FRANCHISE DISCLOSURE DOCUMENT

GOLD STAR CHILI, INC.
an Ohio corporation
650 Lunken Park Drive
Cincinnati, Ohio 45226
(513) 231-4541
www.goldstarchili.com

The franchisee will establish and operate quick-casual restaurants with limited service offering chili, chili products, and other cuisine (the “Gold Star Restaurant” or “Restaurant”).

The estimated initial investment necessary to begin operation of a Gold Star Restaurant franchise ranges from $496,432 to $1,730,950. This includes $50,000 (if this is the first Gold Star franchise you have purchased), $25,000 (if this is your second, third or fourth Gold Star franchise you have purchased) or $10,000 (if this is your fifth or greater Gold Star franchise you have purchased) that must be paid to the franchisor. The estimated initial investment does not include real estate, related improvement costs or tenant improvement allowances. (See Item 7)

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 any 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 Office Administrator, jennyr@gsrbrands.com, (513) 231-4541.

The terms of your contract will govern your franchise relationship. Don’t rely on the disclosure document alone to understand your contract. Read your entire 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: May 1, 2025

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 Exhibits D and 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 F 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 Gold Star Chili, Inc. 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 Gold Star Chili, Inc. franchisee?	Item 20 or Exhibits D and E list 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 A.

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The Franchise Agreement requires litigation in Ohio. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with franchisor in Ohio than in your home state.

2. **Governing Law.** The Franchise Agreement states that Ohio law governs the agreement, and this law may not provide you the same protections and benefits as local law. You may want to compare these laws.

3. **Jury Waiver**. The Franchise Agreement contains a waiver of the right to a trial by jury in any action, proceeding or counterclaim.

4. **Waiver of Punitive or Exemplary Damages**. The Franchise Agreement contains a waiver of any right to, or claim for, punitive or exemplary damages. Your judgment in litigation is limited to your actual damages.

5. **Franchise Renewal**. Many Franchise Agreements do not allow you to renew unconditionally after the initial term expires. You may have to sign a new agreement with different terms and conditions in order to continue to operate your business. Before you enter into an agreement, consider what rights you have to renew your franchise, if any, and what terms you might have to accept in order to renew.

6. **Other Risks**. There may be other risks concerning this franchise.

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

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

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Item 1

The Franchisor, and any Parents, Predecessors, and Affiliates

The Franchisor.

To simplify the language in this disclosure document "Gold Star" and "we" means Gold Star Chili, Inc., the franchisor. "You" means the person or business entity that buys this franchise (if the buyer of the franchise is a corporation, partnership or other entity, the term "you" does not include the owners of that entity).

Gold Star is an Ohio corporation that was incorporated on September 14, 1965. Gold Star does business under the name "Gold Star" and "Gold Star Chili." Gold Star does not conduct business under any other names. Gold Star's principal business address is 650 Lunken Park Drive, Cincinnati, Ohio 45226. Gold Star's agents for service of process are disclosed in Exhibit A.

Predecessors.

Gold Star has no predecessors.

Affiliates.

Gold Star is the sole member of Gold Star Chili Advertising Association ("GSCAA"), an Ohio nonprofit corporation. Gold Star currently has designated GSCAA to oversee the franchisee advertising program, including any national, local and regional advertising cooperative program. GSCAA does not engage in any other activity. GSCAA's principal business address is 650 Lunken Park Drive, Cincinnati, Ohio 45226.

GSC Properties, LLC ("GSC Properties"), an Ohio limited liability company, is a real estate holding company under common ownership and control with Gold Star. GSC Properties does not engage in any other activity. GSC Properties' principal business address is 650 Lunken Park Drive, Cincinnati, Ohio 45226.

Gold Star is the parent company of TCWW, LLC ("TCWW"), an Ohio limited liability company. TCWW is a franchisor which offers franchises for the operation of quick service restaurants selling grilled cheese sandwiches, other sandwiches, soups, salads, desserts, other menu items, and related products and services to the public under the name Tom and Chee. TCWW's principal office address is 650 Lunken Park Drive, Cincinnati, Ohio 45226. Gold Star does not operate any Tom and Chee Restaurants.

The Franchisor's Business.

Gold Star owns, operates and manages chili restaurants known as GOLD STAR and GOLD STAR CHILI Restaurants (each a "Restaurant"), sells Restaurant franchises (each a "Franchise") to others (each a "Franchisee"), and operates Gold Star's production and warehouse facility, the sole purpose of which is to produce proprietary food and other products which Gold Star then sells to our third-party distributor.

Gold Star, through its production and warehouse facility, sells its proprietary food and other products to its third-party distributor, who in turn sells these products and others to Franchisees. Gold Star also sells its chili through other traditional and non-traditional distribution channels, methods and venues, including other food service establishments or concessions, zoos, airports, racetracks, amusement parks, fairgrounds, sports stadiums, multi-branded facilities, hospitals, bars, special events, grocery stores, convenience stores and food brokers. Gold Star also sells other products approved by Gold Star for Restaurant sale or use to Restaurant Franchisees, licensees and others.

As of December 31, 2024, there were 48 franchised Restaurants and 9 company-owned Restaurants in operation in the United States. Officers, directors or shareholders of Gold Star and/or their relatives wholly or partly own a substantial number of Franchises. Gold Star defines "company owned" stores as those stores which are controlled by Gold Star directly through equity ownership. Gold Star does not enter into franchise agreements with any of its company owned outlets, but it is currently the practice of Gold Star to cause its company owned outlets to pay the same fees and comply with the same standards and obligations as it requires of its franchisees.

The Franchise.

The Franchise offered hereunder is for the right to operate a quick casual restaurant selling "Cincinnati" chili products in various forms and formats under the trade name and service mark GOLD STAR CHILI and the right to use that mark, and any other marks, names, logos, emblems and indicia that Gold Star licenses you to use pursuant to the Franchise Agreement (the "Marks"), at a specific location (the "Retail Location") upon the terms and conditions of a Franchise Agreement. The Franchise Agreement is attached to this disclosure document as Exhibit B.

You must operate your Franchise business in accordance with the system, standards, specifications and procedures developed by Gold Star for the operation of Restaurants and the promotion and sale of GOLD STAR CHILI products from time-to-time (the "System"). Distinguishing characteristics of the System include a format (including building designs, equipment layout plans, color schemes and signage) and certain systems, procedures, methods, recipes, standards, specifications, and advertising, promotional, marketing and merchandising programs and techniques developed by Gold Star.

A Restaurant may be free-standing with drive through service, an inline store located in a shopping center, or located in mall eating areas. A typical free-standing or inline Restaurant generally has counter and table seating areas for 35 to 70 persons. Restaurants also offer carry-out and drive-thru service. Most Restaurants provide table service, making them "quick casual" in contrast with traditional fast food.

Marketing and Competition.

GOLD STAR CHILI products and formulation differ from "traditional" chili products and formulations. The market for the chili products is the general public. You will compete with other "Cincinnati" chili restaurants and other fast food and fast casual establishments offering food items at similar prices. The market for "Cincinnati" chili is well-developed and highly competitive in the Greater Cincinnati area but is less developed and competitive in other geographic areas. The market for fast food and quick casual in general is well-developed and highly competitive.

Industry-Specific Regulations.

There may be laws or regulations in your state or municipality regulating the preparation and storage of food products, sanitation, safety, health, the construction of the Restaurant, waste and emissions discharge, public accommodations and the sale of alcoholic beverages. You will be responsible for investigating and complying with all laws and regulations, including environmental laws and licensing requirement that may apply to your Restaurant. You will also be responsible for complying with employment, workers' compensation, insurance, corporate, tax and similar laws and regulations, as well as any federal, state or local laws of a more general nature that may affect the operation of your Restaurant. You should examine these laws and regulations before purchasing the franchise described herein.

Prior Business Experience.

Gold Star has operated chili-style restaurants similar to the Restaurant to be operated under the Franchise described in this disclosure document continuously since its formation in 1965. Gold Star began franchising restaurants similar to the Restaurant to be operated under the Franchise described in this disclosure document in 1966. Gold Star has not offered franchises in other lines of business.

TCWW began franchising Tom and Chee restaurants on September 19, 2017, when it purchased the franchising assets of its predecessor, Tom and Chee Worldwide, LLC ("Worldwide"). Worldwide is an Ohio limited liability company that licensed franchisees the right to operate Tom and Chee restaurants from October 5, 2012 until September 19, 2017. Worldwide no longer licenses franchisees to operate Tom and Chee restaurants. Although TCWW has not sold any new Tom and Chee franchises since its purchase of the system, there are currently 2 active franchised and 4 company-owned Tom and Chee locations operating in the United States. TCWW has not offered franchises in other lines of business, however has tested dual-brand opportunities within existing Gold Star units.

Item 2

Business Experience

President and CEO: Roger David

Mr. David has been the President and CEO of Gold Star since May 2015. From June 2017 to the present, Mr. David has also served as President and CEO of TCWW. Prior to these positions, Mr. David served as CEO of Buffalo Wings & Rings, LLC, a national franchisor of family-style restaurants located in Cincinnati, Ohio, since October 2009.

Chief Financial Officer: James Conover, CMA

Mr. Conover has been the CFO of Gold Star since September 2015. Prior to that, he was the CFO of Apple Sauce, Inc., a franchisee that operated Applebee's Neighborhood Grill & Bars.

Vice President of Operations and Development: Brian Harper

Mr. Harper serves as the Vice President of Operations for both Gold Star and TCWW. Mr. Harper has held this role since January 2023. Prior to joining Gold Star in 2018, Brian served as a strategic business consultant for both company and franchise operators at International Dairy Queen, Inc. for 25 years.

Human Resources Director: Jaimie Green

Ms. Green is currently the Vice President of Human Resources for both Gold Star and TCWW. Ms. Green has held this title since September of 2022. Prior to joining Gold Star, Ms. Green served as Head of Human Resources for Harley Davidson Electric Brand Live Wire from March 2022 until October of 2022. Prior to that, Ms. Green served as Vice President of People and Culture for Lulafit from July 2021 until March of 2022, Chief Human Resources Officer for Lordstown Motors Corp. from December of 2019 until June of 2021 and Head of Human Resources for Workhorse Group from November 2018 until December of 2019.

All of the foregoing persons are based out of Gold Star's corporate headquarters.

Item 3

Litigation

Pending Item:

Gold Star Chili, Inc. and GSC Properties, LLC v. 21 Partners Group LLC and Rasem Daoud. Gold Star and GSC Properties filed a complaint against 21 Partners Group LLC, an existing franchisee, and Rasem Daoud, its owner, on June 14, 2024. On June 9, 2017, the defendants executed a Lease Agreement with GSC Properties and a Franchise Agreement with Gold Star pursuant to which defendants operated a franchise (the "Hartwell Gold Star") at 21 East Galbraith Road, Cincinnati, Ohio 45216 (the "Property").

On October 9, 2021, there was a fire at the Property that resulted in a total loss of the Hartwell Gold Star. After the fire, the defendants ceased operating, never rebuilt, and retained insurance proceeds which were to be used to rebuild, the Hartwell Gold Star. Defendant 21 Partners was issued a check for $157,990.41 for replacement of furniture, fixtures, and equipment, but never provided Gold Star with these proceeds, despite having a contractual obligation to do so. Defendant 21 Partners provided Gold Star with building replacement insurance proceeds totaling $455,642.92, but the total cost for restoration is $1,106,670.00, a cost for which defendants are responsible.

The lawsuit was initiated in order to resolve these issues and is currently in the discovery phase.

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

Item 4

Bankruptcy

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

Item 5

Initial Fees

Initial Franchise Fee.

All Franchisees who are purchasing their first Gold Star Franchise must pay a $50,000 lump sum when the Franchisee signs the Franchise Agreement. Existing Franchisees who are purchasing their second, third or fourth Gold Star Franchise must pay a $25,000 lump sum when the Franchisee signs the Franchise Agreement. Existing Franchisees who are purchasing their fifth or more Gold Star Franchise must pay a $10,000 lump sum when the Franchisee signs the Franchise Agreement. All Franchisees who are purchasing a Gold Star Franchise which will be operated at a location at which a Gold Star restaurant has been operated during the previous six months, will pay the lesser of $25,000 or the amount such Franchisee would otherwise be required to pay if such restaurant is a "new" restaurant, when the Franchisee signs the Franchise Agreement.

You must pay the initial franchise fee in full when you sign the Franchise Agreement. The initial franchise fee is fully earned by Gold Star upon receipt and is not refundable under any circumstances.

Opening Inventory and Other Goods.

You must purchase all of your requirements for Gold Star's chili products and other proprietary food items from Gold Star or our designees, which currently consist of a bakery product supplier and a supplier for all other food products. You must also purchase certain non-food products approved for Restaurant sale or use, including Restaurant menus, menu board pictures, window logos, window striping and certain food products and supplies from Gold Star or our designees. Payment for these products are uniform for all Franchisees, but the actual amount of payments for inventory and other goods before the Restaurant opens ranges from approximately $8,000 to $12,000, depending upon the quantity of items purchased.

Item 6

OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Continuing Franchise Fee	5% of weekly Gross Sales[1], but see Note 2	Payable via ACH debit withdrawal by Tuesday for the prior week ended Sunday.[2]	Payable to Gold Star Non-refundable
Brand Building Fee[3]	Up to 7% of Gross Sales[4]	Payable via ACH debit withdrawal by Tuesday for the prior week ended Sunday.	Payable to Gold Star, but it is Gold Star's current practice to pay the Brand Building Fees over to GSCAA for use in the Brand Building Fund Non-refundable, except in discretion of GSCAA in certain circumstances Subject to increase in Gold Star's sole discretion to maximum of 7% of Gross Sales
Local Marketing Fee	1% - 2% of Gross Sales	Monthly	This amount is not a fee. It is spent by you on local advertising. If Brand Building Fees are reduced or eliminated in the future, we can require you to spend up to 7% of Gross Sales on local marketing. You must also maintain a business phone listing.

Type of Fee	Amount	Due Date	Remarks
Supplier Payment Assignment[5]	100% of product and/or advertising rebates or allowances from certain system-wide suppliers	Assigned when Franchise Agreement is signed	Payable to GSCAA Non-refundable
Inventory and Other Materials[6]	See Item 8 of this disclosure document	On delivery or as established by designated supplier	Payable to designated supplier Non-refundable
Manual Fee	$100 for any additional copy	On delivery	Payable to Gold Star Non-refundable
Additional Training Fee[7]	Reasonable training fee at our current rates. Also, you must reimburse us for our reasonable out of pocket costs (travel, accommodations, etc.)	Before opening or after you open your franchised Restaurant for business.	Payable to Gold Star Non-refundable
Approval Fees[8]	Not to exceed reasonable cost of inspection and actual cost of testing or evaluation	On demand	Payable to Gold Star Non-refundable
Transfer Fee[9]	Set by Gold Star in its discretion - currently $3,500	Before consummation of transfer or sale	Payable to Gold Star by any transferee (not the Franchisor) Non-refundable

Type of Fee	Amount	Due Date	Remarks
Renewal Fee[10]	Set by Gold Star in its discretion – currently $5,000	Prior to renewal of franchise agreement	Payable to Gold Star Non-refundable
Relocation	You will reimburse us for our reasonable out-of-pocket costs concerning the relocation	Promptly after receiving an invoice from Gold Star	Payable to Gold Star Non-refundable
Operating Fee[11]	125% of Gold Star, or its designees, cost of operation	Same as Continuing Franchise Fee	Payable to Gold Star or its designated operator Non-refundable
Operating Deficiency Fee[12]	Daily fee of $100 for each day you fail to cure operating deficiencies after expiration of the cure period	On demand	Payable to Gold Star or its designated operator Non-refundable
Audit Fee[13]	Cost of audit plus interest and late payment charge on underpayment	On demand	Payable to Gold Star Non-refundable
Liquidated Damages upon Breach of Confidentiality[14]	$100,000 for each breach	On demand	Payable to Gold Star Non-refundable
Indemnification[15]	Amount of claim, loss, damages, etc.	On demand	Payable to Gold Star and its officers, directors, employees, agents, affiliates, successors and assigns Non-refundable
Late Payment Charge[16]	Interest of lesser of 1½% per month or the maximum rate permitted by law, plus $25	On demand	Payable to Gold Star Non-refundable

Type of Fee	Amount	Due Date	Remarks
Insufficient Funds Fee	$50 for each unsatisfied attempt to draw Continuing Franchise Fee or Brand Building Fees from your account by direct deposit.	As incurred	Payable to Gold Star Non-refundable
POS System and Technology Maintenance Fee[17]	$981-$1,853	Monthly	Payable to Gold Star Non-refundable
Liquidated Damages Upon Discontinuation or Abandonment	Average monthly continuing franchise fees during the 12 months preceding an abandonment or discontinuance of the Franchise, multiplied by the lesser of 24 or the number of months remaining in the term of the Franchise	Upon Abandonment or Discontinuance of the Franchise	Payable to Gold Star Non-refundable

Notes:

Note 1: The term "Gross Sales" means the total of all revenues generated by Franchisee from any source, whether from cash sales or charge sales, whether based on activities conducted at the Store or otherwise associated with the business and including without limitation any revenues earned off-premises, such as delivery, catering events, food trucks, etc., without reserve or deduction for uncollected credit accounts. "Gross Sales" shall not include sales taxes that are separately stated and collected by Franchisee or refunds, discounts or allowances that are made to customers, in good faith and consistent with Gold Star's policies prescribed from time to time.

Note 2: Gold Star, in its sole discretion, may agree to a continuing franchise fee (the "Continuing Franchise Fee") of less than 5% of Gross Sales for a Franchisee operating a Special Purpose Outlet, as defined in Item 12 below. The actual amount is determined in Gold Star's sole discretion but in most cases the Continuing Franchise Fee for a Special Purpose Outlet is 4% of Gross Sales.

Note 3: Gold Star Currently has designated Gold Star Chili Advertising Association, an Ohio nonprofit corporation ("GSCAA"), to oversee the franchisee Brand Building fund (the "Brand Building Fund"). Gold Star is the sole member of GSCAA, and a majority of GSCAA's current board of trustees are officers, directors, employees or shareholders of Gold Star. Brand Building Fees are imposed by Gold Star under the Franchise Agreement. The Brand Building Fund does not itself impose fees. All Brand Building Fees are nonrefundable; however, when a Franchisee opening a new Restaurant reviews and approves the New Restaurant Opening Marketing Plan, it is the current practice for those expenses (currently, at least $15,000) to be funded by GSCAA and the Franchisee to reimburse their portion in the amount of $10,000, the remainder funded by GSCAA. In addition, it is currently the practice for Gold Star to spend $10,000 of Brand Building Fees on advertising and support to a Franchisee who "re-opens" a Restaurant that it has spent more than $50,000 remodeling and invoice the Franchisee for their contribution in the amount of $5,000 for grand re-opening marketing and promotion. Neither Gold Star nor GSCAA is obligated to continue these practices. At the option of Gold Star, you must enter into and maintain a debit authorization agreement authorizing Gold Star to cause your bank account to be debited for charges, including Continuing Franchise Fees, Brand Building Fees and late payment charges.

Note 4: The amount of the Brand Building Fee is determined in Gold Star's sole discretion. However, the Brand Building Fee will not be increased by more than 1% in any 12-month period. In many cases, the Brand Building Fee assessed for the operation of a Special Purpose Outlet, as defined in Item 12 below, is 4% of Gross Sales.

Note 5: You must assign to Gold Star or its designee all product and/or advertising rebates or allowances that are granted to you by certain suppliers, as directed by Gold Star. Currently assignments are required with respect to our soft drinks supplier, with whom Gold Star has negotiated a group purchase arrangement. Although not obligated to do so by the Franchise Agreement or any related agreement, Gold Star's current practice is to have the assigned Franchisee supplier payments made (and to have all of the rebate or allowance payments from those suppliers receivable by Gold Star for company-owned Restaurants made) to GSCAA for use in the Brand Building Fund. Gold Star reserves the right to change this practice at any time without notice to its franchisees.

Note 6: Current terms with our designated suppliers are Net 7 or Net 14, but in instances where payments are late or not made, the supplier may demand cash on delivery.

Note 7: Gold Star does not charge a training fee for you and 1 other attendee designated by you for 1-time enrollment in the initial training program. When Gold Star offers other types of mandatory training programs, Gold Star does not charge a training fee for one-time enrollment by any Franchisee representative that is required by Gold Star to attend that mandatory training program. Gold Star reserves the right to charge for other attendees at any initial training program or other mandatory program and the chart above reflects these potential payments. Gold Star also reserves the right to charge a training fee for any training program at which attendance is optional.

Note 8: If you want to purchase Restaurant equipment, furnishings, inventory, supplies or other items (a) from a source that is not on Gold Star's then current approved supplier list or (b) that have not been approved by Gold Star, then Gold Star, in accordance with its approval procedures, has the right to inspect the supplier's facilities, test and evaluate samples of items, and require you to pay Gold Star a charge not to exceed the reasonable cost of the inspection and the actual cost of testing or other evaluation.

Note 9: Payable when you sell, assign, transfer, convey, issue, lease, pledge, mortgage, encumber or make any disposition of in any manner of your Franchise, or any related assets (or any interest in the Franchise or the assets), or any of your owners sell, assign, transfer, convey, issue, lease, pledge, mortgage, encumber or make any disposition of 50% or more of the ownership interests in you.

Note 10: Payable when you renew your Franchise Agreement (renewal is subject to the conditions specified in Section 16 of the Franchise Agreement).

Note 11: If you fail to conform the Restaurant operations to our system standards, Gold Star has the right, but not the obligation, to operate (or appoint a designee to operate) your Restaurant until the operations have been corrected to Gold Star's satisfaction. Under such circumstances, you will be required to pay Gold Star an amount equal to 125% of Gold Star's expenses in providing such services.

Note 12: If you fail to conform the Restaurant operations to our system standards within the applicable cure period, Gold Star has the right to charge you a daily fee of $100 for each day that you fail to correct the operational deficiencies after the expiration of the cure period.

Note 13: Payable only if audit discloses an understatement of at least 2% of Gross Sales for any reporting period.

Note 14: You (and each of your officers individually) agree under Section 12.2 of the Franchise Agreement to pay this sum as liquidated damages for any breach of the confidentiality obligations of the Franchise Agreement by you, or any of your partners, shareholders, officers, directors, employees or agents, or any other person subject to your control. The provision for liquidated damages does not preclude Gold Star from seeking injunctive or other relief. You must pay Gold Star on demand, with interest from the date due at the rate applicable to late payments, any costs or expenses (including attorneys' fees, court costs, other litigation expenses, settlement expenses or other expenses of any kind) incurred by Gold Star in enforcing or protecting Gold Star's rights under the Franchise Agreement, or any related judgments, orders or awards, or in preparation for or investigation or contemplation of any of those acts or matters.

Note 15: You must indemnify Gold Star and others against various claims, losses, expenses and other items related to the franchise, acts or omissions of you or your agents, employees, contractors, invitees or representatives and other matters.

Note 16: Charged on any fee or other payment not paid to Gold Star or any affiliate when due.

Note 17: We currently lease the equipment for the POS System from a third party and require our Franchisees to sublease the POS System from us. The amount we charge you to sublease the equipment from us is equivalent to amount we pay to lease the equipment from the third party provider. We also currently require our Franchisees to enter into an agreement with a service provider for the ongoing maintenance of your point-of-sale, credit card back up, online ordering and training software.

Item 7

Estimated Initial Investment

YOUR ESTIMATED INITIAL INVESTMENT [1]

Type of Expenditure	Amount for Free Standing Building	Amount for Inline Space	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee[2]	\$10,000 to \$50,000	\$10,000 to \$50,000	Cashier's Check	At signing of the Franchise Agreement	Gold Star
Real Property & Site work Costs	(See Note 1)	(See Note 1)	As Arranged	Before Opening	Lessor or Property Owner; Other Third Parties
Furniture, Fixtures and Equipment[3]	\$109,100 to \$305,379	\$108,368 to \$220,000	As Arranged	Before Opening	Approved Suppliers
Building, Construction and Leasehold Improvements[4]	\$287,930 to \$1,207,022	\$287,618 to \$400,000	(See Note 4)	(See Note 4)	(See Note 4)
Utility Deposits	\$1,000 to \$3,000	\$1,000 to \$3,000	As Arranged	Before Opening	Suppliers and Utilities
Architectural and Engineering Fees	\$14,000 to \$39,792	\$12,935 to \$25,000	As Arranged	Before Opening	Approved Suppliers
Initial Inventory	\$8,000 to \$12,000	\$8,000 to \$12,000	As Arranged	Before Opening	Gold Star, Approved Suppliers
Insurance	\$1,000 to \$3,000	\$1,000 to \$3,000	As Arranged	Before Beginning Operations	Insurance Companies

Type of Expenditure	Amount for Free Standing Building	Amount for Inline Space	Method of Payment	When Due	To Whom Payment Is To Be Made
Signs and Awning	$38,737 to $46,285	$31,510 to $38,737	As Arranged	Before Opening	Approved Contractors
Training[5]	$5,500 to $10,000	$5,500 to $10,000	As Arranged	Before Opening	Employees, Miscellaneous Vendors
Licenses & Permits	$1,350 to $11,972	$1,000 to $5,000	As Arranged	Before Beginning Operations	Licensing Authorities
Legal & Accounting	$2,500	$2,500	As Arranged	Before Beginning Operations	Attorney, Accountant
Office Equipment and Supplies	$1,000	$1,000	As Arranged	Before Opening	Suppliers
Grand Opening Advertising[6]	$10,000	$10,000	As Arranged	Within 3 months of Opening	Miscellaneous Vendors
Additional Funds - 3 Months[7]	$15,000 to $30,000	$15,000 to $30,000	As Arranged	As Incurred	Gold Star, Employees, Suppliers, Utilities, Insurers, Professionals, Etc.
TOTAL[4]	$506,117 to $1,730,950	$496,432 to $809,237			

Notes:

Note 1: The information provided is estimated and is based on an average Restaurant size of 2,300 square feet (excluding Special Purpose Outlets) and not including the cost of land or site improvements. Estimates are provided for both a free-standing building or inline at a shopping center. Your actual investment will vary depending upon a variety of factors peculiar to your Restaurant, including location, local real estate market values, size and other physical characteristics, and your financial condition, business decisions and negotiating success and other factors. Unless otherwise stated all payments are nonrefundable. Gold Star does not finance any fees or expenses.

Note 2: See Item 5 of this disclosure document for Gold Star's graduated franchise fee structure for multi-unit franchisees.

Note 3: The cost of equipment, furnishings and fixtures will vary depending upon the size, condition and location of the Restaurant, the amount of furnishings, equipment and fixtures required and price differences among suppliers. The information provided includes only standard fixtures and does not include other improvements, or construction or renovation costs. See Note 4, below.

Note 4: If you do not already own or lease an appropriate site, you must purchase or lease a site for the Restaurant. Typical locations for Restaurants are urban or other heavily populated areas. The typical Restaurant (not including Special Purpose Outlets) utilizes approximately 2,300 square feet. The typical Special Purpose Outlet utilizes approximately 600 to 800 square feet. Rent can vary tremendously (we estimate that minimum rent for a Restaurant (not including Special Purpose Outlets) is between $36,000 and $90,000 per year) depending on various factors, including the size, condition and location of the leased premises, and cannot be estimated with any accuracy. If you purchase a site for the Franchise, the amount of land required will depend on various factors, including the size of the facility, the type of area, the availability of adjacent parking, etc. An estimate of the size of the parcel needed would be anywhere from ¾ acre to 1 acre with a building on the parcel, and the cost would vary tremendously and cannot be estimated accurately. Similarly the costs of renovation or construction, and improvements, for purchased or leased premises also may vary tremendously and cannot be estimated with any accuracy.

Note 5: Gold Star does not charge a training fee for you and 1 attendee designated by you for 1-time enrollment in the initial training program but you must pay all wage and compensation obligations for each employee-attendee as well as each attendee's travel, lodging, meals and other related or incidental expenses incurred in attending the training program.

Note 6: You must conduct a grand opening marketing and promotion program in compliance with Gold Star's requirements. Gold Star requires that you spend a minimum amount of $10,000 for grand opening advertising and promotion. You must spend the designated amount within 3 months after you open your Restaurant. When you spend the designated minimum amount on grand opening marketing and promotion, in compliance with Gold Star's requirements, it is Gold Star's current practice to spend an additional $5,000 of Brand Building fees to provide additional grand opening advertising and support. See Item 11, under the heading Brand Building Fund, for additional information.

Note 7: This estimates the additional funds which you will need on-hand for payroll and other working capital for the first 3 months of the operation of your Franchise. These figures are estimates and we cannot guarantee that you will not have additional expenses when starting the business. This estimate does not include any kind of owners' draw, dividend or distribution. Your additional costs will depend on various factors, including how much you follow Gold Star's policies and procedures; your advertising and promotion efforts; your management skill, experience and business acumen; local economic conditions; the local market for our product; the prevailing wage rate; competition; and your sales. Gold Star relied on its over 50 years of experience in the restaurant business to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the Franchise.

Item 8

Restrictions on Sources of Products and Services

This Item describes your obligations to buy or lease from Gold Star or Gold Star's designees, from suppliers approved by Gold Star, or in accordance with Gold Star's specifications. Gold Star negotiates purchase arrangements with suppliers in order to receive quantity discounts for franchisees and its company-owned restaurants.

To ensure that the Restaurant maintains the highest degree of quality and service, you must operate your Restaurant in strict conformity with the methods, standards and specifications that we prescribe in the Manual (as defined in Item 11 hereof) or otherwise in writing:

- offer for sale only those products and services for which Gold Star has given its written approval;
- sell or offer for sale all of the products and services Gold Star requires;
- purchase equipment, fixtures, software, ingredients, paper products and other items in accordance with Gold Star's specifications;
- employ only the preparation standards and techniques that Gold Star specifies;
- not deviate from Gold Star's standards and specifications, including our requirements concerning product preparation; and
- refrain from selling and offering for sale any products and services that Gold Star has later disapproved.

Depending on the item, Gold Star's purchasing specifications may include particular brands or models, particular characteristics of the products and services to be purchased, or one or more particular sources for the product or service. Gold Star may change the specifications during the term of the Franchise Agreement in its sole discretion.

Required Purchases of Goods and Services from Designated and Approved Suppliers.

You must purchase the following goods and services from designated suppliers pursuant to our specifications: chili products in all forms, food products, branded food products, branded and non-branded paper products, cleaning supplies, soda/beverages, bakery items, uniforms, signage and logo items, credit card services, equipment, furniture, architectural services, real estate brokerage services, civil engineering services, menus, marketing services, guest feedback systems. We require you to purchase these items from approved suppliers consistent with our specifications so that the products and services offered by all franchisees are uniform and consistent. We provide a list of these approved suppliers in our Manual. We have established specifications for Restaurant construction and design, signs, promotional materials, operational procedures, equipment and other items bearing our trademarks, trade name and logos. All specifications are contained in the Manual. We will provide you with a list of required and suggested inventory, equipment and supplies after you purchase the Franchise.

Gold Star requires you to obtain and use a point-of-sale cash register system that meets Gold Star's standards and specifications (collectively, the "POS System") and reserves the right to require you to enter into a maintenance contract for the POS System with our designee.

Gold Star formulates and modifies its standards and specifications imposed on Franchisees based on its experience. Gold Star does not issue its specifications and standards to approved suppliers. Gold Star communicates its approved supplier lists and standards and specifications to you and other Franchisees in a variety of ways, including bulletins, catalogs, intranet and the Manual. Gold Star reserves the right to make revisions, deletions or additions to those standards, specifications and approved supplier lists. Gold Star may modify the list of approved items and/or suppliers, and you may not, after receipt of notice of modification, reorder any item, or order from any supplier, that is no longer approved. Franchisees are advised of modifications and revocations in writing.

You must use a real estate broker, architect, general contractor and, if applicable, civil engineer and attorney acceptable to Gold Star for the purchase or leasing of the Retail Location and the construction of your franchised Restaurant.

<u>Approval of Alternative Suppliers</u>.

If you want to purchase from a source that is not on Gold Star's then current approved supplier list for the item desired to be purchased, or to obtain approval to offer merchandise or services or use items that are not on Gold Star's then current list of approved merchandise, services or other items, you must submit to Gold Star a written request for approval in accordance with Gold Star's procedures then in effect for submission of requests for approval of products and suppliers. Gold Star may require that its representatives be permitted to inspect the source's facilities, that samples from the source be submitted to Gold Star or its designee for testing and evaluation and that you pay Gold Star a charge not to exceed the reasonable cost of the inspection and the actual cost of testing or other evaluation. Gold Star will notify you in writing within a reasonable time, not to exceed 60 days, after receipt of your request and samples, whether approval is granted. Gold Star reserves the right to re-inspect facilities and items, may revoke approval of any source or item that does not continue to meet any of Gold Star's current criteria, and is not obligated to approve any particular supplier or item. Gold Star does not make its criteria for supplier approval available to Franchisees.

<u>Insurance</u>.

Before opening your Restaurant, you must obtain, and maintain at all times during the term of your franchise agreement, the following insurance coverage:

- Special Perils Insurance including theft on the Restaurant to include but not limited to all furniture, fixtures, equipment, signs (attached and unattached), exterior glass, supplies and other property used in the operation of the Restaurant (including flood and/or earthquake coverage where applicable,) for the full repair and replacement value with no coinsurance clause or applicable agreed amount.
- Boiler machinery insurance, provided any Building on the Premises contains equipment of the nature ordinarily covered by such a policy
- Flood Insurance if any material portion of the Premises is located in an area identified in the Federal Register by the Federal Emergency Management Agency as having special flood hazards
- Plate glass insurance Covering the glass in the Premises.
- Commercial General Liability Insurance covering claims for bodily injury, property damage and personal injury, death, property and fire damage, and other damaging or injurious occurrences, with a minimum per occurrence limit of $1,000,000, $1,000,000 liquor liability per occurrence if applicable and a minimum general aggregate limit of $2,000,000.
- Commercial Umbrella $1,000,000 per occurrence, $1,000,000 aggregate. $5,000,000 per occurrence if liquor liability is applicable.
- Products/Completed Operations Aggregate with a minimum coverage of $2,000,000.
- Business Interruption Insurance for actual losses sustained or 12 months.
- Worker's Compensation Insurance and Employer's Liability (STOP GAP) that complies with the statutory requirements of the state in which the Restaurant is located and Employers' Liability Insurance with a minimum limit equal to or greater than the statutory minimum limit required by state law.
- Automotive $1,000,000 Combined Single Limit (CSL) for hired and non-owned automobiles.
- Any other insurance coverage that may be required by your lease.
- Recommended: Employment Practices Liability $1,000,000 per claim, Cyber Liability $250,000 Minimum

All insurance policies must name Gold Star Chili as an additional insured franchisor and contain and include standard waivers of subrogation. Franchisee agrees franchisee's insurance is primary and non-contributory. You cannot commence construction upon or open your Restaurant until you have obtained all the required insurance coverage and provided Gold Star with appropriate certificates of insurance showing your compliance with the requirements set forth above. If you fail to obtain and maintain this insurance coverage, we have the right to procure it on your behalf and to charge you for the cost plus interest. We have the right to increase the minimum coverage, decrease the maximum deductible, or require different or additional kinds of insurance to reflect inflation, changes in standards of liability, higher damage awards, or other relevant changes in circumstances. We must give you at least 30 days' written notice.

You will also be responsible for complying with employment, workers' compensation, insurance, corporate, tax and similar laws and regulations, as well as any federal, state or local laws of a more general nature that may affect the operation of your Restaurant. You should examine these laws and regulations before purchasing the franchise described herein.

Revenue from Franchisee Purchases.

Gold Star currently derives revenue from (a) the sale of non-chili products by our designated distributor(s) to Franchisees and (b) national account marketing funds from soft drink suppliers based on gallons purchased and promotional opportunities and other supplier partners who offer marketing or rebate funds.

At Gold Star's discretion, these funds may or may not be directed to the GSCAA for use in the Brand Building Fund. 100% of the rebated marketing funds from soft drink and other partner suppliers received during 2024 were allocated to the Brand Building Fund.

