

## FRANCHISE DISCLOSURE DOCUMENT



**Cheba Hut Franchising, Inc.**  
An Arizona Corporation  
400-A N. College Avenue  
Fort Collins, Colorado 80524  
Phone: 970-420-3358  
chf@chebahut.com  
www.chebahut.com

Cheba Hut franchisees operate quick-service sandwich restaurants featuring toasted submarine sandwiches, original sauces, salads, soups, chips, brownies, and other high-quality food and beverage items in a fun, causal and distinctive atmosphere (“Cheba Hut Business(es)”).

The total investment necessary to begin operation of a Cheba Hut franchised business is between \$631,150 and \$2,171,900. This includes between \$51,320 and \$82,600 that must be paid to the franchisor or its affiliate(s). The total investment necessary to begin operation of a franchise operating up to three Cheba Hut franchised businesses (“Multi-3 Franchise”) is between \$1,873,450 and \$6,495,700. This includes between \$133,960 and \$227,800 that must be paid to the franchisor or its affiliate(s).

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Scott Jennings at 400-A N. College Avenue, Fort Collins, Colorado 80524, (970) 286-2953 or chf@chebahut.com.

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

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

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

**Issuance Date: April 16, 2024**



## 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
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit C.
<b>How much will I need to invest?</b>	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.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit B includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Cheba Hut business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a Cheba Hut franchisee?</b>	Item 20 or Exhibit C lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.



## What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

### Some States Require Registration

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

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



## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Colorado. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Colorado than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement, even if your spouse has no ownership interest in the franchise. This Guarantee will place both your and your spouse's marital and personal assets (perhaps including your house) at risk if your franchise fails.
3. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21) calls into questions the franchisor's financial ability to provide services and support to you.

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.



**NOTICE REQUIRED BY  
STATE OF MICHIGAN**

**THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.**

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that the franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its terms except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type or under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.



(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

**The fact there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.**

Any questions regarding this notice should be directed to the Department of Attorney General, State of Michigan, 670 Williams Building, Lansing, Michigan 48913, telephone (517) 373-7117.

**THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.**



## TABLE OF CONTENTS

<u>Item</u>	<u>Page</u>
ITEM 1	THE FRANCHISOR, AND ANY PARENT, PREDECESSORS, AND AFFILIATES ..... 1
ITEM 2	BUSINESS EXPERIENCE ..... 3
ITEM 3	LITIGATION ..... 3
ITEM 4	BANKRUPTCY ..... 3
ITEM 5	INITIAL FEES ..... 3
ITEM 6	OTHER FEES ..... 5
ITEM 7	ESTIMATED INITIAL INVESTMENT ..... 11
ITEM 8	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES ..... 14
ITEM 9	FRANCHISEE’S OBLIGATIONS ..... 16
ITEM 10	FINANCING ..... 17
ITEM 11	FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEM, AND TRAINING ..... 17
ITEM 12	TERRITORY ..... 25
ITEM 13	TRADEMARKS ..... 27
ITEM 14	PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION ..... 30
ITEM 15	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS ..... 32
ITEM 16	RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL ..... 32
ITEM 17	RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION ..... 33
ITEM 18	PUBLIC FIGURES ..... 36
ITEM 19	FINANCIAL PERFORMANCE REPRESENTATIONS ..... 36
ITEM 20	OUTLETS AND FRANCHISEE INFORMATION ..... 39
ITEM 21	FINANCIAL STATEMENTS ..... 43
ITEM 22	CONTRACTS ..... 43
ITEM 23	RECEIPT ..... 43

### EXHIBITS:

Exhibit A	Franchise Agreement
Exhibit B	Financial Statements
Exhibit C	List of Current and Former Franchisees
Exhibit D	List of State Administrators and Agents for Service of Process
Exhibit E	Brand Standards Manual Table of Contents
Exhibit F	State Addenda and Agreement Riders
Exhibit G	Contracts for use with the Cheba Hut Franchise
Exhibit H	Franchise Disclosure Questionnaire
Exhibit I	State Effective Dates
Exhibit J	Receipt



**ITEM 1**  
**THE FRANCHISOR, AND ANY PARENT, PREDECESSORS, AND AFFILIATES**

To simplify the language in this Franchise Disclosure Document, “CHF,” “we,” “us,” and “our” means Cheba Hut Franchising, Inc., the franchisor. “You,” “your,” and “Franchisee” means the person, and its owners if the Franchisee is a business entity, who buys the franchise from CHF.

The Franchisor

CHF is an Arizona corporation incorporated on March 2, 2001. We operate under the name Cheba Hut Franchising, Inc. and Cheba Hut. Our principal business address is 400-A N. College Avenue, Fort Collins, Colorado 80524. We offer franchises (“Cheba Hut Franchises” or “Franchises”) for Cheba Hut Businesses and have done so since April 2002. We do not, and have not, conducted business under any other name or in any other line of business and we do not, and have not, offered franchises in any other line of business. We do not conduct, and have never conducted, a business of the type described in this Franchise Disclosure Document but our affiliates do.

Our agent for service of process in Colorado is Scott Jennings, 400-A N. College Avenue, Fort Collins, Colorado 80524. Our agents for service of process for other states are identified by state in Exhibit D. If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

Parents, Predecessors and Affiliates

We do not have any predecessors or parent entities. Our affiliate, Cheba Hut IP Holdings, Inc. (“Cheba Hut IP”) owns the Cheba Hut trademarks and licenses them to us. Cheba Hut IP is also the approved supplier of custom Artwork for Cheba Hut Businesses. Cheba Hut IP shares our principal business address. Our affiliate, 1998, LLC (“1998”) operates the Cheba Hut training store in Fort Collins, Colorado. 1998 shares our principal business address. Our affiliate, PV OG LLC operates a Cheba Hut Business in Arizona. None of our affiliates conduct any other business and do not offer and have not offered franchises in this or any line of business.

The Franchise

Cheba Hut franchisees operate restaurants providing quick-service sandwiches featuring toasted submarine sandwiches, original sauces, salads, soups, chips, brownies, and other high-quality food and beverage items in a fun, casual and distinctive atmosphere. Cheba Hut Businesses operate under our system (“System”) using Cheba Hut’s trademarks, service marks, trade names and logos (the “Marks”) from an approved retail location (“Restaurant”).

You must sign our standard franchise agreement attached to this Franchise Disclosure Document as Exhibit A (“Franchise Agreement”). You may operate one Cheba Hut Business for each Franchise Agreement you sign.

We offer two different franchise packages depending on the number of Cheba Hut Businesses you wish to purchase: a single Cheba Hut Business or a Multi-3 Franchise. If you purchase a Multi-3 Franchise, you will sign the “Multi-Franchise Addendum” attached to this Disclosure Document in Exhibit G-7 and the Cheba Hut Franchise Agreement attached to this Disclosure Document. There is no development territory or development schedule to open additional Cheba Hut Businesses. Prior to





opening each additional Cheba Hut Business under the Multi-Franchise Addendum, you must sign the then-current Cheba Hut Franchise Agreement, which may differ from the current Franchise Agreement included with this Franchise Disclosure Document.

The Multi-Franchise Addendum supplements the terms of the Franchise Agreement in relation to the opening of additional Cheba Hut franchises. You are not granted any territorial rights or any other rights except those granted under the Franchise Agreements for the additional Cheba Hut Businesses.

### Market and Competition

The primary market for the goods and services offered by the Cheba Hut Businesses is the general public. The goods and services offered by Cheba Hut Businesses are not seasonal. The restaurant market, as a whole, is well-developed and highly competitive, and includes retail units, mobile food trucks, and kiosks selling various types of food. You may have to compete with numerous other independent and chain-affiliated restaurants, some of which may be franchised. Many restaurant franchise systems, in particular, have already established national and international brand recognition.

### Industry-Specific Laws

Many states and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of your Cheba Hut Business, including those which: (a) establish general standards, specifications and requirements for the construction, design and maintenance of your Restaurant; (b) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements; employee practices concerning the storage, handling, and preparation of food; restrictions on smoking and exposure to tobacco smoke or other carcinogens or reproductive toxicants and saccharin; availability of and requirements for public accommodations, including restrooms; (c) set standards pertaining to employee health and safety; (d) set standards and requirements for fire safety and general emergency preparedness, (e) govern the use of vending machines, (f) regulate the proper use, storage and disposal of waste, insecticides and other hazardous materials, (g) establish general requirements or restrictions on advertising containing false or misleading claims, or health and nutrient claims on menus or otherwise, such as “low calorie” or “fat free,” and (h) establish requirements concerning withholdings and employee reporting of taxes on tips. You must also obtain all necessary permits, licenses, and approvals to operate your Cheba Hut Business.

Many local or state jurisdictions require food service permits for those preparing, handling and serving food to the public. You and your employees may be required to pass a test or other certification process to obtain these permits. There may also be local ordinances and regulations governing food storage, preparation and serving. You must obtain a retail alcoholic beverage license under state and local law, regulations and ordinances. You should understand that the sale of alcoholic beverages is heavily regulated by federal, state and local laws, regulations and ordinances. These laws, regulations and ordinances may vary significantly between jurisdictions. You may also have liability imposed on you by Dram Shop Laws for injuries directly and indirectly related to the sale and consumption of alcoholic beverages.

You should investigate, understand, and comply with all applicable laws, regulations, and requirements applicable to you and your Cheba Hut Franchise. You should consult with a legal advisor about whether these and/or other requirements apply to your Cheba Hut Business. Failure to comply with laws and regulations is a material breach of the Franchise Agreement.



**ITEM 2  
BUSINESS EXPERIENCE**

President and Chairman of the Board of Directors: Scott C. Jennings

Scott Jennings is our President in Fort Collins, Colorado and has been since our inception in March 2001. Mr. Jennings was also our Chief Executive Officer in Fort Collins, Colorado from April 2013 until May 2020. Mr. Jennings has been our Chairman of the Board of Directors in Fort Collins, Colorado since October 2013. Mr. Jennings also served as the President of our affiliate, JTT Holdings, Inc. in Greeley, Colorado from April 2017 until June 2020.

Chief Executive Officer: Marc Torres

Marc Torres is our Chief Executive Officer in Fort Collins, Colorado since May 2020. Prior to that, he served as our Chief Operations Officer in Fort Collins, Colorado from April 2014 until May 2020. Prior to that, Mr. Torres served as our Director of Operations in Fort Collins, Colorado from November 2010 to April 2014. Marc Torres also now serves as the Vice President of our affiliate, JTT Holdings, Inc. in Fort Collins, Colorado and has been since June 2020. Prior to that, Mr. Torres served as the Chief Operations Officer of our affiliate, JTT Holdings, Inc. from April 2017 to June 2020.

Chief Relationship Officer: Seth Larsen

Seth Larsen is our Chief Relationship Officer in Fort Collins, Colorado and has been since January 2019. Prior to that, he served as our Vendor Relations Manager in Fort Collins, Colorado from June 2015 until January 2019.

Vice President of Operations: Brian Witte

Brian Witte is our Vice President of Operations in Fort Collins, Colorado, and has been since January 2022. Mr. Witte was not employed from September 2021 to January 2022. Prior to that, Mr. Witte was Director of Office Operations for Quality First Service Group in Aurora, Colorado from October 2020 to August 2021. He was Director of Operations for Easthon Enterprises LLC DBA Chick-Fil-A in Denver, Colorado from April 2018 to September 2020.

**ITEM 3  
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4  
BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

**ITEM 5  
INITIAL FEES**

*Initial Franchise Fee*

We offer two different Franchise packages depending on the number of Cheba Hut Businesses you wish to purchase:



Franchise Type	Number of Cheba Hut Businesses	“Initial Franchise Fee”
Single	1	\$50,000
Multi-3	Up to 3	\$130,000

If you purchase a Multi-3 Franchise you will sign the Multi-Franchise Addendum. There is no development territory or development schedule to open additional Cheba Hut Businesses. To open additional Cheba Hut Businesses under a Multi-3 Franchise you will be required to sign the then-current Cheba Hut Business franchise agreement, but you will not be required to pay an Initial Franchise Fee (all other fees will apply). The Initial Franchise Fee is payment for all of our pre-opening assistance that we provide to allow you to open your Cheba Hut Business and also offsets some of our franchisee recruitment expenses. The Initial Franchise Fee is uniform, payable when you sign your Franchise Agreement and is non-refundable.

During our last fiscal year ended December 31, 2023, we collected initial franchise fees ranging from \$10,000 to \$50,000 for single Cheba Hut Businesses, and \$130,000 for a Multi-3 Franchise. The \$10,000 single unit initial franchise fees were for older Area Developer Agreements that only required an initial franchise fee of \$10,000.

#### *Extension Fee*

If you do not open your Restaurant within 18 months after signing the Franchise Agreement, then you will have the right to request, in writing, one or more 30-day extension periods to open the Restaurant, not to exceed 180 days from the required opening date in total. You must pay us an extension fee of \$1,000 for every 30-day extension period upon requesting each extension with a maximum extension of period of 180 days. These payments are uniform and non-refundable.

#### *Equipment and Décor*

You must purchase certain décor pieces from us and our affiliate, Cheba Hut IP, prior to opening. We estimate that your cost for these items will be between \$420 and \$4,200. This cost varies based on the region where your Cheba Hut Business is located and by the size of your location. The fee for these items is non-refundable.

#### *Pre-Opening Technology Fee*

You must pay us a “Pre-Opening Technology Fee” of \$100 per month when you sign the Franchise Agreement until your Cheba Hut Business is open. This fee will be used to manage your Intranet and Email accounts. The full technology fee will be charged upon the opening of your Cheba Hut Business. We estimate the Pre-Opening Technology Fee will range from \$900 to \$2,400. The lower amount assumes you open your Cheba Hut Business within 9 months, while the higher amount assumes you open within 180 days following the 18-month period allowed for opening, including any extensions. This cost is uniform and non-refundable.

