reasonable time, not to exceed twelve (12) months from the date of death or permanent disability, to a person we approve. Such transfers, including transfers by devise or inheritance will be subject to conditions contained in Section 14(C) above.

E. Public or Private Offerings. Subject to Section 14(C) above, if you (or any of your Principal Owners) desire to raise or secure funds by the sale of securities (including common or preferred stock, bonds, debentures or general or limited partnership interests) in you or any affiliate of you, you agree to submit any written information to us before your inclusion in any registration statement, prospectus or similar offering circular or memorandum and must obtain our written consent to the method of financing before any offering or sale of securities. Our written consent will not imply or represent our approval respecting the method of financing, the offering literature submitted to us or any other aspect of the offering. No information respecting us or any of our affiliates will be included in any securities disclosure document, unless we furnish the information in writing in response to your written request, which request will state the specific purpose for which the information is to be used. Should we, in our discretion, object to any reference to us or any of our affiliates in the offering literature or prospectus, the literature or prospectus will not be used unless and until our objections are withdrawn. We assume no responsibility for the offering.

The prospectus or other literature used in any offering must contain the following language in boldface type on the first textual page:

"NEITHER CHOP STOP FRANCHISING, INC. NOR ANY OF ITS AFFILIATES: (A) IS DIRECTLY OR INDIRECTLY THE ISSUER OF THE SECURITIES OFFERED, (B)

ASSUMES ANY RESPONSIBILITY RESPECTING THIS OFFERING AND/OR THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED HEREIN, OR (C) ENDORSES OR MAKES ANY RECOMMENDATION RESPECTING THE INVESTMENT CONTEMPLATED BY THIS OFFERING."

F. Our Right of First Refusal. If you or your Principal Owners at any time desire to sell or assign for consideration the Restaurant, an ownership interest representing (in the aggregate) fifty percent (50%) or more of the ownership in you or all or substantially all of your assets, you or your Principal Owners must obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and must deliver a copy of the offer to us. We have the right, exercisable by written notice delivered to you or your Principal Owners within thirty (30) days following receipt of the proposed offer, to purchase the interest in the Restaurant or ownership interest in you for the price and on terms contained in the offer. We may substitute cash for any non-cash form of payment proposed in the offer and will have a minimum of sixty (60) days to prepare for closing. If we do not exercise our right of first refusal, you or your Principal Owners may complete the sale to the proposed purchaser under the terms of the offer, provided you and the Principal Owners otherwise comply with this Section 14. If the sale to the proposed purchaser is not completed within one hundred twenty (120) days after delivery of the offer to us, or if there is a material change in the terms of the sale, we again will have the right of first refusal.

G. Guaranty. All of your Principal Owners (if you are a corporation, partnership or other entity) will sign the Guaranty and Assumption Agreement in the form attached to this Agreement as Attachment D (the "Guaranty Agreement"). Any person or entity that at any time after the date of this Agreement becomes a Principal Owner of yours under the provisions of this Section 14 or otherwise will, as a condition of becoming a Principal Owner, sign the Guaranty Agreement.

15. OUR TERMINATION RIGHTS

A. Termination of Franchise Agreement - Grounds. You will be in default, and we may, at our option, terminate this Agreement, as provided herein, if: (1) you (or the managing Principal Owner) fail to satisfactorily complete the initial training program or fail to open and commence full operations of the Restaurant at such time as provided in this Agreement; (2) you violate any material provision or obligation of this Agreement; (3) you or any of your managers, directors, officers or any Principal Owner makes a material misrepresentation or omission in the franchise application submitted to us; (4) you or any of your managers (including the Operating Manager), directors, officers or any Principal Owner is convicted of, or pleads guilty to or no contest to a felony, a crime involving moral turpitude, or any other crime or offense that we believe will injure the Business System, the Marks or the goodwill associated therewith, or if we have proof that you have committed such a felony, crime or offense; (5) you fail to conform to the material requirements of the Business System or the material standards of uniformity and quality for the Menu Items and services as described in the Operations Manual or as we have established under the Business System; (6) you fail to timely pay Royalty Fees or Brand Fund Fees or any other obligations or liabilities due and owing to us or our affiliates, other Chop Stop restaurants or suppliers we approve as a source for required items, or fail to timely pay any advertising cooperative obligations; (7) you are insolvent within the meaning of any applicable state or federal law; (8) you make an assignment for the benefit of creditors or enter into any similar arrangement for the disposition of your assets for the benefit of creditors; (9) you voluntarily or otherwise "abandon" (as defined below) the Restaurant; (10) you are involved in any act or conduct which materially impairs or otherwise is prejudicial to the goodwill associated with the name "Chop Stop" or any of the Marks or the Business System; (11) you or a Principal Owner makes an unauthorized assignment or transfer of this Agreement, the Restaurant or an ownership interest in you; (12) the operation, maintenance or construction of the Restaurant results in a threat or danger to the public health or safety; (13) you violate any federal, state or local government health code in connection with the operation of the Restaurant; or (14) your lease for the Restaurant premises expires or is terminated for any reason (unless, through no fault of yours, the lessor of the premises in which the Restaurant is located refuses to renew your lease and you relocate within the Protected Territory to a site we approve within five (5) days after the Restaurant closes, and provided we have been given at least ninety (90) days' notice of the proposed new location pursuant to Section 6(G) above. The term "abandon" means your failure to operate the Restaurant during regular business hours for a period of three (3) consecutive days or ten (10) or more days in a twelve (12)-month period without our prior written consent unless such failure is due to an event of "*force majeure*" as further described in Section 20(J) below.

B. Procedure. Except as described below, you will have thirty (30) days, or such longer period as applicable law may require, after your receipt from us of a written notice of default within which to remedy any default hereunder, and to provide evidence thereof to us. If you fail to correct the alleged default within that time, this Agreement will terminate without further notice to you effective immediately when the thirty (30)-day period, or such longer period as applicable law may require, expires. You will have ten (10) days after your receipt from us of a written notice of default, or such longer period as applicable law may require, to remedy any default under item (6) in Section 15(A) above and to provide evidence thereof to us. If you fail to correct the alleged default within that time, this Agreement will terminate without further notice to you, effective immediately when the ten (10)-day period expires, or such longer period as applicable law may require. You will have seventy-two (72) hours, or such longer period as applicable law may require, after you receive from us a written notice of default to remedy any default under item (13) in Section 15(A) above and to provide evidence thereof to us. If you fail to correct the alleged default within that time, this Agreement will terminate without further notice to you, effective immediately when the seventy-two (72)-hour period expires, or such longer period as applicable law may require. We may terminate this Agreement immediately upon delivery of written notice to you, with no opportunity to cure, if the termination results from any of the following: (1) you fail to comply with one (1) or more material requirements of this Agreement on three (3) separate occasions within any twelve (12)-month period; (2) the nature of your breach makes it not curable; (3) you willfully and repeatedly deceive customers relative to the source, nature or quality of goods sold; (4) any default under items (3), (4), (7), (8), (9), (10), (11), (12) or (14) in Section 15(A) above; or (5) you willfully and materially falsify any report, statement, or other written data furnished to us either during the franchise application process or after you are awarded a franchise. Any report submitted under Section 10(B) will be conclusively deemed to be materially false if it understates Net Sales by more than five percent (5%).

C. Management of Restaurant While You are in Default. In addition to our termination rights described in Sections 15.1 and 15.2 above, while you are in default of this Agreement, we may, but are not required to, manage, or designate a third party to manage, the Restaurant on your behalf. Our, or our designee's, management of the Restaurant does not relieve you of your obligations and neither we nor our designee will be liable for any debts, losses, costs or expenses incurred in operating the Restaurant or to any of your creditors for any materials supplies or services purchased by the Restaurant while we, or our designee, manage it. We, or our designee, may charge you a fee for management services and may cease providing management services at any time.

D. Applicable Law. If the provisions of this Section 15 are inconsistent with applicable law, the applicable law will apply.

16. YOUR TERMINATION RIGHTS

You may terminate this Agreement if we violate any material obligation of us to you and fail to cure such violation within sixty (60) days after our receipt of written notice from you; provided, however, that you are in substantial compliance with the Agreement at the time of giving such notice of termination. Your written notice will identify the violation and demand that it be cured.

17. YOUR OBLIGATIONS UPON TERMINATION

A. Post-Term Duties. If this Agreement expires or is terminated for any reason other than a termination as a result of a breach by us, you will:

1. immediately cease operation of the Restaurant and using the Marks as well as any confusingly similar trademarks or service marks;

2. within ten (10) days after termination, pay all amounts due and owing to us or our affiliates, including all Royalty Fees, Brand Fund Fees and accrued interest due under this Agreement;

3. discontinue using, and return to us by priority United States mail with a tracking number, any hard copies of, the Operations Manuals and any other manuals, advertising materials, and all other printed materials relating to the operation of the Restaurant;

4. assign to us or, at our discretion, disconnect the telephone number for the Restaurant. You acknowledge that we have the sole right to and interest in all telephone numbers and directory listings associated with the Marks, and you authorize us, and appoint us as your attorney-in-fact, to direct the telephone company and all listing agencies to transfer such numbers and listings to us;

5. remove from the Restaurant premises all signs, posters, fixtures, decals, wall coverings and other materials that are distinctive of a Restaurant or bear the name "Chop Stop" or other Marks;

6. comply with all post-termination obligations under any software license agreement, including the return of all materials relating to any Proprietary Software;

7. take all necessary action to cancel all fictitious or assumed name or equivalent registrations relating to your use of any of the Marks;

8. immediately cease using Confidential Information and return to us all documents in your possession that contain Confidential Information;

9. at our option, we will purchase your inventory of Menu Items in good and saleable condition at your actual cost less a thirty percent (30%) stocking fee and you will return to us any other remaining Menu Items at no cost to us; and

10. comply with all other applicable provisions of this Agreement, including the non-compete provisions.

Upon termination of this Franchise Agreement for any reason, your right to use the name "Chop Stop" and the other Marks and the Business System will immediately terminate and you (and the Principal Owners) will not in any way associate yourself/themselves as being associated with us. If you fail to remove all signs and other materials bearing the Marks, we may do so at your expense.

B. Redecoration. If this Agreement is terminated for any reason, and you either remain in possession of the premises of the former Restaurant to operate a separate business not in violation of Section 13 above or enter into an agreement with a third party to allow such third party to directly operate a business at the premises of the former Restaurant, you will, at your expense, modify both the exterior and interior appearance of the business premises so that they will be easily distinguished from the standard appearance of Chop Stop restaurants. At a minimum, such changes and modifications to the premises will include: (1) repainting the premises with totally different colors; (2) removing all signs and other materials bearing the name "Chop Stop" and other Marks; (3) removing from the premises all fixtures which are indicative of Chop Stop restaurants; (4) discontinuing use of the approved employee uniforms and refraining from using any uniforms which are confusingly similar; (5) discontinuing use of all packaging and Confidential Information regarding the operation of the Restaurant; and (6) taking such other action, at your expense, as we may reasonably require. If you fail to immediately initiate modifications to the premises of the former Restaurant or complete such modifications with any period of time we deem appropriate, you agree that we or our designated agents may enter the premises of the former Restaurant to make such modifications, at your risk and expense, without responsibility for any actual or consequential damages to your property or others, and without liability for trespass or other tort or criminal act.

C. Our Option to Purchase Restaurant. If this Agreement expires or is terminated for any reason (other than our fault), we have the option, upon thirty (30) days' written notice from the date of expiration or termination, to purchase from you all the tangible and intangible assets relating to the Restaurant, including the Restaurant premises if you own the Restaurant premises (excluding any unsalable inventory, cash, short-term investments and accounts receivable) (collectively, the "Purchased Assets") and to an assignment of your lease for (1) the Restaurant premises (or, if an assignment is prohibited, a sublease for the full remaining term under the same provisions as your lease) and (2) any other tangible leased assets used in operating the Restaurant. If the landlord respecting the lease for the Restaurant premises is an affiliate of you (controlling, controlled by or under common control with you) we will have the right to assume the lease on terms generally consistent with then-current market rates for space in the immediate area surrounding the Restaurant location. We may assign to a third party this option to purchase and assignment of leases separate and apart from the remainder of this Agreement.

The purchase price for the Restaurant will be the fair market value of the Purchased Assets; provided that: (1) we may exclude from the Purchased Assets any products or other items that were not acquired in compliance with this Agreement; and (2) we may exclude from fair market value any provision for goodwill or similar value attributable to intangible property (such as the Marks and Confidential Information). If the parties cannot agree on fair market value within a reasonable time, we will designate an independent appraiser to determine the fair market value of the Purchased Assets. The determination of such appraiser will be binding on the parties hereto, and the costs of such appraisal will be divided equally between you and us. The purchase price, as determined above, will be paid in cash at the closing of the purchase, which will occur within a reasonable time, not to exceed sixty (60) days, after the fair market value is determined. At the closing, you will deliver documents transferring good and merchantable title to the assets purchased, free and clear of all liens, encumbrances and liabilities to us or our designee and such other documents we may reasonably request to permit us to operate the Restaurant without interruption. We may set off against and reduce the purchase price by all amounts you owe to us or any of our affiliates. If we exercise our option to purchase the Restaurant, we may, pending the closing, appoint a manager to maintain Restaurant operations.