Under the current and proposed purchase arrangement with our soft drink supplier, purchases by Gold Star and its Franchisees are consolidated for purposes of determining whether Gold Star and its Franchisees are eligible for the supplier pricing offered generally to national account customers. Gold Star and its Franchisees currently are classified as national account customers through December 31, 2024. The soft drink supplier pays Gold Star and its franchisees rebates based on the consolidated volume of purchased products per year. Gold Star currently requires any such rebates payable to franchisees to be assigned to Gold Star (See Item 6, Note 5).

Except for the certain branded items described above (for which Gold Star is an approved supplier), the POS System, and as described in the previous paragraph, neither Gold Star nor any affiliate of Gold Star is an approved supplier or the only approved supplier for, or will or may derive revenue or other material consideration as a result of, purchases or leases of, any items or services that are related to or used in the Franchise and that must be purchased or leased in accordance with Gold Star's standards and specifications, from suppliers approved by Gold Star or otherwise approved by Gold Star. Franchisees, however, are required to assign to Gold Star or its designee all product and/or advertising rebates or allowances received from certain suppliers related to the Franchise (currently assignments are required for our soft drink supplier only). It is Gold Star's current practice to have these assigned payments made to GSCAA for deposit to and use in the Brand Building Fund. Gold Star receives product and/or advertising rebates or allowances from the same suppliers. The terms are the same for Gold Star and the Franchisees. Although not obligated to do so by the Franchise Agreement or any related agreement, it is Gold Star's current practice to transfer the product and/or advertising rebates and allowances Gold Star itself receives from these suppliers to the Brand Building Fund. Approximately $613,262 was received by GSCAA during the year ended December 31, 2024 pursuant to these supplier rebates and advertising allowances for Gold Star and its franchisees (the above information was derived from the books and records of GSCAA). GSCAA does not sell or lease products or services to franchisees or derive revenue from operations but merely receives Brand Building Fees and supplier assignment proceeds and oversees the Brand Building Fund as Gold Star's designee.

Gold Star does not provide material benefits to Franchisees based on a Franchisee's use of designated or approved sources.

Approximately 90% to 95% of your total purchases associated with establishing your Restaurant and approximately 90% to 95% of your total purchases associated with the ongoing operation of your Restaurant must either be purchased or leased from Gold Star or Gold Star approved suppliers, or must otherwise conform to Gold Star specifications. For the fiscal year ended December 31, 2024, Gold Star's revenues from the sale of these products to Franchisees or to suppliers who in-turn sell these products to Franchisees were **$4,065,676** or approximately 16.7% of Gold Star's total revenues of **$24,400,821**.

Item 9

FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 1, 4 and 5 of Franchise Agreement	Items 5, 7, 11 and 17
b. Pre-opening purchases/leases	Sections 4, 5, 7 and 18 of Franchise Agreement	Items 5 and 8
c. Site development and other pre-opening requirements	Sections 2, 4 and 5 of Franchise Agreement	Items 5, 6, 7 and 11
d. Initial and ongoing training	Section 2 of Franchise Agreement	Items 5, 6 and 11
e. Opening	Sections 4 and 9 of Franchise Agreement	Item 11
f. Fees	Section 8 of Franchise Agreement; Authorization Agreement for Preauthorized Payments	Items 5, 6 and 7
g. Compliance with standards and policies/Operating Manual	Sections 3 and 5 of Franchise Agreement	Items 8 and 11
h. Trademarks and proprietary information	Sections 6 and 12 of Franchise Agreement	Items 13 and 14
i. Restrictions on products/services offered	Sections 5 and 7 of Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	None	None
k. Territorial development and sales quotas	Section 1 of Franchise Agreement	Item 12
l. Ongoing product/service purchases	Section 7 of Franchise Agreement	Items 8 and 16

Obligation	Section in Agreement	Disclosure Document Item
m. Maintenance, appearance and remodeling requirements	Section 5 of Franchise Agreement	Item 8
n. Insurance	Section 18 of Franchise Agreement	Item 8
o. Advertising	Section 6 and 9 of Franchise Agreement; Supplier Payment Assignments	Items 6 and 11
p. Indemnification	Section 19 of Franchise Agreement	Item 6
q. Owner's participation/management/ staffing	Section 5 of Franchise Agreement;	Items 11 and 15
r. Records/reports	Section 10 of Franchise Agreement	Item 6
s. Inspections/audits	Sections 5, 8 and 10 of Franchise Agreement	Item 6 and 11
t. Transfer	Section 13 of Franchise Agreement	Item 17
u. Renewal	Section 16 of Franchise Agreement	Item 17
v. Post-termination obligations	Sections 11, 12 and 15 of Franchise Agreement	Item 17
w. Non-competition covenants	Section 11 of Franchise Agreement	Item 17
x. Dispute resolution	Section 22 of Franchise Agreement	Item 17

Item 10

Financing

Neither Gold Star nor any agent or affiliate of Gold Star offers direct or indirect financing. Neither Gold Star nor any affiliate guarantees your obligations to third parties or receives payments for the placement of franchisee financing.

Item 11

Franchisor's Assistance, Advertising, Computer Systems, and Training.

Except as listed below, Gold Star is not required to provide you with any assistance.

Obligations that Gold Star Will Perform Before the Franchised Restaurant Opens. Before you open your Franchise business, Gold Star will:

1. Conduct initial training programs on Restaurant operations for you and your initial key employees at locations and times and for periods designated by Gold Star. The initial training usually is held at a designated Restaurant site or at outsourced training company's location during the weeks before the opening of the Restaurant (Section 2.2 of the Franchise Agreement).

2. Provide an initial training program for the initial crew of the Restaurant at the Retail Location for a period of time Gold Star deems appropriate in its sole discretion. The training program usually is conducted during the week preceding the opening of the Restaurant (Section 2.3 of the Franchise Agreement).

3. Provide a Gold Star representative at the Retail Location for a minimum of 2 business days and a maximum of 2 calendar weeks to train personnel and advise and consult with you regarding the opening of the Restaurant. This assistance usually coincides with the opening of the Restaurant (Section 2.7 of the Franchise Agreement).

4. Loan you 1 copy of the then-current Gold Star Manual (the Manual includes the Operations Manual, Management Manual and other manuals and materials provided pursuant to Section 3 of the Franchise Agreement). You will receive a copy of the Manual after you and Gold Star enter into the Franchise Agreement or we will make the Manual available to you through the internet or other digital medium. The Manual is confidential and remains the property of Gold Star (Sections 3.1 and 3.2 of the Franchise Agreement).

5. Provide to you or your architect standard plans and specifications for the design of a prototype Gold Star restaurant (Section 4.4 of the Franchise Agreement).

6. Review and approve or reject your proposed Retail Location and lease, if any. Site review is sometimes performed before the execution of the Franchise Agreement, and is typically a post-signing activity (Sections 4.2 and 4.3 of the Franchise Agreement).

7. Review and approve or reject your architectural, design and equipment plans for the proposed Retail Location (Section 4.4 of the Franchise Agreement).

8. Provide to you a schedule of all equipment necessary to operate the Restaurant, as well as a list of approved service providers (Section 4.5 of the Franchise Agreement).

9. Designate a protected territory for you (Section 1.3 of the Franchise Agreement).

Length of Time to Open Franchised Restaurant.

The typical length of time between the signing of the Franchise Agreement or the first payment of any consideration for the Franchise and the opening of the franchised Restaurant is between six (6) months and twelve (12) months. Factors affecting this length of time usually include selection and preparation of the Retail Location, financing arrangements, local ordinance compliance questions, weather conditions, shortages, slow delivery, purchase and installation of equipment, Restaurant fixtures, signs and other items, and similar factors.

Our Assistance to You. During the operation of the Franchise business, Gold Star will or may, as applicable, provide the following assistance to you:

1. Review all advertising and similar materials submitted by you for compliance with Gold Star's specifications and oversee, or oversee through a designee, all Brand Building Fund advertising including a local store marketing plan (Section 9.1 of the Franchise Agreement).

2. Conduct periodic inspections of your franchised Restaurant and provide evaluations of your operations at the franchised Restaurant (Sections 5.7 and 5.8 of the Franchise Agreement).

3. Establish and maintain, in our discretion, Brand Building funds for regional or national advertising and promotion of the System (Section 9.3 of the Franchise Agreement).

Advertising; Our Brand Building Fund.

Gold Star is not obligated by the Franchise Agreement to conduct any advertising for your franchised Restaurant or any other franchised Restaurant. We have nevertheless established the Brand Building Fund, the purpose of which is to conduct advertising and other marketing activities which promote Gold Star's business, products and services under the Marks. Gold Star reserves the right to establish additional advertising funds in addition to the Brand Building Fund, and may change, merge or dissolve the Brand Building Fund and any other future advertising fund in Gold Star's sole discretion. If Gold Star does establish additional advertising funds, Gold Star may require you to pay all or a portion of Brand Building Fees to such fund in accordance with the provisions below.

Brand Building Fees collected from you and other Franchisees are currently used in the Brand Building Fund supervised by Gold Star or its designee, currently GSCAA (see Note 3 to Item 6 of this disclosure document).

The Brand Building Fund may disseminate advertising through various media, including print, radio, television, billboards, newspaper and digitally via e-mail and internet advertising. Media coverage may be local, regional or national in scope, all in the discretion of Gold Star or its designee. During the fiscal year ended December 31, 2024, media coverage was typically local in scope and limited to the Greater Cincinnati DMA. In Gold Star's discretion, smaller scale marketing programs, based on the amount of Brand Building Fees generated may be implemented in other selected geographical areas. Currently, such smaller scale marketing programs have been implemented in Lexington, and Somerset Kentucky. Gold Star (and its designee) has complete discretion regarding the Brand Building Fund. Gold Star is not obligated to spend any amount on advertising in the area or territory where you are located. Neither Gold Star nor GSCAA is under any obligation to make expenditures of collected Brand Building Fees in any particular geographic area or for you or any other particular Franchisee, or to ensure that you or any other particular Franchisee benefits directly or on a pro rata basis from the Brand Building Fund.

GSCAA's in-house marketing team utilizes agencies and freelance contractors for the following: media planning and buying, creative development and production, digital development and production, social media marketing, consumer research, marketing analytics, and public and media relations. Third party technology platform*s* are used by the in-house marketing department to support the services and activities listed above.

You may develop advertising materials for your own use, at your own cost; provided that, you must obtain Gold Star's prior written approval of these advertising materials.

Gold Star has designated GSCAA to administer the Brand Building Fund and the Brand Building Fees which are currently used for the Brand Building Fund. Gold Star and GSCAA have sole discretion to determine, approve or disapprove the creative concepts, materials and media used in the Brand Building Fund and the placement, type, scope and allocation of Brand Building Fund advertising and activities.

The Gold Star Chili Franchisee Advisory Council (the "Council") advises GSCAA on advertising policies. Currently, members of the Council are existing Franchisees (or their respective owners) and are elected by majority vote of Gold Star's Franchisees. Gold Star has the power to form, dissolve or change the Council. The Council serves in an advisory capacity only and does not have operational or decision-making power. Gold Star may, in its sole discretion, expand, modify or eliminate the Council or its responsibilities and is under no obligation to conduct any future advertising program with respect to written governing documents.

All Franchisees must participate in the Brand Building Fund and in any future advertising programs that Gold Star requires. You must pay Brand Building Fees equal to up to 7% of weekly Gross Sales. The Brand Building Fee will not be increased by more than 1% in a 12-month period. Franchisees operating Special Purpose Outlets typically pay Brand Building Fees of 1% less than Traditional Outlets. Your Brand Building Fees are due weekly by Tuesday for the week ended the immediately prior Sunday (based on Gross Sales for the week just ended) and, unless otherwise required by Gold Star, must be paid via a preauthorized debit arrangement that allows Gold Star to cause your bank account to be debited for fees and charges under the Franchise Agreement. If the Brand Building Fund is suspended or terminated, or whenever the required Brand Building Fee percentage is less than 7%, Gold Star has the right to require you to expend directly on the placement of local advertising and promotion whatever amount Gold Star may specify (but not to exceed, when aggregated with any Brand Building Fees required to be paid to the Brand Building Fund, 7% of Gross Sales in any calendar year). Certain supplier payments also are contributed to the Brand Building Fund (see Note 3 to Item 6 of this disclosure document and the "Revenue from Franchisee Purchases" Section in Item 8 of this disclosure document).

Although not obligated to do so under the Franchise Agreement or otherwise, Gold Star's company-owned Restaurants pay Brand Building Fees to the Brand Building Fund on the same basis as you and other Franchisees. Gold Star also may, but is not obligated to, make an additional cash contribution to the Brand Building Fund as Gold Star determines in its sole discretion. Gold Star is not obligated to continue either of the foregoing practices.

The Brand Building Fund is not audited; however, an unaudited report of the use and application of the Brand Building Fund will be prepared annually by Gold Star or its designee and a copy of the report will be provided to any Franchisee upon written request. Gold Star may terminate the Brand Building Fund or suspend its operation at any time, but the fund will not be terminated until all the monies in the fund have been expended pursuant to Section 9.3.7 of the Franchise Agreement. Additional funding for GSCAA may also be obtained from rebates or other payments received by Gold Star from approved suppliers.

The Brand Building Fees currently are paid over to GSCAA for use in the Brand Building Fund. Upon receipt of the Brand Building Fees, Gold Star or GSCAA, as applicable, may withhold and apply a portion of those remittances to defray any reasonable salaries, administrative costs and overhead incurred by Gold Star or GSCAA, as applicable, in its advertising activities for the Franchisees (neither Gold Star nor any affiliate receives any other payment for providing goods or services to the fund). The balance of the remittances constitute a contribution paid by the Franchisees to the Brand Building Fund to be used for local, regional and/or national advertising, promotional and public relation activities.

Any Brand Building Fees that are not spent in the fiscal year in which they accrue are retained in the Brand Building Fund until expended.

In the tax year ended December 31, 2024, the Brand Building Fund was used as follows: **6%** on the production of advertisements and other promotional materials; **40%** for media placement; **6%**for general and administrative expenses; and **47%** for other expenses, including advertising agency fees, sponsorship expenses, public relations expenses, website and e-mail marketing initiatives, local advertising and miscellaneous expenses.

Brand Building Fees are not used for advertising that is principally a solicitation for the sale of franchises.

In addition to Brand Building Fees, you must spend on grand opening advertising and promotion, within 3 months after opening, at least $10,000 (which is subject to increase in our discretion). When you spend the foregoing amounts in conformity with our requirements, and otherwise comply with the Franchise Agreement, it is Gold Star's current practice to spend $5,000 from the Brand Building Fund to provide additional grand opening advertising and support.

See Items 6, 8 and 9 for additional information.

Electronic Point-of-Sale Cash Registers or Computer Systems.

Gold Star requires you to obtain and use a point-of-sale cash register system (the "POS System") that meets Gold Star's standards and specifications and that reports sales receipts to Gold Star on a daily basis. The principal functions of the POS System include the following: (a) drive through order storage and recall, (b) timekeeping with sales versus labor percent usage, (c) case usage by count of all major food products, (d) menu screen, (e) groupings and subgroups, (f) remote printer, (g) video monitors, (h) menu mix and (i) credit card processing. Hi-speed internet connection is required for credit cards, polling and the functionality of this system.

You must upgrade and update the POS System at any time upon Gold Star's request to the extent necessary to comply with Gold Star's standards and specifications. There are no contractual limitations on the frequency and cost of the obligation to upgrade or update the POS System.

The POS System will be used in your business to record customer transactions and transmit information to Gold Star. The POS System will collect and generate various types of business information or data, including financial information, menu item data, coupon data and other business data. Gold Star will have independent access to the information and data through your POS System. There are no contractual limitations on Gold Star's rights to access the information and data collected or generated by the POS System. Gold Star is not obligated to provide or assist you in obtaining the POS System or related services.

We currently lease the equipment for the POS System from a third party and require our Franchisees to sublease the POS System from us. The amount we charge you to sublease the equipment from us is equivalent to amount we pay to lease the equipment from the third party provider. Gold Star currently requires you pay a maintenance and technology fee for the POS System and its other technology requirements to our approved suppliers or Gold Star directly. This fee is for technology support and maintenance for your POS system as well as for the software and platforms used for training and scheduling, credit card backup, and online ordering. The total amount of monthly fees associated with the sublease of the POS System and the technology maintenance fee ranges from $886 to $1,291.

You must purchase a subscription to any application or other web services as we direct in the Manual. We require that you download our preferred licensed application system which we utilize to communicate with our franchisees. You are responsible for all subscription and other fees charged in connection with your use of our preferred application system and any costs incurred in purchasing and maintaining hardware to download and use the application. You are also responsible for purchasing and maintaining a functioning I-Pad at your Retail Location.

Site Selection.

Each Franchise is granted only for a single Restaurant at a specified Retail Location. You select your site subject to Gold Star's approval. Gold Star can refuse to approve any proposed Retail Location for any reason or no reason solely in its discretion; and rejection need not be justified by any standard. Some factors considered by Gold Star in evaluating a proposed Retail Location include suitability of the neighborhood, proximity to other restaurants, population density, traffic flow, parking, customer draws in the immediate area and visibility of the proposed Retail Location from streets and parking facilities. If Gold Star rejects a proposed Retail Location, you will have to locate a new proposed Retail Location that is not rejected.

Any lease for the Retail Location also must be acceptable to Gold Star and contain such provisions as Gold Star requires pursuant to the Franchise Agreement. We may require that you use leasing counsel approved or designated by us to represent you in the negotiation of the lease for your Franchise. Leasing counsel fees typically range from $2,500 to $3,500.

If you and Gold Star enter into a Franchise Agreement before you complete the site selection process and if your Retail Location is not selected and approved (together with any lease) within 6 months of the execution of the Franchise Agreement, you will be in default of the Franchise Agreement. If you fail to open your franchised Restaurant for business within twelve (12) months of the approval of your Retail Location, you will be in default of the Franchise Agreement. You will have 10 days after receipt of Gold Star's written notice of default to remedy the default. If the default is not remedied timely and satisfactorily, Gold Star may terminate your Franchise Agreement, at its option.

Table of Contents of the Manual.

The table of contents of our Manual is attached hereto as Exhibit C.

Initial Training Programs.

Gold Star provides initial training programs for new Restaurant Franchisees and their initial key manager(s).

Gold Star schedules initial training programs periodically, depending upon the number of prospective Franchisee attendees and scheduled Restaurant openings. All mandatory trainees must attend and complete the program to Gold Star's satisfaction at least 3 weeks before the opening of your Restaurant or, if earlier, prior to the expiration of 6 months after the date on which you and Gold Star enter into the Franchise Agreement.

If Franchisee is an individual, or if Franchisee is a corporation or limited liability company, and such individual Franchisee or an owner of all or a portion of Franchise attends and successfully completes to Franchisor's satisfaction, the initial training program, then such individual Franchisee or owner shall be the only person who is required to complete the initial training; provided that, under such circumstances, Gold Star will nevertheless provide the initial training at its expense to one additional person if Franchisee so chooses. If such individual Franchisee or owner do not complete the initial training, then two (2) persons who have been designated by you as a Manager must attend and successfully complete to the Franchisor's satisfaction the initial training program. Space permitting, Gold Star will allow additional persons (who will be involved in Restaurant operations) to attend, but you must pay Gold Star the standard fee then charged other Franchisees by Gold Star for additional enrollees if more than two persons will be trained.

You are responsible for all travel, lodging, meals and other related or incidental expenses incurred by you or any of your Managers, employees, owners or other representatives attending, or otherwise regarding, the initial training program. You are not entitled to any compensation or reimbursement for any services performed by any attendee during the training program.

As of December 31, 2024, Gold Star's training is conducted by Gold Star staff, including our Vice President of Development and Operations. Our current Vice President of Development and Operations has held that role since January of 2023 and came to his position with 25 years of experience providing strategic business consultant services for another well-established franchisor.

The initial training program as of December 31, 2024 is described in the following chart.

TRAINING PROGRAM[1]

Subject	**Hours of Classroom Training**[2]	**Hours of "On the Job" Training**[3]	**Location**
Orientation	4	0	Classroom Training: Gold Star corporate offices On the Job: Gold Star corporate offices or company-owned Restaurant
Food Prep – Menu Knowledge	1	20	On the Job: Gold Star corporate offices or company-owned Restaurant
Food Assembly – Menu Knowledge	1	28	On the Job: Gold Star corporate offices or company-owned Restaurant
Food Safety * Level II Certified	14	2	* Must be Level II Serve Safe Certified or Equivalent
Cleaning Procedures	1	2	On the Job: Gold Star corporate offices or company-owned Restaurant
Customer Service, Service Promise Training	3	20	On the Job: Gold Star corporate offices or company-owned Restaurant
Restaurant Evaluations Calibrations Report	4	2	Share a Day with Quality Assurance Mgr On the Job: Gold Star corporate offices or company-owned Restaurant
Safety/Security	1	0	Gold Star corporate offices
Accounting	1	0	Gold Star corporate offices
Financial Analysis	1	0	Gold Star corporate offices
Local Store Mkt.	1	0	Gold Star corporate offices
Recruitment/ Selection	2	0	Gold Star corporate offices
New Employee Training –	2	4	On the Job: Gold Star corporate offices or company-owned Restaurant

Subject	Hours of Classroom Training[2]	Hours of "On the Job" Training[3]	Location
Training Application – iPad			
Shift Management	2	4	Classroom Training: Gold Star corporate offices On the Job: Gold Star corporate offices or company-owned Restaurant
TOTAL (120 Hrs.)	38 Hours	82 Hours	

NOTES:

Note 1: The information in the table is based on Gold Star's training program as of December 31, 2024. The program is subject to modification by Gold Star. The program generally lasts for 3 weeks, 5 days per week and 8 hours per day. There may be adjustments in the training or the total training time depending upon the level of prior restaurant experience, if any, of the trainee.

Note 2: Classroom training generally is conducted at Gold Star's corporate offices. New store training will take place on-site when a location opens. Occasionally, training may take place at a franchise location that is convenient for neighboring franchise locations.

Note 3: "On the job" training generally is conducted at one of Gold Star's company-owned Restaurants or franchised Restaurants. New store training will take place on-site when a location opens. Occasionally, training may take place at a franchise location that is convenient for neighboring franchise locations.

Initial Crew Training (Pre-Opening Training).

Gold Star also requires your initial crew to participate in a 5 to 7 (5-9 days) 5 hours/day training program conducted at your Restaurant before you open it to the general public. This training usually is provided during the week before the scheduled opening of your Restaurant. The initial crew must complete the training to Gold Star's satisfaction before your Restaurant opens. Gold Star does not charge you for this training program for the initial crew; however, you do not receive any compensation or reimbursement for any services performed or expenses incurred by you or any of your crew, employees or other representatives during the initial crew training program and you are responsible for all travel, lodging, meal and other related or incidental expenses incurred by them during or regarding the initial crew training program. Gold Star's initial crew training program as of December 31, 2024 is described in the following chart. The program is subject to modification by Gold Star.

CREW TRAINING PROGRAM

Subject	Hours and Location of Classroom Training	Hours and Location of "On the Job" Training	Location
Orientation	4	0	Your Restaurant
Customer Service (Service Promise)	2	4	Your Restaurant
Service Procedures	1	5	Your Restaurant
Food Preparation and Assembly	3	6	Your Restaurant
Food and Services	5	5	Your Restaurant

Minimum of 35 hours of pre-opening training per employee

Average opening Crew size is 23-27 employees

Additional Training.

Gold Star may at its option make available or require attendance of you and/or key employees at, refresher or other additional training programs as it deems appropriate. The location, duration and content of the programs will be as determined by Gold Star in its sole discretion. No fee will be charged by Gold Star for any of these additional training programs at which attendance of you or any of your employees or other representatives is designated by Gold Star as mandatory. You must pay Gold Star for attendance of any optional attendee at any mandatory program and for attendance of any attendee at any optional training program made available by Gold Star the standard fee then charged by Gold Star to other Franchisees for the programs. Gold Star did not charge a fee for these programs during the year ended December 31, 2024. You must pay all travel, lodging, meal and other related or incidental expenses you or your employees or other representatives incur in attending or otherwise regarding these programs.

Although Gold Star is not obligated to provide any additional training programs, Gold Star has offered additional "refresher" training programs each year, which usually are repeated for a total of 4 times per year in various regions and usually is of 2-4 (up to 8 hours) hours in duration. Past sessions usually have been conducted at a hotel or similar site located as centrally as practicable to other Franchisees in the region in which the program is offered. Past topics have included customer service, shift management, recruitment and selection, goal setting and team building, and past instructional materials and procedures have included video, group activities, handouts and manuals. Past programs have been conducted by the (Field Training Manager) Training Coordinator. Attendance at past programs has not been mandatory. There is no guarantee that future programs will be similar to past programs.

Item 12

Territory

You will not receive exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Your Franchise is limited to the operation of 1 Gold Star Restaurant at a specific Retail Location, which must be approved by Gold Star. We agree not to operate or license another to operate a Gold Star Restaurant in a territory we designate in your Franchise Agreement (your "Protected Territory"), subject to our right to establish certain "Special Purpose Outlets" in the Protected Territory and to sell or distribute Gold Star products using the Marks through alternate distribution channels in the Protected Territory. A "Special Purpose Outlet" is a Gold Star Restaurant located inside a shopping mall or center, zoo, airport, race track, amusement park, fairgrounds, sports stadium, hospital, factory, bar, school, gas station, and special event. You are not granted (nor should you infer) any exclusive, protected, or territorial rights of any kind whatsoever outside of the Protected Territory, including any contiguous market area.

The size of your Protected Territory depends primarily upon the location of your Restaurant. The Protected Territory for a Special Purpose Outlet will be the relevant building or facility. The Protected Territory boundaries for other Restaurants are those set forth in Franchisees' Franchise Agreements. In determining Protected Territory boundaries, Gold Star evaluates a number of factors, including density of the population, earnings of the populace, and traffic counts.

Gold Star has established and plans to continue establishing company-owned outlets and other channels of distribution using the Marks, including company-owned Restaurants and distribution through grocery stores, convenience stores, other food service establishments, establishments or concessions located within other facilities (such as zoos, airports, race tracks, amusement parks, fairgrounds, sports stadiums, special events and the like) and food brokers, and also may expand through or establish other traditional and non-traditional distribution channels, methods and venues.

You do not receive the right to acquire additional Franchises within your Protected Territory, or contiguous territories or anywhere else. You do not receive the right to relocate your Franchise and must obtain Gold Star's prior written consent in order to change your Retail Location.

You are free to solicit customers or accept orders in any geographic area, just as Gold Star, its affiliates and other Franchisees may solicit customers or accept orders from anywhere, including your Protected Territory or the territory of any other Franchisee.

Neither Gold Star nor any affiliate of Gold Star operates or franchises, or has any present plans to operate or franchise, any business selling or leasing under different trade names or trademarks, goods or services similar to those to be offered by you.

The continuation of your Protected Territory rights is not dependent upon the achievement of a certain sales volume, market penetration or other contingency.

Item 13

Trademarks

Gold Star licenses you to use Marks containing the words "Gold Star" and "Gold Star Chili," and any other current or future Marks that Gold Star authorizes in writing, to identify your Franchise business. The primary trademarks, names, symbols and logos currently licensed to you to identify your Franchise business are set forth in Exhibit A to the Franchise Agreement. The Marks may be used only in operating the Restaurant and only subject to the terms and conditions set forth in the Franchise Agreement and any other rules of Gold Star set forth in the Manual or otherwise. The Franchise Agreement and these other rules impose various restrictions on your use of the Marks.

In the United States, Gold Star has registered the following primary trademarks, names, symbols and logos with the United States Patent and Trademark Office on the principal register:

Mark	Registration No.	Date Registered	Status
Gold Star Chili	1,338,458	May 28, 1985	Renewal due May 28, 2035.
Gold Star Chili	1,870,700	Dec. 27, 1994	Renewal due June 27, 2025.
GOLD STAR	1,960,628	March 5, 1996	Renewal due March 5, 2026.
Gold Star	5,673,572	February 12, 2019	Renewal due February 12, 2029.

Gold Star is currently in the process of modernizing its trademarks and will be transitioning the System to use the marks in the chart below in the coming months and years. In the United States, Gold Star has filed "intent to use" applications with respect to these trademarks, names, symbols and logos with the United States Patent and Trademark Office, with the intent of ultimately registering them on the principal register. With respect to these marks only, we do not have a federal registration for these marks. Therefore, these marks do not have many legal benefits and rights as a federally registered trademark. If our right to use these marks are challenged, you may have to change to an alternative trademark, which may increase your expenses.

Mark	Registration No.	Date Registered	Status
	1,338,458	May 28, 1985	Renewal due May 29, 2029.
	1,870,700	Dec. 27, 1994	Renewal due June 27, 2025.
GOLD STAR	1,960,628	March 5, 1996	Renewal due March 5, 2026.
GOLD STAR GRILL	3,099,303	May 30, 2006	Renewal due May 30, 2026.
	3,239,238	May 08, 2007	Renewal due May 8, 2027.
	5,673,572	February 12, 2019	Renewal due February 12, 2029.
	5,808,115	July 16, 2019	Affidavit of Use due July 16, 2029.
	6,364,766	May 25, 2021	Affidavit of Use due May 25, 2027.

There are no currently effective material determinations of the United States Patent and Trademark Office, trademark trial and appeal board, the trademark administrator of this state or any court, and there are no pending infringement, opposition or cancellation proceedings, nor any pending material litigation, involving the primary trademarks, service marks, names, logos and symbols licensed to, and to be used by, you to identify the Franchise business.

There are no agreements currently in effect that significantly limit the rights of Gold Star to use or license the use of the primary trademarks, service marks, names, logos and symbols licensed to, and to be used by, you to identify the Franchise business, in any manner material to the Franchise.

You must notify Gold Star promptly of any claim, demand or legal action by any third party involving the Marks or any potentially infringing use of the Marks, or any mark, name, logo or symbol identical to or confusingly similar to any of the Marks. Under the Franchise Agreement, Gold Star agrees to take whatever actions it deems reasonably necessary to protect the Marks and the goodwill associated therewith. Gold Star retains the exclusive right, in its sole discretion exercised in good faith, to determine and undertake the actions, if any, that it deems appropriate to prevent the infringement of the Marks or the diminution of the goodwill in the Marks. If a third party brings a legal action against you challenging your right to use the Marks as authorized by the Franchise Agreement, Gold Star may, in its sole discretion, assume your defense utilizing counsel of Gold Star's choice and must indemnify you against all damages for infringement for which you are held liable in that action arising out of your authorized use of the Marks pursuant to and in compliance with the Franchise Agreement, if the following conditions are satisfied: (a) you provide Gold Star with timely notice of the institution of the action, (b) you cooperate fully with Gold Star's counsel in defending against the action and (c) Gold Star retains ultimate control over the strategy involved in defending against and/or resolving the action. If Gold Star undertakes the defense or prosecution of any litigation pertaining to the right to use the Marks, you must execute all documents and do all acts and things as may be necessary, in the opinion of counsel for Gold Star, to carry out the defense or prosecution, whether the action is in the name of Gold Star, or in your name. Gold Star is not responsible for the cost of any independent legal counsel retained by you in any litigation. Except as set forth above, Gold Star will not be liable to you for any damages, costs, expenses, loss of profits or business opportunities, or incidental or consequential damages of any kind regarding or under any action or other matter involving the Marks. If you fail to meet any of your obligations described in this paragraph, Gold Star's obligations and warranties are void regarding the event at issue and Gold Star has no liability for costs incurred by or damages awarded against you.

Under the Franchise Agreement, you agree not to contest, directly or indirectly, or aid in contesting, the validity, ownership or enforceability of any Marks.

If it becomes advisable at any time in Gold Star's sole discretion for Gold Star and/or you to modify or discontinue use of any of the Marks, and/or to use one or more additional or substitute marks, names, logos or indicia, you must do so at your expense within a reasonable time after Gold Star so instructs you to do so in writing.

There are no superior prior rights or infringing uses actually known to Gold Star that could materially affect your use of the primary trademarks, service marks, names, logos and symbols licensed to, and to be used by, you to identify the Franchise business, in this state or any other state in which the Franchise business is to be located.

Item 14

Patents, Copyrights and Proprietary Information

Gold Star does not own any patents.

Gold Star asserts copyright protection for its Manual and other information and materials regarding Gold Star's System, which are not registered. You are not necessarily licensed to use these copyrights, but you are licensed to use the Manual and certain confidential information and materials during the term of the Franchise Agreement as part of the Confidential Material described in this Item 14.

There are no current determinations of the United States Copyright Office (Library of Congress) or any court regarding the copyrights, and there are no currently effective agreements that significantly limit the rights of Gold Star to use or license the use of the items for which copyright protection is asserted in any manner material to the Franchise.

Gold Star asserts trade secret protection for information contained in the Manual and other information about its chili products, recipes and formulations, the System and the Business (the "Confidential Material"), and pursuant to the Franchise Agreement you agree that the Confidential Material constitutes proprietary highly confidential trade secrets and that you will not use any of the Confidential Material except as necessary in the operation of the Franchise business in accordance with the Franchise Agreement. You also agree that you will not disclose, duplicate, license, sell or reveal any of the Confidential Material to any person, other than disclosure to one or more of your employees to the extent that the employee is required by his/her work in accordance with the Franchise Agreement to be familiar with relevant Confidential Material. You agree to keep confidential the Confidential Material, to obtain from each of your partners, shareholders, officers, directors, employees and agents an agreement to keep and respect these confidences and to be responsible for compliance by all of those persons with those agreements.

You must advise Gold Star promptly in writing if you learn of any claims made regarding, or unauthorized use of, any Confidential Material, whether by a Related Party or a third party. Gold Star is not obligated to take any action, but may take any action it deems appropriate. Gold Star is not obligated to indemnify you for expenses or damages in a proceeding involving any of the Confidential Information.

Under the Franchise Agreement, you agree not to contest, directly or indirectly, or aid in contesting, the validity or enforceability of, or Gold Star's ownership, title, right or interest in, any copyrights, any of the Confidential Material or any of the System or contest Gold Star's sole right to register, use or franchise or license others to use any of the copyrights, Confidential Material or System.

If Gold Star requires you to modify or discontinue the use of any item, process, standard, specification or other matter included in the Manual or other Confidential Information, you must then do so at your expense.

There are no infringing uses actually known to Gold Star that could materially affect you.

Item 15

Obligation to Participate in the Actual Operation of the Franchise Business

Gold Star recommends, but does not require, that the Franchise business be under your personal direct on-premises supervision (or, if you are a corporation or partnership, the direct on-premises supervision of one of your principals). Gold Star does require that your Restaurant be directly supervised "on premises" by a manager who meets certain requirements.

You must designate and give Gold Star written notice of the name of, an individual who will serve as manager and, if applicable, area manager of the Restaurant (that manager, and any area manager, are referred to in this disclosure document individually as a "Manager" and collectively as the "Managers"). If you are an individual, you either must be the designated Manager or, if you designate some other individual to serve as Manager, you must, on a weekly basis, be present and actively participate in the day-to-day, on-premises supervision and operation of the Restaurant for at least 10% of the Restaurant's operating hours. If you are a business entity such as a corporation or limited liability company, then an individual with an ownership interest in you must be the designated Manager; or you can designate some other individual to serve as Manager, but if you do so then an individual owning an equity interest in you must be present and actively participate in the day-to-day, on-premises supervision and operation of the Restaurant for at least 10% of the Restaurant's operating hours. Each Manager must agree in writing to be bound individually by the confidentiality, noncompete and transfer restrictions of Sections 11, 12 and 14 of the Franchise Agreement. Each Manager must complete Gold Star's initial training program to the satisfaction of Gold Star. The Manager cannot be changed without prior written notice to Gold Star of the replacement Manager, and without the replacement Manager completing the initial training program to Gold Star's satisfaction. Each Manager also must satisfactorily complete all additional and refresher training programs Gold Star requires.