#### *Opening Team*

After your management staff has successfully completed the initial training program, we will arrange for an “Opening Team” to assist you with opening your Cheba Hut Business. The Opening Team will assist you with implementing the Cheba Hut System at your Restaurant and training your staff and



kitchen employees on the Cheba Hut brand standards. The Opening Team will assist you for a minimum of 10 days for your first Cheba Hut Business and a minimum of five days for additional Cheba Hut Businesses (which may not be consecutive) at no charge to you unless we provide more than three representatives or additional days of assistance. If we determine that Opening Team must include more than three representatives or that the Opening Team must be present at the Cheba Hut Business for more than 10 days (or 5 days), you are required to reimburse us for the travel expenses and the salaries and benefits attributable to the extra representatives and/or extra days (currently \$500 per person, per day of additional support). If incurred, we estimate these additional expenses to be between \$2,000 and \$20,000. We would invoice you for these expenses after the Opening Team completed their duties. This payment is non-refundable.

The table below shows a summary of the initial fees paid to us or our affiliates. It does include the Extension Fee, which is only payable if you do not open your Restaurant within 18 months after signing the Franchise Agreement.

Type of Expenditure	Single		Multi-3 Franchise	
	Low	High	Low	High
Initial Franchise Fee	\$50,000	\$50,000	\$130,000	\$130,000
Extension Fee	\$0	\$6,000	\$0	\$6,000
Equipment and Décor	\$420	\$4,200	\$1,260	\$12,600
Pre-Opening Technology Fee	\$900	\$2,400	\$2,700	\$7,200
Opening Team	\$0	\$20,000	\$0	\$60,000
Total Initial Fees	\$51,320	\$82,600	\$133,960	\$227,800

### *Financial Assurances*

Some states have imposed a financial assurance. Please refer to the State Addendum in [Exhibit F](#) to the Franchise Disclosure Document.

## ITEM 6 OTHER FEES

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Royalty <sup>(2)</sup>	5% of Net Sales	Due on Wednesday of each week	The “ <u>Royalty</u> ” is based on “ <u>Net Sales</u> ” during the previous week. Your Royalty is an ongoing payment that allows you to use the Marks and the intellectual property of the System and pays for our ongoing support and assistance.
Brand Fund Contribution	2% of your weekly Net Sales	Same as Royalty	This contribution will be used for a system-wide “ <u>Brand Fund</u> ” for our use in promoting and building the Cheba Hut brand.



Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Local Advertising Payment	The difference between the amount you spent on local advertising each month and your required local advertising expenditure (1% of your Net Sales)	Payable after receipt of invoice	If you fail to meet your required local advertising requirement on a rolling six-month basis, you must pay us the difference between the amount you spent and the required advertising expenditure, which will be contributed to the Brand Fund.
Local and Regional Advertising Cooperatives	Established by cooperative members, between 0.5% and 2% of Gross Sales	Established by cooperative members	We currently do not have a cooperative but reserve the right to require one to be established in the future. If a local or regional advertising cooperative is established, contribution amounts will be established by the cooperative members, subject to our approval. We anticipate that each Cheba Hut franchisee and each Cheba Hut Business that we own will have one vote for each Cheba Hut Business operated in the designated market. Each Cheba Hut Business we own that exists within the cooperative's area will contribute to the cooperative on the same basis as franchisees. No local or regional advertising cooperatives have been established as of the Issuance Date of this Franchise Disclosure Document. Item 11 contains more information about advertising cooperatives.
Default Fee	\$100 per occurrence per week	On demand	This fee is due in the event that you are in default and is in addition to your indemnification obligations. This fee is intended to offset the damages that we incur as a result of your default and is not intended as a penalty. You will continue to incur this fee until you cure the default.
Unauthorized Advertising Fee	\$500 per occurrence	On demand	This fee is payable to us or to the Brand Fund, if you use unauthorized advertising in violation of the terms of the Franchise Agreement.
Unauthorized Merchandise Resale	\$500 per occurrence	On demand	Periodically, we provide marketing packages for each Cheba Hut Business that include t-shirts, stickers and promotional items. If you resell any of these items, you will be required to pay this fee.



Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Insurance Reimbursement	Reimbursement of all costs and premiums that we incur, plus a 20% administrative surcharge	On demand	If you fail to maintain any required insurance coverage, we have the right to obtain the coverage on your behalf (which right shall be at our option and in addition to our other rights and remedies in this Franchise Agreement), you must pay to us, within ten days after invoicing, all costs and premiums that we incur, plus a 20% administrative surcharge.
Additional Training or Assistance Fees	Then-current fee (currently \$250 per day for on-site training or \$3,500 per additional person for initial training) plus expenses (estimated to range from \$100 to \$5,000 per person)	As incurred	We provide initial training at no charge for up to three people provided they attend the initial training at the same time. We may charge you for training additional persons, remedial training that we require based on your operational deficiencies or defaults, manager training, refresher training courses, advanced training courses, and additional or special assistance or training you need or request. You (or if you are an entity, your Managing Operator) and your Designated Manager, if any, must successfully complete initial training.
Technology Fee <sup>(3)</sup>	Up to \$750 per Month	Monthly upon opening	This fee covers certain technologies used in the operation of your Cheba Hut Business. We reserve the right to upgrade, modify, and add new software. You will be responsible for any increase in fees that result from any upgrades, modifications, or additional software or from increases from third-party vendors.
Online Ordering Service Fee	Up to \$119 per month	Upon receiving invoice	This is currently paid to our approved supplier for the online ordering for your Cheba Hut Business.
Conference Fee	The then-current registration fee (currently \$420 per person)	On demand	Payable to us to help defray the cost of your attendance at any annual conference that we choose to hold. This fee is due regardless of whether or not you attend our annual conference in any given year.
Supplier and Product Evaluation Fee	Costs of inspection (estimated to be approximately \$100 to \$1,000)	As incurred	Payable if we inspect a new product, service, or proposed supplier nominated by you.
Replacement of Brand Standards Manual	\$420	On demand	Payable if your copy of the Brand Standards Manual is lost, destroyed, or significantly damaged.
Payment Service Fee	Up to 4% of total charge	As incurred	If payment is made to us or our affiliate by credit card for any fee required, we may charge a service charge of up to four percent (4%) of the total charge.



Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Late Payment Fee	The lesser of 18% per annum or the highest rate allowed by applicable law	As incurred	Payable if any payment due to us or our affiliates is not made by the due date. Interest accrues from the original due date until payment is received in full. If we do not specify a due date, interest shall accrue beginning ten days after we bill you.
Non-Sufficient Funds Fee	\$100 per occurrence or the highest amount allowed by law and any late charge imposed	On demand	Payable if any check or electronic payment is not successful due to insufficient funds, stop payment, or any similar event.
Failure to Submit Required Report Fee	\$100 per occurrence and per week	Your bank account will be debited for failure to submit any requested report within five days of request	Payable if you fail to submit the monthly reports when due. Fines collected are paid to the Brand Fund. You will continue to incur this fee until you submit the required report.
Audit Expenses	Cost of audit and inspection, any understated amounts, and any related accounting, legal, travel and lodging expenses (we estimate this cost to be between \$1,000 and \$10,000)	Ten days after invoicing	You will be required to pay this if an audit reveals that you understated Net Sales by more than 1.5% in any week, month or year or you fail to submit required reports.
Management Fee	\$500 per day, plus costs and expenses	As incurred	Payable if we manage the Cheba Hut Business because you fail to perform the responsibilities of a Managing Operator, or are in material breach of the Franchise Agreement, or upon a crisis management event.
Professional Fees and Expenses	Will vary under circumstances	As incurred	You must reimburse us for any legal, accounting or other professional fees (“ <u>Professional Fees</u> ”) that we incur as a result of any breach or termination of your Franchise Agreement or as a result of your indemnity obligations. You must reimburse us if we are required to incur any expenses in enforcing our rights against you, including attorney fees, under the Franchise Agreement.
Consulting Fees	The then-current fee charged by us for consulting services (currently \$250 per day plus all expenses incurred)	On demand	Payable only if you request us to provide a consultant to assist and/or advise you on management and operations issues for your Cheba Hut Business.



Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Indemnification	Will vary under circumstances	As incurred	You must indemnify and reimburse us for any expenses or losses, including Professional Fees that we or our representatives incur related in any way to your Cheba Hut Business or Franchise.
Renewal Fee	50% of the then-current Initial Franchise Fee	At the time you sign the new franchise agreement	Payable if you qualify to renew your Franchise Agreement and choose to enter into a successor franchise agreement. If we are not offering Franchises at the time of your renewal, the successor franchise fee will be 50% of the initial franchise fee listed in the most recent Franchise Disclosure Document.
Relocation Fee	Up to \$10,000 for relocation	Upon our approval of the new location	You must reimburse us for our reasonable expenses if we permit you to relocate your Cheba Hut Business. We will provide you with copies of our invoices for our expenses from any third-party providers upon request.
Transfer Fee	\$10,000	\$1,000 non-refundable deposit at time of transfer application submittal and the remaining balance at time of the approved transfer	Payable in connection with the transfer of your Cheba Hut Business, a transfer of ownership of your legal entity, or the Franchise Agreement.
Mystery Shopper Fee	Currently approximately \$35 per occurrence and performed two times per month	As incurred	This is currently paid through your Brand Fund Account. At any time, we reserve the right to engage the services of one or more mystery shoppers or quality assurance inspection firms who will inspect your Cheba Hut Business for quality control purposes. These inspections may address a variety of issues, including customer service, food safety, sanitation, inventory rotation, etc. Currently these inspections are performed twice per month.
Liquidated Damages <sup>(4)</sup>	Will vary under the circumstances	Within 15 days after termination of the Franchise Agreement	Due only if we terminate the Franchise Agreement before the end of the term because of your material breach, or you terminate the Franchise Agreement without legal cause.
Business Interruption Insurance Fee	6% of any proceeds received from your business interruption insurance	As incurred	Only incurred if your Restaurant is closed as a result of casualty relocation, or any other reason.





Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Broker Fees	Our actual cost of the brokerage commissions, finder's fees, or similar charges	As incurred	If you transfer your Cheba Hut Business to a third party or purchaser, you must reimburse all of our actual costs for commissions, finder's fees and similar charges.

Notes:

- Fees.** All fees paid to us or our affiliates are uniform and not refundable under any circumstances once paid. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers. We currently require you to pay fees and other amounts due to us or our affiliates via electronic funds transfer (“EFT”) or other similar means. You are required to complete the EFT authorization (in the form attached to this Franchise Disclosure Document in Exhibit G). We can require an alternative payment method or payment frequency for any fees or amounts owed to us or our affiliates under the Franchise Agreement. If you sign a Multi-Franchise Addendum to operate multiple Cheba Hut Businesses, the fees indicated in the chart above are the fees charged and/or incurred for each Cheba Hut Business. All fees are current as of the Issuance Date of this Franchise Disclosure Document. Certain fees that we have indicated may increase over the term of the Franchise Agreement. All fees are current as of the Issuance Date of this Franchise Disclosure Document. Certain fees that we have indicated may increase over the term of the Franchise Agreement. Also, any fee expressed as a fixed dollar amount is subject to adjustment based on changes to the Consumer Price Index (“CPI”) in the United States. We may periodically review and increase these fees based on changes to the CPI (in addition to any other increase), but only if the increase to the CPI is more than 5% higher than the corresponding CPI in effect on: (a) the effective date of your Franchise Agreement (for the initial fee adjustments); or (b) the date we implemented the last fee adjustment (for subsequent fee adjustments). We will notify you of any CPI adjustment at least 60 days before the fee adjustment becomes effective. We will implement no more than one CPI-related fee adjustment during any calendar year.
- Royalty.** “Net Sales” means the total of all revenues and income from the sale of all Cheba Hut Business food products, beverages and other related merchandise, products, and services to your customers whether or not sold or performed at or from the Cheba Hut Business, and whether received in cash, coupon, in services in kind, from barter and/or exchange, on credit (whether or not payment is received) or otherwise. If you offer any services, including catering or special events, all receipts from these services (including additional delivery charges) are included in Net Sales. You may deduct from Net Sales for purposes of this computation (but only to the extent they have been included) the amount of all sales tax receipts or similar tax receipts which, by law, are chargeable to customers, if the taxes are separately stated when the customer is charged and if the taxes are paid to the appropriate taxing authority. You may also deduct from Net Sales the amount of any documented refunds, chargebacks, credits, charged tips, and allowances you give in good faith to your customers. All barter and/or exchange transactions in which you furnish services and/or products in exchange for goods and/or services provided to you by a vendor, supplier, or customer will, for the purpose of determining Net Sales, be valued at the full retail value of the goods and/or services so provided to you.
- Technology Fee.** We will provide you with certain technology services in exchange for your monthly technology fee, which may change periodically based on changes to the technology services we provide and/or our costs to provide these services. The current technology fee is up



to \$750 per month beginning the month you begin operations. We reserve the right to license, sublicense, and create software and technology that Cheba Hut franchisees must pay for and use. We can change the software and technology that must be used by our franchisees at any time, which may result in changes to the technology fee.