If we assume the lease for the Restaurant under this Section, you will pay, remove or satisfy any liens or other encumbrances on your leasehold interest and will pay in full all amounts due the lessor under the lease existing at or prior to assumption. We are not liable for any obligation you incur before the date we assume the lease.

D. Continuing Obligations. All obligations of us and you which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect following its expiration or termination and until they are satisfied or expire.

18. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION

A. Relationship of the Parties. We and you are independent contractors. Neither party is the agent, legal representative, partner, subsidiary, joint venture or employee of the other. Neither party will independently obligate the other to any third parties or represent any right to do so. This Agreement does not reflect or create a fiduciary relationship or a relationship of special trust or confidence. You must conspicuously identify yourself at the premises of the Restaurant and in all dealings with customers, lessors, contractors, suppliers, public officials and others as the owner of the Restaurant under a franchise agreement from us, and must place other notices of independent ownership on signs, forms, stationery, advertising and other materials as we require. You will control and be solely responsible for the day-to-day operation of the Restaurant and the terms and conditions and employment of your personnel, including the soliciting, hiring, firing, disciplining, paying, scheduling, and managing of your employees.

B. Your Indemnification Obligations. You agree to indemnify and hold us and our subsidiaries, affiliates, stockholders, members, directors, officers, employees and agents harmless against, and to reimburse us or them for, any loss, liability or damages arising out of or relating to your ownership or operation of the Restaurant, and all reasonable costs of defending any claim brought against us or any of them or any action in which us or any of them is named as a party (including reasonable attorneys' fees) unless the loss, liability, damage or cost is solely due to the our breach of this Agreement, gross negligence or willful misconduct. You must pay all losses, liability or damages we incur pursuant to your obligations of indemnity under this Section 18(B) regardless of any settlement, actions or defense we undertake or the subsequent success or failure of any settlement, actions or defense. Further, you agree to give us immediate notice of any such action, proceeding, demand or investigation brought against you or the Restaurant. We may, at our option, designate counsel, at your expense, to defend or settle such action, proceeding, demand or investigation brought against you or the Restaurant. This obligation does not diminish your indemnification obligations under this Section 18(B).

C. Our Indemnification Obligations. We agree to indemnify and hold you and your officers, directors and agents harmless against, and to reimburse you and them for, any loss, liability or damage solely arising from or relating to our breach of this Agreement, gross negligence or willful misconduct, and all reasonable costs of defending any claim brought against you or them or any action in which you or they are named as a party (including reasonable attorneys' fees).

D. Survival. The indemnities and assumptions of liabilities and obligations continue in full force and effect after the expiration or termination of this Agreement.

19. DISPUTE RESOLUTION

A. Arbitration. Except to the extent we elect to enforce the provisions of this Agreement by injunction as provided in Section 19(B) below, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims of fraud in the arbitrability of any matter) will be resolved by arbitration on an individual basis under the authority of the Federal Arbitration Act in the city in which our corporate headquarters is located at the time the arbitration is commenced. The arbitrator(s) will have a minimum of five (5) years' experience in the law of franchising and will have the right to award specific performance of this Agreement. The proceedings will be conducted under the Commercial Arbitration Rules of the American Arbitration Association, or the rules of such other arbitration services organization as the parties otherwise may agree upon in writing, to the extent such rules are not inconsistent with the provisions of this arbitration provision or the Federal Arbitration Act. The decision of the arbitrator(s) will be final and binding on all parties; provided, however, the arbitrator(s) may not under any circumstances: (1) stay the effectiveness of any pending termination of this Agreement; (2) assess punitive or exemplary damages; or (3) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance we establish. Any arbitration proceeding will be limited to controversies between you and us, and will not be expanded to include any other Chop Stop franchisee or include any class action claims. This Section 19 will survive termination or nonrenewal of this Agreement under any circumstances. Judgment upon the award of arbitrator(s) may be entered in any court having jurisdiction thereof. During any arbitration proceeding, we and you will fully perform our respective obligations under this Agreement.

B. Injunctive Relief. Notwithstanding Section 19(A) above, you recognize that a single franchisee's failure to comply with the terms of its agreement could cause irreparable damage to us and/or to some or all other Chop Stop restaurants. Therefore, if you breach or threaten to breach any of the terms of this Agreement, we will be entitled to an injunction restraining such breach and/or a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining such equitable relief, until such time as a final and binding determination is made by the arbitrators.

C. Attorneys' Fees. The nonprevailing party will pay all costs, fees, expenses, and reasonable attorneys' fees, and interest on such costs, fees, expenses and attorneys' fees, the prevailing party incurs in any action brought to enforce any provision of this Agreement or to enjoin any violation of this Agreement.

20. ENFORCEMENT

A. Severability. All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions will be enforced to the extent valid and enforceable. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or non-renewal of this Agreement than is required, or the taking of some other action not required, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by us are invalid or unenforceable, the prior notice and/or other action required by law or rule will be substituted for the comparable provisions.

B. Waiver of Obligations. Our waiver of any breach by you, or our delay or failure to enforce any provision of this Agreement, will not be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce our rights respecting that or any other breach.

C. Rights of Parties are Cumulative. The rights of us and you are cumulative and no exercise or enforcement by either party of any right or remedy precludes the exercise or enforcement by such party of any other right or remedy to which such party is entitled by law or equity to enforce.

D. Venue. Any cause of action, claim, suit or demand allegedly arising from or related to this Agreement or the relationship of the parties must be brought exclusively in the state or federal court of competent jurisdiction in the state covering the location in which our corporate offices are located at the time the action is commenced. Each of us and you irrevocably consents to the jurisdiction of such courts. The provisions of this Section 20(D) will survive the termination of this Agreement.

E. Governing Law. Subject to our rights under federal trademark laws and the parties' rights under the Federal Arbitration as specified in this Agreement, this Agreement will be governed by and construed under the laws of the state in which the Restaurant is located, without regard to any conflict of laws principles of such state. You waive, to the fullest extent permitted by law, the rights and protections that might be provided through any state franchise or business opportunity laws, other than those of the laws of the state in which the Restaurant is located. Any action brought under this Agreement shall be conducted on an individual basis, and not as part of a consolidated, common, or class action, and you and your Principal Owners waive any and all rights to proceed on a consolidated, common, or class basis.

F. Binding Effect. This Agreement is binding upon the parties and their respective executors, administrators, heirs, assigns, and successors in interest, and will not be modified except by written agreement signed by both you and us. Except as provided above, this Agreement is not intended, and will not be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

G. References. If you consist of two (2) or more individuals, such individuals will be jointly and severally liable, and references to you in this Agreement will include all such individuals.

H. Interpretation of Rights and Obligations. The following provisions will apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement and the relationship between the parties:

1. Our Rights. Whenever this Agreement provides that we have or reserve (retain) a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop and change the Business System in any manner that is not specifically precluded by the provisions of this Agreement.

2. Our Reasonable Business Judgment. Whenever we reserve discretion in a particular area or where we agree or are required to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise "reasonable business judgment" in making our decision or exercising our rights. A decision or action by us will be deemed to be the result of "reasonable business judgment," even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended to promote or benefit the Business System generally even if the decision or action also promotes a financial or other individual interest of ours. Examples of items that will promote or benefit the Business System include enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the Business System. Neither you nor any third party (including a trier of fact), will substitute their judgment for our reasonable business judgment.

I. Waiver of Punitive Damages. You and we and our affiliates agree to waive, to the fullest extent permitted by law, the right to or a claim for any punitive or exemplary damages against the other and agree that in the event of any dispute between them, each will be limited to the recovery of actual damages sustained by it.

J. Waiver of Jury Trial. You and we irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of them against the other, whether or not there are other parties in such action or proceeding.

K. *Force Majeure*. If any party fails to perform any obligation under this Agreement due to a cause beyond the control of and without the negligence of such party, such failure will not be deemed a breach of this Agreement, provided such party uses reasonable best efforts to perform such obligations as soon as possible under the circumstances. Such causes include strikes, wars, riots, civil commotion, and acts of government, except as may be specifically provided for elsewhere in this Agreement.

L. Notice of Potential Profit. We advise you that we and/or our affiliates periodically may make available to you goods, Menu Items and/or services for use in the Restaurant on the sale of which we and/or our affiliates may make a profit. We further advise you that we and our affiliates periodically may receive consideration from suppliers and manufacturers respecting sales of goods, Menu Items or services to you or in consideration for services provided or rights license to such persons. You agree that we and our affiliates will be entitled to such profits and consideration.

M. Limitation of Actions. Subject to any applicable statute of limitations, you and we agree that neither party will have the right to bring any claim or action against the other party unless the action or claim is commenced within one (1) year after the offended party has knowledge of the facts giving rise to the action or claim.

N. Entire Agreement. The "Introduction" section, the Attachment(s) to this Agreement, and that certain Disclosure Acknowledgment Agreement signed contemporaneously by you are a part of this Agreement, which represents the entire agreement of the parties, and there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement. Nothing in the Agreement is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

O. Prompt Performance. Time is of the essence in the performance of the parties' obligations under this Agreement.

21. NOTICES

All written notices and reports permitted or required to be delivered by the provisions of this Agreement are deemed so delivered at the time delivered by hand, one (1) business day after sent by a recognized overnight delivery service which requires a written receipt, or three (3) business days after placed in the U.S. Mail by registered or certified mail, return receipt requested, postage prepaid and addressed to the party to be notified at the address stated herein or at such other address as may have been designated in writing to the other party. Notices will be effective when delivered to you. You alone are responsible and liable for forwarding any notices to your officers, directors, employees, shareholders, owners, guarantors, principals, members and/or partners.

The parties have signed this Agreement on the date stated in the first paragraph.

WE:	**YOU:**
CHOP STOP FRANCHISING, INC., **a California corporation**	(If you are an individual owner, You must sign below; if a partnership, all partners must sign below)
By: ______________________________ Its: ____________________________	________________________________ (Sign Your Name)
	________________________________ (Print Your Name)

____
(Sign Your Name)

____
(Print Your Name)

(If you are a corporation or limited liability company)

____
Name of corporation or limited liability company

By: ________________________________
Its: _______________________________

ATTACHMENT A
TO FRANCHISE AGREEMENT

RESTAURANT LOCATION AND PROTECTED TERRITORY

This Attachment is attached to and is an integral part of the Chop Stop Franchise Agreement dated _______________, 20____ (the "Franchise Agreement"), between us and you.

1. Restaurant Location. We and you agree that the Restaurant will be located at the following premises: ____. You acknowledge that our acceptance of a proposed location does not represent a warranty or representation of any kind as to the suitability of the proposed location for a Chop Stop Restaurant.

2. Protected Territory. The Protected Territory will be the following:

3. Restaurant Opening. You agree to complete the development and open the Restaurant for business within four (4) months after your Restaurant location is approved.

4. Defined Terms. All capitalized terms contained in this Attachment not defined herein will have the same meaning as provided in the Franchise Agreement.

WE:

CHOP STOP FRANCHISING, INC.,
a California corporation

By: _________________________________
Its: _______________________________

YOU:

(If you are an individual owner, You must sign below; if a partnership, all partners must sign below)

____
(Sign Your Name)

____
(Print Your Name)

____
(Sign Your Name)

____
(Print Your Name)

(If you are a corporation or limited liability company)

____
Name of corporation or limited liability company

By: _________________________________
Its: _______________________________

ATTACHMENT B
TO FRANCHISE AGREEMENT

RESTAURANT LOCATION GENERAL AREA

This Attachment is attached to and is an integral part of the Chop Stop Franchise Agreement dated _______________, 20_______ (the "Franchise Agreement"), between us and you.

1. Area for Restaurant Location. Within ninety (90) days after the date of the Franchise Agreement, you will select and obtain our acceptance of a location with the provisions of this Attachment within the following described geographical area (the "Area"): __________________________________
____
____

2. Acceptance of Location and Restaurant Opening. To obtain our acceptance of the proposed Restaurant premises, you must deliver to us a complete site report (in the format and containing the information that we require) for the location at which you propose to establish and operate the Restaurant and which you reasonably believe will satisfy the standardized site selection criteria established by us. The proposed location is subject to our prior written acceptance, which will not be unreasonably withheld. In evaluating the proposed location, we will consider matters we deem material, including demographic characteristics of the proposed location, traffic patterns, parking, the predominant character of the neighborhood, the proximity to other businesses, including other Chop Stop restaurants, and other commercial characteristics, the purchase price or rental obligations and other lease terms for the proposed location, and the size of premises, appearance and other physical characteristics. Within one hundred twenty (120) days following our receipt of the complete site report and other materials we request, we will accept or reject (in writing) the location you propose for the Restaurant.