The Manager must devote his or her full time and best efforts to the diligent and conscientious day-to-day, on-premises supervision and operation of the Restaurant. If you have more than one Restaurant, you must have a different Manager for each Restaurant and that Manager must devote his or her full time and best efforts to the diligent and conscientious day-to-day, on-premises supervision and operation of that one Restaurant (you may appoint an area Manager to oversee the Restaurant Managers but each Restaurant must also have its own Manager).

Each holder of an interest in the Franchise Agreement or in you must enter into a written agreement personally guaranteeing all of your obligations under the Franchise Agreement and agreeing to be personally bound by the confidentiality, noncompete and transfer restrictions of Sections 11, 12 and 14 of the Franchise Agreement.

Item 16

Restrictions on What the Franchisee May Sell

You must keep the Franchised Restaurant open and in normal operation for the hours and days specified by us and use the Retail Location solely for the operation of Gold Star Restaurant, and you must refrain from using or permitting the use of the Restaurant for any other purpose or activity at any time without our prior written approval. You must operate the franchised Restaurant in strict conformity with the methods, procedures, standards and specifications described in the Manual or otherwise in writing.

You must sell or offer for sale only those items, products and services expressly approved by us. You must sell or offer for sale all menu items, products and services required by us. You must not deviate from our methods, procedures, standards and specifications, including ingredients, methods of preparation and service, weight, quality and dimensions of products served. You must discontinue selling and offering for sale any menu items, products or services that we determine at any time. You may sell or offer to sell other items, products or services only upon receipt of prior written approval from us.

Gold Star may make changes in the authorized goods and products, standards, specifications, and procedures from time to time because of changing markets, competition, new laws and regulations, new products and technological developments, changing demographic factors and other conditions. You will be required to comply with modifications that Gold Star in good faith believes to be necessary or desirable. Changes to the System may include, without limitation, the adoption and use of new or modified trade names, trademarks, service marks or copyrighted materials, new services or products and/or deletion of services and products, new management practices, and signs and procedures.

We do not impose any restrictions as to the customers to whom you may sell or offer to sell these items, goods or services.

Item 17

Renewal, Termination, Transfer and Dispute Resolution

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

THE FRANCHISE RELATIONSHIP

FRANCHISE AGREEMENT[1, 2]		
Provision	**Section in Franchise Agreement**	**Summary**
a. Term of the Franchise	Section 1.2	10 years or, if less, term of lease for Retail Location

FRANCHISE AGREEMENT[1, 2]		
Provision	**Section in Franchise Agreement**	**Summary**
b. Renewal or extension of the term	Section 16	If you are in good standing and we still offer Franchises, you can add an additional 10-year term (limited by term of lease)
c. Requirements for you to renew or extend	Section 16	Give timely written notice, retain lease for same Retail Location, be in good standing, sign new agreement, pay fee, and, to the extent Retail Location is not in compliance with current Gold Star operations and facilities standards, execute a remodeling agreement addressing the deficiencies (including reasonable time-frame) submitted to Gold Star, and remodel same in accordance with remodeling agreement
d. Termination by you	Not Applicable	Not Applicable
e. Termination by Gold Star without cause	Not Applicable	Not Applicable
f. Termination by Gold Star with cause	Section 14	Gold Star can terminate only for good cause, including franchisee defaults
g. "Cause" defined—defaults which can be cured	Sections 14.2 and 14.5	You have 10 days to cure: breaches of Franchise Agreement or other "good cause" not covered by Sections 14.2 and 14.5 breaches of other obligations to Gold Star or affiliates; breaches of lease or other agreements covering Retail Location or Franchise business; failure to open Restaurant within 270 days of date of Franchise Agreement or one year of site approval; violation of law
h. "Cause" defined—defaults which cannot be cured	Sections 14.2, 14.3, 14.4	Non-curable defaults: financial problems of you, your partners or shareholders or the Franchise business or assets; liquidation or dissolution of you, your shareholders or partners; material misrepresentations or omissions; conviction (you, any shareholder, partner, Manager or Operator) of felony; termination of any agreement that you have to sell any other products, breach of confidentiality or noncompete obligations by any obligated person or entity; false records or reports; cessation or disruption of operations; breach of transfer restrictions by any obligated person or entity; noncompliance with training requirements; breach of restrictions on operations, products or services; failure to comply with standards; conduct (you, any shareholder, partner, officer, director, employee or agent) unfavorably reflecting on reputation of Gold Star, Restaurant, Marks, System or Proprietary Products; repeated defaults, failure to provide information or reports; failure to permit inspections or audits; failure to correct deficiencies after an inspection within 30 days after notice of such deficiencies, failure to submit financial statements or sales reports

FRANCHISE AGREEMENT[1, 2]		
Provision	**Section in Franchise Agreement**	**Summary**
i. Your obligations on termination/nonrenewal	Section 15	Obligations include complete deidentification; payment of amounts due; return of proprietary and other confidential items, as well as all inventory and equipment bearing the Marks; transfer of phone listings and numbers; confidentiality obligations; indemnity obligations (also see (o) and (r), below)
j. Assignment of contract by Gold Star	Section 13.1	No restriction on Gold Star's right to assign
k. "Transfer" by you - definition	Section 13.2	Includes transfer of contract or assets, certain ownership changes, grant of liens
l. Gold Star's approval of transfer by Franchisee	Section 13.4 and the Small Business Association Addendum if applicable	Gold Star has the right to approve all transfers (also see (n) below)
m. Conditions for Gold Star approval of transfer	Section 13.4 and the Small Business Association Addendum if applicable	Gold Star not obligated to approve any transfer--minimum conditions include: you are in good standing; new franchisee qualifies; transfer fee paid; purchase agreement approved; training arranged; release signed by you (and your shareholders and partners) and current agreement and related documents signed by new franchisee (also see (n) and (r), below); Under the Small Business Association Addendum, Gold Star may not unreasonably withhold, condition, or delay its consent.
n. Gold Star's right of first refusal to acquire your business	Section 13.3	Gold Star can match any offer
o. Gold Star's option to purchase your business	Sections 15.2 and 15.3 and the Small Business Association Addendum if Applicable	Gold Star has option to acquire Retail Location (or lease), equipment and furnishings upon termination or expiration of Franchise Agreement or permanent closing of Retail Location; Under the Small Business Association Addendum Gold Start does not have the right to acquire the Retail Location
p. Your death or disability (or that of any person having an interest in you or in the Franchise)	Section 13.8 and the Small Business Association Addendum if applicable	Franchise must be assigned by estate to approved buyer (and pursuant to transfer conditions) in 6 months (see (m), above); if Manager dies or becomes incapacitated and you do not have in place an acceptable successor Manager, Gold Star has the right to operate your Restaurant and charge you an operating fee during the interim period; Under the Small Business Association Addendum if applicable, Gold Star will operate the Restaurant for no more than a 90-day period of time

FRANCHISE AGREEMENT[1, 2]		
Provision	**Section in Franchise Agreement**	**Summary**
q. Non-competition covenants during the term of the Franchise	Section 11	No involvement in competing business anywhere; no allowing any part of any owned or controlled premises in your Protected Territory to be used to any extent for any competing business
r. Non-competition covenants after the Franchise is terminated or expires	Section 11	No competing business for 3 years and within 10 miles of your Retail Location or any other Gold Star (existing or approved) franchise (including after assignment); no part of any owned or controlled premises in your Protected Territory to be used to any extent for any competing business for 3 years
s. Modification of the agreement	Section 21.3	No modifications to Franchise Agreement generally, but Manual and System subject to change
t. Integration/merger clause	Section 21.3	Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises may not be enforceable
u. Dispute resolution by arbitration or mediation	None	
v. Choice of forum	Section 22.3	Litigation must be in Ohio
w. Choice of law	Section 22.1	Ohio law applies

NOTES:

Note 1: All holders of an interest in you or in the Franchise must guarantee all of your obligations under the Franchise Agreement and agree to be bound personally by the confidentiality, noncompete and transfer provisions of the Franchise Agreement (see Section 17.2 of and Exhibit B to the Franchise Agreement).

Note 2: The laws of certain states may restrict Gold Star's rights under termination, renewal or assignment provisions, covenants not to compete or certain other provisions contained in the Franchise Agreement. You should consult with your own legal advisor regarding such state laws.

A provision in the Franchise Agreement, which terminates the Franchise upon your bankruptcy, may not be enforceable under Title 11, United States Code Section 101.

Item 18

Public Figures

Gold Star does not use any public figure to promote the 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 franchise 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.

At the end of 2024 there were 47 **Franchised Traditional Outlets** in operation and 1 **Franchised Non-Traditional Outlets** in operation. A **Franchised Traditional Outlet** is defined as a noncompany-owned Store that is free standing or on an end cap of a strip center and has a drive thru. A **Franchised Non-Traditional Outlet** is defined as a noncompany-owned Store located in a mall, amusement park, fairground, sports stadium, zoo or airport. The financial performance representations in Table 1 below are historical based on information from the indicated subsets of the 47 **Franchised Traditional Outlets** that were open for the full fiscal year, January 1, 2024 through December 31, 2024. The entire set of 47 **Franchised Traditional Outlets** experienced average Gross Sales of $1,074,809.57 (with 21 outlets, or 44.7%, exceeding the average) and median Gross Sales of $1,057,612.66. The low performer of this group had Gross Sales of $345,765.49 and the high performer of this group had Gross Sales of $1,928,398.90.

Table 1 - Gold Star Chili Franchised Traditional Outlets							
				Range		Number of Restaurants Meeting or Exceeding the Average	
Tier	Number of Stores	Average Gross Sales	Median Gross Sales	Low End	High End	Number	Percentage
Top 25%	12	$ $1,592,551.41	$1,497,802.33	$1,285,629.03	$1,928,629.03	5	41.7%
Top 50%	24	$1,355,631.81	$1,242,198.60	$1,057,612.66	$1,928,629.03	10	41.7%
Top 75%	36	$1,207,778.82	$1,119,733.62	$779,464.33	$1,928,398.90	12	33.3%

Some Outlets have sold this amount. Your individual results may differ. There is no assurance that you'll sell as much.

At the end of 2024, there were 40 **Franchised G5 Outlets**. A **Franchised G5 Outlet** is a **Franchised Traditional Outlet** that has implemented the current published design standards of facility modifications and menu. All new Restaurants in the System are now required to be **G5 Outlets**. The facility design standards include new building signage, awnings, paint colors, and drive thru equipment with respect to the exterior and new furniture, cabinetry, paint colors, and graphics with respect to the interior. The menu (which has been implemented at all Gold Star locations) includes chili products, fresh burgers, gourmet fries and salads. The annualized sales data for the **Franchised G5 Outlets** is a subset of and included in the annualized sales data for all **Franchised Traditional Outlets**. The financial performance representations in Table 2 below are historical based on information from indicated subsets of the 40 **Franchised G5 Outlets** that were open for the full fiscal year, January 1, 2024 through December 31, 2024. The entire set of 40 **Franchised G5 Outlets** experienced average Gross Sales of $1,152,691.02(with 15 outlets, or 37.5% exceeding the average) and median Gross Sales of $1,093,273.54. The low performer of this group had Gross Sales of $$528,997.30 and the high performer of this group had Gross Sales of $1,928,398.90.

Table 2- Gold Star Chili Franchised G5 Outlets

				Range		Number of Restaurants Meeting or Exceeding the Average	
Tier	Number of Stores	Average Gross Sales	Median Gross Sales	Low End	High End	Number	Percentage
Top 25%	10	$1,653,854.35	$1,677,724.62	$1,382,978.60	$1,928.398.90	5	50%
Top 50%	20	$1,412,989.43	$1,334,711.49	$1,101.742.20	$1,928.398.90	8	40.0%
Top 75%	30	$1,282,177.10	$1,145,524.79	$960,929.10	$1,928.398.90	12	40.0%

Some Outlets have sold this amount. Your individual results may differ. There is no assurance that you'll sell as much.

NOTES REGARDING SALES DATA IN TABLES 1 AND 2

1) As used in Tables 1 and 2, "Gross Sales" refers to total revenue derived from the sale of goods or services less sales tax, discounts, allowances, and returns.
2) The financial data provided in Tables 1 and 2 was obtained from sales reports from our Franchisees. These reports are not audited or otherwise verified. Substantiation of the data used in preparing this information will be made available to you in writing upon reasonable request.
3) The financial data provided in Tables 1 and 2 relates to franchised outlets only and does not include data from any company-owned outlets.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other Gold Star financial performance information or projections, you should report it to the franchisor's management by contacting our Franchise Development Director, telephone (513) 624-4401, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20

Outlets and Franchise Information

TABLE NO. 1

SYSTEM WIDE OUTLET SUMMARY

FOR 2022 - 2024

Outlet type	YEAR	Outlets at the start of the year	Outlets at the end of the year	Net change
FRANCHISED	2022	58	52	-6
	2023	52	51	-1
	2024	51	48	-3
COMPANY OWNED	2022	7	7	0
	2023	7	8	1
	2024	8	9	1

TOTAL	2022	65	59	-6
	2023	59	59	0
	2024	59	57	-2

TABLE NO. 2

TRANSFERS OF OUTLETS FROM FRANCHISEES TO

NEW OWNERS (OTHER THAN FRANCHISOR OR AN AFFILIATE)

FOR YEARS 2022-2024

STATE	YEAR	Number of transfers
KENTUCKY	2022	0
	2023	3
	2024	1
OHIO	2022	1
	2023	0
	2024	0
TOTAL	2022	1
	2023	3
	2024	1

TABLE NO. 3

STATUS OF FRANCHISED OUTLETS

FOR YEARS 2022-2024

STATUS OF FRANCHISED OUTLETS FOR YEARS 2022-2024								
STATE	YEAR	OUTLETS AT THE START OF YEAR	OUTLETS OPENED	TERMINATION	NON-RENEWALS	REAQUIRED BY FRANCHISOR	CEASED OPERATIONS - OTHER REASONS	OUTLETS AT END OF YEAR
KENTUCKY	2022	20	0	0	1	0	1	18
	2023	18	0	0	0	0	0	18
	2024	18	0	0	2	0	0	**16**
OHIO	2022	36	0	0	3	0	0	33
	2023	33	1	0	1	1	0	32
	2024	33	0	0	1	0	0	**31**
INDIANA	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	**1**
TOTAL	2022	57	0	0	4	0	1	52
	2023	52	1	0	1	1	0	51
	2024	51	0	0	3	0	0	48

TABLE NO. 4

STATUS OF COMPANY-OWNED OUTLETS

FOR YEARS 2020-2024

STATUS OF COMPANY OWNED OUTLETS 2020-2024							
STATE	YEAR	OUTLETS AT THE START OF YEAR	OUTLETS OPENED	OUTLETS REAQUIRED FROM FRANCHISEE	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEE	OUTLETS AT END OF YEAR
KENTUCKY	2020	2	0	1	0	0	3
	2021	3	0	0	0	1	2
	2022	2	0	0	0	0	2
	2023	2	0	0	1	0	1
	2024	1	0	0	0	0	1
OHIO	2020	7	0	0	0	0	7
	2021	7	0	1	1	2	5
	2022	5	0	0	0	0	5
	2023	5	1	1	0	0	7
	2024	7	1	0	0	0	8
INDIANA	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
TOTAL	2020	9	0	1	0	0	10
	2021	10	0	1	1	3	7
	2022	7	0	0	0	0	7
	2023	7	1	1	1	0	8
	2024	8	1	0	0	0	9

TABLE NO. 5

PROJECTED OPENINGS

AS OF DECEMBER 31, 2024

There are two (2) new franchised outlets that are projected to open in 2025.

Exhibit D to this disclosure document lists the names, business addresses and telephone numbers of all Franchisees as of December 31, 2024 under Franchise Agreements with Gold Star or any subfranchisor.

Exhibit E to this disclosure document sets forth the name and last known home address and home telephone number of each Franchisee who has had a Franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under their Franchise Agreement during the year ended December 31, 2024 or who has not communicated with Gold Star within the 10 weeks preceding the date of this disclosure document.

Privacy Warning

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

During the last three fiscal years, we have not signed any confidentiality clauses with any current or former franchisees.

Item 21

Financial Statements

Attached to this disclosure document as Exhibit F are the audited financial statements of Gold Star for the years ended December 31, 2022, December 31, 2023 and December 31, 2024, which include statements of operations, stockholder equity and cash flows for each of the 3 years in the period ended December 31, 2024.

Item 22

Contracts

Attached to this disclosure document are the following agreements proposed for use by Gold Star in this State regarding the offering of this Franchise:

Exhibit B Franchise Agreement (which includes a Guaranty as its Exhibit B).

Item 23

Receipts

Attached as Exhibit I, the last page of this disclosure document is a detachable receipt, in duplicate, acknowledging your receipt of this disclosure document (and the Exhibits attached to this disclosure document).

EXHIBIT A to

FRANCHISE DISCLOSURE DOCUMENT

AGENTS FOR SERVICE OF PROCESS

Ohio
CSC – Lawyers Incorporating Service
50 W. Broad St., Ste. 1800
Columbus, OH 43215

Kentucky
Corporation Service Company
421 W. Main Street
Frankfort, KY 40601

Indiana
Corporation Service Company
251 E. Ohio St., Ste. 500
Indianapolis, IN 46204

FRANCHISE AGREEMENT

(Single Site)

This Agreement is made and entered into by and between Gold Star Chili, Inc., an Ohio corporation whose address is 650 Lunken Park Drive, Cincinnati, Ohio 45226 (the "COMPANY") and the person set forth below (the "FRANCHISEE") all as of the date this Agreement is executed by the COMPANY.

FRANCHISEE:	**RETAIL LOCATION:**
True Name:____________________	____________________________
DBA Name:____________________	____________________________
Address:______________________	____________________________
____________________________	____________________________
(Telephone) ( ) _______-________	(Telephone) ( ) _______-________

Term:____

Protected Territory:______________________________________

____

____

Percentage Franchise Fee: Five Percent (5%) of Gross Sales

Percentage Brand Building Fee: Five percent (5%) of Gross Sales

FRANCHISEE is a:____

(natural person/sole proprietorship, corporation, partnership, etc.)

________________________	________________________
(Initialed by FRANCHISEE)	(Initialed by COMPANY)
________________________	________________________
(Date)	(Date)

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W I T N E S S E T H   T H A T:

WHEREAS, the COMPANY has developed a distinctive formulation for the preparation of a food product known as "chili" and related chili products and prepares such products for resale, which products are identified and marketed under the proprietary mark "GOLD STAR CHILI";

WHEREAS, the COMPANY has developed and adopted for its own use and the use of its franchisees a unique system of restaurant operation (as the same may be changed by the COMPANY from time to time, the "System"), consisting in part of distinctive building designs, advertising, equipment layout plans, food presentation and formulae, secret recipes, certain business techniques, systems, standards and procedures, and an Operations Manual, Management Manual and other manuals and materials provided to FRANCHISEE from time to time pursuant to Section 3, below (such manuals and materials, as the same may be amended or supplemented by the COMPANY from time to time, are referred to collectively as the "Manual");

WHEREAS, the COMPANY operates and franchises the operation of retail chili restaurants utilizing the Marks (as hereinafter defined) in accordance with the System (individually a "Restaurant" and collectively the "Restaurants") which specialize in and feature the retail sale of chili products;

WHEREAS, the COMPANY has expended time, effort and money to develop its unique formula for its chili and the System, has obtained knowledge in the field of owning, operating, licensing and advising Restaurants, has successfully established a reputation, has created substantial goodwill for its chili and such Restaurants through the operation and licensing thereof under certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including but not limited to those described on Exhibit A hereto (said marks, together with such other names, marks, logos, emblems and indicia as are now or hereafter designated by the COMPANY in writing for use by FRANCHISEE in connection with the System and operation of a Restaurant, and as modified by any and all changes, deletions and additions made by the COMPANY from time to time, are referred to collectively as the "Marks"); and

WHEREAS, FRANCHISEE desires to obtain the benefits of the use and sale of the COMPANY's chili products and the System established by the COMPANY and to obtain the benefit of the knowledge, advice and goodwill of the COMPANY in the operation of a Restaurant and the right to purchase and sell the COMPANY's chili and related products, and therefore FRANCHISEE has applied to the COMPANY for a franchise to operate one (1) Restaurant based upon the terms and conditions hereinafter set forth, exclusively at the Retail Location set forth on the cover page thereof (the "Retail Location"), and for the right to use, solely in connection therewith the System and Marks.

NOW, THEREFORE, in consideration of the above premises and the mutual covenants herein contained, the parties agree as follows:

1. GRANT OF FRANCHISE.

1.1 Grant. COMPANY hereby grants unto FRANCHISEE, and FRANCHISEE hereby accepts, upon the terms and conditions of this Agreement, a license and franchise to establish and operate a Restaurant at the Retail Location (sometimes herein referred to as the "Restaurant" or the "Store" and the business conducted pursuant to this Agreement is sometimes herein referred to as the "Business"), and to use the Marks and System solely in connection therewith, solely at the Retail Location and in advertising therefor, without any right to sublicense, and in compliance with the provisions of this Agreement.

1.2 **Term**. The term of this Agreement and the franchise granted herein shall be for a term of ten (10) years, or, if less, the term of the lease for the Retail Location (the term is set forth on the cover page of this Agreement) or until otherwise terminated as hereinafter provided; provided FRANCHISEE has secured, and continues to secure, by ownership or lease, the Retail Location for the same term.

1.3 **Protected Territory**. Except for the protections provided in this Section 1.3, the franchise and other rights granted herein are non-exclusive. The COMPANY agrees not to operate or license another to operate a Restaurant within the territory defined on the cover page hereof (the "Protected Territory") so long as FRANCHISEE: (i) fully complies with all methods, procedures, standards and specifications required by the COMPANY in the Manual (defined in Section 3.3 below) or otherwise in writing; and (ii) does not violate any of the other provisions of this Agreement or has cured such violation in the time period provided for herein. Notwithstanding the foregoing, the COMPANY may (x) establish or license another to establish one or more Special Purpose Outlets (as defined below) within the Protected Territory and (y) sell or otherwise distribute within the Protected Territory products similar to or the same as those offered by the Restaurant through alternative channels of distribution (including without limitation grocery and convenience stores and internet, direct mail and catalog sales); provided, however, that in the event that the Retail Location is a Special Purpose Outlet, the COMPANY will not operate or license another to operate an additional Restaurant in the same building as the Special Purpose Outlet. A "Special Purpose Outlet" is defined as a Gold Star Chili restaurant located inside shopping malls or centers, zoos, airports, race tracks, amusement parks, fairgrounds, sports stadiums, hospitals, factories, bars, schools, gas stations, and special events. Nothing herein shall limit the COMPANY's rights or activities outside of the Protected Territory in any respect whatsoever (without limiting the generality of the foregoing, it is expressly agreed that no exclusive, protected or other territorial rights of any kind whatsoever outside of the Protected Territory, including any contiguous market area, is granted or to be inferred to or for FRANCHISEE). Nothing herein shall limit the COMPANY, its affiliates or any other franchisee or licensee in soliciting or accepting orders from customers anywhere whether within or outside of the Protected Territory.

1.4 **Additional Stores**. The rights granted FRANCHISEE under this Agreement relate solely to the Retail Location. In order to operate a Store in an additional location, FRANCHISEE must apply for and be granted approval (the COMPANY is not obligated to grant such approval) to purchase a separate franchise, satisfactorily complete the site selection process and sign and comply with a separate franchise agreement (which must be the COMPANY's then current form of franchise agreement) and pay additional fees equal to the COMPANY's then current fees, including but not limited to initial franchise fees, continuing franchise fees, advertising and other fees.

1.5 **Relocation**. If FRANCHISEE desires to move its Store to another location during the term of this Agreement (including but not limited to a desire to move because FRANCHISEE's lease, or any extension or renewal thereof, terminates during the term of this Agreement through no fault of FRANCHISEE), FRANCHISEE must apply for and be granted approval to relocate (the COMPANY is not obligated to grant such approval) and to purchase a franchise for a different location, must satisfactorily complete the site selection process and must sign and comply with the COMPANY's then current form of franchise agreement, including but not limited to the fee (including initial, weekly, advertising and other fees), appearance, design, lease and other requirements thereof. If FRANCHISEE's lease, or any extension or renewal thereof, terminates during the term of this Agreement due to any fault of FRANCHISEE, this Agreement shall terminate at the option of the COMPANY upon written notice from the COMPANY.

1.6 **Permitted Activities**. FRANCHISEE shall engage at the Retail Location only in the business of operating the Store and only pursuant to the System and this Agreement. FRANCHISEE shall not engage in the Business at any other location, provided that FRANCHISEE shall be permitted to make delivery orders with its own employees in the Protected Territory so long as FRANCHISEE abides by COMPANY's policies and procedures then in effect with respect to delivery services. FRANCHISEE shall not manufacture, sell, advertise for sale, provide or give away any products or services at the Retail Location other than the products and services designated or approved from time to time by the COMPANY in the Manual or otherwise in writing (collectively the "Products"). The conditions expressed herein are for the purpose of ensuring quality control and uniformity.

2. TRAINING AND DEVELOPMENT.

2.1 **Number of Trainees**. The following persons must attend and successfully complete to the COMPANY's satisfaction the COMPANY's initial training program prior to the earlier of the opening of the Restaurant or the expiration of six (6) months from the date of this Agreement, and any such additional training programs as the COMPANY may from time to time require, including, without limitation, refresher training, workshops for new Products and other programs (each such person, a "Trainee"): (a) if the FRANCHISEE is an individual, either the FRANCHISEE or two (2) persons who are designated as Managers or (b) if the FRANCHISEE is a corporation or limited liability company, either a person who has an interest in FRANCHISEE (each, a "Principal," and collectively, the "Principals") or two (2) persons who are designated as Managers. In the event that a Principal Trainee ceases to own equity in FRANCHISEE or a Manager Trainee ceases to be employed by FRANCHISEE, FRANCHISEE shall, at the COMPANY's option, cause another Principal Trainee or Manager Trainee to attend and successfully complete the COMPANY's initial training program, such that at all times FRANCHISEE shall comply with the Trainee requirements set forth in this Section 2.1. Any such initial training for replacements Trainees shall be at FRANCHISEE's expense pursuant to Section 2.2 below.

2.2 **<u>Initial Training</u>**. If FRANCHISEE is only required to have one Trainee pursuant to Section 2.1 above, the COMPANY shall provide the initial training program for one additional person who has been designated as a Manager at such locations as the COMPANY selects. No fee shall be charged by the COMPANY for the initial training of such Trainees. Initial training will be provided to any additional persons only if FRANCHISEE pays the COMPANY, for each additional enrollee, the standard fee then charged by the COMPANY to other Restaurant franchisees for such additional enrollment.

2.3 **<u>On-Site Training</u>**. The COMPANY also shall provide an initial training program at the Retail Location for the initial crew of the Restaurant for such period as the COMPANY deems appropriate in its sole discretion. The initial crew must attend and successfully complete such program to the COMPANY's satisfaction prior to the opening of the Store. No fee shall be charged by the COMPANY for such program.

2.4 **<u>Additional Training</u>**. The COMPANY may at its option make available, or require attendance at, refresher or other additional training programs as it deems appropriate. No fee shall be charged by the COMPANY for any such training program at which attendance of FRANCHISEE or any other representative of FRANCHISEE designated by the COMPANY is mandatory. FRANCHISEE must pay the COMPANY for attendance of any optional attendee at any mandatory program and for attendance of any attendee at any optional training program made available by the COMPANY the standard fee then charged by the COMPANY to other Restaurant franchisees for such programs.

2.5 **<u>Expenses</u>**. It is understood that FRANCHISEE shall receive no compensation or reimbursement for any services performed or expenses incurred by FRANCHISEE or any employee or other representative of FRANCHISEE during any training program and FRANCHISEE shall be responsible for all travel, lodging, meals and other related or incidental expenses incurred by FRANCHISEE, and FRANCHISEE's employees and representatives, in connection with any such program.

2.6 **<u>Compliance</u>**. FRANCHISEE shall be responsible for the compliance of Store operations with the System and this Agreement and for training or causing FRANCHISEE's employees and any future new employees to be trained in such standards, methods, techniques, operations or other matters as are relevant to the performance of their respective duties in accordance with the System or as required by the COMPANY, the form and substance of such training to be satisfactory to the COMPANY.

2.7 **Company Representative**. The COMPANY shall provide, at no cost to FRANCHISEE, a representative of the COMPANY at the Retail Location for a minimum of two (2) business days and a maximum of two (2) calendar weeks to train personnel and advise and consult with FRANCHISEE regarding the opening of the Store.

2.8 **Ongoing Advice**. The COMPANY will make available to FRANCHISEE from time to time, as determined by the COMPANY, the COMPANY's advice and assistance regarding the operation of the Store as and to the extent that the COMPANY deems practical and appropriate.

3. MANUAL AND OTHER APPLICABLE STANDARDS.

3.1 **Company's Obligation**. The COMPANY shall provide, on loan and at no cost to FRANCHISEE, one copy of the Manual. Additional copies may be obtained on loan from the COMPANY for the Manual fee then being charged by the COMPANY. The COMPANY may supply the Manual to FRANCHISEE in digital format, accessible through the internet, instead of in printed format (or, for instance, as part of a COMPANY extranet pursuant to Section 7.9.11 hereof).

3.2 **Confidentiality**. All Manuals shall remain the property of the COMPANY, be kept at the Store (if in printed form), be treated as Confidential Materials (as defined in Section 12) and be kept up to date and be returned to the COMPANY promptly upon request by the COMPANY (if in printed form) or at the termination of this Agreement. The version of the Manual available on any extranet, or, if not kept on a COMPANY extranet, the master copy of the Manuals kept by the COMPANY at its principal office, will be controlling, in the event of any dispute relating to the contents of the Manual.

3.3 **Compliance with Manual**. The Manual includes, among other things, standards of operation (including menu content, recipes and presentation), standards of Restaurant management, operation, cleanliness and service, and standards concerning type, style and presentation of all food, beverages, furnishings, supplies, inventory, fixtures, interior and exterior decor and equipment used in connection with the Store. The Manual may be supplemented or changed (by reissuance, substitution, addition, deletion or other modification) by the COMPANY from time to time, by written bulletins, letters, notices, substitute pages, additional or revised manuals and other materials (all of which are included within the term "Manual"), and the FRANCHISEE shall at all times conform to the Manual as then in effect. FRANCHISEE shall be advised in writing of any change and shall have such reasonable time as the COMPANY deems necessary, from the date of such written notice, to implement fully any such change. The Manual, as presently constituted and as may be hereafter amended and supplemented by the COMPANY from time to time, is incorporated by reference herein and thereby made a part of this Agreement. Notwithstanding the foregoing, if the COMPANY makes any amendment or supplement to the Manual requiring any refurbishment of the Retail Location which would reasonably be expected to exceed $30,000.00 in cost to FRANCHISEE, FRANCHISEE shall be afforded at least six months after receiving notice of such amendment or supplement to fully and finally complete such refurbishment.

3.4 **Compliance with Standards**. FRANCHISEE shall at all times conduct the Business in strict compliance with this Agreement, and such standards, procedures and policies as the COMPANY may from time to time establish, as though all were specifically set forth in this Agreement and whether set forth in the Manual, bulletins, notices or elsewhere.

4. RETAIL LOCATION; CONSTRUCTION OF RESTAURANT.

4.1 **Pre-Approval of Retail Location**. In the event that the Retail Location has been chosen prior to the execution hereof and is indicated on the cover page of this Agreement, then execution of this Agreement by the COMPANY shall indicate approval of the site of the Retail Location by the COMPANY and the date hereof shall be deemed to be the date upon which such Retail Location has been approved.

4.2 **Conventional Approval of Retail Location**. In the event that the Retail Location has not been approved concurrently with the execution hereof, then FRANCHISEE must promptly identify one or more proposed Retail Locations, and, within six (6) months of the date hereof, obtain the COMPANY's written approval of the site of a Retail Location and any lease therefor. The COMPANY may require FRANCHISEE to use a master broker and/or local broker approved by or designated by the COMPANY in connection with the selection of a Retail Location.

4.3 **Approval of Lease**. If FRANCHISEE intends to occupy the Retail Location under a lease, sublease, or other contract of tenancy (collectively, the "Lease"), any such Lease (and any amendment, renewal or extension thereof) must be approved by the COMPANY prior to its execution. The COMPANY's approval of the Lease may be conditioned upon the inclusion of such provisions as the COMPANY reasonably requires, including without limitation, those provisions set forth on Exhibit B attached hereto.

4.4 **Use of Leasing Counsel**. The COMPANY may, at its discretion, at any time prior to its approval of the Lease, require FRANCHISEE to engage attorneys of the COMPANY's choosing to advise FRANCHISEE and negotiate the terms of the Lease. The expenses of such leasing attorneys shall be the sole responsibility of FRANCHISEE.

4.5 **Standard Plans**. The COMPANY will provide to FRANCHISEE's architect (such architect to be reasonably acceptable to the COMPANY), at no charge to the FRANCHISEE, standard plans and specifications for the design and configuration of a prototype Restaurant, including exterior and interior design and layout, fixtures, furnishings, equipment and signs. The prototype plans will not address the requirements of any federal, state or local law, code or regulation (including those concerning the Americans with Disabilities Act (the "ADA") or similar rules for the accommodation of persons with disabilities), nor will the plans contain the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorizations to build a specific Restaurant. The FRANCHISEE will adapt, at FRANCHISEE's expense, the prototype plans and specifications to the Retail Location, subject to the COMPANY's approval. The COMPANY may require FRANCHISEE to use a civil engineer approved by or designated by the COMPANY in connection with the design of the Restaurant.

4.6 **Equipment, Vendor Lists**. The COMPANY will additionally provide, at no cost to the FRANCHISEE:

4.6.1 a schedule of all equipment necessary to operate the Store; and

4.6.2 a list of approved sources for architectural services, supplies, equipment, furniture, advertising and marketing materials, computer software and hardware, and other items necessary for the operation of the Store.

4.7 **Pre-Construction Requirements**. Prior to commencing any construction on the Store, the FRANCHISEE will comply with all of the following requirements:

4.7.1 the FRANCHISEE will comply with all federal, state and local laws, codes and regulations, including the applicable provisions of the ADA, regarding the construction, design and operation of the Store.

4.7.2 the FRANCHISEE will be responsible for obtaining all zoning classifications and clearances that may be required by state or local laws, ordinances, regulations that may be necessary or advisable owing to any restrictive covenants at the Retail Location. After having obtained such approvals and clearances, the FRANCHISEE will submit to the COMPANY, for the COMPANY's approval, final plans for construction based on the preliminary plans and specifications. The COMPANY's review and approval of plans will be limited to review of such plans to assess compliance with the COMPANY's design standards for a typical Gold Star Chili restaurant, including such items as trade dress and presentation of the Marks. The COMPANY's review is not designed to assess compliance with federal, state or local laws and regulations, including the ADA, as compliance with such laws are the sole responsibility of the FRANCHISEE. Once approved by the COMPANY, the final plans may not then be changed or modified without the prior written permission of the COMPANY.

4.7.3 the FRANCHISEE will obtain all permits and certifications required for the lawful construction of the Store and operation of the Business and will certify in writing to the COMPANY that all such permits and certifications have been obtained.

4.7.4 the FRANCHISEE will employ a qualified licensed general contractor who is reasonably acceptable to the COMPANY to construct the Store and to complete all improvements. The FRANCHISEE will obtain and maintain in force during the entire period of construction the insurance required by Section 18 below.

4.8 **<u>No Representations or Warranties</u>**. Neither the COMPANY's acceptance of any proposed site or design, assistance in evaluating or determining a site, site lease or design or any information communicated to FRANCHISEE with respect to site selection or design criteria or any proposed site, lease or design shall be interpreted as a representation, warranty or guarantee, express or implied, that a suitable site or lease can be obtained for FRANCHISEE, or that any site found, lease obtained or design used is suitable, or that operation of the Business at such site or under such design or lease shall be successful.

4.9 **<u>Construction Schedule</u>**. Notwithstanding the foregoing, the FRANCHISEE must complete construction of the Store and cause it to be open for business within twelve (12) months of the approval of the Retail Location.

5. <u>STANDARDS OF OPERATION</u>.