4. **Liquidated Damages.** Liquidated damages are determined by multiplying the combined monthly average of Royalties and Promotion Fund contributions (without regard to any fee waivers or other reductions) that are owed by you to us, beginning with date you open your Cheba Hut Business through the date of early termination, multiplied by the lesser of: (i) 36; or (ii) the number of full months remaining in the term of the Franchise Agreement, except that liquidated damages will not, under any circumstances, be less than \$30,000.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Initial Franchise Fee <sup>(1)</sup>	\$50,000	\$50,000	Lump Sum	See Item 5 of this Franchise Disclosure Document	Us
Leasehold Improvements <sup>(2)</sup>	\$275,000	\$1,300,000	As Incurred	Before Opening	Third Parties
Furniture, Fixtures, Décor and Equipment <sup>(3)</sup>	\$150,000	\$275,000	As Incurred	As Incurred	Us, Our affiliate, Supplier and Leasing Company
Point-of-Sale Systems and Other Equipment <sup>(4)</sup>	\$0	\$15,000	Lump Sum	Before Opening	Supplier
Pre-Opening Technology Fee <sup>(5)</sup>	\$900	\$2,400	Lump Sum	Before Opening	Us
Opening Team Expenses <sup>(6)</sup>	\$0	\$20,000	As Incurred	As Incurred	Us
Training Expenses <sup>(7)</sup>	\$15,000	\$25,000	Lump Sum	As Incurred	Providers of Travel, Lodging, and Food Services
Architectural and Engineering Fees <sup>(8)</sup>	\$17,500	\$40,000	Lump Sum	Before Opening	Suppliers
Site Survey Fee	\$1,750	\$3,500	Lump Sum	At Lease Execution	Suppliers
Signs <sup>(9)</sup>	\$10,000	\$50,000	Lump Sum	Before Opening	Suppliers
3-Months' Lease Payments <sup>(10)</sup>	\$20,000	\$50,000	As Incurred	As Incurred	Landlord



Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Miscellaneous <sup>(11)</sup>	\$15,000	\$30,000	As Incurred	Before Opening or otherwise as arranged	Landlord, Utilities, Government Agencies, Insurance Companies, Attorneys, Accountants and Other Professionals
First Party <sup>(12)</sup>	\$3,500	\$10,000	As Incurred	Before Opening	Suppliers
Additional Funds - 3 Months <sup>(13)</sup>	\$50,000	\$100,000	As Incurred	As Incurred	Employees, Suppliers and Utilities
Initial Inventory-Food & Bar	\$15,000	\$30,000	As Incurred	Before Opening	Suppliers
Professional Fees	\$5,000	\$15,000	As Incurred	Before Opening	Third Parties
Liquor License Costs <sup>(14)</sup>	\$2,500	\$150,000	Lump Sum	Before Opening	Governmental Agencies and for Professional Services
Extension Fee	\$0	\$6,000	As incurred	As incurred before opening	Us
<b>TOTAL ESTIMATED INITIAL INVESTMENT</b>	<b>\$631,150</b>	<b>\$2,174,900</b>			
Multi-3 Franchise	If you purchase a Multi-3 Franchise under the Multi-Franchise Addendum, you will incur all of the costs listed above for each Cheba Hut Business you open except that the Initial Franchise Fee will total \$130,000 and allow you to open up to three Cheba Hut Businesses. If you were to open a Multi-3 Franchise to operate three Cheba Hut Businesses, using the same estimated initial expenses above, we estimate this total cost to range between \$1,873,450 and \$6,495,700.				

Notes:

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating your Cheba Hut Franchise. We do not offer direct or indirect financing for these items. All expenditures paid to us or our affiliates are uniform and non-refundable under any circumstances once paid. All expenses payable to third parties are non-refundable, except as you may arrange for utility deposits and other payments.

1. **Initial Franchise Fee.** The Initial Franchise Fee is \$50,000 for the purchase of a single Cheba Hut Business. If you purchase a Multi-3 Franchise, the only additional initial cost that you will incur over the purchase of a single Franchise will be the increase in Initial Franchise Fee until you open the additional Cheba Hut Businesses. See Item 5 for more information. Once you open additional Cheba Hut Businesses, you will incur the costs listed in this Item 7 (except for the Initial Franchise Fee) at the time you open the additional Cheba Hut Businesses.



2. Leasehold Improvements. This estimate does not include any construction allowances that may be offered by your landlord. This estimate includes setup expenses you will incur in building out your location, including all costs required to set up the equipment. Building and construction costs will vary depending upon the condition and size of the premises for your Restaurant and local construction costs.
3. Furniture, Fixtures, Décor and Equipment. This estimate involves the furniture, fixtures, and equipment you will need to open a Cheba Hut Business, such as chairs, tables, casework, refrigerators, freezers, toasters, exhaust hood, décor and other items. Some of these expenses will depend on Cheba Hut Business size, shipping distances, supplier chosen and your credit history. You must purchase certain décor pieces from us and our affiliate, Cheba Hut IP.
4. Point-of-Sale Systems and Other Equipment. This includes the cost of the computer hardware that will serve as your point-of-sale system as well installation from our approved supplier.
5. Pre-Opening Technology Fee. See Item 5 for more information this fee. The low estimate assumes you open within nine months and high estimate assumes you open within 24 months with extensions.
6. Opening Team Expenses. If we determine that the Opening Team must include more than three representatives or that the Opening Team must be present at the Cheba Hut Business for more than 14 days, you will reimburse us for the travel expenses and the salaries and benefits attributable to the extra representatives and/or extra days. We estimate these additional expenses to be between \$2,000 and \$7,500.
7. Training Expenses. We provide training at our training center in Fort Collins, Colorado or at another location designated by us. You must pay for airfare, meals, transportation costs, lodging and incidental expenses for all initial training program attendees. Initial training is provided at no charge for up to three people, one of which must be a principal owner; if additional initial training is required, or more people must be trained, an additional fee will be assessed. You are required to attend our two and a half day training “Culture Daze” training within 45 days of signing your Franchise Agreement. You must pay for airfare, meals, transportation costs, lodging and incidental expenses for all Culture Daze program attendees. If you do not attend the “Culture Daze” training, you will be in default of your Franchise Agreement, which could result in the termination of your Franchise Agreement.
8. Architectural and Engineering Fees. This fee is paid directly to the approved supplier for floor plans, construction drawings and oversight and ensures the uniform fit, finish and function of the location.
9. Signs. This estimate is for a single exterior sign. These estimates assume you purchase your exterior signage. The type and size of the signage you install will be based upon the zoning and property use requirements and restrictions. There could be an occasion where certain signage is not permitted because of zoning or use restrictions.
10. 3-Months Lease Payments. Your actual rent payments may vary depending upon your location and your market’s retail lease rates. Restaurants will typically be 2,000 square feet to 2,600 square feet square feet in size. Restaurants are typically located in free standing outlets, shopping malls and strip malls. If you purchase instead of lease the premises for your Restaurant, then the purchase price, down payment, interest rates, and other financing terms will determine your monthly mortgage payments.



11. Miscellaneous. These fees include such items as security, utility and license deposits, feasibility studies, impact fees, insurance premiums for three months, and professional services such as attorneys and accountants. You should check with the local agency that issues building permits to determine what impact, connection, or other site development fees might be required for the specific site for your Cheba Hut Business.
12. First Party. You must host a one-day grand opening celebration “First Party” at your Cheba Hut Business within 60 days of opening and spend a minimum of \$2,500 on the First Party. We will provide advertising and promotional materials for the First Party.
13. Additional Funds. These amounts represent our estimate of the amount needed to cover your expenses for the initial three-month start-up phase of your Cheba Hut Business. They include payroll, uniforms, administrative, janitorial, maintenance, utilities, and other items. These figures do not include standard pre-opening expenses, Royalties, or advertising fees payable under the Franchise Agreement or debt service, and assume that none of your expenses are offset by any sales generated during the start-up phase. Our estimates are based on our experience, the experience of our affiliates, and our current requirements for Cheba Hut Businesses.
14. Liquor License Costs. These amounts are the estimated cost of obtaining a license or permit from a state agency to sell alcoholic beverages at your Cheba Hut Business, but not the price to purchase a liquor license from an existing licensee in states that permit that practice. In some cities/markets, it may be necessary to purchase a liquor license. In our experience to date, the cost to obtain a liquor license will vary substantially, depending on the city and state in which the Premises is located and the variety of liquor types being sold.

## **ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

You must operate your Cheba Hut Business according to our System and specifications. This includes purchasing or leasing all goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, and real estate related to establishing and operating the Cheba Hut Franchise under our specifications. You must not deviate from these methods, standards and specifications without our prior written consent, or otherwise operate in any manner which reflects adversely on our Marks or the System.

Our confidential operations manual (“Brand Standards Manual”) states our standards, specifications, and guidelines for all products and services we require you to obtain in establishing and operating your Cheba Hut Franchise and approved vendors for these products and services. We will notify you of new or modified standards, specifications, and guidelines through periodic amendments or supplements to the Brand Standards Manual or through other written communication (including electronic communication such as email or through a system-wide intranet).

You must purchase, install, maintain in sufficient supply and use, only fixtures, furnishings, equipment, signs and supplies that conform to the standards and specifications described in the Brand Standards Manual or otherwise in writing.

We utilize proprietary food products and recipes and may continue to develop and own proprietary recipes. In order to protect their trade secrets and to monitor the manufacture, packaging, processing and sale of proprietary food products, we or our affiliates may: (i) manufacture, supply and sell proprietary food products to Cheba Hut franchisees; and/or (ii) disclose the formula for methods and



preparation of the proprietary food products to a limited number of suppliers, including one or more of our affiliates, who we authorize to manufacture these proprietary food products to our precise specifications and sell these products to Cheba Hut franchisees. You must purchase the proprietary products we or our affiliates develop periodically for proprietary recipes or formulas, and purchase them only from us or a third party who we have licensed to prepare and sell the products. All non-proprietary ingredients, beverage products, cooking materials, containers, cartons, bags, menus, napkins, other paper and plastic products, utensils, uniforms, and other supplies and materials used in your Cheba Hut Business must strictly conform to our reasonable specifications and quality standards. Certain products such as plates, cups, boxes and containers bearing the trademarks must be purchased by you from certain suppliers approved by us who are authorized to manufacture these products bearing our trademarks.

We are currently the only approved supplier of the Cheba Hut WTF Board, online ordering board, and select plaques and proprietary spices. Some of our officers own an equity in CHF, an approved supplier. We, and our affiliates, reserve the right to become approved suppliers of any proprietary food products and non-proprietary products.

Our affiliate, Cheba Hut IP, is the only approved supplier of custom artwork and décor items you must purchase for your Cheba Hut Business. Some of our officers own an interest in Cheba Hut IP. In its last fiscal year ended December 31, 2023, Cheba Hut IP did not derive any income from the sale or lease of products or services to franchisees.

You must at all times maintain an inventory of approved food products, beverages, ingredients and other products in sufficient quantities and variety to realize the full potential of your Cheba Hut Business. You must use the menus and menu boards that we designate and serve meals and products in the manner we designate.

You must use the computer hardware and software, including the point-of-sale system that we periodically designate to operate your Cheba Hut Franchise. We require you to pay us a separate technology fee for use of our online systems, email, data sharing and software. You must obtain the computer hardware, software licenses, maintenance and support services, and other related services that meet our specifications from the suppliers we specify. You are required to use our approved real estate and construction management supplier for the buildout of your Restaurant.

You must obtain the insurance coverage required under the Franchise Agreement. We currently require you to maintain the following insurance coverages: (1) commercial general liability insurance with limits of at least \$2 million per occurrence, at least \$4 million aggregate, and at least \$2 million per person, with \$5,000 per person medical benefits, and a maximum deductible of \$2,500; (2) all risks coverage insurance on all furniture, fixtures, equipment, inventory, supplies and other property used in the operation of the Cheba Hut Restaurant (including flood and/or earthquake coverage where there are known risks) for full replacement value; (3) workers compensation insurance consistent with applicable law; and (4) data theft and cybersecurity. The insurance company must be authorized to do business in the state where your Cheba Hut Business is located, and must be approved by us. It must also be rated "A" or better by A.M. Best & Company, Inc. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage at any time. All insurance policies must name us and any affiliates we designate as additional named insured parties.

We will provide you with a list of our designated and approved suppliers in our Brand Standards Manual. If you want to use or sell a product or service that we have not yet evaluated, or if you want to purchase or lease a product or service from a supplier or provider that we have not yet approved (for services and products that require supplier approval), you must notify us and submit to us the information,



specifications and samples we request. We will use commercially reasonable efforts to notify you within 45 days after receiving all requested information and materials whether you are authorized to purchase or lease the product or service from that supplier or provider. We reserve the right to charge a fee to evaluate the proposed product, service or supplier. We apply the following general criteria in approving a proposed supplier: (1) ability to purchase the product in bulk; (2) quality of services; (3) production and delivery capability; (4) proximity to Cheba Hut Franchises to ensure timely deliveries of the product or services; (5) the dependability of the supplier; and (6) other factors. The supplier may also be required to sign a supplier agreement with us. We may periodically re-inspect approved suppliers' facilities and products and we reserve the right to revoke our approval of any supplier, product or service that does not continue to meet our specifications. We will send written notice of any revocation of an approved supplier, product or service. We do not provide material benefits to you based solely on your use of designated or approved sources.

You will utilize the online ordering service provider designated by us for Cheba Hut Businesses. You are currently required to use OLO as the designated online ordering service provider for your Cheba Hut Business, at a current cost of \$119 per month.

We estimate that approximately 75% of purchases required to open your Cheba Hut Business and 90% of purchases required to operate your Cheba Hut Business will be from us or from other approved suppliers or under our specifications. During our last fiscal year, ended December 31, 2023, we did not derive any revenue from the sale or lease of products or services to franchisees.

We and our affiliates may receive rebates from some suppliers based on your purchase of services and products and we have no obligation to pass them on to our franchisees or use them in any particular manner. We currently receive rebates from suppliers based on purchases made by us and our franchisees. These payments range from a flat fee dollar amount per product or unit purchased by franchisees to approximately 1% to approximately 2% of the purchase price of the products purchased from the suppliers. We reserve the right to enter into arrangements with suppliers to receive rebates based on the purchase of equipment or supplies that we resell to you. We negotiate purchase arrangements with suppliers and distributors for the benefit of our franchisees. We currently do not have any purchasing or distribution cooperatives. We may designate a certain supplier or approve a list of suppliers for goods, services, supplies, fixtures and equipment periodically, in which case you must purchase the specified item(s) from a designated or approved designee, supplier or affiliate.