YOU ACKNOWLEDGE AND AGREE THAT OUR ACCEPTANCE OF A PROPOSED LOCATION DOES NOT REPRESENT A WARRANTY OR REPRESENTATION OF ANY KIND, EXPRESSED OR IMPLIED, AS TO THE SUITABILITY OF THE PROPOSED LOCATION FOR A CHOP STOP RESTAURANT.

You agree to complete the development and open the Restaurant for business within twelve (12) months from the date of the Franchise Agreement or five (5) months from the date we approve your proposed Restaurant premises, whichever is earlier.

3. Termination of Franchise Agreement. We have the right to terminate the Franchise Agreement, effective upon delivery of notice of termination to you, if you fail to obtain approval of a location for the Restaurant within nine (9) months after the date of the Franchise Agreement.

4. Defined Terms. All capitalized terms contained in this Attachment and not defined in this Attachment will have the same meaning as provided in the Franchise Agreement.

WE:

CHOP STOP FRANCHISING, INC.,
a California corporation

By: ______________________________
Its: ______________________________

YOU:

(If you are an individual owner, You must sign below; if a partnership, all partners must sign below)

____
(Sign Your Name)

____
(Print Your Name)

____
(Sign Your Name)

____
(Print Your Name)

(If you are a corporation or limited liability company)

____
Name of corporation or limited liability company

By: ______________________________
Its: ______________________________

ATTACHMENT C
TO FRANCHISE AGREEMENT

RESTAURANT LEASE ADDENDUM

This Restaurant Lease Addendum, dated ______________, 20______, is entered into between ____________________________ ("Lessor"), and ________________________________ ("Lessee"). The parties have entered into a Lease Agreement, dated _________, 20_____, (the "Lease") pertaining to the premises located at ____ (the "Premises"). Lessor acknowledges that Lessee intends to operate a Restaurant from the Premises pursuant to Lessee's Franchise Agreement (the "Franchise Agreement") with CHOP STOP FRANCHISING, INC. ("CSFI") under the name "Chop Stop" or other name designated by CSFI (the "Restaurant"). The parties desire to amend the Lease in accordance with the terms and conditions contained in this Addendum. Lessor and Lessee agree as follows:

1. Remodeling and Decor. Lessor agrees that Lessee has the right to remodel, equip, paint and decorate the interior of the Premises and to display such proprietary marks and signs on the interior and exterior of the Premises as Lessee is reasonably required to do pursuant to the Franchise Agreement and any successor Franchise Agreement under which Lessee may operate a Restaurant on the Premises.

2. Assignment. Lessee has the right to assign all of its right, title and interest in the Lease to CSFI, its affiliates or its parent company, at any time during the term of the Lease, including any extensions or renewals, without first obtaining Lessor's consent. No assignment will be effective, however, until CSFI or its designated affiliate gives Lessor written notice of its acceptance of the assignment. Nothing contained in this Addendum or in any other document makes CSFI or its designated affiliate a party or guarantor to the Lease, and this Addendum does not create any liability or obligation of CSFI or its parent company unless and until the Lease is assigned to, and accepted in writing by, CSFI or its parent company. In the event of an assignment, Lessee will remain liable under the terms of the Lease.

3. Default and Notice.

(a) In the event there is a default or violation by Lessee under the terms of the Lease, Lessor must give Lessee and CSFI written notice of such default or violation within a reasonable time after Lessor receives knowledge of its occurrence. Although CSFI is under no obligation to cure the default, CSFI will notify Lessor if it intends to cure the default and take an automatic assignment of Lessee's interest as provided in Paragraph 4(a). CSFI will have an additional fifteen (15) days from the expiration of Lessee's cure period in which to cure the default or violation.

(b) All notices to CSFI must be sent by registered or certified mail, postage prepaid, to the following address:

CHOP STOP FRANCHISING, INC.
2626 Foothill Blvd, Suite 230
La Crescenta, California 91214

CSFI may change its address for receiving notices by giving Lessor written notice of the new address. Lessor agrees that it will notify both Lessee and CSFI of any change in Lessor's mailing address to which notices should be sent.

4. Termination or Expiration.

(a) Upon Lessee's default and failure to cure a default under either the Lease or the Franchise Agreement, CSFI will, at its option, have the right (but not the requirement) to take an automatic assignment of Lessee's interest.

(b) Upon the expiration or termination of either the Lease or the Franchise Agreement, Lessor will cooperate with and assist CSFI in gaining possession of the premises and if CSFI does not elect to take an assignment of the Lessee's interest, Lessor will allow CSFI to enter the Premises, without being guilty of trespass and without incurring any liability to Lessor, to remove all signs and all other items identifying the Premises as a CHOP STOP® Restaurant and to make such other modifications (such as repainting) as are reasonably necessary to protect CSFI's trademarks and system, and to distinguish the Premises from CHOP STOP restaurants. In the event CSFI exercises its option to purchase assets of Lessee, Lessor must permit CSFI to remove all such assets being purchased by CSFI.

5. Consideration; No Liability.

(a) Lessor hereby acknowledges that the provisions of this Addendum to Lease are required pursuant to the Franchise Agreement under which Lessee plans to operate its business and the Lessee would not lease the Premises without this Addendum.

(b) Lessor further acknowledges that Lessee is not an agent or employee of CSFI and the Lessee has no authority or power to act for, or to create any liability on behalf of, or to in any way bind CSFI or any affiliate of CSFI, and that Lessor has entered into this Addendum to Lease with full understanding that it creates no duties, obligations or liabilities of or against CSFI or any affiliate of CSFI.

6. Sales Reports. If requested by CSFI, Lessor will provide CSFI with whatever information Lessor has regarding Lessee's sales from the Restaurant.

7. Modification. No amendment or variation of the terms of this Addendum is valid unless made in writing and signed by the parties and the parties have obtained the written consent of CSFI.

8. Reaffirmation of Lease. Except as amended or modified in this Addendum, all of the terms, conditions and covenants of the Lease remain in full force and effect and are incorporated by reference and made a part of this Addendum as though copied herein in full.

9. Beneficiary. Lessor and Lessee expressly agree that CSFI is a third-party beneficiary of this Addendum.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the dates written below.

LESSEE:	**LESSOR:**
______________________________	______________________________
By: ___________________________	By: ___________________________
Title: _________________________	Title: _________________________

ATTACHMENT D
TO FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF OBLIGATIONS

In consideration of the execution of that certain Franchise Agreement of even date (the "Agreement") by CHOP STOP FRANCHISING, INC. ("we" or "us"), each of the undersigned (a "Guarantor") personally and unconditionally guarantees to us, and our successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement that ______________________________ ____ ("you") will timely pay and perform each and every undertaking, agreement and covenant stated in the Agreement; and agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement.

Each of the undersigned waives: (1) acceptance and notice of acceptance by us of the foregoing undertaking; (2) notice of demand for payment of any indebtedness; (3) protest and notice of default to any party respecting the indebtedness; (4) any right he may have to require that an action be brought against you or any other person as a condition of liability.

Each Guarantor consents and agrees that:

(1) Guarantor's liability under this undertaking will be direct and independent of the liability of, and will be joint and several with, you and the other Guarantors of you;

(2) Guarantor will make any payment or perform any obligation required under the Franchise Agreement upon demand if you fail to do so;

(3) Guarantor's liability hereunder will not be diminished or relieved by bankruptcy, insolvency or reorganization of you or any assignee or successor;

(4) Guarantor's liability will not be diminished, relieved or otherwise affected by any extension of time or credit which we may grant to you, including the acceptance of any partial payment or performance, or the compromise or release of any claims;

(5) We may proceed against Guarantor and you jointly and severally, or we may, at our option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against you or any other Guarantor; and

(6) Guarantor will pay all reasonable attorneys' fees and all costs and other expenses we incur in enforcing this Guaranty against Guarantor or any negotiations relative to the obligations hereby guaranteed.

Each of the undersigned has signed this Guaranty as of the same day and year as the Agreement was executed.

GUARANTOR(S)	PERCENTAGE OWNERSHIP IN YOU
______________________________	______________________________
______________________________	______________________________
______________________________	______________________________
______________________________	______________________________
______________________________	______________________________
______________________________	______________________________

ATTACHMENT E
TO FRANCHISE AGREEMENT

ELECTRONIC FUNDS TRANSFER AUTHORIZATION

Franchisee:_____________________________
Location:______________________________
Date:_________________________________

NEW	CHANGE

Attention: Bookkeeping Department

The undersigned hereby authorizes CHOP STOP FRANCHISING, INC., its parent company or any affiliated entity (collectively, "CSFI"), to initiate weekly ACH debit entries against the account of the undersigned with you in payment of amounts for Royalty Fees, Brand Fund Fees or other amounts that become payable by the undersigned to CSFI. The dollar amount to be debited per payment will vary.

Subject to the provisions of this letter of authorization, you are hereby directed to honor any such ACH debit entry initiated by CSFI.

This authorization is binding and will remain in full force and effect until 90 days' prior written notice has been given to you by the undersigned. The undersigned is responsible for, and must pay on demand, all costs or charges relating to the handling of ACH debit entries pursuant to this letter of authorization.

Please honor ACH debit entries initiated in accordance with the terms of this letter of authorization, subject to there being sufficient funds in the undersigned's account to cover such ACH debit entries.

Sincerely yours,

*** We also need a VOIDED Check ***

____
Account Name

____
Bank Name

____
Street Address

____
Branch

____
City State Zip Code

____
Street Address

____
Telephone Number

____
City State Zip Code

By_______________________________

____
Bank Telephone Number

Its_______________________________

____
Bank's Routing Number

Date______________________________

____
Customer's Account Number

ATTACHMENT F
TO FRANCHISE AGREEMENT

OWNERSHIP AND MANAGEMENT SCHEDULE

This OWNERSHIP AND MANAGEMENT SCHEDULE corresponds with the Chop Stop® franchise agreement dated **DATE** (“Franchise Agreement”) between CHOP STOP FRANCHISING, INC. (“we” or “us”) and **COMPANY NAME** (“you”).

1. Representative Owner. In accordance with Section 9(K) of the Franchise Agreement, you must designate a Representative Owner. If your Operating Manager is a Principal Owner, the Operating Manager must be the Representative Owner. Otherwise, you must designate a Representative Owner at the time you enter into the Franchise Agreement, and you may not change the Representative Owner without our consent. You represent and warrant to us that the following person, and only the following person, is the Representative Owner:

NAME	TITLE	ADDRESS	PHONE

2. Ownership. You represent and warrant to us that the following person(s) and entities, and only the following person(s) and entities, have ownership interests in the franchisee entity:

NAME	TITLE	ADDRESS	PHONE

3. Change. You must immediately notify us in writing of any change in the information contained in this schedule and, at our request, prepare and sign a new schedule containing the correct information.

4. Effective Date. This schedule is effective as of **DATE**.

[Signatures on following page.]

WE:	**YOU:**
CHOP STOP FRANCHISING, INC., **a California corporation**	**COMPANY NAME** **STATE BUSINESS TYPE**
By:	By:
______________________________ Mark Kulkis, CEO	______________________________ NAME, TITLE
______________________________ Date	______________________________ Date
	______________________________ NAME, TITLE
	______________________________ Date
	______________________________ NAME, TITLE
	______________________________ Date

ATTACHMENT G
TO FRANCHISE AGREEMENT

AMENDMENT TO FRANCHISE AGREEMENT FOR SBA FUNDING

ADDENDUM TO FRANCHISE AGREEMENT

THIS ADDENDUM ("Addendum") is made and entered into on _________________, 20____, by and between ____ ("Franchisor"), located at ____, and ____ ("Franchisee"), located at ____.

Franchisor and Franchisee entered into a Franchise Agreement on _________________, 20______, (such Agreement, together with any amendments, the "Franchise Agreement"). Franchisee is applying for financing(s) from a lender in which funding is provided with the assistance of the U. S. Small Business Administration ("SBA"). SBA requires the execution of this Addendum as a condition of obtaining SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge the parties agree that notwithstanding any other terms in the Franchise Agreement or any other document Franchisor requires Franchisee to sign:

CHANGE OF OWNERSHIP

- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Franchisor's consent is required for any transfer (full or partial), Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the franchise interest or any portion thereof, the transferor will not be liable for the actions of the transferee Franchisee.

FORCED SALE OF ASSETS

- If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the franchisee location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the franchise term (excluding additional renewals) for fair market value.

COVENANTS

- If the Franchisee own the real estate where the franchisee location is operating, Franchisor has not and will not during the term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against the Franchisee's real estate, they must be removed in order for the Franchisee to obtain SBA-assisted financing.

EMPLOYMENT

- Franchisor will not directly control (hire, fire or schedule) Franchisee's employees. For temporary personnel franchises, the temporary employees will be employed by the Franchisee not the Franchisor.