5.1 **<u>System Standards</u>**. FRANCHISEE acknowledges and agrees that every detail of the System is important, not only to FRANCHISEE but also to the COMPANY and other Gold Star Chili franchisees, in order to develop and maintain uniform operating standards, increase the demand for the products and services offered by all franchisees, establish and maintain a reputation for the highest degree of quality, service, cleanliness and customer satisfaction, and to protect the goodwill of all Gold Star Chili franchises. FRANCHISEE further acknowledges and agrees that a fundamental requirement of the System, this Agreement, and other Gold Star Chili franchises is adherence by all franchisees to the uniform specifications, standards, operating procedures and rules prescribed by the COMPANY for the development and operation of the Store, including, without limitation, standards and specifications regarding ingredients, methods of food preparation and service, and weight, quality and dimensions of menu items and other products served in the Store (collectively referred to as "<u>System Standards</u>"). Accordingly, FRANCHISEE will conduct and operate the Business at all times in a manner that will preserve and build the goodwill of all Restaurants and of the COMPANY, will comply with each and every System Standard, as periodically modified and supplemented by the COMPANY in its sole and absolute discretion, and will not deviate from the System Standards during the term of this Agreement. System Standards prescribed from time to time in the Manual or otherwise communicated to FRANCHISEE in writing will constitute provisions of this Agreement as if fully set forth in this Agreement. All references to this Agreement include all System Standards as periodically modified.

5.2 Managers. FRANCHISEE shall designate, and give the COMPANY written notice of the name of the individual that will serve as manager (such manager and any area manager being referred to hereinafter individually as a "Manager" and collectively as the "Managers") of the Store. The identity of the Manager cannot be changed without prior written notice to the COMPANY of the identity of the replacement Manager, and FRANCHISEE shall be required to promptly comply with the applicable provisions of Section 2 hereof with respect to any training required of such replacement Manager. The Manager must devote his or her full time and best efforts to the diligent and conscientious day-to-day, on-premises supervision and operation of the Store (if FRANCHISEE has more than one Store, FRANCHISEE may appoint an area Manager to oversee the Store Managers but must also appoint a different person to serve as Manager of each Store). If FRANCHISEE is an individual, then FRANCHISEE either must be the designated Store Manager, or FRANCHISEE may designate another individual to serve as Store Manager but FRANCHISEE in that case must on a weekly basis be present and actively participate in the day-to-day, on-premises supervision and operation of the Restaurant for at least ten percent (10%) of the Restaurant's operating hours. If FRANCHISEE is a corporation, limited liability company or partnership, then either a Principal must serve as Store Manager or, if some other individual serves as Store Manager then a Principal must, on a weekly basis, be present and actively participate in the day-to-day, on-premises supervision and operation of the Store for at least ten percent (10%) of the operating hours of the Store or the Manager must be an owner of at least a ten percent (10%) interest in FRANCHISEE.

5.3 Signage. FRANCHISEE shall obtain, display and maintain, at FRANCHISEE's expense, a package of signs conforming to the COMPANY's requirements (except to the extent modified with the approval of the COMPANY due to local legal restrictions), at, on or near the front of the Retail Location, describing the premises only as "Gold Star Chili" and such other signs, if any, as the COMPANY may require in the Manual or otherwise in writing. FRANCHISEE shall not place on display at the Retail Location (interior or exterior) any sign other than those that have been and continue to be approved by the COMPANY for display by FRANCHISEE in the Manual or otherwise in writing.

5.4 Hours of Operation. FRANCHISEE shall keep the Store open for such days and hours as the COMPANY shall reasonably require; provided, however, that nothing herein shall prevent FRANCHISEE from closing the Store to the extent required by local laws.

5.5 Staffing, Inventory. FRANCHISEE shall keep the Store adequately staffed with a sufficient number of adequately trained and competent employees, and maintain a sufficient inventory of Products, as to enable FRANCHISEE to operate the Store efficiently and in accordance with the COMPANY'S standards and System.

5.6 Employee Uniforms. FRANCHISEE shall cause all employees, while working in the Store, to wear uniforms of such color, design and other specifications as the

COMPANY may designate from time to time in the Manual or otherwise in writing, and present a neat and clean appearance.

5.7 **<u>Inspections by the Company</u>**. The COMPANY's employees and agents shall have the right to enter upon the Retail Location at any reasonable time, whether or not FRANCHISEE is present and without prior notice, to inspect whether the Business is being conducted in accordance with this Agreement and the System Standards and to preserve and protect the validity and integrity of the Marks and System. During such inspection, FRANCHISEE shall cooperate and shall cause its employees to cooperate with the COMPANY's employees and agents, who shall have the right to inspect the Retail Location and FRANCHISEE's books and records; observe the manner in which FRANCHISEE renders services and otherwise conducts operations; confer with FRANCHISEE's customers and employees, conduct, supervise or observe physical inventories or quality or other audits; and to select products and services for evaluation, including the right to remove samples of such products or ingredients thereof, without payment, in reasonable quantities as may be required by the COMPANY for testing.

5.8 **<u>Pricing</u>**. The COMPANY may, from time to time, recommend or suggest prices to FRANCHISEE for the Products sold or offered at the Store. FRANCHISEE is under no obligation to accept any such recommendation or suggestion. FRANCHISEE is, and shall be at all times, free to charge prices entirely of its own choosing, regardless of whether the same do or do not conform to the recommended or suggested prices.

5.9 **<u>Changes to the Store</u>**. The Store must conform to the appearance, quality, function, design, equipment, furnishing and supply standards of the COMPANY, and, once approved, may not be changed without the prior written approval of the COMPANY. The Retail Location may be constructed, refurbished or altered only in accordance with plans and specifications approved in writing in advance by the COMPANY. Once approved, the plans and specifications may not be altered or modified in any way without the prior written approval of the COMPANY. The contractor chosen by FRANCHISEE to perform any construction, refurbishing or alteration must be reasonably satisfactory to the COMPANY, and the COMPANY shall have the right at its option to participate in any punchlist or other inspection.

5.10 **<u>Furniture, Fixtures and Equipment</u>**. FRANCHISEE shall at its expense purchase, install and use any furniture, fixtures, leasehold improvements, equipment, supplies, uniforms and signs required by the COMPANY and may purchase, install or use only such furniture, fixtures, leasehold improvements, equipment, supplies, uniforms and signs as are approved by the COMPANY in the Manual or otherwise in writing. FRANCHISEE also must obtain the COMPANY's prior written approval for the alteration or replacement of any such items. These conditions are required to ensure that such items meet the System Standards. Such items and the suppliers thereof must satisfy the conditions applicable to approval under Section 7, below.

5.11 **Upkeep of Store**. FRANCHISEE shall, at its sole expense, repair and paint the interior and exterior of the Retail Location at reasonable times or upon the reasonable request of the COMPANY. FRANCHISEE shall, at its sole expense, at all times maintain the interior and exterior of the Store, the signs, furniture, fixtures and equipment therein contained, and the surrounding area in a clean and attractive condition satisfactory to the COMPANY and in compliance with the COMPANY's design, appearance, decor and other standards.

5.12 **Refurbishment of Store**. At the request of the COMPANY, FRANCHISEE will refurbish the Store at its own expense to conform to the trade dress, color schemes and presentation of the Marks in a manner consistent with the image then in effect for new Gold Star Chili restaurants under the System. Such refurbishment may include structural changes, installation of new equipment and signs, remodeling, redecoration, and modifications to existing improvements. FRANCHISEE will complete the refurbishing within the time period specified by the COMPANY pursuant to Section 3.3 hereof. FRANCHISEE acknowledges that the COMPANY cannot estimate the costs of refurbishment but any request by the COMPANY will be in its reasonable discretion. Notwithstanding the foregoing, the COMPANY shall not require FRANCHISEE to fully refurbish the Store during the following periods: (a) if the Store will be newly-constructed in connection with this Agreement, (i) during the period commencing with the date of this Agreement and ending on the five-year anniversary of the Store opening for business to the general public and (ii) the period commencing on the date which is one year prior to the expiration of the initial term of this Agreement, and ending on the last day of the initial term of this Agreement; or (b) if the Store will not be newly-constructed in connection with this Agreement, (i) during the period commencing with the date of this Agreement and ending on the one-year anniversary of the Store opening for business to the general public and (ii) the period commencing on the date which is one year prior to the expiration of the initial term of this Agreement.

5.13 **Compliance with Law**. FRANCHISEE shall promptly pay when due all taxes and assessments and all other indebtedness, liabilities and obligations of FRANCHISEE of every kind or character; shall comply with all federal, state and local laws and regulations (including, without limitation, the ADA, Title VII of the Civil Rights Act, the Age Discrimination in Employment Act, and any other employment laws relating to the payment of employee-related taxes and withholdings, occupational hazards and health, dispensing of food products, consumer protection, trade regulation, employment discrimination and sexual harassment) and shall obtain in a timely manner any and all permits, certificates, registrations, or licenses necessary for the construction, refurbishing and full and proper operation of the Store. FRANCHISEE agrees and acknowledges that FRANCHISEE alone will be responsible for compliance with the obligations under this Section, and that the COMPANY has no obligation with respect thereto.

5.14 **Correction of Deficiencies**. If FRANCHISEE fails to conform its operations to the System Standards, the COMPANY shall notify FRANCHISEE, and FRANCHISEE will have a period of time to be determined by the COMPANY (not less than 30 days) to correct its operations, except that the COMPANY may take immediate action if the COMPANY believes it necessary for the goodwill of the System or to protect public health and safety, including, without limitation, causing FRANCHISEE's premises and equipment to be cleaned and causing FRANCHISEE's personnel to comply with the COMPANY procedures and policies. If FRANCHISEE fails to fully correct its operations or to renovate or modernize the Franchised Restaurant as required by the COMPANY, the COMPANY may, but will not be obligated to, take such corrective action as is, in the determination of the COMPANY, necessary and appropriate to conform FRANCHISEE's operations to the System Standards. Such corrective action shall include, without limitation: 1) entering the Store and performing construction or other corrections thereon, whereupon FRANCHISEE will pay to the COMPANY an amount equal to 125% of all expenses the COMPANY incurs, including, without limitation, food and beverage expenses, the actual wages, wage-related expenses, travel and lodging expenses, supplies and all other expenses; OR 2) charging FRANCHISEE a daily fee of $100 for each day the deficiencies remain uncorrected after the cure period. FRANCHISEE will make payment by pre-authorized debit to FRANCHISEE's bank or other financial institution account as provided in Section 8.3 of this Agreement.

5.15 **Notice of Litigation**. FRANCHISEE will notify the COMPANY in writing within five (5) days after the commencement of any action, suit or proceeding, or of the issuance of any order, writ, injunction, aware or decree of any court or other governmental agency, relating to FRANCHISEE's compliance with health or safety standards at, or which may otherwise adversely affect the operation or financial condition of, the Store.

6. THE MARKS.

6.1 **Ownership of Marks**. FRANCHISEE shall use the Marks and the System only in connection with the Business and expressly agrees that any and all use of the Marks and the System by the FRANCHISEE, and all goodwill associated therewith, inures directly and exclusively to the benefit of the COMPANY. FRANCHISEE acknowledges that the COMPANY is the owner of the Marks and all goodwill associated therewith; valuable goodwill is associated with the Marks; and the Marks are valid. FRANCHISEE agrees not to contest or aid in contesting, directly or indirectly, the validity, ownership or enforceability of the Marks during and after the term of this Agreement or any extension or renewal thereof. Whenever FRANCHISEE uses the Marks, it will clearly indicate the COMPANY's ownership thereof. Apart from the non-exclusive right of FRANCHISEE to use the Marks pursuant to the terms of this Agreement, FRANCHISEE shall acquire no right, title or interest of any kind or nature whatsoever in or to the Marks and FRANCHISEE may not represent that it has any ownership of the Marks in advertising or otherwise. FRANCHISEE shall acquire no right, title or interest in or to the goodwill associated with the Marks.

6.2 **Use of Marks**. FRANCHISEE shall operate, advertise and promote the Business only under the Marks, and display and use the Marks, advertisements and other promotional materials provided, from time to time by the COMPANY to FRANCHISEE only in such form and manner as is specifically directed or approved in writing by the COMPANY. FRANCHISEE shall, upon request by the COMPANY, use any legends, markings and notices of registration of the Marks, or of the COMPANY-FRANCHISEE relationship as specified by the COMPANY. The COMPANY's written approval shall be required before any advertising, displays or other material using the Marks prepared by FRANCHISEE is used.

6.3 **Conflicting Marks**. FRANCHISEE shall not use any marks, signs, symbols, other indicia or identifying characteristics in connection with the Business other than the Marks, without the prior written consent of the COMPANY, which shall be in the COMPANY's sole discretion.

6.4 **No Use of Marks in Franchisee Name**. During and after the term of this Agreement or any extension or renewal thereof, FRANCHISEE shall not use or register, in whole or in part, the Marks, any variation, abbreviation or formative thereof, or any words, symbols or designs which are confusingly similar thereto, as a trademark, as a service mark, as a trade name, as part of FRANCHISEE's name or as the name of any entity directly or indirectly associated with FRANCHISEE's activities.

6.5 **Prohibited Uses**. FRANCHISEE shall not use the Marks in any manner which would disparage the COMPANY or its reputation, or take any action which would harm, jeopardize or compromise the Marks or the COMPANY's rights therein, in any way.

6.6 **Modification, Discontinuation**. If it becomes advisable at any time in the COMPANY's sole discretion for the COMPANY and/or FRANCHISEE to modify or discontinue use of any of the Marks, and/or to use one or more additional or substitute marks, names, logos or indicia, FRANCHISEE agrees to do so at its expense within a reasonable time after the COMPANY so instructs FRANCHISEE in writing.

6.7 **Company Protection of Marks**. The COMPANY warrants and represents that it has such rights in and to the Marks so as to enable it to license FRANCHISEE's use of them in accordance with the terms of this Agreement and that such use will not infringe the legal or equitable rights of any persons, partnerships, limited liability companies or corporations. The COMPANY agrees to take whatever actions it deems reasonably necessary to protect the Marks and the goodwill associated therewith. The COMPANY retains the exclusive right, in its sole discretion exercised in good faith, to determine and undertake such actions, if any, as it deems appropriate to prevent the infringement of the Marks or the diminution of the goodwill in the Marks.

6.8 **Notice of Infringement**. FRANCHISEE agrees to advise the COMPANY promptly in writing of any potentially infringing uses of the Marks, or colorable imitations or variations thereof, by others, and of any suits brought, or claims or demands made or threatened against FRANCHISEE involving the Marks. In the event a third party commences a legal action against FRANCHISEE challenging FRANCHISEE's right to use the Marks as authorized herein, the COMPANY (a) may, in its sole discretion, assume the defense of FRANCHISEE, utilizing counsel of the COMPANY's choice, against such legal action, and (b) shall indemnify FRANCHISEE against all damages for infringement for which FRANCHISEE is held liable in such action resulting from FRANCHISEE's authorized use of the Marks pursuant to and in compliance with the Agreement, provided that:

6.8.1 FRANCHISEE provides the COMPANY with timely notice of the institution of the action;

6.8.2 FRANCHISEE cooperates fully with the COMPANY's counsel in defending against the action; and

6.8.3 The COMPANY retains ultimate control over the strategy involved in defending against and/or resolving the action.

6.9 **Franchisee's Cooperation**. If the COMPANY undertakes the defense or prosecution of any litigation pertaining to the right to use the Marks, FRANCHISEE agrees to execute any and all documents and to do such acts and things as may be necessary, in the opinion of counsel for the COMPANY, to carry out such defense or prosecution, whether the action is in the name of the COMPANY or in the name of FRANCHISEE. Subject to Section 6.8, above, FRANCHISEE shall be entitled to retain independent legal counsel, provided that the COMPANY shall not be responsible for the cost of any such legal counsel.

6.10 **Franchisee's Failure to Cooperate**. Section 6.7 notwithstanding, if FRANCHISEE fails to meet its obligations under Sections 6.8 and 6.9 with respect to any particular event, the COMPANY's warranties and obligations under Sections 6.7 and 6.8 shall become void with respect to such particular event, and the COMPANY shall have no liability for costs incurred or damages awarded against FRANCHISEE. **EXCEPT AS SPECIFICALLY SET FORTH IN SECTION 6.8, ABOVE, THE COMPANY SHALL NOT BE LIABLE TO FRANCHISEE FOR ANY DAMAGES, COSTS, OR EXPENSES WHATSOEVER, INCLUDING BUT NOT LIMITED TO, ANY LOSS OF PROFITS OR BUSINESS OPPORTUNITIES, OR INCIDENTAL OR CONSEQUENTIAL DAMAGES OF ANY KIND WHATSOEVER RELATING TO ANY ACTION OR OTHER MATTER INVOLVING THE MARKS OR GOODWILL ASSOCIATED THEREWITH.**

6.11 **Notice to the Public**. FRANCHISEE will identify itself to the public as the owner of the Store in at least one conspicuous location in the Store and in any other documentation that the COMPANY may reasonably specify. FRANCHISEE will not use the Marks or the System to incur any obligation or indebtedness on behalf of the COMPANY, or in connection with any activity that may harm, tarnish or impair the COMPANY's reputation, name, service, Marks or System. The COMPANY assumes no liability to FRANCHISEE or any third party with respect to the quality of any materials, supplies, food items, sauces, or services or any other items provided or promoted by the COMPANY and as distributed or provided by FRANCHISEE under the name GOLD STAR CHILI or any other Mark, and FRANCHISEE will indemnify, hold harmless and insure the COMPANY against any liability, loss or expense (including reasonable attorney fees) arising out of FRANCHISEE's use of the Marks or the System.

7. PURCHASE OF INGREDIENTS, SUPPLIES AND MATERIALS.

7.1 **Proprietary Products**. In order to establish uniformity of taste and quality of the COMPANY's chili products, the COMPANY has developed and will continue to develop secret blends of spices and flavorings, its own secret chili Product and related items as designated by the COMPANY in the Manual or otherwise in writing from time to time (collectively, the "Proprietary Products"), which must be purchased by Restaurant franchisees only from the COMPANY or suppliers specifically appointed by the COMPANY for use by Restaurant franchisees. FRANCHISEE agrees to purchase from the COMPANY or its designees all of the Store's requirements for Proprietary Products, as shall be specified from time to time in the Manual or otherwise in writing by the COMPANY, at the COMPANY's or such designee's prices in effect from time to time, and on such shipping, payment, delivery, warranty and other terms as the COMPANY (or its designees, as applicable) may determine in its sole discretion from time to time, and to pay for all such Proprietary Products purchased in accordance with such terms and conditions.

7.2 **Approved Suppliers**. FRANCHISEE shall purchase all food supplies, ingredients and equipment used to make Products (including Proprietary Products), any items used in the construction of the Retail Location or operation of the Business, or otherwise offered for sale or used in the Store and not required to be purchased from the COMPANY or its designees, solely from sources who demonstrate, to the continuing satisfaction of the COMPANY, the ability to meet the COMPANY's then current standards and specifications for such items, who possess adequate quality controls and capacity to supply FRANCHISEE's needs promptly and reliably, who have been approved in writing by the COMPANY as a source of such item prior to any purchases by FRANCHISEE from such supplier and who have not thereafter been disapproved. FRANCHISEE acknowledges that the COMPANY may from time to time receive rebates or discounts from such suppliers.

7.3 **Alternative Suppliers**. If FRANCHISEE desires to purchase from a source that is not on the COMPANY's then current approved supplier list for the item desired to be purchased, or to obtain approval to offer merchandise or services or use items that are not on the COMPANY's then current list of approved Products, FRANCHISEE shall submit to the COMPANY a written request for approval in accordance with the procedures then prescribed by the COMPANY for submission of requests for approval of products and suppliers. The COMPANY shall have the right to require that its representatives be permitted to inspect the source's facilities, that samples from the source be submitted to the COMPANY or its designee for testing and evaluation and that FRANCHISEE pay the COMPANY a charge not to exceed the reasonable cost of the inspection and the actual cost of testing or other evaluation. The COMPANY shall notify FRANCHISEE in writing within a reasonable time, not to exceed sixty (60) days, after receipt of FRANCHISEE's request and samples, whether such approval is granted. The COMPANY reserves the right to reinspect facilities and items from time to time. The COMPANY may revoke approval of any source or item that does not continue to meet any of the COMPANY's then current criteria. The COMPANY shall not be required to approve any particular supplier or item.

7.4 **Modification of Products**. The COMPANY may from time to time modify the list of approved Products and/or suppliers in the Manual or otherwise in writing, and FRANCHISEE shall not, after receipt of notice of such modification, reorder any Product, or order from any supplier, that is no longer approved.

7.5 **Supplier Confidentiality**. Any new supplier must execute a confidentiality agreement in form and substance satisfactory to the COMPANY prior to receiving the COMPANY's approval.

7.6 **Company as Supplier**. If FRANCHISEE purchases any Products directly from the COMPANY, FRANCHISEE must pay for all such Products purchased in accordance with the COMPANY's terms specified to FRANCHISEE from time to time. Unless otherwise specified by the COMPANY, FRANCHISEE must pay for all such Products within seven (7) days after delivery, and if FRANCHISEE's current balance due to COMPANY for the purchase of any Products at any time remains outstanding in excess of seven (7) days after delivery, all other unpaid balances for Products will be due and payable to COMPANY within ten (10) days after such default. The failure to remit all sums due to COMPANY for Products directly purchased from the COMPANY under the terms specified herein may result, at the COMPANY's discretion, in the COMPANY's termination of FRANCHISEE's supply of any or all such Products (including Proprietary Products) and may result in the termination of this Agreement.

7.7 **Company's Failure to Deliver**. Nondelivery or default by the COMPANY as to any installment of Products which FRANCHISEE has purchased directly from the COMPANY shall not be deemed a breach of any obligation to FRANCHISEE as to any subsequent or prior installment and shall not relieve FRANCHISEE from its obligations to accept and pay for any subsequent or prior installment.

Without limiting the generality of the foregoing, the COMPANY and its designees shall not be liable to FRANCHISEE, or be deemed to be in breach or default of this Agreement or any other obligation to FRANCHISEE, for any delay, shortage or failure of delivery beyond its reasonable control, including without limitation, difficulty occasioned by war, law, order, regulation, weather, acts of God, fire, accidents, riots, strikes, delay of carriers, labor troubles or shortages of or inability to obtain materials with respect to the nondelivery of Products, whether purchased directly from the COMPANY or from another approved supplier.

7.8 **Point-of-Sale System; Communication and Information System**. To ensure the efficient management and operation of the Business and the transmission of data to and from the COMPANY, FRANCHISEE, at its own expense, will install, prior to opening the Store, and will maintain and utilize during the term of this Agreement, such Communication and Information System as may be specified in the Manual or otherwise in writing from time to time. FRANCHISEE will use a Point of Sale (POS) system designated by the COMPANY, which system will transmit FRANCHISEE's receipts to the COMPANY on a daily basis. The database and programming that is used with the Point of Sale system is proprietary and confidential and remains the intellectual property of the COMPANY.

7.8.1 As used in this Agreement, the term "Communication and Information System" will mean: a point of sale system; hardware (including, without limitation, one or more computers and/or tablets as well as other computer and/or tablet components); software and platforms designed for the management and operation of the Business, as well as reporting and sharing information with the COMPANY (including credit card backup systems, and online ordering and training platforms); and communication systems (including, without limitation, digital or analog modems, satellite, cable, wifi, internet and other systems).

7.8.2 FRANCHISEE will lease and/or purchase its Communication and Information System only from such vendor or vendors or supplier that the COMPANY has approved in writing pursuant to the provisions of Section 7.2 above and will pay any licensing or other fees required by vendors or suppliers, including without limitation, the COMPANY if the COMPANY is the approved supplier therefor. FRANCHISEE will not install, or permit to be installed, any devices, software or other programs not approved by the COMPANY for use with the Communication and Information System.

7.8.3 The COMPANY may from time to time develop or authorize others to develop proprietary software programs for use in the System, which FRANCHISEE may be required to purchase, license and use in connection with the operation of the Business. FRANCHISEE agrees that it will execute any license, sublicense, or maintenance agreement required by the

COMPANY or any other approved licensor or approved supplier of such proprietary software programs.

7.8.4 If required by the COMPANY, FRANCHISEE will obtain and maintain a contract with a supplier that the COMPANY has approved in writing for software maintenance, support, and upgrade services for FRANCHISEE's Communication and Information System and to provide FRANCHISEE with such assistance as FRANCHISEE and FRANCHISEE's employees may require. FRANCHISEE acknowledges that (a) the COMPANY may be one of, or the only, approved supplier for such services, and if FRANCHISEE obtains these services from the COMPANY, then FRANCHISEE agrees that it will pay to the COMPANY the maintenance fee specified by the COMPANY for such services and (b) the COMPANY may only permit FRANCHISEE to enter into such contract with a third-party who remits a portion of its fees to the COMPANY. Notwithstanding these rights of the COMPANY, the COMPANY will not at any time be obligated to provide any such services or support for the hardware or software used in the Communication and Information System.

7.8.5 FRANCHISEE will upgrade and update its Communication and Information System in the manner, and at the time, specified by the COMPANY in the Manual or otherwise in writing.

7.8.6 FRANCHISEE will have the sole and complete responsibility for the manner in which FRANCHISEE's Communication and Information System interfaces with other systems, including those of the COMPANY and other third parties, as well as any and all consequences that may arise if FRANCHISEE's Communication and Information System is not properly operated, maintained, and upgraded.

7.8.7 FRANCHISEE will: (a) promptly enter into its Communication and Information System and maintain all information required to be entered and maintained by the COMPANY; (b) provide to the COMPANY such reports as the COMPANY may reasonably request from the data so collected and maintained; and (c) permit the COMPANY to access FRANCHISEE's Communication and Information System at all times via modem or other means specified by the COMPANY from time to time. FRANCHISEE will cooperate with the COMPANY, and will execute all documents required by the COMPANY to permit access to FRANCHISEE's Communication and Information System and data contained therein.

7.8.8 The COMPANY has the right to use any and all data collected or provided by FRANCHISEE downloaded from FRANCHISEE's Communication and Information System, and otherwise collected from FRANCHISEE's system by the COMPANY and/or provided to the COMPANY in any manner that the COMPANY deems appropriate in connection with the operation of the System without compensation to FRANCHISEE, including, without limitation, the disclosure or distribution of such information to other franchisees of the COMPANY, or the disclosure of such information to prospective franchisees of the COMPANY, by inclusion in the COMPANY's franchise disclosure document or otherwise.

7.9 **Telephone Line**. FRANCHISEE will maintain at least one dedicated telephone line for use exclusively by the Store. Each telephone line will have service features as required by the COMPANY in the Manual or otherwise communicated to FRANCHISEE from time to time in writing. All lines will be operational and functional prior to opening the Store and thereafter at all times during the term of this Agreement.

7.10 **E-Mail Account**. Prior to opening the Business and thereafter at all times during the term of this Agreement, FRANCHISEE will obtain and maintain a standard e-mail account that is capable of receiving and sending attached files of a size specified by the COMPANY in the Manual or otherwise in writing from time-to-time, along with a high speed cable or telephone (DSL) Internet connection via a commercial Internet service provider with service to the Store.

7.11 **Extranet**. The COMPANY will have the right, but not the obligation, to establish a website or other electronic system providing private and secure communications (*e.g.*, an extranet) between the COMPANY, FRANCHISEE, other franchisees, and other persons and entities as determined by the COMPANY, in its sole discretion. If required by the COMPANY, FRANCHISEE will establish and maintain access to the extranet in the manner specified by the COMPANY, including without limitation, downloading and subscribing to third-party software, and will from time to time execute such agreements and/or acknowledge and agree to comply with such policies concerning the use of the extranet as the COMPANY may prepare.

8. FRANCHISE FEES AND OTHER PAYMENTS.

8.1 **Payments by Franchisee**. In consideration of the issuance of the franchise granted hereunder, FRANCHISEE shall pay to the COMPANY:

8.1.1 If FRANCHISEE is opening a New Restaurant (defined below) and FRANCHISEE is not party to one or more franchise agreements with the COMPANY, an initial franchise fee in the amount of Fifty Thousand Dollars ($50,000.00);

8.1.2 If FRANCHISEE is opening a New Restaurant and FRANCHISEE is currently party to at least one (1) and less than five (5) franchise agreements with the COMPANY and is not, as of the date hereof, in default under any such agreement(s), an initial franchise fee of Twenty Five Thousand Dollars ($25,000.00),

8.1.3 If FRANCHISEE is opening a New Restaurant and FRANCHISEE is currently party to five (5) or more franchise agreements with the COMPANY and is not, as of the date hereof, in default under any such agreements, an initial franchise fee of Ten Thousand Dollars ($10,000.00), and

8.1.4 If FRANCHISEE is entering into this Agreement as a renewal of a previous franchise agreement between FRANCHISEE and the COMPANY, a renewal fee of Five Thousand Dollars ($5,000.00).

8.1.5 If FRANCHISEE is opening a Transferred Restaurant (defined below), and is not, as of the date hereof, in default under any other franchise agreements between FRANCHISEE and the COMPANY, the lesser of the initial franchise fee FRANCHISEE would be required to pay if the Transferred Restaurant were a New Restaurant pursuant to Sections 8.1.1 through 8.1.3 and Twenty Five Thousand Dollars ($25,000).

8.1.6 The applicable initial or renewal fees set forth in Sections 8.1.1 through 8.1.5 above shall be paid upon execution of this Agreement, is fully earned by the COMPANY upon execution and delivery of this Agreement and is nonrefundable.

8.1.7 A continuing franchise fee, based on Gross Sales, in the amount of the Percentage Franchise Fee set forth on the cover page hereof. All continuing franchise fees are nonrefundable. Unless otherwise required in the Manual, the continuing franchise fee shall be payable by FRANCHISEE to the COMPANY on or before Tuesday of each week based on the Gross Sales for the preceding week ending on Sunday pursuant to the preauthorized debit arrangement described in Section 8.3, below.

8.1.8 A continuing brand building fee, based on Gross Sales, in the amount of the Percentage Brand Building Fee set forth on the cover page hereof (the "Brand Building Fee"), subject to increase or decrease by the COMPANY in its sole discretion (but not to exceed, in any calendar year, seven percent (7%) of FRANCHISEE's Gross Sales for such year without the written consent of FRANCHISEE). The Brand Building Fee will not be increased by more than 1% in any 12-month period. All Brand Building Fees are nonrefundable. Unless otherwise required in the Manual or pursuant to Section 8.3 below, the Brand Building Fee shall be payable by FRANCHISEE to the COMPANY (or the COMPANY's designee) for the COMPANY's Brand Building Fund (as defined in Section 9.3)) on or before Tuesday of each week based on the Gross Sales for the preceding week ending on Sunday pursuant to the preauthorized debit arrangement described in Section 8.2, below.

8.2 **Certain Definitions**. For the purposes of Section 8.1 above:

8.2.1 "<u>New Restaurant</u>" means a Restaurant that is not a Transferred Restaurant; and

8.2.2 "<u>Transferred Restaurant</u>" means a Restaurant that will be operated from a premises upon which a Gold Star Chili Restaurant was operating at any time during the previous six (6) months.

8.3 <u>Electronic Debit Payments</u>.

8.3.1 FRANCHISEE will pay continuing franchise fees and Brand Building Fees or any other amounts owed to the COMPANY (or its designee) under this Agreement or any other agreement by pre-authorized electronic debit from FRANCHISEE's bank or other financial institution account. On or before Tuesday of each week, the COMPANY or a designated third party supplier will unilaterally obtain FRANCHISEE's weekly sales information directly from FRANCHISEE's POS system for the preceding week ending on Sunday. In the event the COMPANY or its designated third party supplier is unable to directly obtain FRANCHISEE's weekly sales information for whatever reason, the COMPANY will notify FRANCHISEE and FRANCHISEE will provide to the COMPANY no later than Thursday the weekly sales report or such other information as the COMPANY may require, in a form prescribed by the COMPANY and certified by FRANCHISEE or by the designated individual, accurately reflecting FRANCHISEE's Gross Sales for the preceding week ending on Sunday. The amount of continuing franchise fees and Brand Building Fees due thereon will be calculated based on FRANCHISEE's Gross Sales report that has been obtained through the COMPANY's automated process or, alternatively, if the COMPANY or its designated third party supplier was unable to obtain the report from FRANCHISEE's POS system, and FRANCHISEE was thereby required to provide the weekly sales report manually, the amount of continuing franchise fees and Brand Building Fees shall be calculated based on the report submitted by FRANCHISEE. Each Tuesday, the COMPANY will debit FRANCHISEE's account in an amount equal to the continuing franchise fees and Brand Building Fees reported payable by FRANCHISEE and any amounts owed to the COMPANY under this Agreement or any other agreement. If FRANCHISEE fails to timely report its Gross Sales to the COMPANY by Thursday for any weekly reporting period, then the COMPANY will be authorized to debit FRANCHISEE's account in an amount equal to an average of the continuing franchise fees and Brand Building Fees payable by FRANCHISEE during the immediately preceding three-month period (or such shorter period as the Store has been in operation) for which weekly sales reports were received. FRANCHISEE is responsible for ensuring accuracy of the Gross Sales figure that is used for calculation of continuing franchise fees and Brand Building Fees. Nothing in this paragraph is to be construed to waive

FRANCHISEE's obligations to submit any reports, records or other materials required by this Agreement.

8.3.2 FRANCHISEE will complete and execute an "Authorization for Electronic Fund Transfers" form and any other form provided by the COMPANY for the purpose of authorizing electronic debits, submit any information required by the COMPANY for such authorization, comply with procedures specified by the COMPANY, and perform such additional acts as may be necessary to accomplish payment by electronic fund transfer. By signing this Agreement, FRANCHISEE authorizes the COMPANY to initiate debit entries and credit correction entries to a designated checking account for payment of continuing franchise fees, Brand Building Fees, or any other amounts payable to the COMPANY, including, without limitation, audit fees (Section 10.2), operating fees (Section 5.14), renewal fee (Section 16.1.8), attorney fees, interest and late fees. FRANCHISEE will maintain a business account at a bank or other financial institution with the capacity to electronically debit FRANCHISEE's account.

8.3.3 FRANCHISEE will maintain an account balance sufficient to make all continuing franchise fees, Brand Building Fees, and other payments to the COMPANY by electronic transfer, and any insufficiency will be considered a default in payment pursuant to Section 14.5.1 of this Agreement. FRANCHISEE will promptly reimburse the COMPANY for any charges incurred by the COMPANY due to a shortage of funds in FRANCHISEE's account.

8.3.4 FRANCHISEE will maintain a single bank account for its business operations and for the payment of continuing franchise fees, Brand Building Fees or any other amounts payable to the COMPANY.

8.4 **Payments Unconditional**. All amounts payable by FRANCHISEE to the COMPANY or any affiliate under or in connection with this Agreement shall be made without set-off or deduction for any reason whatsoever (including but not limited to any alleged breach by the COMPANY of any obligations to FRANCHISEE), and if not paid when due shall bear interest from the date due until paid at the rate of one and one-half percent (1.5%) per month, or the maximum rate permitted by law, whichever is less. Any payment not made when due also shall be subject to a late payment administrative charge of One Hundred Dollars ($100). Entitlement to such interest and charge shall be in addition to the COMPANY's right to terminate this Agreement and any other remedies the COMPANY may have with respect to such late payment.

8.5 **Company's Sole Discretion**. Notwithstanding any designation by FRANCHISEE, the COMPANY shall have sole discretion to apply any payments by FRANCHISEE to any past due obligations of FRANCHISEE to the

COMPANY or its affiliates in such manner and order as the COMPANY deems appropriate in its sole discretion.

8.6 Company's Security Interest. FRANCHISEE hereby grants the COMPANY a first priority security interest in all inventories, supplies and equipment of FRANCHISEE and any items sold by the COMPANY to FRANCHISEE in order to secure the payment of any of FRANCHISEE's obligations to the COMPANY. FRANCHISEE will execute all documents required to effectuate and perfect the COMPANY's security interest, and if FRANCHISEE does not do so, the COMPANY may execute the documents in FRANCHISEE's name and on FRANCHISEE's behalf, and FRANCHISEE irrevocably appoints the COMPANY as FRANCHISEE's attorney-in-fact to do so.