## ITEM 9 FRANCHISEE'S OBLIGATIONS

**This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.**

Obligation	Section in Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 7	Item 11
b. Pre-opening purchases/leases	Sections 7 and 12	Items 7 and 8
c. Site development and other pre-opening requirements	Sections 7 and 12	Items 7 and 11
d. Initial and ongoing training	Section 5	Item 11
e. Opening	Section 7	Item 11
f. Fees	Sections 4, 5, 6, 7, 8, 11, 12, 13, 15, 16 and 19	Items 5, 6 and 7



Obligation	Section in Franchise Agreement	Disclosure Document Item
g. Compliance with standards and policies/Brand Standards Manual	Sections 12 and 15	Items 8, 11 and 14
h. Trademarks and proprietary information	Section 17	Items 13 and 14
i. Restrictions on products/services offered	Section 12	Items 8 and 16
j. Warranty and customer service requirements	Section 12	Item 16
k. Territorial development and sales quotas	Not applicable	Item 12
l. On-going product/service purchases	Section 12	Item 8
m. Maintenance, appearance, and remodeling requirements	Sections 4, 12 and 19	Item 11
n. Insurance	Section 15	Items 7 and 8
o. Advertising	Section 11	Items 6 and 11
p. Indemnification	Section 18	Item 6
q. Owner's participation/management and staffing	Section 8	Items 11 and 15
r. Records and reports	Sections 15 and 16	Item 6
s. Inspections and audits	Section 16	Items 6 and 11
t. Transfer	Section 19	Items 6 and 17
u. Renewal	Section 4	Item 17
v. Post-termination obligations	Section 21	Item 17
w. Non-competition covenants	Section 14	Item 17
x. Dispute resolution	Section 22	Item 17
y. Guaranty	Section 10 and Attachment D	Item 15

## **ITEM 10 FINANCING**

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

## **ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEM AND TRAINING**

**Except as listed below, CHF is not obligated to provide you with any assistance.**

### Pre-opening Obligations

Before you open your Cheba Hut Business, we (or our designee) will provide the following assistance and services to you:

1. Provide an initial training program (See Franchise Agreement - Section 5).
2. Loan you one copy of the Brand Standards Manual. The Brand Standards Manual contains approximately 40 pages. The table of contents for the Brand Standards Manual is attached to this Franchise Disclosure Document as Exhibit E (See Franchise Agreement – Section 12.2).
3. Provide you with an approved real estate and construction management supplier. As part of your Initial Franchise Fee, we will identify real estate, assist with the negotiation of your letter of intent





and lease, and oversee the construction process, including weekly calls with you and the construction team (See Franchise Agreement – Sections 7 and 13). Although we will consult with you on your site and require your site be subject to our final authorization, you have the ultimate responsibility in choosing, obtaining and developing the site for your Restaurant. We must approve the site before you sign the Lease and you must obtain our approval of the site within 120 days of signing the Franchise Agreement. We generally do not own the premises and lease it to you.

4. In evaluating a proposed site, we consider such factors as general location and neighborhood, traffic patterns, parking, size, layout and other physical characteristics. Before leasing or purchasing the site for your Restaurant, you must submit to us, in the form we specify, a description of the site, with other information and materials we may reasonably require. We will have 14 days after we receive the information and materials to evaluate the proposed site. If we disapprove of the proposed site, you must select another site, subject to our consent. You must purchase or lease the site for your Restaurant within 180 days after signing the Franchise Agreement and open your Cheba Hut Business within 18 months of the effective date. If you do not open your Cheba Hut Business within 18 months after the effective date, then you will have the right to request, in writing, one or more 30-day extension periods to open the Cheba Hut Business, not to exceed 180 days in total from the required opening date. Your failure to purchase or lease a site for your Restaurant within this time frame is a material breach of the Franchise Agreement which provides us with the right to terminate your Franchise Agreement and retain your non-refundable Initial Franchise Fee. Our approval of a site only indicates that we believe that the site falls within our minimum site selection criteria.

5. Once you have an approved site for your Restaurant, we will designate a territory (See Franchise Agreement - Attachments B and B-1).

6. Review your lease agreement for the Restaurant to ensure that its terms contain our required provisions and otherwise meet our minimum standards (See Franchise Agreement - Section 7).

7. We will provide a copy of our basic specifications for the design and layout of your Restaurant. You are responsible for the costs of preparing architectural, engineering and construction drawings and site plans, which you must submit to us for our review and approval before you begin construction of your Restaurant. You are responsible for the costs of construction and remodeling (See Franchise Agreement – Section 7). We do not assist you in conforming the premises to local ordinance and building codes nor do we assist you in obtaining any required permits. We do not assist you in remodeling or decorating your Cheba Hut Business. We do not deliver or assist with the installation of any fixtures, furnishings, equipment, signs or other supplies.

8. Provide you with materials and consultation in connection with the grand opening marketing for your Cheba Hut Business (See Franchise Agreement – Sections 7 and 11).

9. Provide you with written specifications for furniture, fixtures, equipment, signage, inventory and supplies required for the operation of your Cheba Hut Business as well as a list of approved suppliers. You are responsible for the costs and expense, to install all equipment, furniture, fixtures and signage as specified in the Brands Standard Manual (See Franchise Agreement – Section 12).

10. Provide you with the custom spice rack and certain décor pieces (See Franchise Agreement – Section 7).

We do not provide the above services to renewal franchisees and may not provide all of the above services to franchisees that purchase existing Cheba Hut Businesses.



### *Schedule for Opening*

The typical length of time between signing the Franchise Agreement or the payment of any fees and the opening of your Cheba Hut Business can vary from nine to 15 months. You must open your Cheba Hut Business within 18 months from signing the Franchise Agreement unless you request and pay for extensions as discussed in Item 5. Some factors, which may affect this timing, are your ability to acquire a location through lease or purchase negotiations, your ability to secure any necessary financing, your ability to comply with local zoning and other ordinances, your ability to obtain any necessary permits and certifications, the timing of the delivery of equipment, tools and inventory, and the time to convert, renovate or build out your Restaurant.

### Continuing Obligations

During the operation of your Cheba Hut Business, we (or our designee) will provide the following assistance and services to you:

1. Inform you of mandatory specifications, standards and procedures for the operation of your Franchise (See Franchise Agreement - Section 12).
2. Upon reasonable request, provide advice regarding your Cheba Hut Business's operation based on reports or inspections. Advice will be given during our regular business hours and via written materials, electronic media, telephone or other methods in our discretion (See Franchise Agreement - Section 6).
3. Provide you with advice and guidance on advertising and marketing (See Franchise Agreement – Sections 6 and 11).
4. Provide refresher training courses and additional training or assistance that, in our discretion, you need or request. You may be required to pay additional fees for this training or assistance (See Franchise Agreement - Section 5).
5. Allow you to continue to use confidential materials, including the Brand Standards Manual and the Marks (See Franchise Agreement - Sections 12.2 and 17).
6. Provide the names and addresses of newly approved and designated suppliers for the products and services required by us to be used in your Cheba Hut Business (See Franchise Agreement – Sections 12.2 and 12.5).

### Optional Assistance

During the term of the Franchise Agreement, we (or our designee) may, but are not required to, provide the following assistance and services to you:

1. Modify, update or change the System, including the adoption and use of new or modified trade names, trademarks, service marks or copyrighted materials, new products, new menu items, new equipment or new techniques.
2. Make periodic visits to the Restaurant for the purpose of assisting in all aspects of the operation and management of the Franchise, prepare written reports concerning these visits outlining any suggested changes or improvements in the operation of the Franchise, and detailing any problems in the



operations which become evident as a result of any visit. If provided at your request, you may be required to reimburse our expenses and pay our then-current training charges.

3. Maintain and administer a Brand Fund. We may dissolve the Brand Fund upon written notice (See Franchise Agreement - Section 11).

4. Hold periodic national or regional conferences to discuss business and operational issues affecting Cheba Hut franchisees.

5. Furnish a sample Cheba Hut menu and modifications to the sample menu.

6. Reserve the right to establish minimum and maximum resale prices for use with multi-area marketing programs and special price promotions as allowed by law.

### Advertising

#### *First Party*

We will provide a First Party package which will include advertising and promotional materials for your Cheba Hut Business (See Franchise Agreement - Section 11). You must host this First Party (a one-day grand opening celebration) at your Cheba Hut Business within 60 days of opening and spend a minimum of \$2,500 on the First Party.

Generally, the opening of your Cheba Hut Business will take place within 10 to 15 months after you sign the Franchise Agreement. Factors which will affect your opening date include selecting the location for your Restaurant, whether your Restaurant will be operated out of a converted premises or newly constructed building, obtaining the required licenses, including the liquor licenses, the delivery of your furniture, fixtures and equipment, acquiring inventory and supplies, obtaining financing (if applicable), hiring and training your employees, and completing the training program. You must obtain approval from us to open your Cheba Hut Business (See Franchise Agreement - Section 7).

#### *Grand Opening Marketing*

While you are not required to spend any money on grand opening marketing (other than the First Party), we will match up to \$3,000 for any money you spend on approved grand opening marketing, advertising and promotion for your Cheba Hut Business during the period commencing 180 days prior to the opening of your Cheba Hut Business.

#### *Brand Fund*

We have established a system-wide fund for marketing, developing and promoting the System, the Marks, and Cheba Hut Franchises (“Brand Fund”). You must pay 2% of your Net Sales for the Brand Fund (“Brand Fund Contribution”). Your contribution to the Brand Fund will be in addition to all other advertising requirements set out in this Item 11. Each franchisee will be required to contribute to the Brand Fund but certain franchisees may contribute on a different basis depending on when they signed their Franchise Agreement. Cheba Hut Businesses owned by us will contribute to the Brand Fund on the same basis as franchisees.

The Brand Fund will be administered by us, or our affiliate or designees, at our discretion, and we may use a professional advertising agency or media buyer to assist us. The Brand Fund will be in a separate bank account, commercial account or savings account.



We have complete discretion on how the Brand Fund will be utilized. We may use the Brand Fund for local, regional or national marketing, advertising, sales promotion and promotional materials, public and consumer relations, website development and search engine optimization, the development of technology for the System and any other purpose to promote the Cheba Hut brand. We may use any media for disseminating Brand Fund advertisements, including direct mail, print ads, the Internet, radio, billboards, and television. We may prepare advertising materials in house or use national and/or regional advertising agencies. We may reimburse ourselves, our authorized representatives or our affiliates from the Brand Fund for administrative costs, independent audits, reasonable accounting, bookkeeping, reporting and legal expenses, taxes and all other direct or indirect expenses associated with the programs funded by the Brand Fund. We do not guarantee that advertising expenditures from the Brand Fund will benefit you or any other franchisee directly, on a pro rata basis, or at all. We are not obligated to spend any amount on advertising in the geographical area or territory where you are or will be located. We will not use the Brand Fund contributions for advertising that is principally a solicitation for the sale of Franchises, but we reserve the right to include a notation in any advertisement or website indicating “Franchises Available” or similar phrasing.

We assume no fiduciary duty to you or other direct or indirect liability or obligation to collect amounts due to the Brand Fund or to maintain, direct or administer the Brand Fund. Any unused funds that were collected in any calendar year will be applied to the following year’s funds, and we reserve the right to contribute or loan additional funds to the Brand Fund on any terms we deem reasonable.

The Brand Fund is not audited. Upon your written request, we will provide to you an annual accounting for that shows how the Brand Fund proceeds have been spent for the previous year. During our most recent fiscal year, ended December 31, 2023, the Brand Fund was spent as follows: 40.4% Production, 57.8% Media Placement, and 1.8% Administrative.

### *Local Advertising*

In addition to the Brand Fund Contributions, you must spend an average of 1% of your Net Sales on local advertising each month (“Local Advertising Requirement”). If you fail to spend the Local Advertising Requirement, you will be required to pay the difference to the Brand Fund. You agree, at your sole cost and expense, to issue and offer such rebates, giveaways, and other promotions in accordance with advertising programs established by us, and further agree to honor the rebates, giveaways, and other promotions issued by other Cheba Hut franchisees under any such program, so long as such compliance does not contravene any applicable law, rule, or regulation. You will not create or issue any gift cards/certificates and will only sell gift cards/certificates that have been issued or sponsored by us and which are accepted at all Restaurants, and you will not issue coupons or discounts of any type except as approved by us or as permitted in the Brand Standards Manual. We require that you participate in at least two system-wide celebrations per year, at your sole cost and expense, although we provide some items at no cost to you for these celebrations. You will be required to follow the celebration guidelines provided by us in the Brand Standards Manuals or otherwise in writing.

You may be required to participate in any local or regional advertising cooperative for Cheba Hut Franchises that are established. We do not currently have any advertising cooperatives but may create local or regional advertising cooperatives in the future. The area of each local and regional advertising cooperative will be defined by us, based on our assessment of the area. Franchisees in each cooperative will contribute an amount to the cooperative for each Cheba Hut Franchise that the Franchisee owns that exists within the cooperative’s area. Each Cheba Hut Franchise we own that exists within the cooperative’s area, will contribute to the cooperative on the same basis as franchisees. Members of the cooperative will be responsible for administering the cooperative, including determining the amount of



contributions from each member. We may require that each cooperative operate with written governing documents, which will be available for your review, and prepare annual unaudited financial statements. We reserve the right to form, change, dissolve or merge any advertising cooperative formed in the future. If we elect to form such cooperatives, or if such cooperatives already exist near your territory, you will be required to participate in compliance with the provisions of the Brand Standards Manual, which we may periodically modify at our discretion.

You must order sales and marketing material from us or our designated suppliers. It is a material breach of the Franchise Agreement to use other marketing material without obtaining our prior written approval. If you desire to use your own advertising materials, including your own website, you must obtain our prior approval, which may be granted or denied in our sole discretion. We will review your request and we will respond in writing within 30 days from the date we receive all requested information. Our failure to notify you in the specified time frame will be deemed a disapproval of your request. Use of logos, Marks and other name identification materials must follow our approved standards. You may not use our logos, Marks and other name identification materials on items to be sold or services to be provided without our prior written approval. If you use unauthorized advertising materials, you must pay a fee of \$500 per occurrence to the Brand Fund.

#### *System Website*

We have established a website for Cheba Hut Businesses (“System Website”). We intend that any franchisee website will be accessed only through our System Website. If you wish to advertise online, you must follow our online policy which is contained in our Brand Standards Manual. Our online policy may change as technology and the Internet changes. Under our online policy, we may retain the sole right to market on the Internet, including all use of websites, domain names, advertising, and co-branding arrangements. We may restrict your use of social media. We may not allow you to independently market on the Internet, or use any domain name, address, locator, link, metatag, or search technique with words or symbols similar to the Marks.