As to the referenced Franchise Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Franchisee.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

Franchisor and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729 – 3733.

Authorized Representative of FRANCHISOR:

____

By: ________________________________

Print Name: __________________________

Title: ______________________________

Authorized Representative of FRANCHISEE:

____

By: ________________________________

Print Name: __________________________

Title: ______________________________

Note to Parties: This Addendum only addresses "affiliation" between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the franchise system must meet all SBA eligibility requirements.

4858-0757-2753, v. ~~1~~2

EXHIBIT C

MULTI-RESTAURANT DEVELOPMENT AGREEMENT

CHOP STOP MULTI-RESTAURANT DEVELOPMENT AGREEMENT

____
YOU (MULTI-RESTAURANT OPERATOR)

____
EFFECTIVE DATE OF AGREEMENT

CHOP STOP FRANCHISING, INC.
FTC ~~2021~~2022 Multi-Restaurant Development Agreement

TABLE OF CONTENTS

CHOP STOP® MULTI-RESTAURANT DEVELOPMENT AGREEMENT

THIS MULTI-RESTAURANT DEVELOPMENT AGREEMENT ("Agreement") is made and entered into this _______ day of _______________, 20_____, between CHOP STOP FRANCHISING, INC., a California corporation, with a principal place of business at 2626 Foothill Blvd, Suite 230, La Crescenta, California 91214 ("we" or "us"), and ____ a ____, with a principal place of business at ____ ("you").

INTRODUCTION

A. We have developed and own a system relating to the development and operation of quick service restaurants selling a variety of food items, including chopped salads, Chopurritos®, wraps, soups, specialty beverages and related food and beverage products for the individual consumer.

B. Our affiliate, Chop Stop, Inc. is the owner of the Chop Stop trademark, and other trademarks and service marks used in operating our proprietary business system and has granted us a license to use and license the use of the Marks.

C. We grant qualified persons ("multi-restaurant operators") the right to develop, own and operate multiple Chop Stop® restaurants within a defined geographic area, provided such persons continuously meet the agreed-upon development schedule and our heightened standards of performance for multi-restaurant operators.

D. You desire to obtain the right to develop and operate Chop Stop Restaurants using our Business System within the Development Area defined herein.

AGREEMENTS

In consideration of the mutual covenants and agreements stated below, the parties agree as follows:

1. DEFINITIONS

1.1. "Business System" means our proprietary system for developing and operating Chop Stop restaurants, which includes the offer of Menu Items for individual consumers under the Marks, using certain distinctive types of retail facilities, equipment, software, supplies, Confidential Information, business techniques, methods and procedures, and sales promotion programs, as we periodically may modify and further improve.

1.2. "Confidential Information" means the methods, techniques, formats, marketing and promotional techniques and procedures, specifications, information, recipes, operations manuals, systems, and knowledge of and experience in the operation and franchising of Chop Stop Restaurants that we communicate to you or that you otherwise acquire in operating a Restaurant under the Business System. Confidential Information does not include information, processes or techniques that are generally known to the public, other than through disclosure (whether deliberate or inadvertent) by you.

1.3. "Development Schedule" means the period of time and the cumulative number of Restaurants you must open and operate, as set forth in Attachment B to this Agreement.

1.4. "Development Area" means the geographic area described in Attachment A to this Agreement.

1.5. "Franchise Agreement" or "Chop Stop Franchise Agreement" means the then-current form of agreements (including franchise agreement and any attachments, and other documents referenced therein), that we customarily use in granting franchises for the operation of a Chop Stop restaurant. You acknowledge that we, in our discretion, may modify the standard form of Franchise Agreement customarily used in granting Chop Stop franchises.

1.6. "Marks" means the mark "Chop Stop" and other trademarks, service marks, domain names, logos, slogans, and commercial symbols that we have designated, or may in the future designate, for use in the Business System.

1.7. "Menu Items" means the salads, Chopurritos®, wraps, specialty beverages and related food and beverage products, merchandise and other items that we may (1) identify on the authorized menu for Chop Stop restaurants, as we periodically may modify, or (2) otherwise designate or approve for sale in the Restaurant.

1.8. "Principal Owner" means any person or entity who directly or indirectly owns a ten percent (10%) or greater interest in you. If any corporation or other entity other than a partnership is a Principal Owner, a "Principal Owner" also will mean a shareholder or owner of a ten percent (10%) or greater interest in such corporation or other entity. If a partnership is a Principal Owner, a "Principal Owner" also will mean each general partner of such partnership and, if such general partner is an entity, each owner of a ten percent (10%) or greater interest in such general partner. If you are one or more individuals, each individual will be deemed a Principal Owner of you.

1.9. "Restaurant" means a Chop Stop restaurant developed and operated by you under a Franchise Agreement.

1.10. "Transfer" means any voluntary, involuntary, direct or indirect transfer (through one or a series of transactions) of: (i) this Agreement; (ii) an interest in this Agreement; or (iii) an interest in you if you are an entity, including any issuance or redemption of ownership interest in you or any merger or acquisition with another entity.

2. DEVELOPMENT RIGHTS AND OBLIGATIONS

2.1. Term of Agreement. Subject to earlier termination as provided herein, this Agreement is for a term commencing on the Effective Date stated on the cover page, and expiring on the date that the last Franchise Agreement is required to be executed under the Development Schedule.

2.2. Rights During Development Periods. Except as described in this Agreement, if you: (i) are in full compliance with the conditions contained in this Agreement, including the satisfaction of all development obligations as stated in the Development Schedule; and (ii) are in full compliance with all obligations under each Franchise Agreement entered into between us and you for individual Restaurants; then, during the Development Schedule, we will: (i) grant franchises to you to own and operate Restaurants located within the Development Area (under a separate Franchise Agreement for each Restaurant); and (ii) not operate (directly or through an affiliate), or grant a franchise to a third party to operate, any Chop Stop restaurant within the Development Area, except franchises granted to you. If you fail to comply with the Development Schedule, we may terminate this Agreement under Section 8 below.

2.3. Development Obligations. During the term of this Agreement, you will honestly and diligently perform your obligations and continuously exert your best efforts to promote and enhance the development of Restaurants within the Development Area. You agree to open and continue to operate the cumulative number of Restaurants as required in the Development Schedule.

2.4. Extension Fee. If you cannot comply with the Development Schedule, you may request in writing that we approve an extension of up to six (6) months of the time in which you must sign a Franchise Agreement for a Restaurant. You must pay us a nonrefundable extension fee of One Thousand Five Hundred Dollars ($1,500.00) when you request an extension to sign the Franchise Agreement for any Restaurant under the Development Schedule. If we grant you an extension, the extension will be limited to the period permitted by us, which will not exceed six (6) months. You will not receive more than one (1) extension per Restaurant (whether under this Agreement or the Franchise Agreement governing the Restaurant).

2.5. Business Closings. A Restaurant which is permanently closed with our approval after having been open will be deemed open and in operation for purposes of the Development Schedule if a replacement Restaurant is open and in operation within six (6) months from the date of closing. A replacement Restaurant does not otherwise count toward the Development Schedule.

2.6. Our Reservation of Rights. The Development Area granted to you does not restrict us from soliciting or accepting orders from consumers within your Development Area. Notwithstanding Section 2.2 above, we, directly or through our affiliates, and with no obligation to compensate you or seek your approval, reserve and retain the following rights: (1) to operate, and to grant other persons the right to operate, Restaurants at locations outside the Development Area; (2) to directly operate, or to grant other persons the right to operate, Restaurants at Captive Market Locations (as defined below) within and outside the Development Area; (3) to sell the products and services authorized for sale at Restaurants under trademarks and service marks other than the Marks through similar or dissimilar channels of distribution outside the Development Area; (4) to sell the products and services authorized for sale at Restaurants under the Marks through dissimilar channels of distribution (i.e., other than the operation of full-service retail restaurants), including by electronic means such as the Internet and by websites we establish, and pursuant to conditions we deem appropriate within the Development Area; (5) to advertise the Chop Stop system on the Internet (or any other existing or future form of electronic commerce) and to create, operate, maintain and modify, or discontinue the use of a website using the Marks; and (6) to create, acquire, be acquired, or merge with other restaurant brands during the term of this Agreement including restaurants that may be competitive with a Restaurant within and outside the Development Area. "Captive Market Locations" are regional, enclosed or similarly situated shopping centers or malls, airports or other transportation terminals, sports facilities, hospitals, college and university campuses, corporate campuses, a department within an existing retail store, hotels, grocery stores, or other similar types of locations that have a restricted trade area.

3. GRANT OF FRANCHISES TO YOU

Subject to your compliance with the terms and conditions of this Agreement and each Franchise Agreement entered into between us and you for individual Restaurants, we agree to grant franchises to you to operate Restaurants located in the Development Area in accordance with the Development Schedule, under the following terms:

3.1. Site Selection. You are solely responsible for securing our acceptance of the site for each Restaurant, as further described in each Franchise Agreement. You must submit to us a complete site evaluation report or form (containing any information that we may require) for each proposed Restaurant premises. We will notify you in writing within thirty (30) days after we receive your complete site evaluation information and other materials we request whether or not we accept the proposed Restaurant premises.

3.2. Financial Capability Criteria. You must meet the standard financial capability criteria developed by us for multi-restaurant operators. To this end, you must furnish to us financial statements and other information regarding you and the development and operation of each proposed Restaurant (including investment and financing plans for the proposed Restaurant) as we reasonably require.

3.3. Franchise Agreement. You must sign a Franchise Agreement for a specific Restaurant and return it to us the earlier of securing a site or at least six (6) months prior to the date by which you are required to open the Restaurant pursuant to the Development Schedule. You will sign the initial Franchise Agreement at the time you sign this Agreement. Nothing in this Agreement independently authorizes you to operate a Restaurant or use the Marks or the Business System in any manner whatsoever. Your Principal Owners must execute a "Guaranty and Assumption of Obligations" in connection with each Franchise Agreement, using the form of agreement included in our then-current Franchise Agreement or FDD.

3.4. Superiority of Individual Franchise Agreement. All individual Franchise Agreements that we and you sign for Restaurants within the Development Area are independent of this Agreement. The continued effectiveness of any individual Franchise Agreement does not depend on the continued effectiveness of this Agreement. If any conflict arises between this Agreement and any individual Franchise Agreement as to any individual Restaurant, the terms of the individual Franchise Agreement will control.

3.5. Records and Reports. You must furnish to us quarterly written reports regarding your progress on the development of Restaurants. In addition, you must keep accurate financial records and other records relating to the development and operation of Restaurants in the Development Area. We may at all reasonable hours examine and make photocopies of all such records or request that you deliver, at your expense, such records to us.

3.6. Affiliated Entities. With our prior written approval, you may establish affiliated entities to sign each Franchise Agreement and operate each Restaurant under this Agreement. Unless we provide our prior written consent, each Principal Owner must own an identical voting and equity interest in any affiliated entity as the Principal Owner owns in you. You must provide us with any information that we reasonably request in connection with any affiliated entity. If you establish one or more affiliated entities pursuant to this Section, you will remain liable for all obligations and actions of such affiliated entities under a Franchise Agreement as though you executed such Franchise Agreement and agree to execute a Guaranty Agreement or other documents as we deem necessary to carry out the intentions of this Section. The parties acknowledge and agree that any provisions in this Agreement that refer to franchise agreements entered into between you and us, including without limitation the Franchise Agreements, shall also apply to any franchise agreements entered into between your affiliated entities and us.

4. DEVELOPMENT FEE

Upon execution of this Agreement, you must pay us a nonrefundable "Development Fee" in the amount set forth in the Development Schedule. The Development Fee is deemed fully earned by us upon execution of this Agreement and is nonrefundable. A portion of the Development Fee will be credited against the applicable initial franchise fee for each Restaurant you establish under this Agreement, as described in the Development Schedule. The remaining portion of the initial franchise fee is due at the time you sign the Franchise Agreement for each Restaurant. The number of Restaurants that you commit to open is described on the Development Schedule.

5. TRADEMARKS AND CONFIDENTIAL INFORMATION

5.1 Ownership of Marks. You acknowledge that you have no interest in or to the Marks and your right to use the Marks is derived solely from the individual Franchise Agreements entered into between you and us. You agree that all use of the Marks by you and any goodwill established exclusively benefits us. You agree that after termination or expiration of this Agreement, you will not, except with respect to Restaurants operated by you under individual Franchise Agreements, directly or indirectly, identify yourself or any business as a developer for, or otherwise associated with, us or use in any manner any Trademark or trade dress of a Restaurant or any colorable imitation thereof. You must not use any Trademark as part of any corporate or trade name in any modified form, or in any other manner not explicitly authorized in writing by us. You cannot use any Trademark in any business or activity, other than the business conducted by you pursuant to individual Franchise Agreements.