8.7 Gross Sales. The term "Gross Sales" shall mean the total of all revenues generated by FRANCHISEE from any source, whether from cash sales or charge sales, whether based on activities conducted at the Store or otherwise associated with the Business, and including without limitation any revenues earned off-premises, such as delivery, catering events, food trucks, etc., without reserve or deduction for uncollected credit accounts. "Gross Sales" shall not include sales taxes that are separately stated and collected by FRANCHISEE or refunds, discounts or allowances that are made to customers, in good faith and consistent with the COMPANY's policies prescribed from time to time.

9. ADVERTISING.

9.1 Franchisee's Advertising; Approval by Company. All advertising by FRANCHISEE in any medium shall be conducted in a dignified manner, shall conform to such standards and requirements as the COMPANY may specify from time to time in the Manual or otherwise in writing, shall conform to all applicable laws and regulations relating to consumer advertising, shall be completely accurate and truthful, and shall give notice that the Store is independently owned and operated. FRANCHISEE shall participate in all promotions designated by the COMPANY for the market in which the Store is located and will be responsible for putting up in-store materials and the cost of Products being promoted. FRANCHISEE shall not enter into any agreement with any advertising agency without the prior written approval of the COMPANY, which may be withheld in the COMPANY's sole discretion. FRANCHISEE shall submit to the COMPANY (in accordance with Section 20 below), for the COMPANY's prior approval (except with respect to prices to be charged), samples of all advertising and promotional plans and materials, including signs, and all other materials displaying the Marks that FRANCHISEE desires to use and that have not been prepared or previously approved by the COMPANY. Unless FRANCHISEE receives a written objection from the COMPANY within fifteen (15) days after the effective date of FRANCHISEE's request, the COMPANY shall be deemed to have given the required approval. FRANCHISEE shall display the Marks in the manner prescribed by the COMPANY on all signs and all other advertising and promotional materials used in connection with the Store. FRANCHISEE specifically acknowledges and agrees that the word "advertising" as used in this Agreement includes, but is not limited to, signs (including signs on motor vehicles), URLs, e-mail addresses, Internet listings, banners, advertisements, or other services or links on or with the Internet, World Wide Web, Internet service providers, electronic mail services, communication providers, search engines, and similar services.

9.2 **Grand Opening; Assignment of Rebates; Local Advertising**. In addition to FRANCHISEE's obligations under Section 9.3, below:

9.2.1 FRANCHISEE shall, within three (3) months following the opening of the Store, spend such amount as the COMPANY may require (at least $10,000) in advertising and promoting the grand opening of the Store in accordance with the COMPANY's grand opening procedures (upon request of the COMPANY, FRANCHISEE shall provide to the COMPANY paid invoices, receipts or other proof of grand opening expenditures acceptable to the COMPANY); and

9.2.2 FRANCHISEE shall also assign pursuant to separate written assignments or consents to the COMPANY or its designee, in form and substance satisfactory to the COMPANY, any and all product and/or advertising rebates or allowances granted by suppliers to FRANCHISEE in conjunction with the franchise and required to be assigned by the COMPANY; and

9.2.3 Subject to Section 9.3.8 below, FRANCHISEE shall spend no less than one percent (1%) of its Gross Sales on a monthly basis for local media and advertising (the "Local Marketing Expenditure") in addition to all other obligations set forth in this Article IX. FRANCHISEE shall report all such expenditures to the COMPANY upon request.

9.3 **Brand Building Fund**. FRANCHISEE shall participate in the COMPANY's marketing fund (the "Brand Building Fund") as the COMPANY shall direct. Subject to written instructions from the COMPANY, FRANCHISEE shall pay all or a portion of the Brand Building Fee directly to the Brand Building Fund. The Brand Building Fund is currently administered by the Gold Star Chili Advertising Association, an Ohio nonprofit corporation, of which the COMPANY is the only member.

9.3.1 The COMPANY, or its designee, shall oversee all Brand Building Fund advertising, with sole discretion to determine, approve or disapprove the creative concepts, materials and media used in such advertising, and the placement, type, scope and allocation of the Brand Building Fund advertising. FRANCHISEE agrees and acknowledges that the Brand Building Fund advertising is intended to maximize general public recognition and acceptance of the Marks, Proprietary Products and System and that the COMPANY and its designee undertake no obligation, in administering the Brand Building Fund advertising, to make expenditures for FRANCHISEE or its Retail Location which are equivalent or proportionate to its contribution or to ensure that any particular franchisee benefits directly or pro rata from the advertising or promotion conducted under the Brand Building Fund.

9.3.2 Upon receipt of any Brand Building Fees, the COMPANY or its designee may withhold and apply a portion of such remittance for the purpose of defraying such reasonable salaries, administrative costs and overhead as the COMPANY or its designee may incur in connection with the activities described in Section 9.3.5, below. The balance of any remittance remaining after such withholding will constitute a contribution paid by FRANCHISEE to the Brand Building Fund to be used exclusively for the purposes described in Section 9.3.3, below.

9.3.3 The Brand Building Fund, all contributions thereto, and any earnings thereon shall be used exclusively to meet any and all costs of maintaining, administering, directing and preparing local, regional and/or national advertising, promotional and public relations activities, including, among other things, the cost of creating, preparing, producing and conducting television, radio, magazine and newspaper advertising campaigns; direct mail and outdoor billboard advertising; marketing surveys and other public relations activities; employing advertising agencies and marketing, advertising and other consultants to assist therein; and providing promotional brochures and other marketing materials.

9.3.4 All contributions paid by franchisees to the Brand Building Fund shall be maintained in an account separate from the other monies of the COMPANY (or its designee), and shall not be used to defray any of the COMPANY's (or its designee's) expenses, except to repay any advances made by the COMPANY or such designee to the Brand Building Fund. The Brand Building Fund and the earnings therefrom shall not otherwise inure to the benefit of the COMPANY or its designee.

9.3.5 It is anticipated that all contributions to, and earnings of, the Brand Building Fund shall be expended during the taxable year within which the contributions and earnings are received. In any year, expenditures shall be made first out of earnings of the Brand Building Fund from previous years, next out of earnings of the Brand Building Fund in the current year, and finally out of contributions.

9.3.6 A report of the use and application of the Brand Building Fund shall be prepared annually by the COMPANY or its designee and a copy will be provided to FRANCHISEE upon written request of FRANCHISEE therefor.

9.3.7 Although the Brand Building Fund is intended to be of perpetual duration, the COMPANY may terminate the Brand Building Fund or suspend its operation at any time. The Brand Building Fund shall not be terminated, however, until all monies in such fund have been expended pursuant to Section 9.3.5.

9.3.8 If the Brand Building Fund or any successor fund is suspended or terminated, or whenever the required Brand Building Fee percentage is less than seven percent (7%), the COMPANY may increase the Local Marketing Expenditure to up to seven percent (7%) of FRANCHISEE's Gross Sales; provided, however, that in no event shall the Local Marketing Expenditure, when aggregated with any required Brand Building Fees, exceed in any calendar year seven percent (7%) of FRANCHISEE's Gross Sales for such year).

9.4 **Grand Opening Rebate**. If FRANCHISEE meets the requirements set forth in Section 9.2.1 above to Gold Star's satisfaction, Gold Star may, at its option, pay an additional contribution from the Brand Building Fund toward grand opening advertising and support.

9.5 **Company's Assignment Right**. The COMPANY shall have the right to delegate its responsibilities and duties under this Section 9 to any designee of its choosing; provided, however, that the right of final approval of all advertising shall be retained at all times by the COMPANY.

10. BOOKS AND RECORDS.

10.1 **Maintenance of Records**. FRANCHISEE shall maintain true and accurate records, accounts, books and data including but not limited to, sales slips, cash register tapes, cash register tape readings, cash and other return records, sales books, bank books, duplicate deposit slips, inventories, tax returns, financial statements, reports to government authorities, Store records and other evidence of gross revenues and business transactions as required by the COMPANY in the Manual or otherwise in writing (collectively, the "Business Records"), which shall accurately reflect all particulars relating to the Business and which shall be prepared in accordance with generally accepted accounting principles. FRANCHISEE shall submit to the COMPANY within (20) days after the end of each calendar quarter, a balance sheet and profit and loss statement for the calendar quarter most recently ended (with year to date totals), in such form as the COMPANY may require in the Manual or otherwise in writing, certified as true, correct and complete and prepared in accordance with generally accepted accounting principles consistently applied by an accountant acceptable to the COMPANY. In the event FRANCHISEE fails to deliver to COMPANY the information required in the immediately preceding sentence for any month within said 20-day period, it shall be subject to an administrative charge of One Hundred Dollars ($100.00) for each such month it fails to do so. Entitlement to such charge shall be in addition to the COMPANY's right to terminate this Agreement and any other remedies the COMPANY may have with respect to such late payment. FRANCHISEE shall submit to the COMPANY such other information and reports concerning the Business in such form as the COMPANY may from time to time prescribe in the Manual or otherwise in writing.

10.2 **Company's Audit Rights**. The COMPANY, its agents or representatives, may examine and audit the Business Records at all reasonable times. The COMPANY also shall have the right, at its sole cost and expense, except as hereinafter provided, to have a certified public accountant designated by the COMPANY audit the Business Records. If any examination by the COMPANY or any audit discloses an understatement of Gross Sales of two percent (2%) or more for any reporting period then, in addition to all other rights of the COMPANY under this Agreement, FRANCHISEE shall immediately pay to the COMPANY the costs of such examination or audit, including, without limitation, any accountant's fees for such audit.

10.3 **Preservation of Business Records**. FRANCHISEE shall preserve and keep available all Business Records for a period of not less than five (5) years, or such longer period if required by law.

10.4 **Tax Returns; Financial Statements**. Monthly sales reports as set out in the Manual, interim financial statements, copies of FRANCHISEE's tax returns and any other reports or copies of Business Records shall be provided by FRANCHISEE within fifteen (15) days of being requested by the COMPANY.

10.5 **Privacy Laws**. In addition to FRANCHISEE's obligations under Section 5.13, FRANCHISEE will comply with all applicable Privacy Laws (as defined below), comply with all System Standards that apply to Privacy Laws, and refrain from any act or omission that could cause the COMPANY to breach any Privacy Laws (as defined below) with respect to the Communication and Information System or otherwise. For the purpose of this Agreement, "Personal Information" shall mean any information that can be used (alone or in combination with other information which one controls) to identify, locate or contact an individual or otherwise pertains in any way to an identified or identifiable individual, regardless of the medium of such information, and "Privacy Laws" shall mean any international, national, federal, provincial, state or local law, code, rule or regulation that regulates the processing of Personal Information in any way, including data protection laws, laws regulating marketing or communications and/or electronic communications, information security regulations and security breach notification laws.

10.6 **Notice to Company**. FRANCHISEE will immediately report to the COMPANY any events or developments that may have a material adverse impact on the operation of the Store or FRANCHISEE's performance under this Agreement, including without limitation any theft or loss of any Personal Information.

11. COVENANT REGARDING OTHER BUSINESS INTERESTS.

11.1 Restrictive Covenants. FRANCHISEE and any present and future partners, shareholders, or members acknowledge that the Products and the System are unique and distinctive and have been developed by the COMPANY at great effort, time and expense, and that FRANCHISEE will have regular and continuing access to valuable and confidential information, training and trade secrets regarding the Proprietary Products, the System and the Business and that FRANCHISEE would not have had such access except as a result of entering into this Agreement. In consideration of the foregoing, FRANCHISEE agrees that:

11.1.1 During the term of this Agreement or any renewal or extension thereof, FRANCHISEE shall not, in any capacity whatsoever, either directly or indirectly, for itself, himself or herself, or through, on behalf of or in conjunction with any other person, partnership, limited liability company, corporation or organization, own, operate, maintain, engage in, participate in (as director, officer, manager, employee, consultant, representative, agent or otherwise) or have any interest whatsoever in any "Similar Business". As used herein, "Similar Business" means the production, preparation or sale of any food items similar to the Products or any other business similar to the Restaurants, the Business or the System or that offers or grants franchises or licenses to others to operate such a business.

11.1.2 During the term of this Agreement and all extensions of renewal thereof and for three (3) years thereafter, FRANCHISEE shall not let or permit any part of any premises owned or controlled by FRANCHISEE in the Protected Territory to be used for a business, all or any part of which consists of a Similar Business.

11.1.3 Upon expiration or termination of this Agreement for any reason, or if FRANCHISEE assigns or transfers its interest in any Restricted Assets in any manner, then for a period of three (3) years thereafter, FRANCHISEE shall not, in any capacity whatsoever, either directly or indirectly, for itself, himself or herself, or through, on behalf of or in conjunction with any other person, partnership, limited liability company, corporation or organization, own, operate, maintain, engage in, participate in (as director, officer, manager, employee, consultant, representative, agent or otherwise) have any interest whatsoever in any Similar Business at a location within a radius of ten (10) miles of the Retail Location or any other Restaurant site then existing or approved for development.

11.1.4 During the term of this Agreement and all extensions or renewals thereof and for three (3) years thereafter, FRANCHISEE shall not, directly or indirectly: (a) divert or attempt to divert any of the COMPANY's business or any of the COMPANY's customers to any Similar Business; (b) induce COMPANY employees to leave their employment with the COMPANY; or (c) do or perform any other act injurious or prejudicial to the COMPANY's goodwill associated with its Marks and System.

FRANCHISEE acknowledges and confirms that the time, content and geographical restrictions contained in this Section are fair and reasonable. They are not the result of overreaching, duress, or coercion of any kind by the COMPANY. FRANCHISEE further acknowledges and confirms that FRANCHISEE's observance of the covenants contained in this Agreement will not cause FRANCHSIEE any undue hardship, financial or otherwise, and that enforcement of each of the covenants contained in this Agreement will not impair FRANCHISEE's ability to obtain employment commensurate with FRANCHIEE's abilities and on terms fully acceptable to FRANCHSIEE.

This Section 11.1 (and the requirements with respect to Related Parties under Section 11.2) shall not apply to the ownership by FRANCHISEE (or an applicable Related Party) of five percent (5%) or less of the issued and outstanding shares in any publicly-held corporation, unless the same shall constitute a controlling interest therein, or to the operation of another Store in compliance with another Franchise Agreement with the COMPANY.

11.2 **Application of Covenants to Related Parties**. Upon the COMPANY's request, FRANCHISEE will require the following persons to execute covenants similar to those set forth in this Section 11 (including covenants applicable upon the termination of a person's relationship with FRANCHISEE): (1) all managers, officers and directors of FRANCHISEE; (2) all holders of a beneficial interest of 5% or more of the securities (including membership interests) of FRANCHISEE, and of any corporation or limited liability company directly or indirectly controlling FRANCHISEE, if FRANCHISEE is a corporation or limited liability company; and (3) all general partners of FRANCHISEE (including any corporation, and the officers, directors, and holders of a beneficial interest of 5% or more of the securities of any corporation which controls, directly or indirectly, any general partner), if FRANCHISEE is a partnership (collectively, "Related Parties"). Every covenant required by this Section 11 will be in a form satisfactory to the COMPANY. Failure by FRANCHISEE to obtain execution of a covenant required by this Section will constitute a default under Section 14.2.

11.3 **Duration of Covenants**. If FRANCHISEE fails to abide by the foregoing covenants and the COMPANY obtains enforcement thereof in a judicial proceeding, FRANCHISEE agrees that the foregoing covenant shall continue to be binding for a period of time expiring three (3) years after the later of the conclusion of such proceedings or the date of a legally binding order enforcing the foregoing covenants. If any court having jurisdiction to determine the enforceability or validity of any of this Section 11 determines that any provision hereof would be unenforceable or invalid as written, the definition of "Similar Business" and the geographical, time and other restrictions shall be deemed modified only to the extent necessary to make such restrictions valid and enforceable.

11.4 **No Defense**. No claim which FRANCHISEE or any Related Party may have against the COMPANY, whether or not arising from this Agreement, shall constitute a defense to the enforcement by the COMPANY of the foregoing covenants.

12. CONFIDENTIALITY.

12.1 Confidential Material. Information contained in the Manual, and other information about the Proprietary Products, the System and the Business, including customer and supplier lists (the "Confidential Material") are proprietary, highly-confidential trade secrets and FRANCHISEE shall not use any such Confidential Material except as necessary in the operation of the Business in accordance with this Agreement. FRANCHISEE further acknowledges and agrees that the COMPANY is the owner of all rights in and to the System, and the Confidential Material, and that the System and the Confidential Material constitute trade secrets of the COMPANY which are revealed to FRANCHISEE in confidence, and that no right is given to or acquired by FRANCHISEE to, and FRANCHISEE shall not, disclose, duplicate, license, sell or reveal any of such Confidential Material to any person, other than disclosure to an employee of FRANCHISEE to the extent required by his/her work in accordance with this Agreement to be familiar with relevant Confidential Material. FRANCHISEE agrees to keep confidential such Confidential Material, and, upon the COMPANY's request, to obtain from each of the Related Parties an agreement to keep the Confidential Materials confidential and not to use the Confidential Materials except as necessary in the operation of the Business. FRANCHISEE will advise the COMPANY promptly in writing if FRANCHISEE learns of any claims made relating to or unauthorized use of any Confidential Material whether by a Related Party or a third party. The COMPANY is not obligated to take any action but may take any action it deems appropriate. FRANCHISEE also agrees not to contest or aid in contesting, directly or indirectly, the COMPANY's right, title, ownership or interest in or to, or the validity or enforceability of, any copyrights, Confidential Material or the System, or contest the COMPANY's sole right to register, use or franchise or license others to use any such copyrights, the System or the Confidential Material, during or after the term of this Agreement or any extension or renewal thereof.

12.2 Damages for Violations. If FRANCHISEE discloses any Confidential Material to any person, firm or entity or otherwise breaches its obligations under this Section 12, or if one of the Related Parties or any other person subject to FRANCHISEE's control makes such a disclosure or otherwise breaches its obligations under this Section 12 as a result of the failure of FRANCHISEE to use its best efforts to take the necessary precautions to prevent such disclosure, then FRANCHISEE shall pay to the COMPANY for each and every breach of this covenant, the sum of One Hundred Thousand Dollars ($100,000) as liquidated damages and not as a penalty. The parties acknowledge that the precise amount of COMPANY's actual damages would be extremely difficult to ascertain and that the foregoing sum represents a reasonable pre-estimate of such actual damages. Nothing contained herein shall preclude the COMPANY from seeking injunctive or other relief.

13. **TRANSFER OF INTEREST.**

13.1 **Assignment by Company**. This Agreement shall inure to the benefit of the COMPANY and its successors and assigns. The COMPANY may sell, transfer or assign this Agreement and any rights or duties hereunder to any third party at any time, and upon the giving of written notice to FRANCHISEE of any such transfer, COMPANY will have no further responsibility for the performance of any of the transferred obligations. FRANCHISEE shall execute any forms that the COMPANY may reasonably require in connection with any transfer or assignment by the COMPANY.

13.2 **No Assignment by Franchisee**. The COMPANY has granted this franchise in reliance on the individual or collective character, skill, aptitude and business and financial capacity of FRANCHISEE and its Principals. Accordingly, neither FRANCHISEE nor any person with an interest in FRANCHISEE shall (directly or indirectly, contingently, voluntarily, involuntarily, by contract, by will, by merger or consolidation, by transfer or issuance of stock, membership or partnership interests, by operation of law or otherwise), without the prior written consent of the COMPANY, sell, assign, transfer, convey, issue, lease, pledge, mortgage, encumber or make any disposition of in any manner (collectively, "Transfer"), or permit the Transfer of, or publicly advertise or offer any Transfer of, all or any part of any of the following or any interest therein (collectively the "Restricted Assets"): this Agreement, the Business, the Store, the Retail Location (whether owned or leased), any Lease, any interest or share in FRANCHISEE which results in a Change-in-Control (defined below), or all or a material part of the assets, real or personal, tangible or intangible, pertaining to the Store or the Business. A "Change-in-Control" transaction or series of transactions shall occur when 50% or more of the voting power of FRANCHISEE is vested in a person or persons (as applicable) different from the person or persons (as applicable) with whom 50% of voting power was vested immediately prior to the transaction or series of transactions. For purposes of this subparagraph, all transfers of an ownership interest in a nonindividual franchisee occurring since the date the entity first became a franchisee will be aggregated to determine whether a Change-in-Control has occurred.

13.3 **Company's Right of First Refusal**. Notwithstanding anything contained in this Agreement to the contrary, if FRANCHISEE or any Principal wishes to Transfer or accept an offer to Transfer, in any manner whatsoever, all or any part of any of the Restricted Assets, or any interest therein, FRANCHISEE or its Principals, as the case may be, will first obtain a bona fide, executed, written offer from a fully-disclosed purchaser and will submit an exact copy thereof to the COMPANY. After the receipt by the COMPANY of such offer, the COMPANY shall have thirty (30) days to purchase the Restricted Assets for the price and on the terms and conditions contained in the written proposed offer. Failure of the COMPANY to accept such offer within said thirty (30) days shall constitute a rejection (provided that the COMPANY may substitute cash for any form of payment proposed in such offer and shall have not less than sixty (60) days to prepare for closing). If the COMPANY does not exercise its right of first refusal, FRANCHISEE or such transferor shall have ninety (90) days from the date of the COMPANY's rejection to Transfer the subject property in accordance with this Section, and subject to the COMPANY's approval pursuant to Section 13.4, below, but only upon terms and conditions no more favorable than those offered to the COMPANY. Before consummation of a Transfer to any third party, FRANCHISEE shall submit a copy of all Transfer documentation (signed by the parties, but expressly subject to the COMPANY's right of first refusal) to the COMPANY at least thirty (30) days in advance of any proposed consummation or closing date for the COMPANY's review and comparison with the offer previously submitted to it. If there has been a change or changes in the Transfer terms and the COMPANY considers such change or changes material, the COMPANY shall again have the right of first refusal herein provided. The COMPANY's right of first refusal shall be unrestricted and absolute, and the COMPANY shall in all cases have thirty (30) days to consider and act on each offer or any change in terms and conditions of offer. Nothing contained in this Section shall in any way be deemed to impair the COMPANY's discretion in considering, approving or disapproving any request to Transfer or to consent to a Transfer.

13.4 **Company's Non-Exercise**. If the COMPANY elects not to exercise such first right of refusal, such sale or transfer shall not take place without the prior written consent of the COMPANY. The COMPANY shall not be required to give its consent unless, in addition to the requirements of Section 17, the following conditions are met prior to the consummation of the Transfer:

13.4.1 FRANCHISEE is not in default of this Agreement, or any other agreement with the COMPANY, or its affiliates, and all of its accrued monetary obligations to the COMPANY or its affiliates have been satisfied;

13.4.2 The transferor, and its shareholders, members and partners, have executed a general release, in form and substance satisfactory to the COMPANY (and if applicable, conforming to requirements of local Franchise Law, as such term is defined in Section 22.1, below), of any and all claims against the COMPANY, its affiliates, shareholders, directors, officers and employees;

13.4.3 The transferee has demonstrated to the COMPANY's satisfaction that it meets all of the COMPANY's then-current requirements for new operators or for holders of an interest in a franchise, including, without limitation, possession of good moral character and reputation, satisfactory credit ratings, acceptable business qualifications, satisfactory completion of training programs, and the ability to comply fully with the terms of the then-current franchise agreement;

13.4.4 The transferee will enter into a written assumption, in a form satisfactory to the COMPANY, assuming and agreeing to discharge all of

FRANCHISEE's obligations under this Agreement prior to and after the date of assumption;

13.4.5 The transferee shall have paid the COMPANY its then-current transfer fee. The amount of the transfer fee shall be set by the COMPANY from time to time in the exercise of its absolute discretion. The transfer fee as of the date of this Agreement, but subject to change, is Three Thousand Five Hundred Dollars ($3,500.00).

13.4.6 The transferee shall have executed the COMPANY's then-current form of franchise agreement for a term equal to the remaining current term of this Agreement, save and except that there shall be no initial franchise fee payable, and the transferee shall execute such other agreements and documents as the COMPANY may reasonably require.

13.5 **Exceptions to Transfer Restrictions**. Notwithstanding the foregoing, FRANCHISEE (if FRANCHISEE is an individual) may Transfer all of its interest in the Restricted Assets to an entity formed solely for the convenience of ownership without the COMPANY's consent, upon FRANCHISEE's written notice to the COMPANY and compliance with the following requirements:

13.5.1 FRANCHISEE will be newly organized and its articles of incorporation or organization, bylaws, partnership agreement, or operating agreement will provide that its activities are confined exclusively to operating the Business;

13.5.2 Franchisee's name will not consist of or contain the words "Gold Star Chili", or any colorable variation thereof, or any other mark in which the COMPANY has or claims a proprietary interest; and

13.5.3 FRANCHISEE and its Principals will comply with all of the requirements set forth in Section 17 below.

13.6 **No Transfer by Operation of Law**. No person or entity shall succeed to any of the rights of FRANCHISEE under this Agreement by virtue of any voluntary or involuntary proceeding in bankruptcy, receivership, attachment, execution, assignment for the benefit of creditors or other legal process. Any such attempt to so transfer FRANCHISEE's interest in this Agreement shall be null and void.

13.7 **Prohibition on Issuing Equity**. If FRANCHISEE or any proposed transferee is a corporation, limited liability company or partnership, such entity shall not issue any additional stock, membership, partnership or other ownership interests or permit any transfer of any such interest, and each stockholder, member or partner thereof shall, in writing, agree not to issue, assign, transfer, pledge, sell or otherwise convey all or part of any capital stock, membership interest or partnership interest in FRANCHISEE or such transferee, without compliance with the rights of the COMPANY set forth under this Section 13. For the purpose of clarity, any such issuance or transfer will be considered a "Transfer" pursuant to this Section 13. All partnership agreements and operating agreements shall contain provisions setting forth the foregoing restrictions. All stock certificates shall have endorsed on them the legend set forth in Section 17.4, below.

13.8 **Death or Disability of Person with Controlling Interest**. Upon the death or permanent incapacity of any person with a direct or indirect controlling interest in this franchise or in FRANCHISEE, and upon the dissolution of a FRANCHISEE that is a partnership, limited liability company, or corporation, or the death or permanent incapacity of a FRANCHISEE that is a natural person, the executor, administrator, personal representative or trustee of such person or entity shall transfer his or its interest to a third party approved by the COMPANY within six (6) months. Such Transfer, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions of this Section 13 as an intervivos Transfer. However, in the case of Transfer by devise or inheritance, if the heirs or devisees of any such person are unable to meet the conditions in Section 13.4, the personal representative of the deceased FRANCHISEE shall have a reasonable time to dispose of the decedent's interest in the franchise, which disposition shall be subject to all applicable terms and conditions for transfers contained in this Agreement.

13.9 **Death or Disability of Manager**. If the person dying or becoming permanently incapacitated is the Manager of the Store, and if a successor Manager has not been designated complying with the requirements of this Agreement and able to serve as Manager, the COMPANY or its designee shall have the right, but not obligation, to operate the Store until the disposition of such deceased or incapacitated person's interest is accomplished or such six (6) month period expires, whichever first occurs, and the COMPANY shall have the right to charge FRANCHISEE an appropriate fee (not to exceed eight percent (8%) of weekly Gross Sales during such period of operation) and reasonable expenses therefor but the COMPANY shall not be liable for any losses incurred by the Store during or arising out of such period of operation. Unless otherwise directed by the COMPANY, any such operating fee shall be payable at the same time and in the same manner as the continuing franchise fee.

13.10 **No Waiver**. The COMPANY's written consent to any Transfer subject to the restrictions of this Section shall not constitute a waiver of any claims it may have against the transferor, nor shall it be deemed a waiver of the COMPANY's right to demand exact compliance with any of the terms of this Agreement by the transferee.

14. DEFAULT AND TERMINATION.

14.1 **Default by Franchisee**. FRANCHISEE acknowledges that each obligation of FRANCHISEE under this Agreement is material and reasonable and that strict, timely and exact performance by FRANCHISEE of each of such obligations herein is a condition precedent to the continuance of this Agreement. Any breach of any obligation or failure to perform such obligation on the part of

FRANCHISEE whether by way of omission or commission shall be deemed to be a substantial breach going to the essence of this Agreement which shall entitle the COMPANY to exercise any and all remedies given in this Agreement, at law or in equity.

14.2 **<u>Termination Generally</u>**. The COMPANY retains the right to terminate this Agreement for good cause prior to the expiration of its term. As used in this Section, "good cause" shall include, without limitation, the event(s) described in Sections 14.3, 14.4 and 14.5, below.

14.3 **<u>Termination without Notice</u>**. This Agreement (except as otherwise provided in Section 26, below) and all rights granted to FRANCHISEE hereunder shall terminate without notice to FRANCHISEE if:

14.3.1 FRANCHISEE or any of its partners, members or shareholders becomes insolvent or liquidated or dissolves;

14.3.2 A receiver, trustee or similar creditor's representative is appointed for all or any part of the business, property or assets of FRANCHISEE, or any of its partners, members or shareholders;

14.3.3 FRANCHISEE or any of its partners, members or shareholders files a voluntary petition in bankruptcy, or any other proceeding under any federal or state insolvency or similar law; or consents to the filing of an involuntary petition or proceeding of such type, or makes an assignment for the benefit of creditors; or

14.3.4 An involuntary petition in bankruptcy or any other proceeding under any federal or state solvency or similar law is filed by any other person against FRANCHISEE or any of its shareholders, members or partners without its, his or her acquiescing therein and is not dismissed within sixty (60) days of filing.

14.4 **<u>Immediate Termination upon Notice</u>**. Upon written notice to FRANCHISEE from the COMPANY, this Agreement and all rights granted FRANCHISEE hereunder shall immediately terminate if any of the following events occur:

14.4.1 FRANCHISEE or any of its shareholders, members or partners, or any Manager, is convicted of any felony that is reasonably likely, in the sole opinion of the COMPANY, to affect adversely the Products, the System, the Marks, or the goodwill associated therewith;

14.4.2 Any provisions of Sections 11 or 12, regarding trade secrets, confidentiality and/or non-competition, are breached;

14.4.3 If FRANCHISEE knowingly or through gross negligence maintains false Business Records or knowingly or through gross negligence submits any false report to the COMPANY;

14.4.4 Without the prior written consent of the COMPANY, FRANCHISEE ceases to operate the Business for more than 24-hour period if required to be operating during that time in the Manual or abandons the Business or the Store or, upon destruction of the Retail Location, fails to rebuild it and resume operation with a reasonable time. However, cessation of the Business shall not constitute default of this Agreement if caused by condemnation, appropriation, expiration of the term of the Lease (except when due to FRANCHISEE's fault or neglect), or when rebuilding following destruction of the buildings at the Retail Location is prohibited by law or the Lease so long as FRANCHISEE is actively seeking a new location pursuant to Section 1.5, above, and is otherwise in compliance with this Agreement;

14.4.5 Any provisions of Section 13 regarding Transfer are breached;

14.4.6 The requirements regarding training of FRANCHISEE and employees of FRANCHISEE are not adhered to;

14.4.7 FRANCHISEE engages in any business at Retail Location other than the Business, or manufactures, sells, advertises for sale or gives away any products or services at the Retail Location other than those approved by the COMPANY;

14.4.8 FRANCHISEE, or any of the Related Parties, engages in conduct that in the COMPANY's reasonable opinion reflects materially and unfavorably upon the reputation of the COMPANY or any of its affiliates, the Store, the Proprietary Products, the Marks or the System;

14.4.9 The occurrence of repeated defaults of the same or a different nature regardless of cure;

14.4.10 FRANCHISEE refuses to provide information on or reports required by the COMPANY or to permit inspections or audits;

14.4.11 FRANCHISEE fails to submit financial statements or sales reports when same are due hereunder;

14.4.12 The COMPANY discovers that FRANCHISEE has made any material misrepresentations or omitted any material fact in the information furnished by FRANCHISEE in connection with the grant of this franchise; or

14.4.13 FRANCHISEE sells the Products at any location other than the Retail Location or in any form other than that approved by the COMPANY.

14.5 **<u>Termination after Opportunity to Cure</u>**. This Agreement (except as otherwise provided in Section 26, below) and all rights granted FRANCHISEE hereunder will terminate upon the occurrence of any of the following events unless cured to the satisfaction of the COMPANY within ten (10) days (or such shorter or longer time if specified) after the COMPANY's written notice of such default to FRANCHISEE (FRANCHISEE must provide evidence of such cure to the COMPANY). If any such default is not so cured within that period, the COMPANY may, at its option, terminate this Agreement by written notice of termination, and all rights of FRANCHISEE hereunder shall thereupon terminate.

14.5.1 FRANCHISEE fails to make or cause to make any payment of any Brand Building Fee, continuing franchise fee or other fee or payment due hereunder, and FRANCHISEE fails to cure such failure to pay within 10 days after the COMPANY's written notice thereof;

14.5.2 FRANCHISEE (or any Related Party) breaches any term or condition of (a) this Agreement (except to the extent covered by Section 14.3 or 14.4); or (b) any term or condition of any other agreement or obligation with the COMPANY or its affiliates;

14.5.3 FRANCHISEE fails to sell Products of the highest quality or otherwise fails to comply with the COMPANY's standards;

14.5.4 FRANCHISEE or the Retail Location fails any inspection performed by COMPANY herein;

14.5.5 FRANCHISEE defaults under or fails to perform any term or condition of any Lease, mortgage, deed of trust or other agreement covering the Business or the Retail Location;

14.5.6 FRANCHISEE shall have failed to open the Store for business to the general public in compliance with this Agreement within two-hundred and seventy (270) days after the Retail Location is approved by the COMPANY; or

14.5.7 FRANCHISEE violates any federal, state or local laws, rules or regulations, specifically including but not limited to the rules and regulations of any local board of health having jurisdiction over the Store.

14.6 **Severability**. In the event that any mandatory provision of any local Franchise Law in effect in the FRANCHISEE's jurisdiction restricts the rights of the COMPANY to terminate this Agreement pursuant to this Section 14, then the COMPANY's rights of termination under this Section 14 will be deemed to be amended and shall be interpreted so as to be in conformance with such local Franchise Law, if any.

14.7 **Injunctive Relief**. FRANCHISEE recognizes that the failure of FRANCHISEE to comply with various provisions of this Agreement (including, without limitation, Sections 6, 11 and 12) could cause irreparable damage to the COMPANY and the System in a manner that could not reasonably or adequately be compensated by monetary damages in an action at law. Therefore, in addition to any other remedy provided by law or in equity for breach of this Agreement by FRANCHISEE, in the event of a breach or threatened breach by the FRANCHISEE of any of the covenants or provisions of this Agreement, the COMPANY shall be entitled, without the posting of any bond or security, to apply for an order enjoining any such breach or threatened breach or orders of specific performance enforcing the provisions of this Agreement, to obtain an immediate injunction for the appointment of a receiver for FRANCHISEE's business in order to enforce such provisions, to prevent or terminate any existing or threatened violation or default on the part of FRANCHISEE, or if the Agreement has been terminated, the FRANCHISEE may be enjoined from any continued operation of the Store, or any other operation in violation of this Agreement.

15. RIGHTS AND OBLIGATIONS OF PARTIES ON TERMINATION OR EXPIRATION.

15.1 De-Identification; Wind-Down of Business. Upon the termination or expiration of this Agreement, or upon the permanent closing or abandonment of the Store or the Business, the following provisions shall apply:

15.1.1 All rights, privileges and licenses granted by the COMPANY to FRANCHISEE will immediately cease, be null and void, and of no further force and effect, and all such privileges and licenses will immediately revert to the COMPANY.

15.1.2 FRANCHISEE shall immediately discontinue the use of the System and the Marks. All rights granted herein with respect to the Marks and System shall thereupon be deemed canceled and terminated.