As long as we maintain a System Website, we will have the right to use the Brand Fund’s assets to develop, maintain and update the System Website. We may update and modify the System Website periodically. You must promptly notify us whenever any information on your listing changes or is not accurate. We have final approval rights of all information on the System Website. We may implement and periodically modify System Standards relating to the System Website. We are only required to reference your Cheba Hut Business on the System Website while you are in full compliance with your Franchise Agreement and all System standards.

#### *Porky’s Clause*

Your Cheba Hut Business must participate in at least two system-wide celebrations per year. You will be required to follow our celebration guidelines as set forth in our Brand Standards Manual.

#### *Advisory Council*

We currently do not have, but may form, an advisory council (“Council”) to advise us on advertising policies. The Council would be governed by bylaws. Members of the Council would consist of both franchisees and corporate representatives. Members of the Council would be selected by way of a voting method specified in the Council’s bylaws. The Council would serve in an advisory capacity only. We will have the power to form, change or dissolve the Council, in our sole discretion.



## Computer System

You are required to purchase a computer system that consists of the following hardware and software: (a) POS 3-4 Terminals, five printers and three cash drawers and (b) POS software (“Computer System”). You will pay a \$350 to \$600 monthly subscription fee to our approved supplier for use of the software. We estimate the cost of purchasing the Computer System will be between \$5,000 and \$8,000. We estimate the installation costs of the POS system will be between \$2,500 to \$4,200. The Computer System will manage the daily workflow of the Cheba Hut Business, coordinate the customer ordering experience, track inventory, food costs, labor and other information. You must record all Net Sales on the Computer System. You must store all data and information in the Computer System that we designate, and report data and information in the manner we specify. The Computer System will generate reports on the Net Sales of your Cheba Hut Franchise. You must also maintain a high-speed Internet connection at the Restaurant. In addition to offering and accepting Cheba Hut gift cards and loyalty cards, you must accept all credit cards and debit cards that we determine. We are not required to provide you with any ongoing maintenance, repairs, upgrades, updates or support for the Computer System (See Franchise Agreement - Section 12). You must arrange for installation, maintenance and support of the Computer System at your cost. There are no limitations in the Franchise Agreement regarding the costs of such required support, maintenance repairs or upgrades relating to the Computer System. The cost of maintaining, updating, or upgrading the Computer System or its components will depend on your repair history, costs of computer maintenance services in your area, and technological advances. We estimate the annual cost will range between \$250 and \$500, but this could vary (as discussed above). We may revise our specifications for the Computer System periodically. You must upgrade or replace your Computer System at such time as specifications are revised. There is no limitation on the frequency and cost of this obligation.

We (or our designee) have the right to independently access the electronic information and data relating to your Franchise and to collect and use your electronic information and data in any manner, including to promote the System and the sale of Franchises. This may include posting financial information of each franchisee on an intranet website. There is no contractual limitation on our right to access, receive or use information through our proprietary data management and intranet system. We may access the electronic information and data from your Computer System remotely, in your Restaurant or from other locations.

## Training

### *Initial Training*

You (or if you are an entity, your “Managing Operator”) and your “Designated Manager” (see Item 15), if any, must complete the initial training to our satisfaction before you open your Cheba Hut Business. We provide initial training at a no cost for up to three people. You may not begin initial training until you have the building permit for your Restaurant. You must pay \$3,500 plus expenses for training each additional person. Each attendee must complete the training program to our reasonable satisfaction, as determined by the specific program instructors, before you are able to open the Cheba Hut Business. Initial training classes are held in Fort Collins, Colorado or at another training location designated by us and are held whenever necessary to train new franchisees. You will not receive any compensation or reimbursement for services or expenses for participation in the initial training program. You are responsible for all your expenses to attend any training program, including lodging, transportation, food and similar expenses. We plan to provide the training listed in the table below.



## TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Orientation and initial kitchen training including overview of Restaurant operations, recipes and technical skills	5	10	Fort Collins, Colorado
Kitchen training, including technical skills, kitchen positions and food preparation	5	40	Fort Collins, Colorado
Front of the Restaurant, including food presentation, service, and front positions and functions	5	40	Fort Collins, Colorado
Management training, including management functions, purchasing and inventory, opening and closing and documentation and systems	10	40	Fort Collins, Colorado
Financial management	5	20	Fort Collins, Colorado
Review of training, Restaurant System, goal-setting and problem solving	10	2	Fort Collins, Colorado
<b>TOTAL</b>	<b>40</b>	<b>152</b>	

Notes:

1. We reserve the right to vary the length and content of the initial training program based upon the experience and skill level of the individual attending the initial training program. We will use the Brand Standards Manual and our confidential “Guru Guide” as the primary instruction materials during the initial training program. The Guru Guide is our manual for management training.
  
2. Audrey Bolton, our Manager of Training Operations, currently oversees the Training Segment of the Operations Department. This oversight includes the creation, optimization, and implementation of : NSO, in-shop training programs, GURU Training, company store operations, LMS platform and administration, remote leadership coaching and consulting, Certified Trainer Program, and Certified Evaluator Program. She is Cheba Hut Homegrown, starting as a Reggie in the shop and working her way up through every in-shop position including General Manager and District Manager. She was traveling with the NSO Team for 5 years and helped develop the program and processes. Her experience includes a Bachelor's Degree in Sports, Entertainment, and Event Management with working experience in the restaurant industry beginning in 2016.
  
3. All instruction will be taught by instructors who have a minimum of three years of training experience with us or with restaurant operations.



### *Culture Daze*

You are required to attend our “Culture Daze” training within 45 days of signing your Franchise Agreement. This is a two and a half day training in Fort Collins, Colorado that focuses on the Restaurant opening process, initial operations, and pre-open marketing requirements. You will also set up your Intranet and email accounts. We estimate the travel cost for Culture Daze is between \$2,000 and \$3,000.

### *Opening Team*

After your management staff has successfully completed the initial training program our Opening Team will assist you with implementing the Cheba Hut System at your Restaurant and training your staff and kitchen employees on the Cheba Hut brand standards. The Opening Team will assist you up to 10 days for your first Cheba Hut Business and up to 5 days for additional Cheba Hut Businesses (which may not be consecutive). You may be required to pay a fee for the Opening Team’s assistance if we determine that the Opening Team must include more than three Cheba Hut representatives and/or that the Opening Team must be present at the Restaurant for more than 10 (or 5) days. We schedule our Opening Team within 14 days of your receipt of your Certificate of Occupancy and completion of the Cheba Hut green light checklist. The green light checklist consists of appropriate staffing levels, proof of Cheba Hut required equipment and smallwares, and the required postings and state/municipality certifications.

### *Ongoing Training*

Periodically, we may periodically require that you, Managing Operators, Designated Manager and other employees attend system-wide refresher or additional training courses. Some of these courses may be optional while others may be required. If you appoint a new Managing Operator or Designated Manager, that person must attend and successfully complete our initial training program before assuming responsibility for the management of your Cheba Hut Business. If any training program, including remedial training, is conducted at your Restaurant, then you must pay us the then-current per day on-site training fee, currently \$250, and reimburse us for the expenses we incur in providing the training, estimated to range between \$100 and \$5,000 per person. If we conduct an inspection of your Restaurant and determine you are not operating in compliance with the Franchise Agreement, we may require that you attend remedial training that addresses your operational deficiencies. In addition to participating in ongoing training, you will be required to attend an annual meeting of all franchisees at a location we designate and pay a convention fee, currently estimated to be \$420 per person, if we hold an annual meeting of all franchisees (See Item 6). You are responsible for all travel and expenses for your attendees.

## **ITEM 12 TERRITORY**

You may operate the Cheba Hut Business only at the approved location. The approved location for your Restaurant will be listed in the Franchise Agreement. If you have not identified an approved location for the Restaurant when you sign the Franchise Agreement, as is typically the case, you and we will agree on the approved location in writing and amend the Franchise Agreement after you select and we approve the approved location. You are not guaranteed any specific approved location and you may not be able to obtain your top choice as your approved location. You may not conduct your business from any other location. You may not relocate the Restaurant without our prior written approval. We may approve a request to relocate the Restaurant in accordance with the provisions of the Franchise Agreement that provide for the relocation of the Restaurant, and our then-current site selection policies and procedures. You will be required to pay a relocation fee as discussed in Item 6.





We will grant you a territory (“Territory”) for the operation of your Restaurant. The Territory is determined based on the geographic area and populations properties within that area and other relevant demographic characteristics and will typically be a two-mile radius around your Restaurant.

Unless your Restaurant is located in a metropolitan area (areas in which the population during any 24-hour period exceeds 50,000 persons per square mile) or if your Restaurant will be located in a non-traditional location such as an airport, hotel, convention center, sports arena or stadium, college campus, amusement park, within the premises of another business or a similar venue, you will receive an exclusive Territory. This means that during the term of the Franchise Agreement, we will not establish or franchise others to establish another Cheba Hut Business within your designated Territory. If your Restaurant is located in a metropolitan area or in a non-traditional location and we do not grant you exclusivity, you will not receive an exclusive Territory, and you may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

You are not prohibited from directly marketing to or soliciting customers or accepting orders from those customers who are outside of your Territory. You may not engage in any promotional or similar activities, whether directly or indirectly, through or on the internet or any similarly proprietary or common carrier electronic delivery system. Except for sales methods designated by us, you may not sell any Cheba Hut food products or services through any alternative channel of distribution, including the Internet, catalog sales, telemarketing or other direct marketing. You may not sell any goods or services, in connection with your Restaurant on a wholesale basis, at any location other than your Restaurant except as pursuant to our policies and procedures which are contained in the Brand Standards Manual. You must follow our off-site policies and procedures in our Brand Standards Manual, which may allow you to provide catering and delivery services in the territories of other Cheba Hut Businesses without compensating the operator of those restaurants. Under these policies, other Cheba Hut Businesses may provide catering and delivery services in your Territory without compensating you. We may impose restrictions in the future that prevent you from providing catering and delivery services outside of your Territory.

If you renew your Franchise, your Territory may be modified depending on the then-current demographics of the Territory, and on our then-current standards for territories.

We, and our affiliates, have the right to operate, and to license others to operate, Cheba Hut Businesses at any location outside the Territory, even if doing so will or might affect your operation of your Cheba Hut Business. We retain the right, for ourselves and our affiliates, on any terms we deem advisable, not expressly granted to you. These include the right:

1. to own, franchise or operate Cheba Hut Businesses at any location outside of the Territory, regardless of the proximity to your Restaurant;
2. to use the Marks and the System to sell any products or services, similar to those which you will sell, through any alternate channels of distribution within or outside of the Territory. This includes, but is not limited to, other channels of distribution such as television, catalog sales, wholesale to unrelated retail outlets or over the Internet. We exclusively reserve the Internet as a channel of distribution for us, and you may not independently market on the Internet or conduct e-commerce;
3. to offer and sell food products, including frozen products and proprietary food products, under the Marks or any other marks, through grocery stores, convenience stores, hotel shops and kiosks, theatres, malls, airports, gas stations, college campuses, sports venues or other retail locations within or



outside of the Territory, provided no franchised or company outlet will be physically located in the Territory;

4. to use and license the use of other proprietary and non-proprietary marks or methods, which are not the same as or confusingly similar to the Marks, whether in alternative channels of distribution or in the operation of a business offering quick-service sandwich restaurants and related products and services, at any location, including within the Territory, which may be similar to or different from the Cheba Hut Business operated by you. Although we reserve the rights described, neither we nor any affiliate, operates, franchises or has plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those offered by you or our other Franchises.

5. to purchase or be purchased by, or merge or combine with, any business, including a business that competes directly with your Cheba Hut Business, wherever located;

6. to acquire and convert to the System operated by us, any businesses offering services and products similar to what is offered by Cheba Hut Businesses, including such businesses operated by competitors or otherwise operated independently or as part of, or in association with, any other system or chain, whether franchised or corporately owned and whether located inside or outside of the Territory, provided that in such situations the newly acquired businesses may not operate under the Marks in the Territory;

7. to provide, and to allow other Cheba Hut Businesses that may compete directly with you to provide, catering or delivery services inside and outside of your Territory; and

8. to implement multi-area marketing programs, which may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such multi-area marketing programs.

We are not required to pay you if we exercise any of the rights specified above within your Territory. The continuation of the Territory is not dependent upon your achievement of a certain sales volume, market penetration or other contingency. We will not be required to pay compensation for soliciting or accepting orders inside your Territory, including any delivery orders accepted or solicited by other Cheba Hut franchisees.

If you wish to purchase an additional Cheba Hut Franchise, you must apply to us, and we may, at our discretion, offer an additional Cheba Hut Franchise to you. We consider a variety of factors when determining whether to grant additional Cheba Hut Franchises. Among the factors we consider, in addition to the then-current requirements for new Cheba Hut franchisees, are whether or not the franchisee is in compliance with the requirements under their current Franchise Agreement.

You do not receive the right to acquire additional Cheba Hut Franchises within the Territory unless you purchase a Multi-3 Franchise. You are not given a right of first refusal on the sale of existing Cheba Hut Franchises.


### **ITEM 13 TRADEMARKS**

The Marks and the System are owned by Cheba Hut IP and are licensed exclusively to us. The Franchise Agreement and your payment of Royalties grant you the non-exclusive right and license to use the System, which includes the use of the Proprietary Marks. Cheba Hut IP Holdings, Inc. has granted us





an exclusive license (“Trademark License”) to use the Marks to franchise the System around the world. The Trademark License is perpetual and began on April 1, 2017. If the Trademark License is terminated, Cheba Hut IP has agreed to license the Marks directly to our franchisees until each Franchise Agreement expires or is otherwise terminated.