5.2 Confidential Information. You acknowledge and agree that you do not acquire any interest in the Confidential Information, other than the right to use it in developing and operating Restaurants pursuant to this Agreement, and that the use or duplication of the Confidential Information in any other business constitutes an unfair method of competition. You acknowledge and agree that the Confidential Information is proprietary and is a trade secret of us and is disclosed to you solely on the condition that you agree that you: (i) will not use the Confidential Information in any other business or capacity; (ii) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (iii) will not make unauthorized copies of any portion of the Confidential Information disclosed in written form; (iv) will adopt and implement all reasonable procedures we direct to prevent unauthorized use or disclosure of the Confidential Information, including restrictions on disclosure to your employees; and (v) will require each of your Principal Owners, officers, and other employees and agents with access to Confidential Information to sign a non-disclosure agreement in a form we direct or approve. The restrictions on your disclosure and use of the Confidential Information will not apply to disclosure of Confidential Information in judicial or administrative proceedings to the extent you are legally compelled to disclose this information, if you use your best efforts, and provide us the opportunity, to obtain an appropriate protective order or other assurance satisfactory to us of confidential treatment for the information required to be so disclosed

6. TRANSFER

6.1. Consent Required. You understand that we have entered into this Agreement in reliance upon your individual or collective character, aptitude, attitude, business ability and financial capacity. You must obtain our written consent prior to any Transfer. We will not unreasonably withhold our approval of any proposed Transfer provided the conditions of this Section 6 are met. Any Transfer of this Agreement made by you without our prior written consent will be null and void and a breach of this Agreement. You may not grant a security interest in your business or any of its assets without our prior written consent. Our consent to a Transfer shall not constitute a waiver of any claims we may have against you.

6.2. Requirements. We will not unreasonably withhold our consent to your proposed Transfer provided that the following requirements are met:

6.2.1. You must assign all Franchise Agreements entered into as of the date of assignment (including all Restaurants' assets) to the same transferee.

6.2.2. All of your accrued monetary obligations to us and our affiliates have been satisfied, and you are otherwise in good standing under this Agreement, all Franchise Agreements between you and us, and any other agreement between us or our affiliates, and you or your affiliates;

6.2.3. The transferee and the Principal Owners, if applicable, are approved by us and demonstrate to our satisfaction that they meet our managerial, financial and business standards for new multi-restaurant operators, possess a good business reputation and credit rating, and have the aptitude and ability to develop the Restaurants remaining in the Development Schedule. You understand that we may communicate directly with the transferee during the transfer process to respond to inquiries, as well as to insure that the transferee meets our qualifications;

6.2.4. The transferee enters into a written agreement, in form satisfactory to us, assuming and agreeing to discharge all of your obligations and covenants under this Agreement for the remainder of its term or, at our option, signs our then-current standard form of multi-restaurant franchise agreement (which may contain materially different terms and conditions than this Agreement);

6.2.5. You pay us the transfer fees due under each Franchise Agreement transferred plus Five Thousand Dollars ($5,000.00);

6.2.6. You and each Principal Owner sign a general release, in form and substance satisfactory to us, of any and all claims against us and our past and present affiliates, officers, directors, employees and agents, except to the extent limited or prohibited by applicable law;

6.2.7. We approve the material provisions of the assignment or sale of assets which assignment or sale cannot permit you to retain a security interest in this Agreement or any other intangible asset; and

6.2.8. You and each Principal Owner sign an agreement, in form satisfactory to us, in which you and each Principal Owner covenants to observe all applicable post-termination obligations.

We may expand upon, and provide more details related to, the conditions for transfer and our consent as described in this Section, and may do so in an operations manual or otherwise in writing.

6.3. <u>Transfer by Us</u>. This Agreement is fully assignable by us and benefits our successors and assigns. Any such assignment will require the assignee to fulfill our obligations under this Agreement. You acknowledge and agree that, following the effective date of any such assignment, you will look solely to the transferee or assignee, and not to us, for the performance of all obligations under this Agreement.

6.4. <u>Public or Private Offerings</u>. If you (or any of your Principal Owners) desire to raise or secure funds by the sale of securities (including common or preferred stock, bonds, debentures or general or limited partnership interests) in you or any affiliate of you, you agree to submit any written information to us before your inclusion in any registration statement, prospectus or similar offering circular or memorandum and must obtain our written consent to the method of financing before any offering or sale of securities. Our written consent will not imply or represent our approval respecting the method of financing, the offering literature submitted to us or any other aspect of the offering. No information respecting us or any of our affiliates will be included in any securities disclosure document, unless we furnish the information in writing in response to your written request, which request will state the specific purpose for which the information is to be used. Should we, in our discretion, object to any reference to us or any of our affiliates in the offering literature or prospectus, the literature or prospectus will not be used unless and until our objections are withdrawn. We assume no responsibility for the offering.

The prospectus or other literature used in any offering must contain the following language in boldface type on the first textual page:

"NEITHER CHOP STOP FRANCHISING, INC. NOR ANY OF ITS AFFILIATES: (A) IS DIRECTLY OR INDIRECTLY THE ISSUER OF THE SECURITIES OFFERED, (B)

ASSUMES ANY RESPONSIBILITY RESPECTING THIS OFFERING AND/OR THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED HEREIN, OR (C) ENDORSES OR MAKES ANY RECOMMENDATION RESPECTING THE INVESTMENT CONTEMPLATED BY THIS OFFERING."

6.5. Our Right of First Refusal. If you or your Principal Owners at any time desire to sell or assign for consideration your business, an ownership interest representing (in the aggregate) fifty percent (50%) or more of the ownership in you or all or substantially all of your assets, you or your Principal Owners must obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and must deliver a copy of the offer to us. We have the right, exercisable by written notice delivered to you or your Principal Owners within thirty (30) days following receipt of the proposed offer, to purchase the interest in your business or ownership interest in you for the price and on terms contained in the offer. We may substitute cash for any non-cash form of payment proposed in the offer and will have a minimum of sixty (60) days to prepare for closing. If we do not exercise our right of first refusal, you or your Principal Owners may complete the sale to the proposed purchaser under the terms of the offer, provided you, the Principal Owners, and the purchaser otherwise comply with this Section 6. If the sale to the proposed purchaser is not completed within one hundred twenty (120) days after delivery of the offer to us, or if there is a material change in the terms of the sale, we again will have the right of first refusal.

6.6. Guaranty. All of your Principal Owners (if you are a corporation, partnership or other entity) will sign the Guaranty and Assumption of Obligation in the form attached to this Agreement as Attachment C (the "Guaranty Agreement"). Any person or entity that at any time after the date of this Agreement becomes a Principal Owner of yours under the provisions of this Section 6 or otherwise will, as a condition of becoming a Principal Owner, sign the Guaranty Agreement.

7. COVENANTS

7.1. Organization. If you are a corporation, limited liability company, partnership or other entity, then you covenant that:

7.1.1. You are organized and validly exist under the laws of the state where you were formed;

7.1.2. You are qualified and authorized to do business in the jurisdiction where the Development Area is situated;

7.1.3. Your articles of incorporation, bylaws, operating agreement, member control agreement or other organizational documents ("Authorizing Documents") at all times will provide that your business activities will be limited exclusively to the ownership and operation of the Restaurant, unless you otherwise obtain our written consent;

7.1.4. You have the power under the Authorizing Documents to sign this Agreement and comply with the provisions of this Agreement;

7.1.5. You must provide us copies of all Authorizing Documents and any other documents, agreements or resolutions we request in writing;

7.1.6. The names of the Principal Owners are accurately stated on the Guaranty Agreement attached hereto as Attachment C; and

7.1.7. At all times, you will maintain a current schedule of the Principal Owners and their ownership interests (including the Principal Owners' names, address and telephone numbers) and will immediately provide us with an updated ownership schedule if there is any change in ownership.

7.2. Non-Solicitation of Customers. You covenant that, during the term of this Agreement, and for a period of two (2) years thereafter, you will not, directly or indirectly divert or attempt to divert any business, account or customer of the Restaurant or any other Chop Stop restaurants or the Business System to any competing business.

7.3. Covenant Not to Compete During Term. You (and each Principal Owner and the Operating Manager) will not, during the term of this Agreement, directly or as an employee, agent, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership or corporation: (i) divert or attempt to divert any business or customers of any of your Restaurants to any competitor or perform any act that would damage the goodwill associated with the Marks or the Business System; or (ii) own, operate, lease, franchise, conduct, engage in, be connected with, having any interest in, or assist any person or entity engaged in any business (including any e-commerce or Internet-based business) that distributes, sells or otherwise deals in, at wholesale or retail, salads, entrée bowls, wraps, salads, specialty beverages and related food and beverage products, or any other related business that is competitive with or similar to a Chop Stop restaurant, except: (1) with our prior written consent; (2) the ownership of securities listed on a stock exchange or traded on the over-the-counter market that represent one percent (1%) or less of that class of securities; or (3) under a separate agreement between you and us.

7.4. Post-Term Covenant Not to Compete. You (and each Principal Owner and Operating Manager) will not, for a period of two (2) years after this Agreement expires or is terminated or the date on which you cease to operate the Restaurant, whichever is later, directly or as an employee, agent, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership or corporation: (1) divert or attempt to divert any business or customers of any of your Restaurants to any competitor or perform any act that would damage the goodwill associated with the Marks or the Business System; or (2) own, operate, lease, franchise, conduct, engage in, be connected with, having any interest in, or assist any person or entity engaged in any business that operates, or distributes or sells to, at wholesale or retail, fast/casual restaurants, stores or any other location offering salads, entrée bowls, wraps, salads, specialty beverages and related food and beverage products, or any other related business that is competitive with or similar to a Chop Stop restaurant or any wholesale or retail business we then may operate relating to the sale of any Menu Items that is located within a ten (10)-mile radius of any Chop Stop restaurant; provided, however, that this Section 7.4 will not apply to: (i) other Chop Stop restaurants that you operate under a Chop Stop franchise agreement; or (ii) the ownership of securities listed on a stock exchange or traded on the over-the-counter market that represent one percent (1%) or less of that class of securities. For purposes of this Section, any form of e-commerce business or website that offers salads, entrée bowls, wraps, salads, specialty beverages and related food and beverage products or other Menu Items offered at a Chop Stop restaurant will be in violation of this provision if such e-commerce business or website offers, sells or otherwise makes its products or services available to individuals residing within or businesses located within a five (5)-mile radius of the former site of the Restaurant or any other then-existing Chop Stop Restaurant.

7.5. Injunctive Relief. You agree that damages alone cannot adequately compensate us if there is a violation of any covenant in this Section in that injunctive relief is essential for our protection. You therefore agree that we may seek injunctive relief without posting any bond or security, in addition to the remedies that may be available to us at equity or law, if you or anyone acting on your behalf violates any covenant in this Section. The covenants stated in this Section will survive the termination or expiration of this Agreement.

8. OUR TERMINATION RIGHTS

8.1. Termination of Agreement - Grounds. You will be in default, and we may, at our option, terminate this Agreement, as provided herein, if: (a) you fail to timely meet your development requirements described in the Development Schedule; (b) you violate any other material provision or obligation of this Agreement; (c) you terminate (or attempt to terminate) any Franchise Agreement without cause; (d) you or any of your managers, directors, officers or any Principal Owner makes a material misrepresentation or omission in the application for a Franchise; (e) you fail to timely pay any obligations or liabilities due and owing to us or our affiliates, other Chop Stop restaurants or suppliers, or fail to timely pay any advertising cooperative obligations; (f) you or any of your directors, officers or any Principal Owner is convicted of, or pleads guilty to or no contest to a felony, a crime involving moral turpitude, or any other crime or offense that we believe will injure the Business System, the Marks or the goodwill associated therewith, or if we have proof that you have committed such a felony, crime or offense; (g) you are insolvent within the meaning of any applicable state or federal law; (h) you make an assignment for the benefit of creditors or enter into any similar arrangement for the disposition of your assets for the benefit of creditors; (i) you are involved in any act or conduct which materially impairs or otherwise is prejudicial to the goodwill associated with the name "Chop Stop" or any of the Marks or the Business System; (j) you or a Principal Owner makes an unauthorized Transfer; (k) the operation, maintenance or construction of any Restaurant operated by you results in a threat or danger to the public health or safety; (l) you violate any federal, state or local government health code in connection with the operation of any Restaurant, (m) you receive two (2) or more written warnings from us (in accordance with the inspection procedures set forth in our franchise operations manual) for operational violations at any of the Restaurants developed by you under this Agreement, at any point during the term of this Agreement, or (n) you default under any Franchise Agreement for the operation of a Restaurant resulting in our termination of the Franchise Agreement.