15.1.3 Unless FRANCHISEE receives written notice of the COMPANY's exercise of its options set forth in Section 15.2 below, after thirty (30) days have elapsed since the effective date of termination, FRANCHISEE shall immediately remove the Marks from all buildings, signs, fixtures and furnishings, and within thirty (30) days' after written notice from the COMPANY, alter and paint all structures and other improvements maintained pursuant to this Agreement a design and color which is basically different from the COMPANY's authorized building design and painting schedule and otherwise assist COMPANY in every way possible to bring about a complete and effective wind-down and de-identification of the Business. If FRANCHISEE shall fail to make or cause to be made any such removal, alteration or repainting, then the COMPANY shall have the right to enter upon the Retail Location, without being deemed guilty of trespass or any other tort or civil wrong, and make or cause to be made such removal, alterations and repainting at the reasonable expense of FRANCHISEE, which expense FRANCHISEE shall pay the COMPANY upon demand. FRANCHISEE shall not be deemed to have waived any rights which FRANCHISEE may have under any Franchise Law by reason of this Section 15.1.2. If FRANCHISEE receives written notice of the COMPANY's exercise of its options set forth in Section 15.2 below, the FRANCHISEE shall complete the foregoing requirements as reasonably directed by the COMPANY.

15.1.4 FRANCHISEE shall not thereafter use any trademark, trade name, logo, insignia, copyright, slogan, emblem, symbol, design, package design, distinctive building design or other architectural feature or other identifying characteristic that is in any way associated with the COMPANY or similar to or confusing with the Marks and those associated with the COMPANY, or use material bearing, or operate or do business under, any name or in any manner that might tend to give the public the impression that FRANCHISEE is or was a licensee or franchisee of, or otherwise is or was associated with the COMPANY.

15.1.5 The COMPANY may, in addition to and not in lieu of any other rights or remedies, retain all fees paid by FRANCHISEE pursuant hereto.

15.1.6 FRANCHISEE shall take such actions as shall be necessary to cancel any assumed name or equivalent registration which contains the Marks and shall furnish the COMPANY evidence satisfactory to the COMPANY of compliance with this obligation within forty-five (45) days after said termination.

15.1.7 FRANCHISEE shall deliver to the COMPANY, at no cost to COMPANY (unless any applicable local Franchise Law requires some price to be paid, in which event the price shall be that set by such law), all quantities of the Proprietary Products and secret recipes, and all supplies and materials bearing the Marks, including but not limited to pole signs and other signs, that FRANCHISEE may have in stock, all Confidential Materials received from the COMPANY and all other materials and copies thereof in FRANCHISEE's possession relating to the operation of the Business, including the Manual, excepting only FRANCHISEE's copy of this Agreement, copies of any correspondence pertaining thereto between FRANCHISEE and COMPANY and any documents which FRANCHISEE reasonably needs for compliance with any provision of law.

15.1.8 FRANCHISEE shall immediately pay any and all amounts owing to the COMPANY and its affiliates.

15.1.9 FRANCHISEE shall immediately cease to use all existing telephone numbers and listing services in connection with the Business and direct the person providing such service to transfer such numbers and listings to the COMPANY.

15.2 **Company Purchase Option**. Upon termination or expiration of this Agreement, or upon the permanent closing or abandonment of the Restaurant, the COMPANY shall have the option of purchasing the Retail Location and any or all of the furnishings and equipment used in connection therewith (including, if FRANCHISEE owns the Retail Location, the real estate underlying the Retail Location), as the COMPANY may elect, from FRANCHISEE. If the COMPANY elects to exercise this option, the COMPANY shall give written notice of its desire to exercise the option to FRANCHISEE within thirty (30) days after such termination, expiration or closing, specifying whether the COMPANY will purchase the real property, on the one hand, and the furnishings and equipment, on the other, or both. The purchase price to be paid by the COMPANY to FRANCHISEE for any real property shall be determined by either (i) agreement in writing between the COMPANY and FRANCHISEE or (ii) by two independent appraisers, one appointed by the COMPANY and one appointed by FRANCHISEE. If the purchase price of the real property is determined by appraisal, the appraisers shall exclude from the determination any value with respect to: (x) any trademark, service mark or other commercial symbol used in connection with the operation of the Store, and (y) any goodwill or "going concern" value. If the purchase price of the real property is determined by appraisal, the two appraisals will be averaged to determine the purchase price; provided, however, that if the two appraisals differ by more than 10%, then, unless the COMPANY and FRANCHISEE agree in writing to a purchase price within 30 days after receipt of the second appraisal, the two appraisers will select a mutually agreeable third appraiser who will solely determine the purchase price. The purchase price to be paid by the COMPANY to FRANCHISEE for any furnishing and equipment shall be the book value of such furnishings and equipment. The COMPANY will have 30 days from the date the purchase price (with respect to both the real property and the furnishings and equipment, as applicable, if the COMPANY is purchasing both) is determined to elect to purchase either the real estate or the furnishings and equipment, or both. If the COMPANY elects to purchase the Franchised Restaurant, the purchase will be consummated within thirty (30) days of the COMPANY's written election.

15.3 **Right to Set Off**. Any amounts owed to the COMPANY or any of its affiliates by FRANCHISEE may be set off by the COMPANY or any of its affiliates against any amounts due from the COMPANY for the purchase of assets under Section 15.2 above.

15.4 **No Right to Use Marks**. As agreed to in Section 6 of this Agreement, all rights to any Marks, patents and copyrights licensed hereunder belong to the COMPANY exclusively, and upon expiration or termination of this Agreement, the COMPANY may, if FRANCHISEE does not do so, execute in FRANCHISEE's name, at FRANCHISEE's expense and on FRANCHISEE's behalf any and all documents necessary to end and cause the discontinuance immediately of FRANCHISEE's use of or right to use the Marks, patents and copyrights and the COMPANY is hereby irrevocably appointed and designated as FRANCHISEE's attorney-in-fact to do so.

15.5 **<u>Right of Entry; Appointment of Receiver</u>**. If FRANCHISEE is in default under the terms of this Agreement, in addition to the COMPANY's right to terminate this Agreement, and without limiting any other rights or remedies to which the COMPANY may be entitled at law or in equity, the COMPANY will have the right to take any of the following actions:

15.5.1 enter upon the premises of the Franchised Restaurant and exercise complete authority with respect to the operation of the Store until such time as the COMPANY determines, in its sole discretion, that FRANCHISEE has cured the default and that there is compliance with the terms of this Agreement; and FRANCHISEE agrees that a designated representative of the COMPANY may operate and control the Store, and that FRANCHISEE will pay the COMPANY for its labor costs, travel expenses, lodging and other expenses reasonably incurred by the - COMPANY in sending a representative to enforce compliance with the terms of this Agreement; or

15.5.2 petition any court of competent jurisdiction to appoint a receiver for the business or assets of FRANCHISEE, and FRANCHISEE agrees that it will not contest any proceeding or petition for the appointment of a receiver.

15.6 **<u>Liquidated Damages</u>**. If FRANCHISEE abandons or discontinues the franchise for any reason prior to the expiration of the term of this Agreement, FRANCHISEE will pay to the COMPANY as liquidated damages and not as a penalty, and in addition to but not in limitation of any other rights and remedies to which the COMPANY is entitled, an amount equal to the average monthly continuing franchise fee payments due from FRANCHISEE during the twelve months preceding the abandonment or discontinuance of the franchise, multiplied by the lesser of twenty-four or the number of months remaining in the term of this Agreement.

16. <u>RENEWAL</u>.

16.1 **<u>Renewal Option</u>**. Except where applicable state law provides otherwise, FRANCHISEE, unless the franchise is terminated as herein otherwise provided, shall have the option at the expiration of the term of this Agreement to renew the franchise granted hereunder by executing the COMPANY's then-current form of franchise agreement for one additional term of ten (10) years unless a different number of renewal terms and/or a different length of such term(s) are set forth on the cover page of this Agreement, which if applicable, the cover page terms shall prevail over the conflicting terms of this section 16 (provided that the COMPANY is then still offering franchises for Restaurants using the Marks and the System and provided that such form of franchise agreement shall *not* contain provisions for any renewal term):

16.1.1 FRANCHISEE gives the COMPANY written notice of its election to renew not less than six (6) months nor more than nine (9) months prior to the expiration of the term of this Agreement and satisfies all other conditions set forth herein at the earlier of the times required or the date of expiration of this Agreement;

16.1.2 FRANCHISEE has secured the premises for the Retail Location by ownership or lease (satisfactory to the COMPANY) for the renewal term;

16.1.3 FRANCHISEE, and its partners, members and shareholders, each executes a general release in form and substance satisfactory to the COMPANY (limited to the extent required by applicable Franchise Law, if any), of any and all claims against the COMPANY, its affiliates, shareholders, directors, officers and employees;

16.1.4 FRANCHISEE, at the time of notice of election to renew and at the end of the term of this Agreement, is not in default of any of the terms, conditions, covenant or provision of this Agreement (and no event described in Section 14 exists), or any other agreement between FRANCHISEE and the COMPANY or any of its affiliates, and has substantially complied with the terms and conditions of all such agreements during the term of this Agreement;

16.1.5 All of FRANCHISEE's accrued monetary obligations to the COMPANY and its affiliates have been satisfied prior to renewal, and timely met throughout the term of this Agreement;

16.1.6 FRANCHISEE is in compliance with the standards set forth in the COMPANY's Manual, has made such modernization and renovations (including, without limitation, signs, furnishings, interior and exterior decor, fixtures, equipment and structural changes) and repairs and maintenance to the Retail Location as the COMPANY may have required to comply with the COMPANY's then current standards in effect at the time of renewal and satisfactorily completes and causes any Manager or Operator or other key employee to satisfactorily complete any required initial or refresher training program;

16.1.7 Within thirty (30) days of receipt thereof, FRANCHISEE executes the COMPANY's then current form of franchise agreement and all other documents, agreements and instruments then customarily used by the COMPANY in granting Restaurant franchises, which agreement shall supersede this Agreement upon the expiration of this Agreement. The terms of such new franchise agreement may differ materially from those in this Agreement, including but not limited to the terms of the franchise agreement, higher continuing franchise fees, higher advertising expenditures, higher fees or charges of other types, a different term, different Protected Territory, different renewal rights and other different terms of any kind whatsoever); and

16.1.8 At the time of execution of the new franchise agreement pursuant to subsection 16.1.7 above, FRANCHISEE delivers to the COMPANY the then current renewal fee by certified check, such renewal fee to be in lieu of the initial franchise fee required under the new franchise agreement.

16.2 **New Franchise Agreement**. Upon receipt of the FRANCHISEE's written notice of intent to exercise the option to renew, the COMPANY shall, within thirty (30) days, forward to FRANCHISEE a copy of the then current franchise documents for Restaurant franchises then being granted by the COMPANY to prospective franchisees in that state, or notice of the COMPANY's denial of renewal for any of the reasons set forth in this Section 16. If the COMPANY accepts renewal, and FRANCHISEE subsequently defaults under any of the conditions in this Section 16, the COMPANY may rescind renewal upon so notifying FRANCHISEE in accordance with any mandatory notice requirements imposed by governing Franchise Law.

16.3 **Failure to Exercise Option**. If FRANCHISEE fails to fully and timely satisfy any of the conditions specified under this Section 16, such failure shall be deemed to be an election by FRANCHISEE not to exercise its option to renew.

16.4 **Local Franchise Laws**. If applicable mandatory provisions of the Franchise Laws of the state in which the Store is located require that the COMPANY give notice of expiration, or notice of a decision not to renew, to FRANCHISEE prior to expiration of the term of this Agreement, then this Agreement shall be deemed to remain effective until the COMPANY has given such notice of expiration and the applicable time period, if any, required to pass before the notice becomes effective has expired.

17. **PARTNERSHIP AND CORPORATE FRANCHISEES.** If FRANCHISEE, or any successor thereof, is a partnership, limited liability company or corporation:

17.1 **Duty to Inform Company**. Upon the execution of this Agreement and upon each Transfer of an interest in this Agreement or in FRANCHISEE and at any other time upon the COMPANY's request, FRANCHISEE shall furnish the COMPANY with a certified list of all its Principals, showing the percentage interest of each, and a list of all officers, managers and directors. A copy of the Certified Listing of all Partners/Members/Shareholders/Other Holders form to be used for this purpose is attached to this Agreement as Exhibit D.

17.2 **Personal Guaranty**. Upon the execution of this Agreement and upon each Transfer of an interest in this franchise or in FRANCHISEE, all Principals of FRANCHISEE shall execute a Personal Guaranty in substantially the form of Exhibit C attached hereto, personally guaranteeing, jointly and severally with all other guarantors, the full payment of all monies due and owing and performance of all FRANCHISEE's other obligations hereunder, and undertake to be bound by Sections 11, 12 and 13 of this Agreement. If FRANCHISEE consists of more than one individual, each such individual must execute this Agreement and shall be jointly and severally liable as FRANCHISEE hereunder.

17.3 **Governance Documents**. The partnership agreement, articles of incorporation, articles of organization, operating agreement, bylaws and other organization documents of FRANCHISEE shall recite that the issuance and transfer of any interest therein is restricted by the terms of Section 13 of the Agreement. FRANCHISEE shall also submit to the COMPANY, upon the execution of this Agreement, resolutions from the applicable governing body of FRANCHISEE which authorize the execution, delivery and performance of this Agreement and the transactions contemplated hereby and states, in form and substance, that no shares or other interest in FRANCHISEE shall be issued, transferred or assigned to any person or legal entity except according to the terms of this Agreement.

17.4 **Securities Legend**. FRANCHISEE, if it is a corporation or limited liability company, shall issue no securities upon the face of which the printed legend in the following form and substance does not legibly and conspicuously appear: "The transfer of these [shares/interests/units] is subject to the terms and conditions of one or more Franchise Agreements with Gold Star Chili, Inc. Reference is hereby made to such Franchise Agreement(s) and to the restrictive provisions of the Articles and Regulations of this [corporation/limited liability company]. Copies of such Agreements and restrictions are available at the offices of the [corporation/limited liability company]."

18. INSURANCE.

18.1 **General Insurance**. FRANCHISEE shall procure before the commencement of construction of the Retail Location and maintain in full force and effect during the term of this Agreement and any extension or renewal thereof, at its sole cost and expense, an insurance policy or policies protecting FRANCHISEE and the COMPANY and their respective officers, directors and employees against any and all losses, liabilities, claims, costs and expenses from fire, personal injury, theft, death, property damage, or other damaging or injurious occurrence, arising out of or in connection with the condition, operation, use or occupancy of the Business and the Retail Location. The COMPANY shall be named as an additional insured in all such policies and there shall be no subrogation of any person to any claims against the COMPANY. Such policy or policies shall be written by a responsible insurance company or companies and shall be in such form and contain such limits of liability as shall be satisfactory to the COMPANY. Such policy or policies shall conform with the requirements set forth in the Manual or otherwise in writing from the COMPANY. The insurance afforded by the aforementioned public liability policies shall not be limited in any way by reason of any insurance which may be maintained by the COMPANY.

18.2 **Property Insurance**. FRANCHISEE shall insure the Retail Location and other improvements, equipment, furnishings, and other fixtures and any additions thereto in accordance with standard fire and extended coverage insurance policies then in effect for similar businesses. FRANCHISEE shall, upon request, exhibit evidence of such insurance to the COMPANY.

18.3 **Certificates of Insurance**. Before construction commences and before the Retail Location opens for business, the appropriate certificates of insurance showing compliance with the requirements of this Section 18 shall be furnished by FRANCHISEE to the COMPANY. Such certificates shall state that the policy or policies shall not be canceled or altered without at least thirty (30) days' prior written notice to the COMPANY. Maintenance of such insurance and the performance by FRANCHISEE of its obligations under this Section 18 shall not relieve FRANCHISEE of liability or limit such liability under the indemnity provisions of this Agreement.

18.4 **Changes to Insurance Requirements**. The COMPANY shall have right to increase the minimum coverage, decrease the maximum deductible, or require different or additional kinds of insurance to reflect inflation, changes in standards of liability, higher damage awards, or other relevant changes in circumstances by providing written notice of such changes to FRANCHISEE at least thirty (30) days prior to enacting such requirement.

18.5 **Failure to Maintain Insurance**. If FRANCHISEE fails to procure or maintain insurance as herein required, the COMPANY may at its option (but shall not be obligated to), in addition to its other rights and remedies hereunder, procure such insurance and, in such event, FRANCHISEE shall, upon demand from time to time, reimburse the COMPANY for the costs and premiums thereof together with interest thereon from the date such costs are incurred by COMPANY at the rate specified in Section 8.3, above.

19. RELATIONSHIP OF PARTIES AND INDEMNIFICATION OF THE COMPANY.

19.1 **Independent Contractor**. Nothing in this Agreement creates a partnership, employment or agency relationship between FRANCHISEE and the COMPANY, or authorizes FRANCHISEE to make any contract, agreement, warranty, or representation on the COMPANY's behalf or to incur any debt or other obligation in the COMPANY's name. The COMPANY will in no event assume liability for, or be deemed liable hereunder as a result of, any such action by FRANCHISEE. The COMPANY will not be liable to any third party for any act or omission of FRANCHISEE in any of its operations hereunder (including, without limitation, any claim or action against FRANCHISEE for negligent hiring, sexual harassment, or employment discrimination) or any claim or judgment arising against FRANCHISEE. FRANCHISEE will indemnify, defend and hold the COMPANY harmless from and against any and all claims, debts, liabilities or obligations arising directly or indirectly from, as a result of or in connection with the operation of the Store (excluding, however, liabilities caused by (i)

FRANCHISEE's proper reliance on or use of procedures or materials provided by the COMPANY, or (ii) the COMPANY's gross negligence), and will pay all costs (including, without limitation, legal and accounting fees) incurred by the COMPANY in defending against and/or responding to them. **FRANCHISEE WILL DISPLAY PROMINENTLY AT ITS PLACE OF BUSINESS, ON ALL CORRESPONDENCE WITH THIRD PARTIES, AND IN ANY PRINTED MATERIALS BEARING ITS NAME OR BUSINESS LOCATION, A STATEMENT THAT THE STORE IS INDEPENDENTLY OWNED AND OPERATED BY FRANCHISEE.**

19.2 **No Right to Discounts or Profits**. Nothing contained in this Agreement shall be construed so as to limit or affect in any way whatsoever any profits, revenues or income the COMPANY or any of its affiliates or associates may earn or charge on sales or services to FRANCHISEE, nor shall it be construed so as to entitle FRANCHISEE to any share or participation in any discount, rebates, commission, fees or other sums that the COMPANY may receive from suppliers, distributors, manufacturers, sales organizations or others supplying goods or services to the COMPANY or FRANCHISEE, or judgments or damages awarded to the COMPANY of any kind whatsoever, and FRANCHISEE expressly acknowledges that the COMPANY may earn or receive such without any obligation therefor to FRANCHISEE.

19.3 **Indemnification**. FRANCHISEE shall indemnify and hold harmless (and at the option of the COMPANY defend) the COMPANY, its officers, directors, employees, agents, affiliates, successors and assigns, from and against any and all claims, demands, losses, obligations, judgments, settlements, penalties, damages, liabilities, costs or expenses (including but not limited to court costs and reasonable attorneys' fees) of any kind whatsoever (including expenses of investigation, defense, prosecution or settlement) directly or indirectly based upon, arising out of, or in any way related to (a) the construction, operation or condition of any part of the Business or the Store, (b) the conduct of business thereat (whether or not such business is conducted in compliance with the provisions of this Agreement), (c) the ownership or possession of real or personal property by FRANCHISEE or (d) any act or omission of any kind of FRANCHISEE or any of its agents, employees, contractors, invitees or representatives. FRANCHISEE's indemnity obligations shall exclude only any liability of an indemnified party which is determined by a court of competent jurisdiction to have resulted solely and directly from the gross negligence or willful misconduct of such indemnified party. This provision will survive any termination or expiration of this Agreement.

20. NOTICES.

20.1 **Company Address**. All notices to the COMPANY required by the terms of this Agreement shall be in writing and either delivered personally or sent by reputable overnight delivery service, or by certified mail (postage prepaid, return receipt requested), addressed to the COMPANY at its office at:

Gold Star Chili, Inc.
650 Lunken Park Drive
Cincinnati, Ohio 45226
Attention: Director of Franchising

(or at such other address as COMPANY shall designate in the Manual or otherwise in writing).

20.2 **<u>Franchisee Address</u>**. All notices to FRANCHISEE required by the terms of this Agreement shall be in writing and either delivered personally to an adult person working at the Retail Location, or sent by reputable overnight delivery service, or by regular or certified mail (postage prepaid, return receipt requested), addressed to FRANCHISEE at FRANCHISEE's address set forth on the cover page of this Agreement (or at such other address as FRANCHISEE shall designate in writing).

20.3 **<u>Deemed Delivery</u>**. Any notice by certified mail shall be deemed to have been delivered on the second business day after the date when deposited in the mail; or if sent by reputable overnight delivery service, on the first business day after delivered to the service; or, if personally delivered, when so delivered.

21. <u>GENERAL</u>.

21.1 **<u>Terms; Headings</u>**. All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall include singular or plural and any other gender as the context of this Agreement may require. Headings preceding the text, articles and paragraphs hereof have been inserted solely for convenience of reference and shall not be construed to affect the meaning, construction or effect of this Agreement. If this Agreement is signed by more than one person or entity as "FRANCHISEE", all obligations of such parties hereunder shall be joint and several.

21.2 **<u>Counterparts</u>**. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts together shall constitute but one and the same instrument. This Agreement shall only take effect upon its acceptance and execution by the COMPANY.

21.3 **<u>Complete Agreement; Amendment; Authority</u>**. This Agreement and the exhibits, schedules and appendices hereto constitute the entire agreement between the FRANCHISEE and the COMPANY with respect to the subject matter hereof and all prior understandings, appointments, licenses or agreements, oral or written, are superseded and rendered null and void hereby. This Agreement and the appendices hereto may be modified only in writing executed by both FRANCHISEE and the COMPANY, except for those modifications expressly permitted to be made unilaterally by the COMPANY. No director, officer, employee or agent of the COMPANY has any authority to make any representation or promise not contained in this Agreement and FRANCHISEE expressly agrees that it has executed this Agreement without reliance upon any such representation or promise.

21.4 **No Waiver**. No delay or omission on the part of the COMPANY to exercise any right or remedy hereunder shall impair any such right or remedy or be considered a waiver of any such right or remedy or a waiver of any default or condition or any acquiescence therein nor shall the action or non-action of the COMPANY in case of any default impair any right or remedy arising as a result thereof or affect any subsequent default of the same or a different nature. No waiver or consent by the COMPANY shall be effective unless set forth in writing signed by an authorized officer of the COMPANY. No notice, waiver or consent to or demand on the COMPANY in any case shall entitle FRANCHISEE to any other or further notice, waiver, consent or demand in the same, similar or other circumstance.

21.5 **Cumulative Rights**. All remedies of the COMPANY hereunder, in any related instrument or document and/or now or hereafter existing at law or in equity are cumulative and none of them shall be exclusive of the others or any other remedy.

21.6 **Time is of the Essence**. Time shall be of the essence herein.

21.7 **Successors and Assigns**. This Agreement shall be binding upon and inure to the benefit of the COMPANY, FRANCHISEE and their respective successors and assigns (subject to Section 13, above).

21.8 **Application of Payments**. All payments received by the COMPANY from FRANCHISEE may be applied by the COMPANY to the COMPANY's obligations to the COMPANY or its affiliates in such order and manner as the COMPANY determines in its sole discretion.

22. CHOICE OF LAW; JURISDICTION; LIMITATION OF CLAIMS.

22.1 **Applicable Law**. This Agreement was accepted and executed in the State of Ohio and its terms shall be construed in accordance with and governed by laws of the State of Ohio. In the event of any conflict of any clause in this Agreement with any mandatory applicable provisions of the Franchise Laws or other laws of the state wherein the Store is located such clause shall be considered modified to the extent, and only to the extent, necessary to conform with such mandatory provisions of that state's laws. As stated in this Agreement, the term "Franchise Law" means any mandatory provision of the law of any state which specifically regulates the offer, sale, termination, renewal or other specific aspects of franchises and does not mean the general laws other than such specific franchise act. Except as expressly provided to the contrary herein, each provision of this Agreement shall be considered severable and the invalidity or unenforceability of any part of this Agreement shall not affect the balance of this Agreement.

22.2 **Litigation**. The COMPANY shall have the right to enforce by judicial process its right to collect (and its right to an accounting incident thereto) any amounts owed to the COMPANY for unpaid franchise fees, advertising, contributions, payments for Products or other purchases or charges, any rights it may have under any security agreements and/or notes of FRANCHISEE, and all rights relating to the Marks and FRANCHISEE shall pay all costs and expenses (including reasonable attorneys' fees) incurred in connection therewith. Further, the COMPANY shall be entitled without bond to the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to use of the Marks, Confidential Material or competition, the rights and obligations upon termination of expiration of this Agreement, and rights and obligations relating to any Transfer or similar matters of potential irreparable harm to the COMPANY, and shall have the right to seek from an appropriate court such provisional remedies as unlawful detainer or eviction, judicial foreclosure of liens, claims in bankruptcy and similar remedies; and seeking any such injunctive or provisional relief shall not constitute a waiver of the COMPANY's right to compel use of the procedures set forth below.

22.3 **Consent to Jurisdiction**. FRANCHISEE consents and agrees that the following courts will have personal jurisdiction over FRANCHISEE in all lawsuits relating to or arising out of this Agreement, and hereby submits to the jurisdiction of the following courts and irrevocably waives any defense FRANCHISEE may have of lack of personal jurisdiction in any such lawsuits filed in these courts: (a) all courts included within the state court system of the State of Ohio; and (b) all courts of the United States of America sitting within the State of Ohio, including, without limitation, all United States District Courts within the State of Ohio. FRANCHISEE consents and agrees that venue will be proper in any of the following courts in all lawsuits relating to or arising out of this Agreement and irrevocably waives any right FRANCHISEE may have to transfer or change the venue in any such lawsuits filed in these courts: (a) the state court of the county where the COMPANY has its principal place of business (presently Clermont County, Ohio); and (b) the United States District Court for the Southern District of Ohio, Western Division. In the event any of these courts are abolished, FRANCHISEE agrees that venue will be proper in the state or federal court in Ohio that most closely approximates the subject matter jurisdiction of the abolished court as well as any of these courts that are not so abolished. Any and all lawsuits filed by FRANCHISEE against the COMPANY relating to or arising out of this Agreement will be required to be filed in one of these courts. Any and all lawsuits filed by the COMPANY against FRANCHISEE may be filed in any of these courts or in any court in which jurisdiction and venue are proper. In all lawsuits relating to or arising out of this Agreement, FRANCHISEE consents and agrees that FRANCHISEE may be served with process outside the State of Ohio in the same manner of service that may be made within the State of Ohio by any person authorized to make service by the laws of the state, territory, possession or country in which service is made or by any duty qualified attorney in such jurisdiction. FRANCHISEE waives any defense it may have of insufficiency of service of process relating to such service. This method of service will not be the exclusive method of service available in such lawsuits and will be available in addition to any other method of service allowed by law.

22.4 **Waiver of Jury Trial**. **EACH PARTY IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY.**

22.5 **No Special Damages**. The parties agree to waive, to the fullest extent permitted by law, the right to or claim of any multiple, punitive, or exemplary damages against the other and agree that, in the event of a dispute between them, each will be limited to the recovery of actual damages sustained by it.

22.6 **Limitation of Claims**. Except for: (i) claims against FRANCHISEE concerning the underreporting of Gross Sales and corresponding underpayment of continuing franchise and Brand Building Fees, (ii) claims against FRANCHISEE by The COMPANY relating to third party claims or suits brought against The COMPANY as a result FRANCHISEE's operation of the Store, (iii) claims for injunctive relief to enforce the provisions of this Agreement relating to FRANCHISEE's use of the Marks, (iv) claims against FRANCHISEE by The COMPANY for injunctive relief relating to FRANCHISEE's financial obligations upon the termination or expiration of this Agreement, (v) claims against FRANCHISEE by The COMPANY concerning FRANCHISEE's obligations under Articles 11 or 12 of this Agreement, and (vi) claims against FRANCHISEE by The COMPANY regarding an assignment of this Agreement or any ownership interests therein, any and all claims arising out of or relating to this Agreement or the relationship between the parties will be barred unless an action is commenced within one year from the date FRANCHISEE or The COMPANY knew or should have known of the facts giving rise to such claims.

23. WRITTEN APPROVALS. Whenever this Agreement requires the COMPANY's prior approval or consent, FRANCHISEE shall make a timely written request therefor, and such approval may be granted or denied by the COMPANY in its discretion. No approval shall be effective unless given in writing. The COMPANY makes no warranties, representations, or guarantees upon which FRANCHISEE may rely, and assumes no liability or obligation to FRANCHISEE, by providing any waiver, approval, consent or suggestion to FRANCHISEE in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

24. NO THIRD PARTY BENEFICIARIES. Nothing express or implied herein is intended or shall be construed to confer upon or give any person, firm or corporation, other than the parties hereto, any right or remedy hereunder or by reason hereof.

25. REPRESENTATIONS OF FRANCHISEE. FRANCHISEE REPRESENTS THAT IT RECEIVED A FRANCHISE DISCLOSURE DOCUMENT FOR GOLD STAR CHILI FRANCHISES FOURTEEN (14) CALENDAR DAYS BEFORE THE EARLIER OF (A) EXECUTION OF THIS AGREEMENT (OR ANY OTHER AGREEMENT RELATING HERETO) AND (B) MAKING ANY PAYMENT TO THE COMPANY, THAT THE FRANCHISEE HAS READ THIS AGREEMENT, THE EXHIBITS AND THE COMPANY'S UNIFORM FRANCHISE DISCLOSURE DOCUMENT IN THEIR ENTIRETY, THAT IT HAS MADE ITS OWN INDEPENDENT INVESTIGATION OF

THE FRANCHISE AND THAT IT HAS BEEN GIVEN THE OPPORTUNITY TO CLARIFY ANY PROVISION AND INFORMATION THAT IT DID NOT UNDERSTAND AND TO CONSULT WITH ITS OWN ATTORNEY OR OTHER PROFESSIONAL ADVISOR AND HAS OBTAINED INDEPENDENT LEGAL AND FINANCIAL ADVICE PRIOR TO EXECUTING THIS AGREEMENT. FRANCHISEE ACKNOWLEDGES NEITHER THE COMPANY, NOR ANY OF ITS OFFICERS, EMPLOYEES, REPRESENTATIVES, BROKERS OR AGENTS, HAVE MADE (A) ANY REPRESENTATIONS, ACKNOWLEDGMENT, PROMISE, GUARANTEE, INDUCEMENT, UNDERTAKING OR WARRANTY (WRITTEN OR ORAL, EXPRESS OR IMPLIED) OTHER THAN THOSE EXPRESSLY SET FORTH IN THIS AGREEMENT, OR (B) ANY REPRESENTATIONS (WRITTEN OR ORAL, EXPRESS OR IMPLIED) AS TO THE ACTUAL, AVERAGE, POTENTIAL, PROJECTED OR FORECASTED SUCCESS, SALES, PROFITS, COSTS, INCOME OR EARNINGS OF A GOLD STAR CHILI RESTAURANT OR THE FRANCHISE BUSINESS TO BE CONDUCTED BY FRANCHISEE. FRANCHISEE FURTHER ACKNOWLEDGES THAT FRANCHISEE RECOGNIZES THAT THE NATURE OF THE BUSINESS CONDUCTED BY GOLD STAR CHILI RESTAURANTS MAY EVOLVE AND CHANGE OVER TIME; THAT FRANCHISEE'S INVESTMENT INVOLVES BUSINESS RISKS NOT SUSCEPTIBLE TO THE COMPANY'S OR FRANCHISEE'S CONTROL; AND THAT FRANCHISEE'S SUCCESS WILL BE LARGELY DEPENDENT ON FRANCHISEE'S OWN BUSINESS ABILITIES AND EFFORTS.

26. **SURVIVAL OF TERMS AND CONDITIONS.** The obligations of FRANCHISEE under Sections 11, 12, 16, and 19.3 hereof, and any other FRANCHISEE obligations herein that are stated to, or are of a type that would reasonably, survive or apply beyond termination or expiration of this Agreement, shall survive any termination or expiration of this Agreement; and expiration or termination of this Agreement shall be without prejudice to the rights of the COMPANY against FRANCHISEE thereunder and with respect to other like matters that reasonably would survive the end of a franchise relationship, and shall not relieve FRANCHISEE of any of FRANCHISEE's obligations to the COMPANY existing at the time of expiration or termination.

27. **EXPENSES.** If the COMPANY incurs any costs or expenses (including but not limited to attorneys' fees, court costs, other litigation expenses, settlement expenses or other expenses of any kind) in enforcing or protecting the COMPANY's rights under this Agreement, or any judgments, orders or awards relating thereto, or in preparation for or investigation or contemplation thereof, the COMPANY shall be entitled to recover from FRANCHISEE all such costs and expenses on demand, with interest from the date due pursuant to Section 8.3, above.

AS WITNESS the hands of the duly authorized representatives of the parties hereto as of the date of execution by Gold Star Chili, Inc. set forth below.

ATTEST:	**FRANCHISEE** (if a corporation, limited liability company or partnership):
	______________________________
	(Name of corporate or partnership Retailer)
By:______________________________	By:______________________________
	Name:______________________________
	Title:______________________________
	FRANCHISEE (if an individual, individuals or proprietorship):
	______________________________
	Name:______________________________
	______________________________
	Name:______________________________
ATTEST:	**GOLD STAR CHILI, INC.**
By:______________________________	By:______________________________
	Name:______________________________
	Title:______________________________
	Date:______________________________

You, the franchisee, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.

NOTICE OF CANCELLATION

_______________________ (Enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to 650 Lunken Park Dr, Cincinnati, Ohio 45226, attn: ____________ or send a fax to 513-___-____ or an e-mail to ____________________, not later than midnight of _________________.

I hereby cancel this transaction.

____

Name: ____________________________________

NOTICE OF CANCELLATION

_______________________ (Enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to 650 Lunken Park Dr, Cincinnati, Ohio 45226, attn: ____________ or send a fax to 513-___-____ or an e-mail to ____________________, not later than midnight of _________________.

I hereby cancel this transaction.

____

Name: ____________________________________

EXHIBIT A TO FRANCHISE AGREEMENT

1 Gold Star Chili

2

3

EXHIBIT B TO FRANCHISE AGREEMENT

LEASE PROVISIONS

1. A provision that restricts the use of the premises solely to the operation of the franchised business;

2. A provision permitting the COMPANY to enter the Retail Location to de-identify the Business without penalty in accordance with Section 14 of this Agreement.

3. A provision requiring the landlord to provide the COMPANY with reasonable advanced notice if there is any contemplated termination and granting the COMPANY a reasonable amount of time, at the COMPANY's option, to avoid such termination (upon any such event, FRANCHISEE shall reimburse the COMPANY for all costs and expenses incurred in connection with such avoidance).

4. A provision that reserves to the COMPANY the right, but not the obligation, to assume FRANCHISEE's leasehold interest, with the right to sublease, upon termination or expiration of the lease or of this Agreement, without any assessment of additional fees, penalties, or rent acceleration; and

5. A provision that modifies the term of the lease so that it is coterminous with this Agreement.

6. A provision that gives the COMPANY the right, but not the obligation, to enter the premises or make modifications necessary to protect the Marks or the System or to cure any default under this Agreement; and

7. A provision that restricts the lease from being modified in a manner that could materially affect the COMPANY's rights with respect to the lease, without the COMPANY's prior written consent.

EXHIBIT C TO FRANCHISE AGREEMENT

PERSONAL GUARANTY

The undersigned, in order to induce Gold Star Chili, Inc., an Ohio corporation ("Franchisor"), to enter into or permit assignment of a certain Gold Star Chili Franchise Agreement ("Franchise Agreement"), dated as of ___________, 20__ to or with ___________________________ (a corporation or a limited liability company, hereafter called the "Company"), irrevocably and unconditionally, jointly and severally, personally guarantees to Franchisor, its successors or assigns, the prompt, full payment and performance of all obligations of the Company which are or may become due and owing to Franchisor, including, but not limited to, all obligations arising out of said Franchise Agreement or any other agreement between the Franchisor and Company, and all extensions or renewals, in the same manner as if the Franchise Agreement was executed between Franchisor and the undersigned. This Personal Guaranty is effective on the date of the Franchise Agreement.