Cheba Hut IP has registrations with the United States Patent and Trademark Office (“USPTO”) for the following Marks:

Registered Mark	Registration Number	Registration Date	Register
<b>CHEBA HUT®</b>	3,272,147	July 31, 2007	Principal
<b>WHERE THE ONLY THING FRIED IS AN OCCASIONAL CUSTOMER®</b>	2,529,755	January 15, 2002	Principal
<b>THE KIND®</b>	2,651,400	November 19, 2002	Principal
<b>PAKALOLO®</b>	2,653,606	November 26, 2002	Principal
<b>BLUNT®</b>	2,685,472	February 11, 2003	Principal
<b>NUG®</b>	2,685,473	February 11, 2003	Principal
<b>PINNER®</b>	2,685,474	February 11, 2003	Principal
<b>JAMAICAN RED®</b>	2,689,996	February 25, 2003	Principal
<b>WHITE WIDOW®</b>	5,443,297	April 10, 2018	Principal
<b>KALI MIST®</b>	5,452,107	April 24, 2018	Principal
<b>AK-47®</b>	5,452,108	April 24, 2018	Principal
<b>STICKY ICKY®</b>	5,533,429	August 7, 2018	Principal
<b>KUSH®</b>	5,533,430	August 7, 2018	Principal
<b>THAI STICK®</b>	5,568,599	September 25, 2018	Principal
	6,259,981	February 2, 2021	Principal



Registered Mark	Registration Number	Registration Date	Register
	6,513,182	October 5, 2021	Principal
HASH CAN	6,027,628	April 7, 2020	Principal
	6,972,909	February 7, 2023	Principal
SMOKE OUT INJUSTICE	6,974,282	February 7, 2023	Principal
HUMBOLDT	6,263,226	February 2, 2021	Supplemental
LOADED NOT'CHOS	6,317,571	April 6, 2021	Supplemental
MODERATION FOR THE DURATION	7,141,085	August 15, 2023	Principal

Cheba Hut IP has applied to register the following Marks with the USPTO:

Trademark	Serial Number	Application Date	Status
SENSI KUSH	98,223,348	October 13, 2023	Pending on the Principal Register
	98,326,429	December 21, 2023	Pending on the Principal Register
IT'S ALL ABOUT THE INTERACTION, NOT THE TRANSACTION	98,399,371	February 9, 2024	Pending on the Principal Register

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

There are no effective adverse material determinations of the USPTO, the Trademark Trial and Appeal Board or the trademark administrator of any state, or any court, and no pending infringement, opposition or cancellation proceedings or material litigation involving the Marks. All required affidavits and renewals have been filed.

Except for the Trademark License, no agreement significantly limits our right to use or license the Marks in any manner material to the Cheba Hut Business. We do not know of any superior prior rights or



infringing uses that could materially affect your use of the trademarks. You must follow our rules when using the Marks. You cannot use our name or Mark as part of a corporate name or with modifying words, designs or symbols unless you receive our prior written consent. You must indicate to the public in any contract, advertisement and with a conspicuous sign in your Restaurant that you are an independently owned and operated licensed franchisee of CHF. You may not use the Marks in the sale of unauthorized services or products or in any manner we do not authorize. You may not use the Marks in any advertising for the transfer, sale or other disposition of the Cheba Hut Business, or any interest in the franchise. All rights and goodwill from the use of the Marks accrue to us. If it becomes advisable, at any time, for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute trademarks or service marks, you must comply with our directions within a reasonable time after receiving notice. We will not reimburse you for your direct expenses of changing signage, for any loss of revenue or other indirect expenses due to any modified or discontinued Mark, or for your expenses of promoting a modified or substituted trademark or service mark.

We will defend you against any claim brought against you by a third party that your use of the Marks, in accordance with the Franchise Agreement, infringes upon that party's intellectual property rights. We may require your assistance, but we will exclusively control any proceeding or litigation relating to our Marks. We have no obligation to pursue any infringing users of our Marks or protect you against unfair competition arising out of your use of the Marks. We are not required to indemnify you for expenses or damages if you are a party and an administrative or judicial proceeding involving the Mark, or if the proceeding is resolved unfavorably to you. If we learn of an infringing user, we will take the action appropriate, but we are not required to take any action if we do not feel it is warranted. You must notify us immediately if you learn that any party is using the Marks or a trademark that is confusingly similar to the Marks. We have the sole discretion to take such action as we deem appropriate to exclusively control any litigation or administrative proceeding involving a trademark licensed by us to you.

If it becomes advisable at any time, in our sole discretion, for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute trademarks or service marks, you must comply with our directions within a reasonable time after receiving notice. We will not reimburse you for your direct expenses of changing signage, for any loss of revenue or other indirect expenses due to any modified or discontinued Mark, or for your expenses of promoting a modified or substituted trademark or service mark.

You must not directly or indirectly contest our right to the Marks. We may acquire, develop and use additional marks not listed here, and may make those marks available for your use and for use by other franchisees.

#### **ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

The information in the Brand Standards Manual is proprietary and is protected by copyright and other laws. The designs contained in the Marks, the layout of our advertising materials, the ingredients and formula of our products and recipes, and any other writings and recordings in print or electronic form are also protected by copyright and other laws. Although we have not applied for copyright registration for the Brand Standards Manual, our advertising materials, the content and format of our products or any other writings and recordings, we claim common law and federal copyrights in these items. We grant you the right to use this proprietary and copyrighted information ("Copyrighted Works") for your operation of your Cheba Hut Franchise, but such copyrights remain our sole property.



There are no effective determinations of the United States Copyright Office or any court regarding any Copyrighted Works of ours, nor are there any proceedings pending, nor are there any effective agreements between us and third parties pertaining to the Copyrighted Works that will or may significantly limit using our Copyrighted Works.

Our Brand Standards Manual, electronic information and communications, sales and promotional materials, the development and use of our System, standards, specifications, policies, procedures, information, concepts and systems on, knowledge of, and experience in the development, operation and franchising of Cheba Hut Franchises, our training materials and techniques, information concerning product and service sales, operating results, financial performance and other financial data of Cheba Hut Franchises and other related materials are proprietary and confidential (“Confidential Information”) and are our property to be used by you only as described in the Franchise Agreement and the Brand Standards Manual. Where appropriate, certain information has also been identified as trade secrets (“Trade Secrets”). You must maintain the confidentiality of our Confidential Information and Trade Secrets and adopt reasonable procedures to prevent unauthorized disclosure of our Trade Secrets and Confidential Information.

We will disclose parts of the Confidential Information and Trade Secrets to you as we deem necessary or advisable for you to develop your Cheba Hut Franchise during training and in guidance and assistance furnished to you under the Franchise Agreement, and you may learn or obtain from us additional Confidential Information and Trade Secrets during the term of the Franchise Agreement. The Confidential Information and Trade Secrets are valuable assets of ours and are disclosed to you on the condition that you, and your owners if you are a business entity, and employees agree to maintain the information in confidence by entering into a confidentiality agreement we can enforce. Nothing in the Franchise Agreement will be construed to prohibit you from using the Confidential Information or Trade Secrets in the operation of other Cheba Hut Franchises during the term of the Franchise Agreement.

You must notify us within three days after you learn about another’s use of language, a visual image or a recording of any kind, that you perceive to be identical or substantially similar to one of our Copyrighted Works or use of our Confidential Information or Trade Secrets, or if someone challenges your use of our Copyrighted Works, Confidential Information or Trade Secrets. We will take whatever action we deem appropriate, in our sole and absolute discretion, to protect our rights in and to the Copyrighted Works, Confidential Information or Trade Secrets, which may include payment of reasonable costs associated with the action. However, the Franchise Agreement does not require us to take affirmative action in response to any apparent infringement of, or challenge to, your use of any Copyrighted Works, Confidential Information or Trade Secrets or claim by any person of any rights in any Copyrighted Works, Confidential Information or Trade Secrets. You must not directly or indirectly contest our rights to our Copyrighted Works, Confidential Information or Trade Secrets. You may not communicate with anyone except us, our counsel or our designees regarding any infringement, challenge or claim. We will take action as we deem appropriate regarding any infringement, challenge or claim, and the sole right to control, exclusively, any litigation or other proceeding arising out of any infringement, challenge or claim under any Copyrighted Works, Confidential Information or Trade Secrets. You must sign any and all instruments and documents, give the assistance and do acts and things that may, in the opinion of our counsel, be necessary to protect and maintain our interests in any litigation or proceeding, or to protect and maintain our interests in the Copyrighted Works, Confidential Information or Trade Secrets. No patents or patents pending are material to us at this time.



**ITEM 15**  
**OBLIGATION TO PARTICIPATE IN THE ACTUAL**  
**OPERATION OF THE FRANCHISE BUSINESS**

We recommend but do not require that you directly operate your Cheba Hut Business. An experienced hospitality professional who has a minimum of three years of restaurant and bar management experience must manage the day-to-day operation of the Cheba Hut Business (“Designated Manager”). Each management staff member you employ must successfully complete our training program. If you are not an individual, you must designate one of your owners as the “Managing Operator” acceptable to us who will be principally responsible for communicating with us about the Cheba Hut Business. The Managing Operator must have the authority and responsibility for the day-to-day operations of your Cheba Hut Business. We do not currently require, but in the future we may require, that the Designated Manager have an ownership interest in the legal entity of the Franchise owner. If you replace a Managing Operator or Designated Manager, the new Managing Operator or Designated Manager must satisfactorily complete our training program at your own expense.

Any Designated Manager and, if you are an entity, an officer that does not own equity in the franchisee entity, must sign the “System Protection Agreement,” the form of which is attached to this Franchise Disclosure Document in Exhibit G. All of your employees, independent contractors, agents or representatives that may have access to our confidential information must sign a confidentiality agreement (unless they already signed a System Protection Agreement), the current form of which is attached to this Franchise Disclosure Document in Exhibit G. If you are an entity, each direct and indirect owner (i.e., each person holding a direct and indirect ownership interest in you), including your Managing Operator, must sign an “Owners Agreement” guarantying the obligations of the entity, in the form of which is attached to the Franchise Agreement as Attachment D. We also require that the spouses of each direct and indirect owner sign the Owners Agreement.

**ITEM 16**  
**RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must sell or offer for sale only those services and products authorized by us, and which meet our standards and specifications. Authorized products may differ among our franchisees, and may vary depending on the operating season and geographic location of your Restaurant or other factors. You must follow our policies, procedures, methods and techniques. You must sell or offer for sale all types of services and products specified by us. You may only sell merchandise that we have authorized as specified in the Brand Standards Manual. You may not resell any merchandise that is provided to you in any marketing package. We may change or add to our required services and products, at our discretion, with prior notice to you. There are no limitations on our right to make changes to the required services and products offered by you. If we change or add to our required services and products, the changes or additions will remain in permanent effect, unless we specify otherwise. The amount you must pay for the changes or additions will depend upon the nature and type of changes or additions. You must discontinue selling and offering for sale any services or products that we disapprove. We reserve the right to establish minimum and maximum resale prices for use with multi-area marketing programs and special price promotions.

You may not establish an account or participate in any social networking sites, crowdfunding campaigns or blogs or mention or discuss the Cheba Hut Franchise, us or any of our affiliates, without our prior written consent and as subject to our online policy. You must follow the policies and procedures in our Brand Standards Manual if you would like to participate in any social networking sites or blogs or mention or discuss the franchise, us or any of our affiliates. Our online policy may completely prohibit you from any use of the Marks in social networking sites or other online use. You may not sell products



through other channels of distribution such as wholesale, Internet or mail order sales. Otherwise, we place no restrictions upon your ability to serve customers provided you do so from the location of your Restaurant in accordance with our policies.

**ITEM 17  
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

**This table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the agreements attached to this Franchise Disclosure Document.**

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 4	Ten years.
b. Renewal or extension of the term	Section 4	If you are in good standing and you meet other requirements, you may add one successor term of ten years.
c. Requirements for franchisee to renew or extend	Section 4.2	We use the term “renewal” or “successor” to refer to extending our franchise relationship at the end of your initial term and any other renewal or extension of the initial term. Your successor franchise rights permit you to remain as a Franchise after the initial term of your Franchise Agreement expires. You must provide timely notice, sign our then-current Franchise Agreement for the successor term, and this new franchise agreement may have materially different terms and conditions (including, e.g., higher royalty and advertising contributions) from the Franchise Agreement that covered your original term; sign a general release; pay the renewal fee; remodel the Restaurant to then-current standards; take any additional steps we may require for renewal.
d. Termination by franchisee	Section 20.1	You may terminate the Franchise Agreement if you are in compliance with it, and we are in material breach, and we fail to cure that breach within 30 days of receiving written notice, subject to applicable state law.
e. Termination by franchisor without “cause”	Not Applicable	Not Applicable.
f. Termination by franchisor with “cause”	Section 20.2	We can terminate upon certain violations of the Franchise Agreement by you.
g. Curable defaults	Sections 20.2, 20.3	You have 14 days to cure monetary defaults, and 14 days to cure any other default of the Franchise Agreement or any other agreement with us not listed as an incurable default.
h. Non-curable defaults	Section 20.2	Failure to complete initial training; failure to obtain site approval, lease, or open business; insolvency, bankruptcy, receivership; seizure of property or levy or foreclosure; abandonment





Provision	Section in Franchise Agreement	Summary
		of business for three or more days; revocation of license or permit; conviction of or plead of nolo contendere to felony, material administrative action, or failure to comply with material law or regulation; commission of act adversely affecting the reputation of the System; violation of health or safety laws or regulations; material misrepresentations; underreporting of revenues by 3% or more; unauthorized transfers; unauthorized use of confidential information or Marks; breach of restrictive covenants; default of lease; termination of other agreements between you and us due to your default.
i. Franchisee’s obligations on termination/non-renewal	Sections 14, 21.1	Obligations include complete de-identification, payment of amounts due and return of confidential Brand Standards Manual, all Confidential Information, Trade Secrets and records; compliance with restrictive covenants.
j. Assignment of contract by franchisor	Section 19	No restriction on our right to assign.
k. “Transfer” by franchisee – defined	Section 19	Includes any voluntary, involuntary, direct or indirect assignment, sale, gift, exchange, and grant of a security interest or change of ownership in the Franchise Agreement, the Franchise or interest in the Franchise.
l. Franchisor approval of transfer by franchisee	Section 19.2	We have the right to approve all transfers.
m. Conditions for franchisor approval of transfer	Section 19.2	Provide timely notice and opportunity for us to exercise our right of first refusal; new owner meets our requirements for new franchisees and has sufficient business experience and financial resources to operate the Franchise; you are in compliance with the Franchise Agreement; you must pay all amounts due; new owner and employees must complete the initial training program; your landlord must consent to the transfer of the lease; new owner has acquired all required licenses and permits; you must pay transfer fee; you must sign a general release in favor of us; new owner must agree to bring the Restaurant up to current standards; new owner signs a new franchise agreement in the then-current form; you must sign a non-compete agreement not to engage in a competitive business for two years within ten miles of that Franchise or another Cheba Hut Franchise; subordinate new owner’s obligations; reimburse us for actual costs of transfer, including legal fees, commissions, finders’ fees and similar charges; satisfy any other requirements for transfer.