8.2. Procedure. Except as described below, you will have thirty (30) days, or such longer period as applicable law may require, after your receipt from us of a written notice of default within which to remedy any default hereunder, and to provide evidence thereof to us. If you fail to correct the alleged default within that time, this Agreement will terminate without further notice to you effective immediately when the thirty (30)-day period, or such longer period as applicable law may require, expires. You will have ten (10) days after your receipt from us of a written notice of default, or such longer period as applicable law may require, to remedy any default under Section 8.1 and to provide evidence thereof to us. If you fail to correct the alleged default within that time, this Agreement will terminate without further notice to you, effective immediately when the ten (10)-day period expires, or such longer period as applicable law may require. We may terminate this Agreement immediately upon delivery of written notice to you, with no opportunity to cure, if the termination results from any of the following: (1) you fail to comply with one (1) or more material requirements of this Agreement on three (3) separate occasions within any twelve (12)- month period; (2) the nature of your breach makes it not curable; or (3) any default under items 8.1(f) through 8.1(n) above.

8.3. Applicable Law. If the provisions of this Section 8 are inconsistent with applicable law, the applicable law will apply.

9. YOUR TERMINATION RIGHTS

You may terminate this Agreement if we violate any material obligation of us to you and fail to cure such violation within sixty (60) days after our receipt of written notice from you; provided, however, that you are in substantial compliance with the Agreement at the time of giving such notice of termination. Your written notice will identify the violation and demand that it be cured.

10. RIGHTS TO DEVELOP RESTAURANTS ON TERMINATION

Upon termination of this Agreement for any reason, you have no right to establish or operate any individual Restaurant for which an individual Franchise Agreement has not been executed by us and delivered to you at the time of termination. We may establish, and to license others to establish, Restaurants in the Development Area, except as may be otherwise provided under any other agreement which has been executed between you and us.

11. YOUR OBLIGATIONS UPON TERMINATION

11.1. Post-Term Duties. If this Agreement expires or is terminated for any reason other than a termination as a result of a breach by us, you will:

11.1.1. immediately cease using Confidential Information and return to us all documents in your possession that contain Confidential Information; and

11.1.2. comply with all other applicable provisions of this Agreement, including the non-compete provisions.

11.2. Continuing Obligations. All obligations of us and you which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect following its expiration or termination and until they are satisfied or expire.

12. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION

12.1. Relationship of the Parties. We and you are independent contractors. Neither party is the agent, legal representative, partner, subsidiary, joint venture or employee of the other. Neither party will independently obligate the other to any third parties or represent any right to do so. This Agreement does not reflect or create a fiduciary relationship or a relationship of special trust or confidence. You must conspicuously identify yourself in all dealings with lessors, contractors, suppliers, public officials and others as an independent developer of franchised Restaurants.

12.2. Your Indemnification Obligations. You agree to indemnify and hold us and our subsidiaries, affiliates, stockholders, members, directors, officers, employees and agents harmless against, and to reimburse us or them for, any loss, liability or damages arising out of or relating to your development activities under this Agreement, and all reasonable costs of defending any claim brought against us or any of them or any action in which us or any of them is named as a party (including reasonable attorneys' fees) unless the loss, liability, damage or cost is solely due to the our breach of this Agreement, gross negligence or willful misconduct. You must pay all losses, liability or damages we incur pursuant to your obligations of indemnity under this Section 12.2 regardless of any settlement, actions or defense we undertake or the subsequent success or failure of any settlement, actions or defense. Further, you agree to give us immediate notice of any such action, proceeding, demand or investigation brought against you. We may, at our option, designate counsel, at your expense, to defend or settle such action, proceeding, demand or investigation brought against you or the Restaurant. This obligation does not diminish your indemnification obligations under this Section 12.2.

12.3. Our Indemnification Obligations. We agree to indemnify and hold you and your officers, directors and agents harmless against, and to reimburse you and them for, any loss, liability or damage solely arising from or relating to our breach of this Agreement, gross negligence or willful misconduct, and all reasonable costs of defending any claim brought against you or them or any action in which you or they are named as a party (including reasonable attorneys' fees).

12.4. Survival. The indemnities and assumptions of liabilities and obligations continue in full force and effect after the expiration or termination of this Agreement.

13. DISPUTE RESOLUTION

13.1. Arbitration. Except to the extent we elect to enforce the provisions of this Agreement by injunction as provided in Section 13.2 below, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims of fraud in the arbitrability of any matter) will be resolved by arbitration on an individual basis under the authority of the Federal Arbitration Act in the city in which our corporate headquarters is located at the time the arbitration is commenced. The arbitrator(s) will have a minimum of five (5) years' experience in the law of franchising and will have the right to award specific performance of this Agreement. The proceedings will be conducted under the Commercial Arbitration Rules of the American Arbitration Association, or the rules of such other arbitration services organization as the parties otherwise may agree upon in writing, to the extent such rules are not inconsistent with the provisions of this arbitration provision or the Federal Arbitration Act. The decision of the arbitrator(s) will be final and binding on all parties; provided, however, the arbitrator(s) may not under any circumstances: (1) stay the effectiveness of any pending termination of this Agreement; (2) assess punitive or exemplary damages; or (3) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance we establish. Any arbitration proceeding will be limited to controversies between you and us, and will not be expanded to include any other Chop Stop franchisee or multi-restaurant operator, or include any class action claims. This Section 13 will survive termination or nonrenewal of this Agreement under any circumstances. Judgment upon the award of arbitrator(s) may be entered in any court having jurisdiction thereof. During any arbitration proceeding, we and you will fully perform our respective obligations under this Agreement.

13.2. Injunctive Relief. Notwithstanding Section 13.1 above, you recognize that a single franchisee's or multi-restaurant operator's failure to comply with the terms of its agreement could cause irreparable damage to us and/or to some or all other Chop Stop franchisees and multi-restaurant operators. Therefore, if you breach or threaten to breach any of the terms of this Agreement, we will be entitled to an injunction restraining such breach and/or a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining such equitable relief, until such time as a final and binding determination is made by the arbitrators.

13.3. Attorneys' Fees. The nonprevailing party will pay all costs, fees, expenses, and reasonable attorneys' fees, and interest on such costs, fees, expenses and attorneys' fees, the prevailing party incurs in any action brought to enforce any provision of this Agreement or to enjoin any violation of this Agreement.

14. ENFORCEMENT

14.1. Severability. All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions will be enforced to the extent valid and enforceable. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or non-renewal of this Agreement than is required, or the taking of some other action not required, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by us are invalid or unenforceable, the prior notice and/or other action required by law or rule will be substituted for the comparable provisions.

14.2. Waiver of Obligations. Our waiver of any breach by you, or our delay or failure to enforce any provision of this Agreement, will not be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce our rights respecting that or any other breach. Time is of the essence in the performance of your obligations under this Agreement, including but not limited to your development of Restaurants in accordance with the deadlines state in the Development Schedule.

14.3. Rights of Parties Are Cumulative. The rights of us and you are cumulative and no exercise or enforcement by either party of any right or remedy precludes the exercise or enforcement by such party of any other right or remedy to which such party is entitled by law or equity to enforce.

14.4. Venue. Any cause of action, claim, suit or demand allegedly arising from or related to this Agreement or the relationship of the parties and not subject to arbitration under Section 13 above must be brought exclusively in the state or federal court of competent jurisdiction in the state covering the location in which our corporate offices are located at the time the action is commenced. Each of us and you irrevocably consents to the jurisdiction of such courts. The provisions of this Section 14 will survive the termination of this Agreement.

14.5. Governing Law. Subject to our rights under federal trademark laws and the parties' rights under the Federal Arbitration as specified in this Agreement, this Agreement will be governed by and construed under the laws of the state in which the Development Area is situated, without regard to any conflict of laws principles of such state. You waive, to the fullest extent permitted by law, the rights and protections that might be provided through any state franchise or business opportunity laws, other than those of the laws of the state in which the Development Area is situated. Any action brought under this Agreement shall be conducted on an individual basis, and not as part of a consolidated, common, or class action, and you and your Principal Owners waive any and all rights to proceed on a consolidated, common, or class basis.

14.6. Binding Effect. This Agreement is binding upon the parties and their respective executors, administrators, heirs, assigns, and successors in interest, and will not be modified except by written agreement signed by both you and us. Except as provided above, this Agreement is not intended, and will not be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

14.7. References. If you consist of two (2) or more individuals, such individuals will be jointly and severally liable, and references to you in this Agreement will include all such individuals.

14.8. Interpretation of Rights and Obligations. The following provisions will apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement and the relationship between the parties:

14.8.1. Our Rights. Whenever this Agreement provides that we have or reserve (retain) a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop and change the Business System in any manner that is not specifically precluded by the provisions of this Agreement.

14.8.2. Waiver of Punitive Damages. You and we and our affiliates agree to waive, to the fullest extent permitted by law, the right to or a claim for any punitive or exemplary damages against the other and agree that in the event of any dispute between them, each will be limited to the recovery of actual damages sustained by it.

14.8.3. Waiver of Jury Trial. You and we irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of them against the other, whether or not there are other parties in such action or proceeding.

14.8.4. *Force Majeure*. If any party fails to perform any obligation under this Agreement due to a cause beyond the control of and without the negligence of such party, such failure will not be deemed a breach of this Agreement, provided such party uses reasonable best efforts to perform such obligations as soon as possible under the circumstances. Such causes include strikes, wars, riots, civil commotion, and acts of government, except as may be specifically provided for elsewhere in this Agreement.

14.8.5. Limitation of Actions. Subject to any applicable statute of limitations, you and we agree that neither party will have the right to bring any claim or action against the other party unless the action or claim is commenced within one (1) year after the offended party has knowledge of the facts giving rise to the action or claim.

14.8.6. Entire Agreement. The "Introduction" section, the attachment(s) to this Agreement, and that certain Disclosure Acknowledgment Agreement signed contemporaneously by you are a part of this Agreement, which represents the entire agreement of the parties (along with any Franchise Agreements you execute), and there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement. Nothing in the Agreement is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

15. NOTICES

All written notices and reports permitted or required to be delivered by the provisions of this Agreement are deemed so delivered at the time delivered by hand, one (1) business day after sent by a recognized overnight delivery service which requires a written receipt, or three (3) business days after placed in the U.S. Mail by registered or certified mail, return receipt requested, postage prepaid and addressed to the party to be notified at the address stated herein or at such other address as may have been designated in writing to the other party. Notices will be effective when delivered to you. You alone are responsible and liable for forwarding any notices to your officers, directors, employees, shareholders, owners, guarantors, principals, members and/or partners.

The parties have signed this Agreement on the date stated in the first paragraph.

WE:

CHOP STOP FRANCHISING, INC.,
a California corporation

By: ______________________________
Its: ______________________________

YOU:

____
Name of corporation or limited liability company

By: ______________________________
Its: ______________________________

ATTACHMENT A
TO MULTI-RESTAURANT DEVELOPMENT AGREEMENT

DEVELOPMENT AREA

This Attachment is attached to and is an integral part of the Chop Stop Multi-Restaurant Development Agreement dated ______________, 20______, between us and you.

The development rights and obligations of you to timely develop and open Restaurants will be within the following described area:

____
____
____
[or refer to attached map]

APPROVED:

FRANCHISOR:

CHOP STOP FRANCHISING, INC.,
a California corporation

By: _____________________________________
____
Its:_____________________________________

MULTI-RESTAURANT OPERATOR:

_____________________, a(n) __________

By: _____________________________________
____
Its:_____________________________________

ATTACHMENT B
TO MULTI-RESTAURANT DEVELOPMENT AGREEMENT

DEVELOPMENT SCHEDULE

This Attachment is attached to and is an integral part of the CHOP STOP FRANCHISING, INC. Multi-Restaurant Development Agreement dated ____________________, 20____, between us and you.

1. Development Obligations. You agree to timely open Restaurants in compliance with the development schedule set forth in the table below.

2. Terms. The Development Schedule, including the number of Restaurants required to be opened and operating, deadlines for executing Franchise Agreements and Restaurant openings, Development Fee amount, and modifications to the initial franchise fee for future Franchise Agreements in the Development Area, will be as follows:

Loc. #	Date FA must Be Signed	Date Unit Must Be Open	Development Fee (& IFF Credit)	Initial Franchise Fee	IFF Net of Credit
1	__/__/21	__/__/22__	$17,500	$35,000	$17,500
~~1~~2	~~__/__/21~~[TBD]	~~__/__/22__~~[TBD]	$15,000	$30,000	$15,000
~~2~~3	[TBD]	[TBD]	~~$12,500~~[$15,000]	~~$25,000~~[$30,000]	~~$12,500~~[$15,000]
~~3~~4	[TBD]	[TBD]	[$12,500]	[$25,000]	[$12,500]
4	~~[TBD]~~	~~[TBD]~~	~~[$10,000]~~	~~[$20,000]~~	~~[$10,000]~~
TOTAL DEVELOPMENT FEE:			**$_______**		

APPROVED:

FRANCHISOR:

CHOP STOP FRANCHISING, INC.,
a California corporation

By: ____________________________________

____

Its:__________________________________

MULTI-RESTAURANT OPERATOR:

_____________________, a(n) __________

By: ____________________________________

____

Its:__________________________________

ATTACHMENT C
TO MULTI-RESTAURANT DEVELOPMENT AGREEMENT
GUARANTY AND ASSUMPTION OF OBLIGATIONS

In consideration of the execution of that certain Multi-Restaurant Development Agreement dated ________________, 20__ (the "Agreement") by CHOP STOP FRANCHISING, INC. ("we" or "us"), each of the undersigned (a "Guarantor") personally and unconditionally guarantees to us, and our successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement that __ ____ ("you") will timely pay and perform each and every undertaking, agreement and covenant stated in the Agreement; and agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement.