The undersigned expressly waive(s) any and all notices and demands. This Personal Guaranty will not be affected by the modification, extension, or renewal of any agreement between Franchisor and Company, the taking of a note or other obligation from Company or others, the taking of security for payment, the granting of extension(s) of time for payment, the filing by or against Company of bankruptcy, insolvency, reorganization or other debtor's relief afforded Company pursuant to the present or future provision of the Federal Bankruptcy Act or any other state or federal statute or by the decision of any court, or any other matter, whether similar or dissimilar to any of the foregoing; and this Personal Guaranty will cover the terms and obligations of any such modifications, notes, security agreements, extensions, or renewals. The obligations of the undersigned will be unconditional, notwithstanding any defect in the genuineness, validity, regularity, or enforceability of the Company's obligations or liability to Franchisor, or any other circumstances whether or not referred to herein, which might otherwise constitute a legal or equitable discharge of a surety or guarantor.

This is a continuing, irrevocable, unconditional and absolute guaranty of payment and performance and the undersigned agree(s) that the undersigned's liability on this Personal Guaranty will be immediate and is not contingent upon the exercise or enforcement by Franchisor of whatever remedies it may have against Company or others, or the enforcement of any lien or realization upon any security Franchisor may at any time possess.

The undersigned further covenant(s) and agree(s) that as long as Company owes any monies to Franchisor (other than royalty and advertising fee payments that are not past due), Company will not pay, and the undersigned will not accept, payment of any part of any indebtedness owed by Company to the undersigned, or any one of the undersigned if more than one person, either directly or indirectly, without the consent of Franchisor.

If more than one individual executes this Personal Guaranty, each person executing this Personal Guaranty will be jointly and severally liable for the obligations created herein.

This Personal Guaranty remains in full force and effect until all obligations arising out of and pursuant to the Franchise Agreement and any other agreement between Franchisor and Company (including, but not limited to monetary obligations), including all renewals and extensions thereof, are fully paid and satisfied, notwithstanding the termination or expiration of the relationship set forth in the Franchise Agreement or any other agreement between Franchisor and the Company.

IN WITNESS WHEREOF, the undersigned have executed this Agreement on the date set forth below.

______________________________	______________________________
(Witness)	{Individual}, Guarantor
______________________________	______________________________
(Witness)	{individual}, Guarantor

EXHIBIT D TO FRANCHISE AGREEMENT

CERTIFIED LISTING OF ALL PARTNERS/MEMBERS/SHAREHOLDERS/OTHER HOLDERS

I, an authorized officer/partner/member/owner of FRANCHISEE, hereby certify that the following information is true and correct and represents all the partners, members, shareholders or others having an interest in this franchise or in FRANCHISEE.

NAME	PARTNER/MEMBER/ SHAREHOLDER/OTHER	PERCENTAGE OF INTEREST
____________	____________	____________
____________	____________	____________
____________	____________	____________
____________	____________	____________
____________	____________	____________
____________	____________	____________
____________	____________	____________
____________	____________	____________
____________	____________	____________
____________	____________	____________
____________	____________	____________
____________	____________	____________

DATED as of the __________ day of ___________________, 20_________.

ATTEST/WITNESS:

By:_________________________________ _____________________________
Authorized Officer/Member/
Partner/Owner of FRANCHISEE

EXHIBIT C

TABLE OF CONTENTS – ONLINE OPERATIONS MANUAL

LIST OF FRANCHISE OUTLETS

(As of December 31, 2024)

A. INDIANA:

Versailles
326 S. Washington St., Ste. 20
Versailles, IN 47042
Owner: Dave Mayerik
Phone: (812) 689-7318

B. KENTUCKY:

Bellevue
47 Donnermeyer
Bellevue, KY 41071
Owner: GSC Bellevue, Inc
Contact: Rami Nwaisser
Phone: (859) 491-8740

Berea
638 Chestnut St
Berea, KY 40403
Owner: Gold Rivers, LLC
Contact: Nabeel Khouri
Phone: (859) 756 3214

Burlington
State Route 18
2355 Burlington Pike
Burlington, KY 41005
Owner: Burlington GSC, Inc.
Contact: John Nwaisser
Phone: (859) 586-6593

Covington
504 W. 4th Street
Covington, KY 41011
Owner: GS Covington, LLC
Contact: Rob Maher
Phone: (859) 581-4028

*Franchise owned by a person listed in Item 2 or member of his/her immediate family or his/her/their business entity.

Crescent Springs
2516 Hazelwood Rd
Crescent Springs, KY 41017
Owner: Gold Rivers, LLC
Contact: Nabeel Khouri
Phone: (859) 331-9426

Crittenden
355 Violet Rd.
Crittenden, KY 41030
Owner: GSC Crittenden, Inc
Contact: Rami Nwaisser
Phone: (859) 428-3200

Dry Ridge
1118 S. Main St, US 25
Dry Ridge, KY 41035
Owner: Dry Ridge Chili, Inc
Contact: Tim Gayhart
Phone: (859) 824-3504

Erlanger
10 Kenton Lands
Erlanger, KY 41018
Owner: Dixie GSC, LLC
Contact: Wafa Daoud
Phone: (859) 341-5700

Florence Square
7649 Mall Rd
Florence, Ky 41042
Owner: GSC Florence, Inc
Contact: Rami Nwaisser
Phone: (859) 371-2272

Hamburg
1900 Plaudit Place
Lexington, KY 40509
Owner: Ghalib Star, LLC
Contact: Ghalib Daoud
Phone: (859) 263-2443

*Latonia
3912 Winston Ave.
Latonia, KY 41015
Owner: Wafa Daoud & Daoud Investments, Inc.
Contact: Wafa Daoud
Phone: (859) 491-0518

Maysville
237 WalMart Way
Maysville, KY 41056
Owner: GS Maysville, LLC
Contact: Robert Maher
Phone: (606) 759-5640

Mt. Zion
310 Mt. Zion Road, Ste. 4
Florence, KY 41042
Owner: GSC Mt Zion, Inc
Contact: Rami Nwaisser
Phone: (859) 282-7500

Newport
24 Carothers Road
Newport, KY 41071
Owner: Newport Star LLC
Contact: Ike Akroush
Phone: (859) 491-0340

Richwood
286 Richwood Road
Walton, KY 41094
Owner: GSC Richwood Inc.
Contact: Rami Nwaisser LLC
Phone: (859) 485-2400

Somerset
3570 S. Hwy. 27, Box 9
Somerset, KY 42501
Owner: DB&T, Inc.
Contact: Mike Hornback
Phone: (606) 679-8040

C. OHIO:
Arbor Square
8150 Arbor Square Dr.
Mason, OH 45040
Owner: Hatem Shteiwi
Phone: (513) 770-4305

Batavia
2195 Winemiller Ln.
Batavia, OH 45103
Owner: Ron Al-Saleh
Phone: (513) 735-9660

*Bethel
629 W. Plane St.
Bethel, OH 45106
Owner:	FD629, Inc.
Contact:	Fuad David
Phone:	(513) 734-6705

Blanchester
942 Cherry Street
Blanchester, OH 45107
Owner: Daoud and Elfar, Inc
Contact: Roger Elfar
Phone: (937) 783-5244

Evendale
3000 Glendale Milford Rd
Cincinnati, OH 45241
Owner: Daoud GSC Enterprises, LLC
Contact: Ron Daoud
Phone: (513) 858-6300

Fairfield
470 Niles Road
Fairfield, OH 45014
Owner: Daoud GSC Enterprises, LLC
Contact: Ron Al-Saleh
Phone: (513) 858-3400

Finneytown
6531 Winton Rd.
Cincinnati, OH 45224
Owner: Finneytown Gold Star, Inc
Contact: Hatem Shteiwi
Phone: (513) 541-5170

Franklin
711 2nd Street
Franklin, OH 45005
Owner: Daoud GSC Enterprises, LLC
Contact: Ron Al-Saleh
Phone: (513) 704-0028

Georgetown
662 East State Street
Georgetown, OH 45121
Owner:	JFD Enterprises LLC
Contact:	Jerry Daoud

Phone: (937) 378-5131

Germantown
2395 Beechwood Dr.
Germantown, OH 45237
Owner: Hamdan Corp.
Contact: Emad Hamdan
Phone: (937) 855-2277

Groesbeck
8253 Colerain Ave.
Cincinnati, OH 45239
Owner: Naser Brothers Co.
Contact: Jacob Naser
Phone: (513) 385-7132

Hamilton Rt 4
1700 South Erie Blvd.
Hamilton, OH 45011
Owner: Daoud GSC Enterprises, LLC
Contact: Ron Al-Saleh
Phone: (513) 896-9715

Hamilton/West
1246 Main St.
Hamilton, OH 45013
Owner: Khaled Salem
Phone: (513) 863-8956

Lebanon
10 Dave Ave.
Lebanon, OH 45036
Owner: S & O Gold, Inc
Contact: Mryana Tueimeh
Phone: (513) 932-4642

Liberty Commons
7388 N Liberty Dr
Liberty Township, OH 45044
Owner: Daoud GSC Enterprises, LLC
Contact: Ron Daoud
Phone: (513) 847-4248

Maineville
17 US 22 State Route 3
Maineville, Ohio 45039
Owner: Gammoh, LLC
Contact: Mousa and Eva Gammoh

Phone: (513) 677-0842

Middletown
449 Oxford State Road
Middletown, OH 45044
Owner: Goldway LLC
Contact: Hatem Shteiwi
Phone: (513) 422-3405

Midpoint Center
2930 Towne Boulevard
Middletown, Ohio 45044
Owner: EMJZ Corporation
Contact: Emad Hamdan
Phone: (513) 422-6920

Milford
1040 St. Rt. 28
Milford, OH 45150
Owner: GSC Milford Inc.
Contact: Mwafag Gammoh
Phone: (513) 831-4692

Milford Rivers Edge
85 Rivers Edge Drive
Milford, OH 40513
Owner: Rivers Edge Golden Star, LLC
Contact: Wafa Daoud
Phone: (513) 248-8480

*Mt. Carmel
582 Batavia Pk.
Mt. Carmel, OH 45245
Owner: FF Daoud LLC
Contact: Vera David
Phone: (513) 528-0033

Mt. Healthy
7821 Hamilton Ave.
Cincinnati, OH 45231
Owner: Naser Co.
Contact: Faris Naser
Phone: (513) 522-4376

Mt. Orab
221 South High St.
Mt. Orab, OH 45154
Owner: EEAT, LLC

Contact: Lance Sizemore
Phone: (937) 444-4387

New Richmond
1048 Old US 52
New Richmond, OH 45157
Owner: ITN Restaurant Group, LLC
Contact: Issa Daoud
Phone: (513) 553-2536

Ridge
5420 Ridge Avenue
Cincinnati, Ohio 45213
Owner: JRSA Enterprise, LLC
Contact: Jamal Al Saleh
Phone: (513) 631-1990

Ross
3790 Hamilton-Cleves Road
Ross, OH 45013
Owner: KN&S Enterprises, Inc
Contact: Joe Hiresh
Phone: (513) 738-3338

Seaman
17080 State Route 247
Seaman, OH 45679
Owner: Family Good Life, LLC
Contact: Sami Daoud
Phone: (937) 386-1367

Springdale
11551 Springfield Pk.
Cincinnati, OH 45246
Owner: AZPINC, LLC
Contact: Oudeh Shteiwi
Phone: (513) 771-2620

Tennessee & Reading
4544 Reading Road
Cincinnati, OH 45229
Owner: Red Ten, Inc
Contact: Rami Nwaisser
Phone: (513) 242-2211

Wards Corner
471 Wards Corner Rd.
Loveland, OH 45140

Owner: Musa Gammoh, Inc
Contact: Claudia Frasher
Phone: (513) 831-1725

Wilmington
1295 Rombach Ave.
Wilmington, OH 45177
Owner: HDAC, LLC
Contact: Harold Certain
Phone: (937) 382-7199

EXHIBIT E to
FRANCHISE DISCLOSURE DOCUMENT

LIST OF OUTLETS CLOSED DURING THE YEAR ENDED DECEMBER 31, 2024 OR THAT HAVE NOT COMMUNICATED RECENTLY WITH GOLD STAR CHILI, INC.

Set forth below is the name, last known home address and last known home telephone number of each Franchisee that has had a Restaurant terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under their Franchise Agreement during the year ended December 31, 2024:

Fayette Mall
3401 Nicholasville Rd., Space FC 8
Lexington, KY 40503
Owner: Rising Phoenix, LLC
Contact: Cindy Lin
Phone: (859) 272-7282

Florence Mall
2078 Florence Mall
Florence, KY 41042
Owner: FMGS Inc.
Contact: George Haddad
Phone: (859) 283-2246

Amelia
219 Ohio Pike
Amelia, OH 45102
Owner: Muashsher Restaurant Group, LLC
Contact: Leila Muashsher
Phone: (513) 753-4471

Set forth below is the name, last known address and last known home telephone number of each Franchisee that has not communicated with Gold Star during the year ended December 31, 2024:

None.

EXHIBIT F

Consolidated Financial Statements for

GOLD STAR CHILI, INC.

Years Ended December 31, 2024, 2023 and 2022

With Independent Auditor's Report
Including Supplementary Information

DEANDORTON

GOLD STAR CHILI, INC.
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DEANDORTON

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders
Gold Star Chili, Inc.
Cincinnati, Ohio

Opinion

We have audited the accompanying consolidated financial statements of Gold Star Chili, Inc. (an 'S' Corporation), its subsidiary, TCWW, LLC, and its consolidated entity, GSC Properties, LLC, which comprise the consolidated balance sheets as of December 31, 2024, 2023 and 2022 and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gold Star Chili, Inc., its subsidiary, TCWW, LLC, and its consolidated entity, GSC Properties, LLC, as of December 31, 2024, 2023, and 2022, and the results of their operations and their cash flows for the years the 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 Consolidated Financial Statements section of our report. We are required to be independent of Gold Star Chili, Inc., its subsidiary, TCWW, LLC, and its consolidated entity, GCS Properties, LLC, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in the notes to the consolidated financial statements, the previously issued consolidated financial statements for the year ended December 31, 2022 have been restated for the correction of material misstatements. Our opinion is not modified with respect to those matters.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Gold Star Chili, Inc., its subsidiary, TCWW, LLC and its consolidated entity, GCS Properties, LLC's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Gold Star Chili, Inc., its subsidiary, TCWW, LLC, and its consolidated entity, GSC Properties, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Gold Star Chili, Inc., its subsidiary, TCWW, LLC, and its consolidated entity, GSC Properties, LLC'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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Prior Period Financial Statements

The financial statements as of December 31, 2022, were audited by VonLehman & Company Inc., who merged with Dean Dorton Allen Ford, PLLC as of January 1, 2024.

Dean Dorton Allen Ford, PLLC

Fort Wright, Kentucky
April 8, 2025

GOLD STAR CHILI, INC.
CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31, 2024	December 31, 2023	December 31, 2022 (Restated)
Current Assets			
Cash	$ 1,590,962	$ 1,218,648	$ 1,859,058
Accounts Receivable, Less Allowance for Expected Credit Losses, 2024 $896,732; 2023 $840,464; 2022 $637,957	930,590	1,137,423	1,404,487
Advance - Related Party	-	-	1,035
Other Receivables	23,206	22,617	252,213
Inventory	1,008,074	1,491,213	1,136,955
Prepaid Expenses	277,719	550,183	778,129
Contract Assets	-	-	36,849
Total Current Assets	3,830,551	4,420,084	5,468,726
Property and Equipment			
Land	6,840,489	6,241,909	6,763,056
Buildings	15,202,084	14,370,104	12,693,794
Leasehold Improvements	5,930,505	5,671,283	4,535,084
Furniture and Equipment	6,633,938	5,987,518	5,046,573
Vehicles	100,623	100,623	100,623
Construction in Progress	489,000	662,628	465,792
	35,196,639	33,034,065	29,604,922
Less Accumulated Depreciation	17,020,923	15,771,853	15,523,006
Total Property and Equipment	18,175,716	17,262,212	14,081,916
Fair Market Value of Interest Rate Swap	308,433	209,826	615,930
Other Assets			
Accounts Receivable (Less Current Portion)	-	-	24,783
Right of Use Asset - Operating Leases	11,092,255	10,315,819	9,795,311
Goodwill, Net	449,386	502,317	343,579
Trademark	475,000	475,000	475,000
Intangibles Subject to Amortization	48,595	58,987	69,956
Deposits	171,643	315,409	325,565
Notes Receivable	-	-	12,621
Total Other Assets	12,236,879	11,667,532	11,046,815
Total Assets	$ 34,551,579	$ 33,559,654	$ 31,213,387

See accompanying notes.

GOLD STAR CHILI, INC.
CONSOLIDATED BALANCE SHEETS
(Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31,		
	2024	2023	2022 (Restated)
Current Liabilities			
Line of Credit	$ 100,008	$ 92,581	$ 1,681,630
Installment Note Payable	766,667	716,667	853,334
Bank Overdraft	-	-	432,410
Accounts Payable Operating	572,199	1,327,330	285,729
Operating Lease Liabilities	928,298	763,866	715,942
Gift Card Liability	70,167	64,009	61,100
Accrued Wages and Related Liabilities	380,675	119,149	92,363
Accrued Expenses and Other Liabilities	13,828	219,612	179,127
Deferred Franchise Fees	15,875	24,792	21,100
Total Current Liabilities	2,847,717	3,328,006	4,322,735
Long-Term Liabilities (Less Current Portion)			
Line of Credit	1,399,992	802,996	-
Installment Note Payable	11,265,209	11,960,050	9,758,197
Operating Lease Liabilities	10,530,569	9,734,197	9,172,388
Deferred Franchise Fees	65,908	74,817	105,067
Total Long-Term Liabilities	23,261,678	22,572,060	19,035,652
Total Liabilities	26,109,395	25,900,066	23,358,387
Stockholders' Equity			
Gold Star Chili, Inc. Stockholders' Equity			
Common Stock, No Par Value; 10,000 Shares Authorized, Issued and Outstanding	1,000	1,000	1,000
Paid-In Capital	212,680	212,680	212,680
Retained (Deficit) Earnings	(537,818)	(295,263)	350,576
Accumulated Other Comprehensive Income (Loss)	194,930	132,610	389,268
Total Gold Star Chili, Inc. Stockholders' (Deficit) Equity	(129,208)	51,027	953,524
Non-Controlling Interest in GSC Properties, LLC	8,457,889	7,531,345	6,674,814
Accumulated Other Comprehensive Income	113,503	77,216	226,662
Total Non-Controlling Interest in GSC Properties, LLC	8,571,392	7,608,561	6,901,476
Total Stockholders' Equity	8,442,184	7,659,588	7,855,000
Total Liabilities and Stockholders' Equity	$ 34,551,579	$ 33,559,654	$ 31,213,387

See accompanying notes.

GOLD STAR CHILI, INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Years Ended December 31,		
	2024	2023	2022 (Restated)
Net Sales	$ 26,104,752	$ 23,853,715	$ 20,237,017
Cost of Sales	9,066,304	8,761,699	7,048,093
Gross Profit	17,038,448	15,092,016	13,188,924
Selling, General and Administrative Expenses	16,536,949	15,025,353	13,145,299
Income From Operations	501,499	66,663	43,625
Other Income (Expenses)			
Rental Income	2,920,045	2,587,280	2,139,485
Rent Expense	(363,595)	(465,002)	(457,917)
Franchise Fees	16,725	15,458	17,525
Interest Income	-	321	1,802
Other Income	65,683	98,372	59,434
Loss on Disposal of Property and Equipment	-	(44,694)	(5,367)
Interest Expense	(792,087)	(829,416)	(507,443)
Insurance Proceeds	150,000	166,335	645,157
Total Other Income (Expenses)	1,996,771	1,528,654	1,892,676
Net Income	2,498,270	1,595,317	1,936,301
Other Comprehensive Gain (Loss)			
Change in Fair Value of Interest Rate Swap	98,607	(406,104)	1,070,346
Comprehensive Income	2,596,877	1,189,213	3,006,647
Less Comprehensive Income Attributable to the Non-Controlling Interest	1,303,075	980,794	1,929,256
Comprehensive Income Attributable to Gold Star Chili, Inc.	$ 1,293,802	$ 208,419	$ 1,077,391

See accompanying notes.

GOLD STAR CHILI, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Gold Star Chili, Inc.					Noncontrolling Interest in GSC Properties, LLC			
	Common Stock	Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive (Loss) Income	Total	Members' Equity	Accumulated Other Comprehensive (Loss) Income	Total	Consolidated Total
Balance at December 31, 2021 (As Restated)	$ 1,000	$ 212,680	$ 1,312,822	$ (287,191)	$ 1,239,311	$ 5,434,674	$ (167,225)	$ 5,267,449	$ 6,506,760
Net Income	-	-	400,932	-	400,932	1,535,369	-	1,535,369	1,936,301
Change in Fair Market Value of Interest Rate Swap	-	-	-	676,459	676,459	-	393,887	393,887	1,070,346
Distributions	-	-	(1,363,178)	-	(1,363,178)	(295,229)	-	(295,229)	(1,658,407)
Balance at December 31, 2022 (As Restated)	1,000	212,680	350,576	389,268	953,524	6,674,814	226,662	6,901,476	7,855,000
Net Income	-	-	465,077	-	465,077	1,130,240	-	1,130,240	1,595,317
Change in Fair Market Value of Interest Rate Swap	-	-	-	(256,658)	(256,658)	-	(149,446)	(149,446)	(406,104)
Distributions	-	-	(1,110,916)	-	(1,110,916)	(273,709)	-	(273,709)	(1,384,625)
Balance at December 31, 2023	1,000	212,680	(295,263)	132,610	51,027	7,531,345	77,216	7,608,561	7,659,588
Net Income	-	-	1,231,482	-	1,231,482	1,266,788	-	1,266,788	2,498,270
Change in Fair Market Value of Interest Rate Swap	-	-	-	62,320	62,320	-	36,287	36,287	98,607
Distributions	-	-	(1,474,037)	-	(1,474,037)	(340,244)	-	(340,244)	(1,814,281)
Balance at December 31, 2024	$ 1,000	$ 212,680	$ (537,818)	$ 194,930	$ (129,208)	$ 8,457,889	$ 113,503	$ 8,571,392	$ 8,442,184

See accompanying notes.

GOLD STAR CHILI, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2024	2023	2022 (Restated)
Cash Flows From Operating Activities			
Net Income	$ 2,498,270	$ 1,595,317	$ 1,936,301
Reconciliation of Net Income with Cash Flows From Operations			
Depreciation	1,249,072	930,216	807,295
Amortization	63,323	70,168	69,297
Amortization on Loan Cost	13,492	41,695	12,973
Loss on Disposal of Property and Equipment	-	44,694	5,367
Gain on Early Termination of Lease	-	(26,298)	-
Changes In			
Accounts Receivable, Net	206,833	292,502	524,429
Other Receivables	(589)	229,976	(67,494)
Inventory	483,139	(354,258)	(479,542)
Prepaid Expenses	272,464	227,946	(269,624)
Contract Assets	-	36,849	114,057
Deposits	143,766	10,156	(239,834)
Right of Use Asset - Operating Leases	975,114	881,258	610,647
Operating Lease Liabilities	(790,746)	(765,735)	(517,628)
Bank Overdraft	-	(432,410)	432,410
Accounts Payable Operating	(755,131)	1,041,601	(409,194)
Gift Card Liability	6,158	2,909	6,744
Deferred Franchise Fees	(17,826)	(26,558)	(14,609)
Accrued Wages and Other Liabilities	261,526	26,786	(3,854)
Accrued Expenses and Other Liabilities	(205,784)	40,485	(125,691)
Cash Provided by Operating Activities	4,403,081	3,867,299	2,392,050
Cash Flows From Investing Activities			
Payments on Notes Receivable	-	12,621	32,227
Acquisition of Goodwill	-	(200,000)	(89,300)
Acquisition of Intangible Assets	-	(94,447)	-
Proceeds From Disposal of Property and Equipment	-	485,000	-
Acquisition of Property and Equipment	(1,465,572)	(4,640,206)	(1,336,338)
Cash Used by Investing Activities	(1,465,572)	(4,437,032)	(1,393,411)
Cash Flows From Financing Activities			
Change in Line of Credit	(92,581)	112,437	1,681,630
Proceeds From Installment Note Payable	-	1,833,832	-
Payments on Installment Note Payable	(658,333)	(632,321)	(853,334)
Distributions	(1,814,281)	(1,384,625)	(1,658,407)
Cash Used by Financing Activities	(2,565,195)	(70,677)	(830,111)
Net Change in Cash	372,314	(640,410)	168,528
Beginning Cash Balance	1,218,648	1,859,058	1,690,530
Ending Cash Balance	$ 1,590,962	$ 1,218,648	$ 1,859,058

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles of Consolidation

The consolidated financial statements of Gold Star Chili, Inc. (the Company) include its subsidiary, TCWW, LLC, and its consolidated entity, GSC Properties, LLC, a variable interest entity for which the Company owns no equity.

Gold Star Chili, Inc. is primarily engaged in the production and distribution of chili and related products to franchisees and Company owned chili restaurants. The Company has 9 Company stores and 48 franchise locations as of December 31, 2024. The Company also sells chili products through grocery stores. In addition, revenue is derived from franchisees in the form of initial franchise fees and royalty fees. Credit is extended to franchisees and grocery stores based on established credit policies. The Company's principal markets are Greater Cincinnati, Dayton, Ohio and Lexington, Kentucky. The Company's viability is dependent on the ability to sell additional franchises, success of stores to generate sales and the Company's ability to collect its revenue from franchisees.

TCWW, LLC franchises the right to operate Tom + Chee restaurants across the United States. There is 1 franchise location, and there are 4 Company stores. TCWW, LLC was acquired in September 2017. Revenue is derived from store sales, franchisees in the form of initial franchise fees, royalties and advertising funds.

GSC Properties, LLC rents real estate to the Company, other franchisees and third parties.

All significant intercompany transactions and balances have been eliminated.

Use of Estimates

The process of preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Certain estimates relate to unsettled transactions and events as of the date of the consolidated financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable consist of amounts due from customers and are generally unsecured.

The Company establishes allowances for credit losses on accounts receivable. The allowance for credit losses is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable and is based upon historical loss patterns, the number of days that billings are past due, and an evaluation of the potential risk of loss associated with specific accounts. The measurement of credit losses and subsequent changes in the allowance for credit losses are recorded in the consolidated statements of income within selling, general, and administrative expenses as the amounts expected to be collected change.

In order to estimate expected credit losses, the Company assesses recent historical experience, current economic conditions, and any reasonable and supportable forecasts to identify risk characteristics that are shared within the financial asset. These risk characteristics are then used to bifurcate the aging method into risk pools. Historical credit loss for each risk pool is then applied to the current period aging in the identified risk pools to determine the needed reserve allowance. In the absence of current economic conditions and/or forecasts that may affect future credit losses, the Company has determined that recent historical experience provides the best basis for estimating credit losses.

The determination of past due status on accounts receivable is based on the terms indicated on customer contracts and invoices. Accounts are written off against the allowance when deemed uncollectible by management. Recoveries of accounts receivable previously written off are recorded when received. The Company does not charge interest on its past due receivables.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory is stated at the lower of cost, determined by the first-in, first-out (FIFO) method, or net realizable value, and consists of canned chili, commissary chili and store inventory. The Company reviews inventories for obsolescence and creates an appropriate reserve based on market conditions. Inventories are stated net of reserves for obsolescence of $-0- as of December 31, 2024, 2023, and 2022, respectively, since management expects no material obsolescence.

Property and Equipment

Property and equipment are stated at cost and are depreciated over the estimated useful lives of the related assets. Depreciation is computed using straight line and accelerated methods. Maintenance and repairs are charged to operations when incurred. Significant betterments and renewals are capitalized.

The useful lives of property and equipment for purposes of computing depreciation are:

Buildings	15 – 39 Years
Leasehold Improvements	15 – 39 Years
Furniture and Equipment	3 – 15 Years
Vehicles	5 Years

Long-Lived Assets

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are measured based on the fair value of the asset, and long-lived assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell. Long-lived assets were measured for impairment, and no adjustments were deemed necessary during any of the years ended December 31, 2024, 2023 and 2022.

Goodwill Accounting Alternative

The Company adopted the accounting alternative for the subsequent measurement of goodwill provided in FASB ASC 350-20. Under this alternative, the Company began amortizing goodwill on a straight-line basis over ten years and only evaluates goodwill for impairment when a triggering event occurs. During the years ended December 31, 2024, 2023 and 2022, no triggering event occurred requiring impairment testing. As such, no impairment loss was recorded.

Goodwill presented in the consolidated balance sheets as of December 31, 2024, 2023, 2022 is reported net of accumulated amortization of $129,914, $74,727 and $27,721. Future amortization expense of $57,930 per year is expected through December 2030, $49,930 for the year ending December 2031, $30,209 for the year ending December 2032, $16,667 for the year ending December 2033, and $5,000 for the year ending December 2034.

Trademark

The trademark associated with the purchase of TCWW, LLC during 2017 was capitalized. The trademark is measured for impairment annually. The trademark was measured for impairment for the years ended December 31, 2024, 2023, and 2022, and no adjustments were deemed necessary during any of the periods.

Intangibles Subject to Amortization

Broker fees associated with the purchase of a building are capitalized and are amortized over the life of the lease using the straight-line method. Design fees associated with a rebranding, which included uniform designs, remodeling designs, and website development costs, are capitalized and amortized over ten years. During the years ended December 31, 2024, 2023, and 2022, the Company determined that, based on their studies, no impairment of broker or design fees existed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loan Closing Cost

Loan closing cost associated with the issuance of long-term debt is capitalized and amortized over the life of the debt using the straight-line method. The respective long term debt is presented on the consolidated statements of income and comprehensive income, net of the unamortized loan closing cost. In accordance with Accounting Standards Update (ASU) 2015-03 Subtopic 835-30, these costs are shown on the consolidated balance sheets as a reduction of the loans to which they apply.

Revenue Recognition

Revenue is recognized upon transfer of control of promised services or goods to customers in an amount that reflects the consideration the Company expects to receive for those services.

The Company's rental revenues are recognized in accordance with applicable U.S. GAAP accounting standards. The Company recognizes revenue for financial reporting purposes over time and at a point in time.

The Company owns and franchises the Gold Star Chili and Tom + Chee restaurant concept. The franchise arrangement for both brands is documented in the form of a franchise agreement. The franchise arrangement between the Company as the Franchisor and the franchisee as the customer requires the Company to perform various activities to support the brand that do not directly transfer goods and services to the franchise, but instead represent a single performance obligation, which is the transfer of the franchise license. The intellectual property subject to the franchise license is symbolic intellectual property as it does not have significant standalone functionality, and substantially all of the utility is derived from its association with the Company's past or ongoing activities. The nature of the Company's promise in granting the franchise license is to provide the franchisee with access to the brand's symbolic intellectual property over the term of license. The services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation.

The transaction price in a standard franchise arrangement primarily consists of (a) initial franchise fees; (b) continuing franchise fees (royalties); and (c) advertising fees. Since the Company considers the licensing of the franchising right to be a single performance obligation, no allocation of the transaction price is required. Additionally, all franchise agreements require franchisees to purchase proprietary chili from the Company.

The Company recognized the primary components of the transaction price as follows:

- Franchise fees are recognized as revenue ratably on a straight-line basis over the term of the franchise agreement commencing with the restaurant opening date (over time). As these fees are typically received in cash at or near the beginning of the franchise term, the cash received is initially recorded as deferred revenue (contract liability) until recognized as revenue over time.
- The Company is entitled to royalties and advertising fees based on a percentage of the franchisee's gross sales as defined in the franchise agreement. Royalty and advertising revenue is recognized when the franchisee's reported sales occur (point in time). Depending on timing within a period, the recognition of revenue results in either what is considered an unbilled receivable (contract asset) or once billed, royalty receivable, on the balance sheet. The royalty revenue percentage applied to franchise store revenue ranges from 1% to 6%. The advertising revenue percentage applied to franchise store revenue is 0.5%.
- Revenue from the sales of proprietary chili is recognized in the period in which distributors ship the franchisee's order; recognition of revenue (point in time) results in accounts receivable on the balance sheet.
- Revenue from the sales of retail chili products is recognized in the period in which distributors ship the order; recognition of revenue (point in time) results in accounts receivable on the consolidated balance sheets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In determining the amount and timing of revenue from contracts with customers, the Company exercises significant judgment with respect to collectability of the amount. However, the timing of recognition does not require significant judgments as it is based on either the franchise term or the month of reported sales by the franchisee, none of which requires estimation.

The Company does not incur a significant amount of contract acquisition costs in conducting its franchising activities and has not capitalized any such cost. The Company believes its franchising arrangements do not contain a significant financing component.

As an incentive to franchisees for the rebranding of the Gold Star Chili brand, the Company implemented a Development Incentive Program. Depending on the package and royalty incentive level selected by the franchisee, the Company will provide a reduction in royalty fees of 1% to 3% depending on the rebranding package or cash contribution of 10% up to $25,000 of remodeling cost. If the franchisee elects the cash contribution, the Company records a contract asset that is amortized over 12-18 months and netted with the franchisee royalty fee.

Sales by Company-operated restaurants were recognized when food and beverage items were sold and were reported, net of sales taxes collected from guest that are remitted to the appropriate taxing authorities.

Additionally, the Company has a revenue-sharing agreement for a Tom + Chee restaurant at Kings Island. The Company is responsible for staffing and operating the location while Kings Island provides the location. Gross Sales are split 50/50 between both parties. There are no minimum revenue requirements.

Advertising

The Company expenses the cost of advertising when incurred.

Presentation of Sales Tax

Various states impose a sales tax on the Company's sales to nonexempt customers. The Company collects that sales tax from customers and remits the entire amount to the state. The Company's accounting policy is to exclude the tax collected and remitted to the state from revenues and cost of sales.

Research and Development

The Company expenses the cost of research and development when incurred.

Profit Sharing Plan

The Company has a qualified profit sharing plan with a 401(k) provision which covers all employees who have completed one year of service and have attained the age of 21. The Company matches a participant's contribution up to 50% of the contribution, limited to 6% of a participant's compensation. The Company may also make discretionary contributions to the plan. By its nature, the plan is fully funded.

Income Taxes

Gold Star Chili, Inc. has elected under Section 1362 of the Internal Revenue Code to be taxed as an 'S' Corporation. Under the provisions of this chapter, most of the tax liabilities and benefits from the corporation pass directly to its stockholders. The Company's subsidiary, TCWW, LLC, is a limited liability company, a non-taxpaying entity for Federal income tax purposes. Therefore, no Federal income tax expense has been recorded in this entity's financial statements. GSC Properties, LLC is a limited liability company (LLC) taxed as a partnership and most of the tax liabilities and benefits from the LLC pass directly to its members.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company has adopted the provisions of the accounting pronouncement related to accounting for uncertainty in income taxes. The Company recognized no interest or penalties in the consolidated statements of income and comprehensive income for each of the years ended December 31, 2024, 2023 and 2022. If the situation arose in which the Company would have interest to recognize, it would recognize this as interest expense and penalties would be recognized in other expenses. Currently, the prior three tax years are open under federal and state statute of limitations and remain subject to review and change. The Company is not currently under audit nor has the Company been contacted by these jurisdictions.

Based on the evaluation of the Company's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for each of the years ended December 31, 2024, 2023, and 2022.

Shipping and Handling Fees and Costs

In compliance with accounting pronouncements, the Company includes all amounts billed to customers that relate to shipping and handling in net sales on the consolidated statements of income and comprehensive income.

The Company considers all shipping and handling costs to be fulfillment activity and not a separate performance obligation. Shipping and handling costs are included in cost of goods sold on the consolidated statements of income and comprehensive income.

Reclassifications

Certain amounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in current year consolidated financial statements.