Provision	Section in Franchise Agreement	Summary
n. Franchisor's right of first refusal to acquire franchisee's business	Section 19.5	We have 30 days to match any offer for your business.
o. Franchisor's option to purchase franchisee's business	Section 21.2	We may, but are not required to, purchase your Franchise, inventory or equipment at fair market value if your Franchise is terminated for any reason.
p. Death or disability of franchisee	Section 19.4	The agreement must be transferred or assigned to a qualified party within 180 days of death or disability or the Franchise Agreement may be terminated. Your estate or legal representative must apply to us for the right to transfer to the next of kin within 120 calendar days of your death or disability.
q. Non-competition covenants during the term of the Franchise	Section 14.3	You may not participate in a diverting business, have no owning interest in, loan money to, or perform services for a competitive business anywhere. You may not interfere with our or our other franchisees' Cheba Hut Franchises, subject to applicable state law.
r. Non-competition covenants after the Franchise is terminated or expires	Section 14.4	Owners may not have an interest in, own, manage, operate, finance, control or participate in any competitive business within: (i) a ten-mile radius from Franchisee's Cheba Hut business (and including the premises of the approved location of Franchisee); and (ii) a ten-mile radius from all other Cheba Hut Businesses that are operating or under construction as of the beginning of the Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the "Restricted Territory" means the geographic area within a five-mile radius from Franchisee's Cheba Hut business (and including the premises of the approved location of Franchisee)for two years, subject to applicable state law.
s. Modification of agreement	Section 24.8	No modifications of the Franchise Agreement during the term unless agreed to in writing, but the Brand Standards Manual is subject to change at any time in our discretion. Modifications are permitted on renewal.
t. Integration/merger clause	Section 25	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of this Franchise Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 22	Except for certain claims, all disputes must be mediated and arbitrated in the principal city closest to our principal place of business (currently Fort Collins, Colorado), subject to applicable state law.



Provision	Section in Franchise Agreement	Summary
v. Choice of forum	Section 22	All disputes must be mediated, arbitrated, and if applicable, litigated in the principal city closest to our principal place of business (currently Fort Collins, Colorado), subject to applicable state law.
w. Choice of law	Section 25	Colorado law applies, subject to applicable state law.

The Franchise Agreement provides for termination upon your bankruptcy. These provisions may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101, et seq.).

### **ITEM 18 PUBLIC FIGURES**

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

### **ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC’s Franchise Rule permits a franchisor to disclose information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and 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 performance at a particular location or under particular circumstances.

As of December 31, 2023, there were 60 Cheba Hut Businesses, two affiliate-owned Cheba Hut Businesses (“Affiliate Locations”) and 58 franchised Cheba Hut Businesses (“Franchised Locations”). Franchised Locations will share many of the same characteristics as our Affiliate Locations, including degree of competition, and products and services offered. Affiliate Locations also pay Royalty, Brand Fund Contributions and Technology Fees, but they are not required to meet the Local Advertising Requirement. This Item 19 provides historical financial information for the 2023 calendar year.

#### Table One

Table One provides financial information of all Franchised Locations and Affiliate Locations. Table 1A provides information for all 60 Cheba Hut Businesses. Table 1B provides information for the 58 Franchised Locations. Table 1C provides information for the two Affiliate Locations.



Table 1A

<b>All Locations (Franchised and Affiliate) – 60 Locations</b>				
<b>Average Net Sales</b>	<b>Number/% Attained or Exceeded</b>	<b>Median Net Sales</b>	<b>Highest Net Sales</b>	<b>Lowest Net Sales</b>
\$1,999,641.06	32 (53.33%)	\$2,020,486.42	\$3,620,146.42	\$61,934.90

Table 1B

<b>All Locations - Franchised Locations – 58 Locations</b>				
<b>Average Net Sales</b>	<b>Number/% Attained or Exceeded</b>	<b>Median Net Sales</b>	<b>Highest Net Sales</b>	<b>Lowest Net Sales</b>
\$2,032,130.22	30 (51.72%)	\$2,127,616.81	\$3,620,146.42	\$160,562.68

Table 1C

<b>All Locations - Affiliate Locations – 2 Locations</b>				
<b>Average Net Sales</b>	<b>Number/% Attained or Exceeded</b>	<b>Median Net Sales</b>	<b>Highest Net Sales</b>	<b>Lowest Net Sales</b>
\$2,020,486.42	1 (100%)	\$2,020,486.42	\$2,020,486.42	\$2,020,486.42

Table Two

Table Two provides financial information of all Cheba Hut Businesses open at least 12 months as of December 31, 2023. Table 2A provides information for the 51 Cheba Hut Businesses that were open 12 months or more as of December 31, 2023. Table 2B provides information for the 50 Franchised Locations that were open 12 months or more as of December 31, 2023. Table 2C provides information for the one Affiliate Location that was open 12 months or more as of December 31, 2023.



Table 2A

All Locations -12+ Months (Franchised and Affiliate) – 51 Locations				
Average Net Sales	Number/% Attained or Exceeded	Median Net Sales	Highest Net Sales	Lowest Net Sales
\$1,999,641.06	32 (53.33%)	\$2,020,486.42	\$3,620,146.42	\$61,934.90*

Table 2B

Franchised Locations-12+ Months – 50 Locations				
Average Net Sales	Number/% Attained or Exceeded	Median Net Sales	Highest Net Sales	Lowest Net Sales
\$2,307,476.66	29 (58.00%)	\$2,406,843.69	\$3,620,146.42	\$574,384.35

Table 2C

Affiliate Locations-12+ Months – 1 Location				
Net Sales	Number/% Attained or Exceeded	Median Net Sales	Highest Net Sales	Lowest Net Sales
\$61,934.90	1 (100%)	\$61,934.90	\$61,934.90	\$61,934.90

\*This location opened in December 2023.

Notes:

1. As used in this Item 19, “Net Sales” means gross sales less complimentary meals, discounts, and sales tax.
2. The numbers in this Item 19 were gathered from the POS system and internal accounting records and are compiled on a cash basis.
3. The financial performance representations in this Item 19 do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the Net Sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.

Written substantiation of the data used in preparing the financial performance representations described above will be made available to you on reasonable request.



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

Other than the preceding financial performance representation, Cheba Hut Franchising, Inc. does 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 financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Scott Jennings, 400-A N. College Avenue, Fort Collins, Colorado 80524, (970) 286-2953, the Federal Trade Commission and the appropriate state regulatory agencies.

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

Table No. 1

System-wide Outlet Summary  
For Years 2021-2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	36	44	+8
	2022	44	50	+6
	2023	50	58	+8
*Company-Owned	2021	0	1	+1
	2022	1	1	0
	2023	1	2	+1
Total Outlets	2021	36	45	+9
	2022	45	51	+6
	2023	51	60	+9

\*These outlets were/are operated by affiliates

Table No. 2

Transfers of Franchised Outlets  
to New Owners (other than the Franchisor)  
For Years 2021-2023

State	Year	Number of Transfers
Wisconsin	2021	1
	2022	0
	2023	0
Totals	2021	1
	2022	0
	2023	0



Table No. 3

Status of Franchised Outlets  
For Years 2021-2023

State	Year	Outlets at Start of the Year	Outlets Added	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Arizona	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	0	7
	2023	7	0	0	0	0	0	7
Arkansas	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
California	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	1	2
	2023	2	1	0	0	0	0	3
Colorado	2021	13	2	0	0	0	0	15
	2022	15	0	0	0	0	0	15
	2023	15	1	0	0	0	0	16
Florida	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Georgia	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
Illinois	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Louisiana	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Nevada	2021	3	0	0	0	0	0	3
	2022	3	1	0	0	0	0	4
	2023	4	0	0	0	0	0	4
New Mexico	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Ohio	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	1	0
Oregon	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2



State	Year	Outlets at Start of the Year	Outlets Added	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Texas	2021	2	1	0	0	0	0	3
	2022	3	3	0	0	0	0	6
	2023	6	4	0	0	0	0	10
Washington	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	0	2
Wisconsin	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	1	0	0	0	0	3
Total	2021	36	8	0	0	0	0	44
	2022	44	7	0	0	0	1	50
	2023	50	9	0	0	0	1	58

Table No. 4

Status of Company-Owned Outlets  
For Years 2021-2023

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Arizona	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	1	0	0	0	1
Colorado	2021	0	1	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Nevada	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Total Outlets	2021	0	1	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	1	0	0	0	2





Table No. 5

Projected Openings as of  
December 31, 2023

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Arkansas	1	0	0
Arizona	1	0	0
California	3	0	0
Colorado	1	0	0
Minnesota	1	0	0
Nevada	0	0	0
New Mexico	2	0	0
North Carolina	1	0	0
Tennessee	1	0	0
Texas	3	0	0
Washington	1	0	0
Wisconsin	1	0	0
Total	16	0	0

The names, addresses and telephone numbers of our current franchisees are attached to this Franchise Disclosure Document as Exhibit C. The name and last known address and telephone number of every current franchisee and every franchisee who has had a Cheba Hut Franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement during the one year period ending December 31, 2023, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document, is listed in Exhibit C. In some instances, current and former franchisees may sign provisions restricting their ability to speak openly about their experiences with us. You may wish to speak with current and former franchisees, but know that not all such franchisees can communicate with you. During the last three years, certain former franchisees have signed confidentiality provisions that would restrict their ability to speak openly about their experience with the Cheba Hut Franchise System. If you buy a Cheba Hut Franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

We endorse the following trademark-specific franchisee association:

Toker Tank  
PO Box 12259  
Denver, CO 80212  
319-389-1563  
david.timmons@chebahut.com

As of the Issuance Date of this Franchise Disclosure Document, other than Toker Tank, there are no other franchise organizations sponsored or endorsed by us and no independent franchisee



organizations have asked to be included in this Franchise Disclosure Document. We do not have any trademark specific franchisee organizations.

## **ITEM 21 FINANCIAL STATEMENTS**

Exhibit B contains the audited financial statements required to be included with this Franchise Disclosure Document: December 31, 2023, December 31, 2022 and December 31, 2021. Our fiscal year end is December 31.

## **ITEM 22 CONTRACTS**

Exhibit A	Franchise Agreement
Exhibit F	State Addenda and Agreement Riders
Exhibit G	Contracts for use with the Cheba Hut Franchise
Exhibit H	Franchise Disclosure Questionnaire

## **ITEM 23 RECEIPT**

The last pages of this Franchise Disclosure Document, Exhibit J, are a detachable document, in duplicate. Please detach, sign, date and return one copy of the Receipt to us, acknowledging you received this Franchise Disclosure Document. Please keep the second copy for your records.



**EXHIBIT A**  
**FRANCHISE AGREEMENT**



**EXHIBIT A**



**CHEBA HUT  
FRANCHISE AGREEMENT**

**Franchise #:** \_\_\_\_\_

**Franchisee:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Location:** \_\_\_\_\_

## TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
1. DEFINITIONS.....	1
2. GRANT OF FRANCHISE.....	1
3. TERRITORIAL RIGHTS AND LIMITATIONS.....	1
4. TERM AND RENEWAL.....	3
5. TRAINING AND CONFERENCES.....	4
6. OTHER FRANCHISOR ASSISTANCE.....	5
7. ESTABLISHING YOUR CHEBA HUT RESTAURANT.....	6
8. MANAGEMENT AND STAFFING.....	8
9. FRANCHISEE AS ENTITY.....	9
10. OWNERS AGREEMENT.....	9
11. ADVERTISING & MARKETING.....	10
12. BRAND STANDARDS.....	12
13. FEES.....	17
14. BRAND PROTECTION COVENANTS.....	18
15. YOUR OTHER RESPONSIBILITIES.....	20
16. INSPECTION AND AUDIT.....	23
17. INTELLECTUAL PROPERTY.....	23
18. INDEMNITY.....	24
19. TRANSFERS.....	25
20. TERMINATION.....	27
21. POST-TERM OBLIGATIONS.....	30
22. DISPUTE RESOLUTION.....	32
23. SECURITY INTEREST.....	35
24. YOUR REPRESENTATIONS.....	37
25. GENERAL PROVISIONS.....	37

### ATTACHMENTS:

Attachment A	Definitions
Attachment B	Franchise Data Sheet
Attachment C	Statement of Ownership
Attachment D	Owners Agreement



# CHEBA HUT

## FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“Franchise Agreement”) is made, entered into and effective as of the “Effective Date” set forth in Attachment B to this Franchise Agreement, by and between Cheba Hut Franchising, Inc., an Arizona corporation (“we,” “us,” and “our”), and the franchisee set forth in Attachment B to this Franchise Agreement (“you,” “your,” and “Franchisee”). If more than one person or entity is listed as the Franchisee, each such person or entity shall be jointly and severally liable for all rights, duties, restrictions and obligations under this Franchise Agreement.

This Franchise Agreement has been written in an informal style in order to make it more easily readable and to be sure that you become completely familiar with all of the important rights and obligations the Franchise Agreement covers before you sign it.

This Franchise Agreement includes several attachments, each of which are legally binding and are a part of the complete Franchise Agreement, including an “Owners Agreement” which is attached to this Franchise Agreement as Attachment D (“Owners Agreement”). Certain provisions in this Franchise Agreement will also apply to your owners (“Owners”) and their spouses. Each Owner and each Owner’s spouse is required to sign the Owners Agreement.