Each of the undersigned waives: (1) acceptance and notice of acceptance by us of the foregoing undertaking; (2) notice of demand for payment of any indebtedness; (3) protest and notice of default to any party respecting the indebtedness; (4) any right he may have to require that an action be brought against you or any other person as a condition of liability.

Each Guarantor consents and agrees that:

(1) Guarantor's liability under this undertaking will be direct and independent of the liability of, and will be joint and several with, you and the other Guarantors of you;

(2) Guarantor will make any payment or perform any obligation required under the Franchise Agreement upon demand if you fail to do so;

(3) Guarantor's liability hereunder will not be diminished or relieved by bankruptcy, insolvency or reorganization of you or any assignee or successor;

(4) Guarantor's liability will not be diminished, relieved or otherwise affected by any extension of time or credit which we may grant to you, including the acceptance of any partial payment or performance, or the compromise or release of any claims;

(5) We may proceed against Guarantor and you jointly and severally, or we may, at our option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against you or any other Guarantor; and

(6) Guarantor will pay all reasonable attorneys' fees and all costs and other expenses we incur in enforcing this Guaranty against Guarantor or any negotiations relative to the obligations hereby guaranteed.

Each of the undersigned has signed this Guaranty as of the same day and year as the Agreement was executed.

GUARANTOR(S)	PERCENTAGE OWNERSHIP IN YOU

4855-2747-1889, v. ~~1~~2

EXHIBIT D

LIST OF STATE ADMINISTRATORS; AGENTS FOR SERVICE OF PROCESS

STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
California	Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation	320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 1-866-275-2677

EXHIBIT E

LIST OF CURRENT AND FORMER FRANCHISEES

FRANCHISEES OPERATING AS OF DECEMBER ~~27~~26, ~~2020~~2021

CALIFORNIA

Aliso Viejo
26741 Aliso Creek Rd, Suite C,
Aliso Viejo, CA 92656
SALAD STRONG, INC.
(949) 317-3517

Brea
2435 E. Imperial Hwy, Unit D,
Brea, CA 92821
BON, LLC
(714) 484-4211

Chino Hills
15912 Pomona Rincon Rd, Suite 100,
Chino Hills, CA 91709
DGC FOODS, INC.

(~~951) 515-4735~~909) 393-7633

Encinitas
258 N. El Camino Real, Suite B-2
Encinitas, CA 92024
CBAD SALADS, LLC
(760) ~~809-1424~~456-5211

Fountain Valley
18515 Brookhurst St,
Fountain Valley, CA 92708
PCH VENTURES, LLC
(657) 244-8668

Hesperia
12699 Main St, Suite 140,
Hesperia, CA 92366
K & H FAMILY INVESTMENTS, INC.
(760) 983-9113

La Canada
711 Foothill Blvd, Unit A,
La Canada Flintridge, CA 91011
~~CS LA CANADA~~BON, LLC
(818) 928-1348

La Verne
1335 Foothill Blvd,
La Verne, CA 91750
KC3 VENTURES, LLC
(909) 515-7373

~~**North Hills**~~
The Mix on Balboa
8440 Balboa Blvd, Suite 104,
Los Angeles, CA 91325
GEAR CS ENTERPRISES, INC.
(747) 237-7588

North Hollywood
5200 Lankershim Blvd, Suite 160,
North Hollywood, CA 91601
ZENWHEY, LLC

(~~310) 429-1880~~818) 927-4226

Northridge
9225 Reseda Blvd,
Northridge, CA 91324
GEAR CS ENTERPRISES, INC.
(818) 477-2966

Rancho Cucamonga
11144 Foothill Blvd, Suite 120,
Rancho Cucamonga, CA 91739
KC SALAD VENTURES, LLC
(909) 466-1616

Rialto
1165 W. Renaissance Pkwy, Suite 410,
Rialto, CA 92376
DGC FOODS, INC.
(909) 320-8818

San Jose
1704 Oakland Rd, Suite 300,
San Jose, CA 95131
WDS VINO, INC.

(~~818) 531-6908~~408) 564-6302

Temecula
32389 Temecula Pkwy, Unit 120,
Temecula, CA 92592
HFB ENTERPRISES, LLC

(~~909) 660-9745~~951) 297-9107

Upland
65 E. Foothill Blvd, Unit B,
Upland, CA 91786
KC2 VENTURES, LLC
(909) 566-2600

Valencia
27015 McBean Pkwy,
Santa Clarita, CA 91355
CRS INVESTMENT GROUP, INC.
(661) 222-2337

NEVADA

Las Vegas
6805 S. Las Vegas Blvd, Suite 140,
Las Vegas, NV 89119
LVG 6805, LLC
(702) ~~672-0951~~665-5889

Reno
75 Damonte Ranch Parkway, Suite C,
Reno, NV 89521
FERGEATS, INC.
(~~801) 631-1810~~775) 499-5245

Rhodes Ranch
7425 S Durango Dr, Suite 102,
Las Vegas, NV 89113
LVG 7425, LLC
(702) 485-5550

TEXAS

Frisco
3266 Parkwood Blvd, Suite 100,
Frisco, TX 75034
WEIR SALAD GROUP 2, LLC
(469) ~~360-7260~~
444-6061

FRANCHISE AGREEMENTS SIGNED BUT LOCATION NOT YET OPEN AS OF DECEMBER ~~27~~26, ~~2020~~2021

CALIFORNIA

~~**Aliso Viejo**~~
~~26741 Aliso Creek Rd, Suite C,~~
~~Aliso Viejo, CA 92656~~
~~SALAD STRONG, INC.~~
~~(513) 252-1165~~

Downtown Los Angeles
750 W 7th St,
Los Angeles, CA 90017
CHOPPED PARTNERS LA, INC.
(818) ~~523-7890~~588-9117

Eastvale
(Location TBD)
Vivek Malkan

Orange County – Development Agreement for ~~2 locations~~1 additional location
(Locations TBD)
PCH VENTURES, LLC
(412) 512-5351

Orange County – Development Agreement for 1 additional location
(Location TBD)
SALAD STRONG, INC.
(513) 252-1165

Orange County/Long Beach
(~~Locations~~Location TBD)
LEAFY VENTURES, INC.
~~(757) 777-8241~~

Pico Rivera
(Location TBD)
DARYAN INTERNATIONAL, INC.
~~(626) 272-0908~~

Riverside County ~~– Development Agreement for 2 additional locations~~
(Location TBD)
DGC FOODS, INC.

(~~951) 515-4735~~909) 355-3002

Riverside County – Development Agreement for 1 additional location
(Location TBD)
DGC FOODS, INC.
(909) 355-3002

San Diego County, CA
(Location TBD)

Cheryl Northup & David Northup

COLORADO

Denver ~~**- Development Agreement for 2 locations**~~
(~~Locations~~Location TBD)
BUCKET BOYS, LLC
~~(724) 448-5949~~

Denver - Development Agreement for 1 additional location
(Location TBD)
BUCKET BOYS, LLC

TEXAS

Dallas Fort Worth Area
(Location TBD)
WEIR SALAD GROUP 1, LLC
(469) 444-6061

Dallas Fort Worth Area - Development Agreement for 1 additional location
(Location TBD)
WEIR SALAD GROUP 1, LLC
(469) ~~360-7260~~444-6061

FRANCHISEES WHO HAVE LEFT THE SYSTEM, AS OF DECEMBER ~~27~~26, ~~2020~~2021

~~**Anaheim Hills**~~
~~WINDSOR FOODS, INC.*~~
~~(951) 201-5646~~

~~**San Fernando Valley**~~
~~TAL VENTURES, INC.*~~
~~(530) 521-3918~~

~~*These franchisees left the system without having opened and commenced operations.~~

La Canada (Transfer)
CS LA CANADA, LLC
(800) 873-8989

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

EXHIBIT F

DISCLOSURE ACKNOWLEDGMENT AGREEMENT

[FOR USE WITH APPLICANTS WHO ARE CALIFORNIA RESIDENTS OR SIGNING A FRANCHISE AGREEMENT FOR A RESTAURANT TO BE LOCATED IN CALIFORNIA]

CHOP STOP DISCLOSURE
ACKNOWLEDGMENT AGREEMENT
(California)

Applicant ____

(If corporation) State of Incorporation ______________________________

Address of Applicant ____

Location (Territory) Applied For ______________________________________

A. I have had an opportunity to read the Franchise Agreement. I understand that the Franchise Agreement contains all obligations of the parties and that oral statements or promises not contained in the Franchise Agreement are not enforceable.

B. I understand that this franchised business, as in all business ventures, involves risk and, despite assistance and support programs, the success of my business will depend largely upon me and my ability.

C. I understand that you have established a national Brand Fund and promotional program which is not directed towards any specific franchise territory but is intended to benefit the entire Chop Stop system nationwide. I further understand that amounts from the Brand Fund Fee and promotional fund will be used to offset any in-house expenses you incur in providing marketing services, media planning, and network marketing support.

D. I have had no promises, guarantees or assurances made to me and no information provided to me regarding actual or potential earnings, revenues, profits, or sales for this franchise other than the information in Item 19 of the Chop Stop disclosure document. If I believe that I have received any promises, guarantees, assurances or information, I agree to describe it below or on the reverse side if more room is necessary (otherwise write "None").

____

____

____

____

NOTE: No ~~disclaimer~~statement, questionnaire, ~~clause,~~ or ~~statement~~acknowledgment signed or agreed to by a ~~franchisee or prospective~~ franchisee in connection with the commencement of the franchise relationship shall ~~be construed or interpreted as~~have the effect of (i) waiving any ~~claim of~~claims under any applicable state franchise law, including fraud in the inducement, ~~whether common law or statutory,~~ or ~~as~~(ii) disclaiming reliance on ~~or the right to rely upon~~ any statement made ~~or information provided~~ by any franchisor, ~~broker~~franchise seller, or other person acting on behalf of the franchisor ~~that was a material inducement to a franchisee's investment~~. This provision supersedes any other ~~or inconsistent~~ term of any document executed in connection with the franchise.

Applicants' Acknowledgment:

Name: ____________________________	Name: ____________________________________
Date: _____________________________	Date: _____________________________________

[FOR USE WITH ALL OTHER APPLICANTS]

CHOP STOP DISCLOSURE
ACKNOWLEDGMENT AGREEMENT
(States other than California)

Applicant ____
(If corporation) State of Incorporation ______________________________
Address of Applicant ______________________________________
____
Location (Territory) Applied For ____________________________________

A. I have had an opportunity to read the Franchise Agreement. I understand that the Franchise Agreement contains all obligations of the parties and that oral statements or promises not contained in the Franchise Agreement are not enforceable.

B. I understand that this franchised business, as in all business ventures, involves risk and, despite assistance and support programs, the success of my business will depend largely upon me and my ability.

C. I understand that you have established a national Brand Fund and promotional program which is not directed towards any specific franchise territory but is intended to benefit the entire Chop Stop system nationwide. I further understand that amounts from the Brand Fund Fee and promotional fund will be used to offset any in-house expenses you incur in providing marketing services, media planning, and network marketing support.

D. I have had no promises, guarantees or assurances made to me and no information provided to me regarding actual or potential earnings, revenues, profits, or sales for this franchise other than the information in Item 19 of the Chop Stop disclosure document. If I believe that I have received any promises, guarantees, assurances or information, I agree to describe it below or on the reverse side if more room is necessary (otherwise write "None").

____
____
____
____

Applicants' Acknowledgment:

Name: __________________________ Name: __________________________

Date: __________________________ Date: __________________________

EXHIBIT G

STATE SPECIFIC ADDENDA

CALIFORNIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION ~~AND~~. ANY COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPI.CA.GOV.

SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE. THE FRANCHISOR HAS OR WILL COMPLY WITH ALL OF THE REQUIREMENTS UNDER CALIFORNIA CORPORATIONS CODE, SECTION 31109.1, WITH RESPECT TO NEGOTIATED SALES.

Item 3, Additional Disclosure:

Neither we nor any person described in Item 2 of the Disclosure Document is subject to any currently effective order of any National Securities Association or National Securities Exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq. suspending or expelling such persons from membership in such association or exchange.

Item 6, Additional Disclosure:

The highest interest rate allowed by law in California is 10% annually.

Item 17, Additional Disclosures:

The franchise agreement requires franchisee to execute a general release of claims upon renewal or transfer of the franchise agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

The franchise agreement requires application of the laws of the state in which the Restaurant is located. This provision may not be enforceable under California law.