NOTE 2 – CASH AND CASH FLOWS

At various times throughout the year, the Company may have cash in certain financial institutions in excess of insured limits. The Federal Deposit Insurance Corporation (FDIC) insures account balances in all accounts up to $250,000 for each business depositor.

For purposes of the consolidated statements of cash flows, cash includes cash on hand and cash in a checking account.

Cash paid for interest in 2024, 2023, and 2022 was $798,109, $785,517, and $515,799, respectively.

The Company had noncash financing and investing transactions as follows:

	December 31, 2024	December 31, 2023	December 31, 2022
Right of Use Assets Obtained Through Operating Lease Liabilities	$ 1,751,550	$ 1,960,567	$ 10,405,958
Line of Credit Refinanced as Note Payable	$ -	$ 898,490	$ -
Line of Credit Refinanced to New Line of Credit	$ -	$ 1,500,000	$ -
Note Payable Refinanced as New Note Payable	$ -	$ 10,267,678	$ -
Property and Equipment Purchased with Line of Credit Proceeds	$ 697,004	$ -	$ -

NOTE 3 – CONTRACT BALANCES

Receivables and contract balances from contracts with customers are as follows:

	Contract Assets		
	2024	2023	2022
Beginning of Year	$ -	$ 36,849	$ 150,906
End of Year	$ -	$ -	$ 36,849

	Accounts Receivable, Net		
	2024	2023	2022
Beginning of Year	$ 1,160,040	$ 1,429,270	$ 1,953,699
End of Year	$ 953,796	$ 1,160,040	$ 1,429,270

	Deferred Franchise Fees		
	2024	2023	2022
Beginning of Year	$ 99,609	$ 126,167	$ 140,776
End of Year	$ 81,783	$ 99,609	$ 126,167

	Gift Card Liability		
	2024	2023	2022
Beginning of Year	$ 64,009	$ 61,100	$ 54,356
End of Year	$ 70,167	$ 64,009	$ 61,100

NOTE 4 – ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses related to accounts receivable includes the following:

	Years Ended December 31,		
	2024	2023	2022
Balance at Beginning of Year	$ 840,464	$ 637,957	$ 568,444
Current Period Provision for Expected Credit Losses	143,465	477,990	274,737
Writeoffs Charged Against the Allowance	(87,197)	(275,483)	(205,224)
Balance at End of Year	$ 896,732	$ 840,464	$ 637,957

Estimating credit losses based on risk characteristics requires significant judgment by the Company. Significant judgments include but are not limited to assessing current economic conditions and the extent to which they would be relevant to the existing characteristics of the Company's financial assets, the estimated life of financial assets and the level of reliance on historical experience in light of economic conditions. The Company reviews and updates, when necessary, its historical risk characteristics that are meaningful to estimating credit losses, any new risk characteristics that arise in the natural course of business and the estimated life of its financial assets.

NOTE 5 – INVENTORY

Inventory consists of:

	December 31, 2024	2023	2022
Raw Materials	$ 226,478	$ 182,746	$ 194,633
Store Inventory	139,379	113,591	98,371
Finished Goods	642,217	1,194,876	843,951
	$ 1,008,074	$ 1,491,213	$ 1,136,955

NOTE 6 – GOODWILL

Changes in the carrying amount of goodwill are summarized in the following table:

Balance, January 1,	$ 502,317	$ 343,579	$ 282,000
Addition of Goodwill	-	200,000	89,300
Amortization Expense	(52,931)	(41,262)	(27,721)
Balance, December 31,	$ 449,386	$ 502,317	$ 343,579

NOTE 7 – INTANGIBLES SUBJECT TO AMORTIZATION

The following is a summary of brokerage fees and design costs subject to amortization:

Cost	$ 83,112	$ 83,112	$ 83,112
Accumulated Amortization	83,112	83,112	83,112
Broker's Fees, Net	-	-	-
Cost	217,098	217,098	236,023
Accumulated Amortization	168,503	158,111	166,067
Design Costs, Net	48,595	58,987	69,956
Intangibles Subject to Amortization	$ 48,595	$ 58,987	$ 69,956

Amortization of these costs was $10,392, $10,967, and $41,576 for the years ended December 31, 2024, 2023, and 2022, respectively. Estimated amortization for the subsequent five years and thereafter is as follows:

Years Ending December 31,	
2025	$ 10,393
2026	10,393
2027	10,393
2028	10,393
2029	7,023
	$ 48,595

NOTE 8 – GIFT CARD LIABILITY

The Tom + Chee brand participates in a national gift card program. The total gift cards outstanding under the program at December 31, 2024, 2023, and 2022 were $248,468, $247,253, and $247,721, respectively. The Company recorded a gift card liability of $70,167, $64,009, and $61,100 at December 31, 2024, 2023, and 2022, respectively. The amounts recorded represent the balance on gift cards issued since inception (September 2017), which is the acquisition date of the brand by the owner. While the Company has an obligation to honor gift cards presented for payment purchased prior to the acquisition date, based on historical data management estimates a nominal amount of these gift cards will be redeemed. Therefore, no additional liability was recorded at December 31, 2024, 2023, and 2022 for any gift cards purchased prior to the acquisition date. For the years ended December 31, 2024, 2023, and 2022, the amounts the Company paid on gift cards purchased prior to the acquisition date were immaterial to the financial statements overall.

NOTE 9 – LOAN CLOSING COSTS

The following is a summary of loan fees subject to amortization:

	December 31, 2024	December 31, 2023	December 31, 2022
Cost	$ 94,447	$ 94,447	$ 90,810
Accumulated Amortization	17,989	4,497	35,675
Loan Closing Fees, Net	$ 76,458	$ 89,950	$ 55,135

Amortization of these costs was $13,492, $13,146, and $12,973 for the years ended December 31, 2024, 2023, and 2022, respectively. Estimated amortization for the subsequent five years and thereafter is as follows:

Years Ending December 31,	
2025	$ 13,493
2026	13,493
2027	13,493
2028	13,493
2029	13,493
Thereafter	8,993
	$ 76,458

In accordance with Accounting Standards Update (ASU) 2015-03 Subtopic 835-30, these costs are now shown on the consolidated balance sheets as a reduction of the loans to which they apply.

NOTE 10 – LINES OF CREDIT

The Company has a $1,750,000 line of credit with a bank. This line of credit is collateralized by a blanket lien on all of the Company's general business assets and charges interest at the Term Secured Overnight Financing Rate (SOFR) plus 2.20% (the Term SOFR was 4.49% at December 31, 2024). The amount utilized was $-0-, $92,581, and $1,681,630 at December 31, 2024, 2023, and 2022, respectively. The line matures in August 2025 and is subject to certain financial covenants, all of which were either waived or met at December 31, 2024.

The Company has another draw line of credit with the same bank. This line of credit is specific to capital expenditures and is collateralized by a blanket lien on all of the Company's general business assets and charges interest at the Term Secured Overnight Financing Rate (SOFR) plus 2.35% (the Term SOFR was 4.49% at December 31, 2024). The amount utilized was $1,500,000, $802,996, and $-0- at December 31, 2024, 2023, and 2022, respectively. Principal payments of $8,334 are due monthly beginning in January 2025 with a balloon payment due upon maturity in August 2028. The line of credit is subject to certain financial covenants, all of which were either waived or met at December 31, 2024.

NOTE 11 – NOTE PAYABLE

The Company had seven notes that were all consolidated into one note payable in 2020 with a bank that has a balloon payment due in March 2027. In August 2023, the note was refinanced and extended to August 2028. The note bears interest at Term Secured Overnight Financing Rate (SOFR) plus 2.35% (the Term SOFR was 4.49% at December 31, 2024). The note payable is subject to certain financial covenants, all of which were met or waived at December 31, 2024. The note is collateralized by property and, where applicable, an assignment of rents.

The remaining maturities on these notes are as follows:

Years Ending December 31,		
2025	$	766,667
2026		816,667
2027		866,667
2028		9,658,333
	$	12,108,334

NOTE 12 – FRANCHISE REVENUE

Continuing franchise fees (royalties) are reflected in net sales and amounted to $2,612,040, $2,703,632, and $2,690,769 in 2024, 2023, and 2022, respectively.

NOTE 13 – REVENUE SHARING AGREEMENT

In April 2023, the Company entered into a revenue sharing agreement for a Tom + Chee restaurant at Kings Island. The Company is responsible for staffing and operating the location during the year. The agreement terminates in January 2026. Total revenue included in sales on the statements of income and comprehensive income for the years ended December 31, 2024 and 2023 were $694,760 and $652,848, respectively.

NOTE 14 – LEASES

The Company has signed twenty-four operating leases for which right of use assets were recorded on the consolidated balance sheets of the Company. As of December 31, 2024, 2023, and 2022, six leases are for buildings, nine leases are for equipment and furniture, and nine leases are for land. These leases expire on various dates through September 2048. In addition, the Company also has various operating leases that are month-to-month or expire in twelve months or less and are not included on the consolidated balance sheets as of December 31, 2024, 2023, and 2022. These leases are subject to certain renewal and/or termination options, all of which were not included in the lease liabilities due to the options not being reasonably certain to be exercised.

The components of lease expenses that are included in the consolidated statements of income are as follows:

	Years Ended December 31,		
	2024	2023	2022
Lease Expense			
Operating Lease Expense	$ 1,404,479	$ 1,182,719	$ 848,784
Short-term Lease Expense	196,727	629,961	348,792
CAM	29,285	51,275	42,732
Total	$ 1,630,491	$ 1,863,955	$ 1,240,308

The following summarizes the cash flow information, weighted average lease term, and discount rate related to operating leases:

	2024	2023	2022
Other Information			
Cash Paid for Amounts Included in the Measurement of Lease Liabilities			
Operating Cash Flows from Operating Leases	$ 1,205,394	$ 1,067,042	$ 730,372
ROU Assets Obtained in Exchange for New Operating Lease Liabilities	$ 1,752,987	$ 1,960,567	$ 10,405,958
Weighted-Average Remaining Lease Term in Years for Operating Leases	15.71	15.98	15.36
Weighted-Average Discount Rate for Operating Leases	3.94%	3.34%	2.32%

The maturities of operating lease liabilities are as follows:

Years Ending December 31,	
2025	$ 1,332,933
2026	1,193,998
2027	949,919
2028	958,649
2029	989,711
Thereafter	10,086,061
Total Undiscounted Cash Flows	15,511,271
Less Present Value Discount	4,052,404
Total Lease Liabilities	$ 11,458,867

NOTE 15 – LEASING REVENUE

The Company has several agreements with lessees to occupy space in facilities originally leased or owned by the Company. The lease agreements are classified as operating leases. The leases expire at various times through February 2038. Rental revenue for the years ended December 31, 2024, 2023 and 2022 was $2,920,045, $2,587,280 and $2,139,485 respectively.

Future minimum base rental revenue on the leases is as follows:

Years Ending December 31,	
2025	$ 1,665,902
2026	1,437,287
2027	1,449,009
2028	1,357,457
2029	1,072,712
Thereafter	2,653,133
	$ 9,635,500

Property and Equipment related to operating lease and related accumulated depreciation was as follows:

	December 31, 2024	2023	2022
Buildings	$ 16,002,653	$ 13,365,027	$ 13,525,406
Less Accumulated Depreciation	7,937,500	7,171,838	7,408,212
Net Building Under Lease	$ 8,065,153	$ 6,193,189	$ 6,117,194

NOTE 16 – PROFIT SHARING EXPENSE

Profit sharing / 401(k) expense was $64,584, $73,246, and $65,823 for the years ended December 31, 2024, 2023, and 2022, respectively.

NOTE 17 – ADVERTISING EXPENSE

As of January 1, 1990, a separate legal entity, Gold Star Chili Advertising Association, Inc. was organized for the purpose of providing advertising and marketing services for franchisees. Certain Company officers and employees serve as trustees of the advertising entity. The Company acts as a conduit in collecting advertising contributions from franchisees and disbursing the funds to the advertising entity. No income or expense is reflected on the Company's consolidated financial statements from this pass-through function. The Company makes a contribution to the advertising entity for the purposes of marketing research and product development.

Total advertising expense reflected in the Company's consolidated financial statements for 2024, 2023, and 2022 was $886,959, $921,454, and $996,584, respectively.

NOTE 18 – RESEARCH AND DEVELOPMENT EXPENSE

The Company incurred research and development expenses of $35,511, $37,484, and $41,997 for 2024, 2023, and 2022, respectively.

NOTE 19 – RELATED PARTY TRANSACTIONS

The Company has the following related party transactions:

	Years Ended December 31,		
	2024	2023	2022
Activity During the Year			
Continuing Franchisee Fees	$ 503,109	$ 560,341	$ 157,959
Rents Collected	$ -	$ 41,200	$ 43,416

The Company also has advances to and from related parties at December 31, 2024, 2023 and 2022. The advances are non-interesting bearing and have occurred within the normal course of business. There are no set repayment terms for the advances. All are eliminated upon consolidation.

NOTE 20 – HEDGING ACTIVITIES

The Company holds derivative financial instruments for the purpose of hedging the risks of certain identifiable and anticipated transactions. In general, the types of risks hedged are those relating to the changes in interest rates. In hedging the transactions the Company, in the normal course of business, holds the following type of derivative:

Type of Derivative	Type of Transaction Being Hedged
Interest Rate Swap	Cash Flows of Variable Rate Debt

Derivatives are held only for the purpose of hedging such risks, not for speculation. Generally, the Company enters into hedging relationships such that changes in the fair values or cash flows of items and transactions being hedged are expected to be offset by corresponding changes in the values of the derivatives.

At December 31, 2024, 2023, and 2022, hedging relationships existed for the aforementioned derivative. The income statement effect has been recorded in these consolidated financial statements.

The Company incurred additional interest of $262,505, $262,154, and $84,816, for 2024, 2023, and 2022, respectively, from cash flow hedges. Cash flow hedges of forecasted transactions resulted in an aggregate debit balance of $308,433 remaining at December 31, 2024 in accumulated other comprehensive income. All forecasted transactions currently being hedged are expected to occur in July 2028.

NOTE 21 – VARIABLE INTEREST ENTITY

U.S. GAAP addresses the consolidation of business enterprises to which the usual condition of consolidation, ownership of a majority interest, does not apply. U.S. GAAP focuses on controlling financial interests that may be achieved through arrangements that do not involve voting interests. They conclude that, in the absence of clear control through voting interests, a company's exposure (variable interest) to the economic risks and potential rewards from the assets and activities of the variable interest entities (VIE's) is the best evidence of control. If an enterprise holds a majority of the variable interests of an entity, it would be considered the primary beneficiary.

Some of the Company's stockholders hold a 100% interest in GSC Properties, LLC, a rental real estate limited liability company (LLC). The Company is the primary beneficiary of this VIE from which it leases buildings owned by the VIE, and the Company and its stockholders must absorb any potential losses of GSC Properties, LLC, since they guarantee the debt of the VIE. Therefore, the Company has a controlling financial interest in GSC Properties, LLC, and consolidation is required. As of December 31, 2024, 2023, and 2022 and for the years then ended, GSC Properties, LLC had assets of $13,748,932, $13,306,924, and $11,316,653, liabilities of $6,273,336, $6,808,526, and $5,539,708, revenues of $2,352,460, $2,158,459, and $2,868,910, and expenses of $1,035,017, $1,163,297, and $925,287, respectively. Included in the assets are property and equipment with net book value of $10,608,765, $10,015,535, and $8,435,070 as of December 31, 2024, 2023, and 2022, respectively, which represent collateral for obligations of GSC Properties, LLC.

NOTE 22 – BUSINESS COMBINATIONS

On August 1, 2022, TCWW, LLC entered into an agreement to acquire certain assets and assume certain liabilities of Block Restaurant Group, LLC, a related party. The acquisition was made for the purpose of acquiring personnel, their existing locations, as well as additional skills and knowledge.

In accordance with U.S. GAAP, the purchase price of the acquired assets has been allocated based on the fair value of all identifiable assets at the date of acquisition. The paid amounts exceed the fair value of the identifiable assets by $89,300. Therefore, this amount is included in goodwill on the consolidated balance sheets of the Company as of December 31, 2022.

The assets acquired are as follows:

Equipment and Fixtures	$	45,700

On August 1, 2023, Gold Star Chili, Inc. and GSC Properties, LLC entered into an agreement to acquire property in Hillsboro, Ohio, as well as certain assets of M.F. Daoud, Inc. The acquisition was made for the purpose of acquiring the existing location, as well as additional skills, intellectual property, and furniture, fixtures, and equipment.

In accordance with U.S. GAAP, the purchase price of the acquired assets has been allocated based on the fair value of all identifiable assets at the date of acquisition. There was also $200,000 of goodwill recorded on the consolidated balance sheets of the company as of December 31, 2023 that is due to various factors, such as the expectancy of continued customer patronage, the Business's recognized brand, and long-term relationships.

The assets acquired are as follows:

Property	$	900,000
Equipment and Fixtures		95,000
Signage, Intangible Assets, and Intellectual Property		5,000
	$	1,000,000

NOTE 23 – BUSINESS CONCENTRATIONS

The Company has sales from two customers in 2024, 2023, and 2022, which accounted for approximately 27%, 30%, and 35% of revenue during 2024, 2023, and 2022, respectively, and approximately 72%, 77%, and 99% of accounts receivable at December 31, 2024, 2023, and 2022

The Company has purchases from three suppliers in 2024, 2023, and 2022, which accounted for approximately 54%, 64%, and 70% of cost of goods sold earned during 2024, 2023, and 2022, respectively, and approximately 24%, 16%, and 12% of accounts payable at December 31, 2024, 2023, and 2022.

NOTE 24 – PRIOR PERIOD ADJUSTMENT

The 2022 financial statements were restated to correct the monthly rental payments of the operating leases associated with the right of use assets and operating lease liabilities. The effect of the restatement was to reduce the right of use asset and the operating lease liabilities by $305,426.

	Right of Use Asset - Operating Leases	Operating Lease Liabilities
Balance at December 31, 2022	$ 10,100,737	$ 10,193,756
Correction of Value	(305,426)	(305,426)
December 31, 2022, As Restated	$ 9,795,311	$ 9,888,330

The previously issued consolidated financial statements for the year ended December 31, 2023 were restated to correct an accrual made for 401(k) expenses. For the year ended December 31, 2023, the effect of the restatement was as follows:

Retained Earnings, December 31, 2021	$ 1,261,870
Correction of 401(k) Accrual	50,952
Retained Earnings, December 31, 2022, As Restated	$ 1,312,822

NOTE 25 – SUBSEQUENT EVENT

The Company has evaluated subsequent events through April 8, 2025, which is the date the consolidated financial statements were available to be issued.

In February 2025, the Company entered into a 15-year lease for a building in Hamilton, Ohio. The lease has three 5-year renewal options with a purchase option in years 20 through 30 of the lease. The lease will commence 30 days from the Company's opening for business to the public, which is anticipated to be April 2025. The rent payments over the life of the lease will be $476,124.

SUPPLEMENTARY INFORMATION

GOLD STAR CHILI, INC.
CONSOLIDATED STATEMENTS OF SELLING , GENERAL AND ADMINISTRATIVE EXPENSES

	Years Ended December 31,		
	2024	2023	2022 (Restated)
Research and Development	$ 35,511	$ 37,484	$ 41,997
Salaries and Wages	6,959,176	6,101,035	5,600,894
401(k) Expense	64,584	73,246	65,823
Advertising Expense	886,959	921,454	996,584
Depreciation and Amortization Expense	1,312,395	1,000,384	876,592
State and Local Taxes	755,808	757,139	716,467
Payroll Taxes	577,437	549,693	459,668
Telephone and Utilities	444,444	400,207	351,818
Repairs and Maintenance	534,943	590,096	452,850
Insurance and Employee Benefits	627,508	570,506	603,409
Rental Expense	1,266,896	1,398,953	782,391
Supplies and Printing	386,976	375,509	476,074
Professional Fees	432,501	497,206	296,980
Travel and Entertainment	111,915	107,848	118,617
Laundry and Uniforms	63,170	62,050	43,702
Charitable Contributions	29,637	26,256	23,321
Credit Loss Expense	87,197	275,483	205,224
Other Operating Expenses	1,761,702	1,043,859	806,097
Broker Fees	198,190	236,945	226,791
Total Selling, General and Administrative Expenses	$ 16,536,949	$ 15,025,353	$ 13,145,299

GOLD STAR CHILI, INC.
CONSOLIDATING BALANCE SHEET
December 31, 2024

ASSETS

	Gold Star Chili, Inc.	GSC Properties, LLC	TCWW, LLC	Eliminations	Total
Current Assets					
Cash	$ 437,267	$ 909,375	$ 244,320	$ -	$ 1,590,962
Accounts Receivable, Less Allowance for Expected Credit Losses of $896,732	905,238	2,002,485	4,130	(1,981,263)	930,590
Advance - Related Party	3,441,832	-	-	(3,441,832)	-
Other Receivables	21,704	-	1,502	-	23,206
Inventory	980,151	-	27,923	-	1,008,074
Prepaid Expenses	166,348	109,041	15,154	(12,824)	277,719
Total Current Assets	5,952,540	3,020,901	293,029	(5,435,919)	3,830,551
Property and Equipment					
Land	-	7,004,518	-	(164,029)	6,840,489
Buildings	4,127,417	10,257,116	-	817,551	15,202,084
Leasehold Improvements	5,500,864	-	429,641	-	5,930,505
Furniture and Equipment	5,913,212	184,794	535,932	-	6,633,938
Vehicles	100,623	-	-	-	100,623
Construction in Progress	489,000	-	-	-	489,000
	16,131,116	17,446,428	965,573	653,522	35,196,639
Less Accumulated Depreciation	9,164,879	6,837,663	291,152	727,229	17,020,923
Total Property and Equipment	6,966,237	10,608,765	674,421	(73,707)	18,175,716
Fair Value of Interest Rate Swap	194,930	113,503	-	-	308,433
Other Assets					
Right of Use Asset - Operating Leases	9,246,018	-	1,846,237	-	11,092,255
Goodwill, Net	381,667	-	67,719	-	449,386
Trademark	-	-	475,000	-	475,000
Intangibles Subject to Amortization	48,595	-	-	-	48,595
Deposits	154,174	5,763	11,706	-	171,643
Investment in Subsidiary	(2,164,835)	-	-	2,164,835	-
Notes Receivable	1,817,565	-	-	(1,817,565)	-
Total Other Assets	9,483,184	5,763	2,400,662	347,270	12,236,879
Total Assets	$ 22,596,891	$ 13,748,932	$ 3,368,112	$ (5,162,356)	$ 34,551,579

GOLD STAR CHILI, INC.
CONSOLIDATING BALANCE SHEET
December 31, 2024
(Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

	Gold Star Chili, Inc.	GSC Properties, LLC	TCWW, LLC	Eliminations	Total
Current Liabilities					
Line of Credit	$ 100,008	$ -	$ -	$ -	$ 100,008
Installment Note Payable	486,680	279,987	-	-	766,667
Advances - Related Party	1,940,597	-	-	(1,940,597)	-
Accounts Payable Operating	534,335	43,480	47,874	(53,490)	572,199
Operating Lease Liabilities	824,874	-	103,424	-	928,298
Gift Card Liability	-	-	70,167	-	70,167
Accrued Wages and Related Liabilities	373,538	-	7,137	-	380,675
Accrued Expenses and Other Liabilities	(4,831)	18,703	(44)	-	13,828
Deferred Franchise Fees	14,775	-	1,100	-	15,875
Total Current Liabilities	4,269,976	342,170	229,658	(1,994,087)	2,847,717
Long-Term Liabilities (Less Current Portion)					
Line of Credit	1,399,992	-	-	-	1,399,992
Installment Note Payable	7,151,608	5,931,166	-	(1,817,565)	11,265,209
Operating Lease Liabilities	8,674,979	-	1,855,590	-	10,530,569
Advances - Related Party	-	-	3,441,832	(3,441,832)	-
Deferred Franchise Fees	60,041	-	5,867	-	65,908
Total Long-Term Liabilities	17,286,620	5,931,166	5,303,289	(5,259,397)	23,261,678
Total Liabilities	21,556,596	6,273,336	5,532,947	(7,253,484)	26,109,395
Stockholders' Equity					
Common Stock, No Par Value; 10,000 Shares Authorized, Issued and Outstanding	1,000	-	-	-	1,000
Paid-In Capital	212,680	-	-	-	212,680
Retained Earnings	631,685	-	-	(1,169,503)	(537,818)
Members' Deficit	-	-	(2,164,835)	2,164,835	-
Accumulated Other Comprehensive Income	194,930	-	-	-	194,930
Total Gold Star Chili Inc. Stockholders' Equity (Deficit)	1,040,295	-	(2,164,835)	995,332	(129,208)
Noncontrolling Interest in GSC Properties, LLC	-	7,362,093	-	1,095,796	8,457,889
Accumulated Other Comprehensive Income	-	113,503	-	-	113,503
Total Noncontrolling Interest in GSC Properties, LLC	-	7,475,596	-	1,095,796	8,571,392
Total Stockholders' Equity (Deficit)	1,040,295	7,475,596	(2,164,835)	2,091,128	8,442,184
Total Liabilities and Stockholders' Equity	$ 22,596,891	$ 13,748,932	$ 3,368,112	$ (5,162,356)	$ 34,551,579

GOLD STAR CHILI, INC.
CONSOLIDATING STATEMENT OF INCOME AND COMPREHENSIVE INCOME
Year Ended December 31, 2024

	Gold Star Chili, Inc.	GSC Properties, LLC	TCWW, LLC	Eliminations	Total
Net Sales	$ 23,132,556	$ -	$ 2,972,196	$ -	$ 26,104,752
Cost of Sales	8,296,902	-	769,402	-	9,066,304
Gross Profit	14,835,654	-	2,202,794	-	17,038,448
Selling, General and Administrative Expenses	13,973,638	703,528	2,325,043	(465,260)	16,536,949
Income (Loss) From Operations	862,016	(703,528)	(122,249)	465,260	501,499
Other Income (Expenses)					
Rental Income	1,242,372	2,157,301	-	(479,628)	2,920,045
Rent Expense	(363,595)	-	-	-	(363,595)
Franchise Fees	16,725	-	-	-	16,725
Interest Income	73,388	-	-	(73,388)	-
Other Income	56,178	8,872	633	-	65,683
Interest Expense	(533,986)	(331,489)	-	73,388	(792,087)
Loss From Investment in Limited Liability Company	(121,616)	-	-	121,616	-
Insurance Proceeds	-	150,000	-	-	150,000
Total Other Income (Expenses)	369,466	1,984,684	633	(358,012)	1,996,771
Net Income (Loss)	1,231,482	1,281,156	(121,616)	107,248	2,498,270
Other Comprehensive Gain					
Change in Fair Value of Interest Rate Swap	62,320	36,287	-	-	98,607
Comprehensive Income (Loss)	$ 1,293,802	$ 1,317,443	$ (121,616)	$ 107,248	$ 2,596,877

GOLD STAR CHILI, INC.
CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended December 31, 2024

	Gold Star Chili, Inc.	GSC Properties, LLC	TCWW, LLC	Eliminations	Total
Cash Flows From Operating Activities					
Net Income (Loss)	$ 1,231,482	$ 1,281,156	$ (121,616)	$ 107,248	$ 2,498,270
Reconciliation of Net Income (Loss) with Cash Flows From Operations					
Depreciation	906,075	230,368	98,261	14,368	1,249,072
Amortization	54,392	-	8,931	-	63,323
Amortization on Loan Cost	8,565	4,927	-	-	13,492
Loss From Investment in Limited Liability Company	121,616	-	-	(121,616)	-
Changes In					
Accounts Receivable, Net	228,658	146,463	349	(168,637)	206,833
Other Receivables	(589)	-	-	-	(589)
Inventory	487,782	-	(4,643)	-	483,139
Prepaid Expenses	253,658	30,514	2,611	(14,319)	272,464
Deposits	143,766	-	-	-	143,766
Right of Use Asset - Operating Leases	850,928	-	124,186	-	975,114
Operating Lease Liabilities	(753,870)	-	(36,876)	-	(790,746)
Accounts Payable Operating	(970,695)	(9,217)	(21,615)	246,396	(755,131)
Gift Card Liability	-	-	6,158	-	6,158
Deferred Franchise Fees	(16,726)	-	(1,100)	-	(17,826)
Accrued Wages and Other Liabilities	274,301	-	(12,775)	-	261,526
Accrued Expenses and Other Liabilities	(38,401)	(167,339)	(44)	-	(205,784)
Cash Provided by Operating Activities	2,780,942	1,516,872	41,827	63,440	4,403,081
Cash Flows From Investing Activities					
Advances - Related Party	(201,560)	-	-	201,560	-
Payments on Notes Receivable	123,138	-	-	(123,138)	-
Acquisition of Property and Equipment	(448,905)	(823,599)	(193,068)	-	(1,465,572)
Cash Used by Investing Activities	(527,327)	(823,599)	(193,068)	78,422	(1,465,572)
Cash Flows From Financing Activities					
Change in Line of Credit	(92,581)	-	-	-	(92,581)
Proceeds From Advances - Related Party	-	-	280,000	(280,000)	-
Payments on Advances - Related Party	-	-	(15,000)	15,000	-
Payments on Installment Note Payable	(417,910)	(363,561)	-	123,138	(658,333)
Distributions	(1,474,037)	(340,244)	-	-	(1,814,281)
Cash (Used) Provided by Financing Activities	(1,984,528)	(703,805)	265,000	(141,862)	(2,565,195)
Net Change in Cash	269,087	(10,532)	113,759	-	372,314
Beginning Cash Balance	168,180	919,907	130,561	-	1,218,648
Ending Cash Balance	$ 437,267	$ 909,375	$ 244,320	$ -	$ 1,590,962

EXHIBIT G to
FRANCHISE DISCLOSURE DOCUMENT

STATE ADMINSTRATORS

INDIANA
Secretary of State of the State of Indiana
Indiana Securities Division
302 West Washington Street
Room E-111
Indianapolis, IN 46204

KENTUCKY
Attorney General of the Commonwealth of Kentucky
Consumer Protection Division
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601

OHIO
Attorney General of the State of Ohio
Consumer Protection Section
30 E. Broad Street, 14th Floor
Columbus, Ohio 43215

EXHIBIT H to
FRANCHISE DISCLOSURE DOCUMENT

ADDENDUM TO THE
GOLD STAR CHILI FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF INDIANA

In recognition of the requirements of the Indiana Disclosure Law, Indiana Code §§ 23-2-2.5-1 to 23-2-2.5-51 and the Indiana Deceptive Franchise Practices Act, Indiana Code §§ 23-2-2.7-1 to 23-2-2.7-7, the parties to the attached Gold Star Chili, Inc. Franchise Agreement (the "Agreement") agree as follows:

1. Section 1 of the Agreement, under the heading "Grant of Franchise," shall be supplemented by the following subsection 1.7, which shall be considered an integral part of the Agreement:

> "C. No Unfair Competition. Licensor agrees that it shall not compete unfairly with Licensee within a reasonable area surrounding the approved location of the licensed location."

2. Section 22.1 of the Agreement shall be deleted in its entirety, and shall have no force or effect; and the following shall be substituted in lieu thereof:

> "Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 et seq.), other applicable federal law, or, the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Act, this Agreement was accepted and executed in the State of Ohio and its terms shall be construed in accordance with and governed by laws of the State of Ohio. In the event of any conflict of any clause in this Agreement with any mandatory applicable provisions of the Franchise Laws or other laws of the state wherein the Store is located such clause shall be considered modified to the extent, and only to the extent, necessary to conform with such mandatory provisions of that state's laws. As stated in this Agreement, the term "Franchise Law" means any mandatory provision of the law of any state which specifically regulates the offer, sale, termination, renewal or other specific aspects of franchises and does not mean the general laws other than such specific franchise act. Except as expressly provided to the contrary herein, each provision of this Agreement shall be considered severable and the invalidity or unenforceability of any part of this Agreement shall not effect the balance of this Agreement."

3. Section 22 of the Agreement, under the heading, "Choice of Law; Jurisdiction; Limitation of Claims," shall be supplemented with the addition of the following subsection 22.7, which shall be considered an integral part of this Agreement:

> "22.7 Notwithstanding the above, any provision in the Agreement which limits in any manner whatsoever litigation brought for breach of the Agreement will be void only to the extent that such provision violates the Indiana Deceptive Franchise Practices Act.

4. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Franchise Disclosure Law, Indiana Code §§ 23-2-2.5-1 to 23-2-2.5-51 and the Indiana Deceptive Franchise Practices Act, Indiana Code §§ 23-2-2.7-1 to 23-2-2.7-7, are met independently without reference to this Amendment.

[signature page follows]

AS WITNESS the hands of the duly authorized representatives of the parties hereto as of the date of execution by Gold Star Chili, Inc. set forth below.

ATTEST:	**FRANCHISEE** (if a corporation, limited liability company or partnership):
	______________________________ (Name of corporate or partnership franshisee)
By:______________________________	By:______________________________
	Name:______________________________
	Title:______________________________
	FRANCHISEE (if an individual, individuals or proprietorship):
	______________________________
	Name:______________________________
	______________________________
	Name:______________________________
ATTEST:	**GOLD STAR CHILI, INC.**
By:______________________________	By:______________________________
	Name:______________________________
	Title:______________________________
	Date:______________________________

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

The Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

STATE	EFFECTIVE DATE
California	No Registration
Hawaii	No Registration
Illinois	No Registration
Indiana	Pending
Maryland	No Registration
Minnesota	No Registration
New York	No Registration
North Dakota	No Registration
Rhode Island	No Registration
South Dakota	No Registration
Virginia	No Registration
Washington	No Registration
Wisconsin	No Registration

EXHIBIT I to
FRANCHISE DISCLOSURE DOCUMENT

RECEIPT
(Your Copy)

THIS DISCLOSURE DOCUMENT SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LAGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

IF WE OFFER YOU A FRANCHISE, WE MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU 14 CALENDAR DAYS BEFORE YOU SIGN A BINDING AGREEMENT WITH, OR MAKE A PAYMENT TO, US OR AN AFFILIATE IN CONNECTION WITH THE PROPOSED FRANCHISE SALE.

IF WE DO NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE APPROPRIATE STATE AGENCY IDENTIFIED ON EXHIBIT G.

The name, principal address and telephone number of each franchise seller offering the franchise: Gold Star Chili, Inc., 650 Lunken Park Drive, Cincinnati, Ohio 45226 (513) 231-4541, Attention: Franchise Development Manager and ______________________________(Any broker or other franchise seller involved in a particular franchise transaction must be disclosed here before the Disclosure Document is given to the prospective franchisee.)

Issuance Date: 05/01/2025

I have received a Disclosure Document dated 05/01/2025 that included the following Exhibits:

A) Agent for Service of Process List
B) Franchise Agreement with exhibits
C) Table of Contents - Manual of Operations
D) List of Franchise Outlets
E) List of Outlets That Closed During Year Ended December 31, 2024 or That Have Not Communicated with Gold Star Chili Recently
F) Financial Statements
G) State Administrators
H) Addendum to the Gold Star Chili, Inc. Franchise Agreement and Franchise Disclosure Document for the State of Indiana
I) Receipt

______________	______________________________
Date	Name of Franchisee
	______________________________
	Signature of Franchisee or Authorized Officer/Partner
	______________________________
	Title of Signing Person

KEEP THIS COPY FOR YOUR RECORDS

RECEIPT

(Our Copy)

THIS DISCLOSURE DOCUMENT SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LAGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

IF WE OFFER YOU A FRANCHISE, WE MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU 14 CALENDAR DAYS BEFORE YOU SIGN A BINDING AGREEMENT WITH, OR MAKE A PAYMENT TO, US OR AN AFFILIATE IN CONNECTION WITH THE PROPOSED FRANCHISE SALE.

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I) Receipt

______________	______________________________
Date	Name of Franchisee
	______________________________
	Signature of Franchisee or Authorized Officer/Partner
	______________________________
	Title of Signing Person

Please sign this copy of the receipt, date your signature, and return it to Gold Star Chili, Inc., Attention: Office Administrator, 650 Lunken Park Drive, Cincinnati, Ohio 45226.