California Civil Code Section 1671 restricts or prohibits the imposition of liquidated damage provisions.

The franchise agreement contains a ~~liquidated~~waiver of punitive damages ~~clause. Under California Civil Code §1671, certain liquidated damages clauses are unenforceable~~and jury trial provisions. These waivers may not be enforceable under California law.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. §101 et seq.)

The franchise agreement requires binding arbitration. The arbitration will occur in the city in which the franchisor's corporate headquarters are located, currently, La Crescenta, California, with the cost being borne by the parties as determined by the arbitrator. Prospective franchisees are encouraged to consult with private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement contains provisions requiring you to agree to shorten the statute of limitations to bring claims and waive your right to punitive or exemplary damages against the franchisor or any of its representatives, limiting your recovery to actual damages. Under California Corporations Code section 31512, this provision is not enforceable in California for any claims you may have under the California Franchise Investment Law.

~~California Business and Professions Code sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.~~

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

1. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

2. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

The Franchise Agreement requires franchisee to execute a general release of claims upon renewal or transfer of the franchise agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

The Franchise Agreement requires application of the laws of the state in which the Restaurant is located. This provision may not be enforceable under California law.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code §1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement contains a waiver of punitive damages and jury trial provisions. These waivers may not be enforceable under California law.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. The Federal Bankruptcy Code also provides rights to franchisee concerning termination of the Franchise Agreement upon certain bankruptcy-related events. If the Franchise Agreement is inconsistent with the law, the law will control.

The Franchise Agreement requires binding arbitration. The arbitration will occur in the city in which the franchisor's corporate headquarters are located, currently, La Crescenta, California, with the cost being borne by the parties as determined by the arbitrator. Prospective franchisees are encouraged to consult with private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

3. Subsection 3(B)(1) of the Franchise Agreement is modified by adding the following to the end of that subsection: "Your failure to provide written notice of your wish to enter into a successor Franchise Agreement as specified in this subsection shall be deemed a rejection of our offer of renewal, which shall cause this Agreement to expire at the end of its initial term;"

4. Section 10 of the Franchise Agreement is modified to provide that in addition to the other required reports, you must provide us with a written report on a quarterly basis throughout the term of the Franchise Agreement, listing the following information: (i) a list of the assets of you have acquired for the Restaurant, (ii) their purchase date and purchase price, (iii) the person or entity from whom the asset was acquired, (iv) the depreciated value of each asset, (v) the identity of all persons and entities holding liens on each asset, (vi) the date of disposition of each asset, (vii) the date of the release of lien of each asset, and (viii) other information prescribed by us in the Operations Manual. The depreciation schedule for each asset will be the fastest depreciation schedule permitted under either Generally Accepted Accounting Principles or under the Internal Revenue Code, unless otherwise prescribed by us in the Operations Manuals.

5. Subsection 14(C)(2) of the Franchise Agreement is deleted and replaced with the following provision:

> You have provided us with prior written notice of your intent to effectuate the sale, assignment, or transfer of: (i) this Agreement, (ii) all or substantially all of the assets of the Restaurant, or (iii) a controlling interest in the Restaurant. The notice must comply with Section 21 of this Agreement and must include all of the following:
>
> (1) The proposed transferee's name and address;
>
> (2) A copy of all agreements related to the sale, assignment, or transfer of this Agreement, the assets of the Restaurant, or the interest in the Restaurant;
>
> (3) The proposed transferee's application for approval to become the successor franchisee. The application shall include all forms, financial disclosures, and related information generally utilized by us in reviewing prospective new franchisees, if those forms are readily made available to you. If the forms are not readily available, you shall request and we shall deliver the forms to you.
>
> As soon as practicable after the receipt of the proposed transferee's application, we shall notify, in writing, you and the proposed transferee of any additional information or documentation necessary to complete the transfer application. If our then-existing standards for the approval of new or renewing franchisees are not readily available to you when you notify us of your intent to sell, transfer, or assign this Agreement, the assets of the Restaurant, or the controlling interest in the Restaurant, we will communicate the standards to you within fifteen (15) calendar days. Those standards may include requirements that the proposed transferee complete one or more interviews with our executives, who may decide, among other things, whether the proposed transferee's personality, interest, plans for the business, involvement in franchising or in competitive activities would make the proposed transferee a suitable Chop Stop franchisee or owner of an interest in a Chop Stop franchisee.

We shall, within sixty (60) days after the receipt of all of the necessary information and documentation required above, or as specified by written agreement between us and you, notify you of the approval or disapproval of the proposed sale, assignment, or transfer. A proposed sale, assignment, or transfer shall be deemed approved, unless disapproved by us in the manner provided herein. If the proposed sale, assignment, or transfer is disapproved, we will include in the notice of disapproval a statement setting forth the reasons for the disapproval.

6. The first two sentences of Section 15(B) of the Franchise Agreement are deleted and replaced with the following:

Except as described below, you shall have sixty (60) days after your receipt from us of a written notice of default within which to cure the default. If you believe you cannot reasonably cure a default while exercising diligent efforts within sixty (60) days, and if you notify us of this conclusion within fifteen (15) days after receiving the written notice of default, and if we deliver notice to you that we concur in your conclusion within thirty (30) days from the delivery of the notice of default, then you shall have an additional fifteen (15) days (for a total of seventy-five (75) days) within which to fully cure that default. If all defaults identified in the notice are timely cured, this Agreement shall not be terminated absent a subsequent or previously undiscovered default resulting in a subsequent notice.

7. Section 17(C) of the Franchise Agreement is deleted and replaced with the following:

Our Option to Purchase Restaurant.

If at any time we reasonably believe that you are in default of any obligation arising under this Agreement, or if you have failed to comply with any conditions of renewal specified in Section 3, in addition to any other remedies available under this Agreement or at law or in equity, we may purchase the assets of your business for their depreciated value on the date of the notice. The date on which the purchase shall occur (the "Closing Date") shall be the day before the effective date of the termination or expiration as specified in the notice, or on such other date as the parties shall agree. We will not exercise this option unless we or our assignee can acquire the right to operate a business from the Authorized Location following the Closing Date. We will only purchase assets, including leasehold interests, that are delivered to us on the Closing Date, and, in the case of assets that are rented or leased, assets to which the renter or lessor has approved the sale to us or its assignee on no more onerous terms than those under which the asset was rented or leased to you.

The value of this Agreement shall be the depreciated value of the initial license fee, or if applicable, the depreciated value of the renewal fee paid by you as established by the depreciation schedule set forth in the Operations Manuals. Payments for the assets due from us shall exclude all amounts you and your affiliates owe to us and our affiliates, all amounts owed to other creditors which have not been paid by the Closing Date, any unpaid taxes, and any attorneys' fees incurred by us or our affiliates in resolving or defending any disputes or claims arising out of the purchase of the assets. The purchase price shall be reduced to the extent that any asset is damaged or unusable.

With respect to any contracts or leases, you shall provide a list (including written copies, if applicable) of all such contracts or commitments and a statement of whether they are assignable. In addition, you shall provide us with your tax returns and financial statements for the last three (3) years, good standing certificates, a description of any litigation, pending claims, governmental actions, or disputes, and a description of any liens or encumbrances, mortgages. The purchase agreement related to the transaction will convey all of the purchased assets in good working order, free and clear of any liens, encumbrances, mortgages, pledges, covenants and restrictions, and will provide for customary representations and warranties, covenants, indemnities, escrow and/or holdbacks of the purchase price.

If you have failed to provide the quarterly reports pertaining to your assets that are required by Section 10 of this Agreement, or if you fail to provide us or our assignee with evidence of clear title to each of the assets used in the operation of the business at the Restaurant Location, we or our assignee may assume control of all of the assets on the termination date established by our written notice of termination delivered pursuant to Section 15(B) or on the expiration date, and we may defer making any payments to you until you have provided us or our designee with all of the information required under Section 10 and the Operations Manuals. We may hold back or escrow any portion of the purchase price we believe is needed to protect against claims arising out of your operation of the Restaurant prior to the closing.

At closing, the parties shall execute an asset purchase agreement which will contain typical warranties, representations and schedules normally associated with the sale of substantially all of the assets of a business. We and you shall each be liable for our respective attorneys and other professionals' fees associated with the transaction.

8. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR: **CHOP STOP FRANCHISING, INC.**	**FRANCHISEE:** ______________________________
By: ________________________	By: ________________________
Its: ______________________	Its: ______________________
Date: ______________________	Date: ______________________

CALIFORNIA ADDENDUM TO DEVELOPMENT AGREEMENT

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

1. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

2. Notwithstanding anything to the contrary contained in the Development Agreement, to the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

The Development Agreement requires franchisee to execute a general release of claims upon renewal or transfer of the Development Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

The Development Agreement requires application of the laws of the state in which the Restaurant is located. This provision may not be enforceable under California law.

The Development Agreement contains a liquidated damages clause. Under California Civil Code §1671, certain liquidated damages clauses are unenforceable.

The Development Agreement contains a waiver of punitive damages and jury trial provisions. These waivers may not be enforceable under California law.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. The Federal Bankruptcy Code also provides rights to franchisee concerning termination of the Development Agreement upon certain bankruptcy-related events. If the Development Agreement is inconsistent with the law, the law will control.

The Development Agreement requires binding arbitration. The arbitration will occur in the city in which the franchisor's corporate headquarters are located, currently, La Crescenta, California, with the cost being borne by the parties as determined by the arbitrator. Prospective franchisees are encouraged to consult with private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Development Agreement restricting venue to a forum outside the State of California.

The Development Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

3. Section 4 of the Development Agreement is modified to provide that payment of the Development fee is deferred until such time as the franchisor completes its initial obligations and franchisee has begun operating its developer business.

4. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Development Agreement. In the event of any conflict between this Addendum and the Development Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR: **CHOP STOP FRANCHISING, INC.**	**FRANCHISEE:** _______________________________
By: ___________________________	By: ___________________________
Its: ___________________________	Its: ___________________________
Date: ___________________________	Date: ___________________________

EXHIBIT H

OPERATIONS MANUAL TABLE OF CONTENTS

EXHIBIT I

STATE EFFECTIVE DATES AND RECEIPTS

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration:

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	~~August 17, 2021~~Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If CHOP STOP FRANCHISING, INC. offers you a franchise, CHOP STOP FRANCHISING, INC. must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, CHOP STOP FRANCHISING, INC. or its affiliate in connection with the proposed franchise sale.

If CHOP STOP FRANCHISING, INC. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state administrators listed on Exhibit D.

Issuance Date: April 15, ~~2021~~2022

The franchisor is CHOP STOP FRANCHISING, INC., located at 2626 Foothill Blvd, Suite 230, La Crescenta, California 91214. Its telephone number is (818) 369-7350.

CHOP STOP FRANCHISING, INC.'s franchise sellers involved in offering and selling the franchise are Mark Kulkis, Joey Gonzalez and Richelle Davis, 2626 Foothill Blvd, Suite 230, La Crescenta, California 91214, (818) 369-7350. Any additional franchise sellers are listed below (with address and telephone number), or will be provided to you separately before you sign a franchise agreement:

____
____.

CHOP STOP FRANCHISING, INC. authorizes the respective state agencies identified on Exhibit D to receive service of process for CHOP STOP FRANCHISING, INC. in the particular state.

I have received a disclosure document with an issuance date of April 15, ~~2021~~2022, that included the following Exhibits:

A. Financial Statements
B. Franchise Agreement (and Attachments)
C. Multi-Restaurant Development Agreement (and Attachments)
D. List of State Administrators/Agents for Service of Process
E. Franchisee List
F. Disclosure Acknowledgment Agreement
G. State Specific Addenda
H. Operations Manual Table of Contents
I. State Effective Dates and Receipts

Date: ____________________
(Do not leave blank)

____
(Print Name of Prospective Franchisee (For Entity))

By: ____
Its: ____

Signature: ___________________________________

____
(Print Name of Prospective Franchisee (For Individuals))

Signature: ___________________________________

Copy for Franchisee

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If CHOP STOP FRANCHISING, INC. offers you a franchise, CHOP STOP FRANCHISING, INC. must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, CHOP STOP FRANCHISING, INC. or its affiliate in connection with the proposed franchise sale.

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____

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E. Franchisee List
F. Disclosure Acknowledgment Agreement
G. State Specific Addenda
H. Operations Manual Table of Contents
I. State Effective Dates and Receipts

Date: ____________________
(Do not leave blank)

____
(Print Name of Prospective Franchisee (For Entity))
By: ___________________________________
Its: ___________________________________

Signature ________________________________

____
(Print Name of Prospective Franchisee (For Individuals))

Signature ________________________________

Please sign and date both copies of this receipt, keep one copy (the previous page) for your records, and mail one copy (this page) to the address listed on the front page of this disclosure document or send to us by email to richelle@chopstop.com.