It is your responsibility to read through the entire Franchise Agreement. The Franchise Agreement creates legal obligations that you must follow. We recommend that you consult with a legal professional to ensure that you understand these obligations. If you have any questions or you do not understand a certain provision or section, please review it with your legal, business and financial advisor before you sign the Franchise Agreement.

**1. DEFINITIONS.** This Franchise Agreement has defined terms. A defined term is a shorthand reference within a document that refers to another name or idea in the document. Defined terms are underlined and surrounded by double quotes with capitalized first letters and may be contained in parentheses. Defined terms are located either in Attachment A of this Franchise Agreement or underlined throughout the document between quotation marks.

**2. GRANT OF FRANCHISE.** We hereby grant you a license to own and operate a Cheba Hut franchised business (“Cheba Hut Business”) using our Intellectual Property from a single location that we approve (“Cheba Hut Restaurant”). As a Cheba Hut Franchisee, you will operate a Cheba Hut Restaurant providing quick-serve sandwiches featuring toasted submarine sandwiches, original sauces, salads, soups, chips, brownies, and other high-quality food and beverage items in a fun, casual and distinctive atmosphere within any geographic area. We reserve all rights not expressly granted to you.

**3. TERRITORIAL RIGHTS AND LIMITATIONS.** We will grant you an exclusive territory consisting of the geographic area identified in Attachment B (“Territory”). By exclusive, we mean that we will not operate, or grant a Franchise or license to a third party to operate, a Cheba Hut Business that is physically located within your Territory, except as otherwise provided in this Section with respect to non-traditional locations or locations in a metropolitan area (an area in which the population during any 24-hour period exceeds 50,000 persons per square mile). We reserve the right to operate or to sell or grant Franchises or licenses to operate Cheba Hut Businesses within your Territory if it is located in: (1) a metropolitan area or (2) a non-traditional location such as (but not limited to) an airport, hotel, convention center, sports arena, big-box retailer, or stadium, college or university campus, outlet mall, hospital, military or government facility, shopping mall food court, grocery store, amusement park, any site where the owner or operator limits services to a master concessionaire or contract food provider, or within the premises of



another business. We, and our affiliates, have the right to operate, and to license others to operate, Cheba Hut Businesses at any location outside the Territory, even if doing so will or might affect your operation of your Cheba Hut Business. We retain the right, for ourselves and our affiliates, on any terms we deem advisable all rights not expressly granted to you. These include the right:

(i) to own, franchise or operate Cheba Hut Businesses at any location outside of the Territory, and on terms and conditions we deem appropriate, regardless of the proximity to your Cheba Hut Restaurant and even if doing so will or may affect the operation of your Cheba Hut Business;

(ii) to use the Marks and the System to sell any products or services similar to those which you will sell through any alternate channels of distribution within or outside of the Territory. This includes, but is not limited to, other channels of distribution such as television, catalog sales, wholesale to unrelated retail outlets or over the Internet. We exclusively reserve the Internet as a channel of distribution for us, and you may not conduct e-commerce unless we authorize you to do so (which we may revoke in our sole discretion at any time) and subject to our policies and procedures as contained in the Brand Standards Manual;

(iii) to offer and sell food products, including frozen products and proprietary food products, under the Marks or any other trademarks, through grocery stores, convenience stores, hotel shops and kiosks, theatres, malls, airports, gas stations, college campuses, sports venues or other retail locations within or outside of the Territory;

(iv) to use and license the use of other proprietary and non-proprietary trademarks or methods, which are not the same as or confusingly similar to the Marks, whether in alternative channels of distribution or in the operation of a business offering quick-service sandwich restaurants and related products and services, at any location, including within the Territory, which may be similar to or different from the Cheba Hut Business operated by you;

(v) to engage in any transaction, including to purchase or be purchased by, to merge or combine with, to convert to the System or be converted into a new system with any business whether franchised or corporately owned, and including businesses offering services and products similar to what is offered by Cheba Hut Businesses or that directly compete with your Cheba Hut Business whether located inside or outside of the Territory, provided that in such situations the newly acquired businesses may not operate under the Marks in your Territory;

(vi) to provide, and to allow other Cheba Hut Businesses that may compete directly with your Cheba Hut Business to provide, catering and delivery services inside and outside your Territory;

(vii) to implement multi-area marketing programs, which may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such multi-area marketing programs; and

(viii) to engage in any other business activities not expressly prohibited by this Franchise Agreement, both within and outside your Territory.



We are not required to pay you if we exercise any of the rights specified above within your Territory. We do not pay compensation for soliciting or accepting orders inside your Territory, including orders accepted or solicited by other Cheba Hut franchisees. You agree that you may face competition from us, from other franchisees and from other channels of distribution or competitive brands that we control within the Territory.

#### 4. TERM AND RENEWAL.

**4.1. Generally.** The term of this Franchise Agreement will begin on the Effective Date and continue for ten years (“Term”). If this Franchise Agreement is the initial franchise agreement for your Cheba Hut Business, you may enter into a maximum of one successor franchise agreement (a “Successor Agreement”) as long as you meet the conditions for renewal specified below. The Successor Agreement shall be the current form of franchise agreement that we use in granting Cheba Hut Businesses as of the expiration of the Term. The terms and conditions of the Successor Agreement may vary materially and substantially from the terms and conditions of this Franchise Agreement. The renewal term will be ten years. If you are signing this franchise agreement as a Successor Agreement, the references to “Term” shall mean the applicable renewal term of the Successor Agreement. Except as provided in Section 4.3 below, you will have no further right to operate your Cheba Hut Business following the expiration of the renewal term unless we grant you another Franchise in our sole discretion. If you are renewing an initial franchise agreement with us under this Franchise Agreement, the renewal provisions in your original franchise agreement will dictate the length of the Term of this Franchise Agreement, as well as your remaining renewal rights, if any.

**4.2. Renewal Requirements.** In order to enter into a Successor Agreement, you and the Owners (as applicable) must: (i) notify us in writing of your desire to enter into a Successor Agreement not less than 60 days nor more than 180 days before the expiration of the Term; (ii) not be in default under this Franchise Agreement or any other agreement with us or any affiliate of ours at the time you send the renewal notice or the time you sign the Successor Agreement; (iii) sign the Successor Agreement and all ancillary documents that we require franchisees to sign; (iv) sign a General Release of all known and unknown claims against us and our affiliates and subsidiaries, and our and their respective members, officers, directors, agents and employees, in both their corporate and individual capacities; (v) pay us a renewal fee equal to fifty percent (50%) of our then-current initial franchise fee (or if we are not then offering franchises for sale, 50% of the initial franchise fee listed in the most recent Franchise Disclosure Document ); (vi) at least 60 days but not more than 180 days before the expiration of the Term you must upgrade and remodel your Cheba Hut Restaurant in accordance with Section 12.9 to comply with our then-current standards and specifications; (vii) have the right under your lease to maintain possession of the premises where your Cheba Hut Restaurant is located for the duration of the renewal term; and (viii) take any additional actions that we reasonably require.

**4.3. Interim Term.** If you do not sign a Successor Agreement after the expiration of the Term and you continue to accept the benefits of this Franchise Agreement, then at our option, this Franchise Agreement may be treated either as: (i) expired as of the date of the expiration with you then operating without a franchise to do so and in violation of our rights; or (ii) continued on a month-to-month basis (“Interim Term”) until either party provides the other party with 30 days’ prior written notice of the party’s intention to terminate the Interim Term. In the latter case, all of your obligations will remain in full force and effect during the Interim Term as if this Franchise Agreement had not expired, and all obligations and restrictions imposed on you upon the expiration or termination of this Franchise Agreement will be deemed to take effect upon the termination of the Interim Term. Except as otherwise permitted by this Section 4, you have no right to continue to operate your Cheba Hut Business following the expiration of the Term.





## 5. TRAINING AND CONFERENCES

**5.1. Initial Training Fees.** We will provide our initial training program at no additional charge for up to three people, provided that all persons attend the initial training program simultaneously. You (or if you are an entity, your Managing Operator) and your Designated Manager, if any, must attend and successfully complete our initial training program to our satisfaction 60 days prior to the date that your Cheba Hut Business is scheduled to open. We reserve the right to vary the length and content of the initial training program as we deem appropriate in our sole discretion based on the experience of the attendee. We shall determine the scheduling, exact duration, contents and manner of the initial training program in our discretion and may delay your attendance until a suitable time near the grand opening date for your Cheba Hut Business in our discretion. You must pay us our then-current training fee (as specified in our Brand Standards Manual) for: (i) each additional person that attends the initial training program; or (ii) any person must retake the initial training program after failing to successfully complete the initial training program prior to opening. If you hire a new Designated Manager or appoint a new Managing Operator, the new Designated Manager or Managing Operator, as applicable, must attend and successfully complete our then-current initial training program. You will also be required to pay us our then-current fee for the initial training person if any person is required to attend after your Cheba Hut Business opens for business (such as a new Managing Operator or Designated Manager). Additionally, you must attend Culture Daze, a two-and-a-half-day training session, in Fort Collins, Colorado, within 45 days of signing this Franchise Agreement and prior to opening your Cheba Hut Business.

**5.2. Opening Team.** After your management staff has successfully completed the initial training program, we will arrange for an “Opening Team” to assist you with opening your Cheba Hut Business. The Opening Team will assist you with implementing the System at your Cheba Hut Restaurant and training your staff and kitchen employees on the Cheba Hut brand standards. We schedule our Opening Team within ten days of your receipt of your certificate of occupancy and completion of the Cheba Hut green light checklist (the “Green Light Checklist”). The Green Light Checklist consists of appropriate staffing levels, proof of Cheba Hut required equipment and smallwares, and the required postings and state/municipality certifications. The Opening Team will assist you for a minimum of 10 days (which may not be consecutive) for your first Cheba Hut Restaurant and a minimum of five days for additional Cheba Hut Restaurants. If we determine that the Opening Team must include more than three Cheba Hut representatives and/or if we determine that the Opening Team must be present at the Cheba Hut Restaurant for more than 10 days (or 5 days for additional Cheba Hut Restaurants), you must reimburse us for our expenses attributable the extra representatives and/or extra days which amounts are not refundable under any circumstances.

**5.3. Periodic Training.** We may offer periodic refresher or additional training courses for you (or if you are an Entity, your Managing Operator), your Designated Manager or other management personnel. Attendance at these training programs may be optional or mandatory. You may be required to pay a fee for this training as specified in our Brand Standards Manual.

**5.4. Additional Training upon Request.** Upon your written request, we may provide additional assistance or training to you at a mutually convenient time. We may charge you our then-current fee for such assistance or training.

**5.5. Remedial Training.** If we conduct an inspection of your Cheba Hut Restaurant and determine that you are not operating your Cheba Hut Restaurant in compliance with this Franchise Agreement and/or the Brand Standards Manual, we may, at our option, require that you (or if you are an Entity, your Managing Operator), your Designated Manager (if applicable) or other management personnel attend remedial training that is relevant to your operational deficiencies. If the training program is



conducted at your Cheba Hut Restaurant, then you must pay us the then-current per day or per person on-site training fee and reimburse us for the expenses we or our representatives incur in providing the training.

**5.6. Conferences.** We may hold periodic national or regional conferences to discuss various business issues and operational and general business concerns affecting Cheba Hut franchisees. Attendance at these conferences may be mandatory or optional. You are responsible for paying our then-current conference registration fee, whether or not you attend the conference in any given year.

**5.7. Conference and Training Costs.** You are solely responsible for all expenses and costs that you (or if you are an Entity, your Managing Operator), Designated Manager (if any) and each of your trainees incur for all trainings and conferences under this Section 5, including but not limited to our initial training program, Culture Daze, additional and remedial training. The expenses and costs you are responsible for include all wages, travel, lodging and living expenses. Except for the assistance provided by our Opening Team under Section 5.2, you also agree to reimburse us for all expenses and costs that we incur to travel to your Cheba Hut Restaurant under this Section 5 including transportation, food, lodging and travel expenses. All training fees and expense reimbursements must be paid to us within ten days after invoicing.

## **6. OTHER FRANCHISOR ASSISTANCE.**

**6.1. Brand Standards Manual.** During the Term we will provide you with access to a copy of our current brand standards manual for the Term of this Franchise Agreement, and we will later provide you with all periodic modifications thereto and any other manual we may develop specifying the System standards (collectively, the "Brand Standards Manual"). If the copy of the Brand Standards Manual loaned to you is lost, stolen or destroyed before you return it to us, you must pay us our then-current replacement fee. We reserve the right to provide the Brand Standards Manual electronically, such as by an intranet or password-protected website. You acknowledge that your compliance with the Brand Standards Manual is vitally important to us and other System franchisees and is necessary to protect our reputation and the goodwill of the Marks and to maintain the uniform quality of operation throughout the System. The Brand Standards Manual is designed to protect our reputation and the goodwill of the Marks. It is not designed to control the day-to-day operation of the Cheba Hut Business.

**6.2. Site Selection.** If you request assistance, we will provide you with advice in identifying a suitable location for the Cheba Hut Restaurant as further described in Section 7.1.

**6.3. General Guidance.** Based upon our periodic inspections of your Cheba Hut Restaurant or reports that you submit to us, we will provide our guidance and recommendations on ways to improve the marketing and/or operation of your Cheba Hut Business.

**6.4. Marketing Assistance.** As further described in Section 11, we will provide you with other marketing assistance during the Term.

**6.5. Website.** We will maintain a website for Cheba Hut franchisees that will include the information about your Cheba Hut Business that we deem appropriate. We may modify the content of and/or discontinue the Website at any time in our sole discretion. Throughout the Term, we will also provide you with your own local webpage that will be linked to or a part of our main website. We must approve all content on your webpage. We will own the website (including your webpage) and domain name at all times. We are only required to include information for your Cheba Hut Business on our Website while you are in full compliance with this Franchise Agreement and all System standards.



**6.6. Supplier Agreements.** We may, but need not, negotiate agreements with suppliers to obtain discounted prices for us and our franchisees. If we succeed in negotiating an agreement, we will arrange for you to be able to purchase the products directly from the supplier at the discounted prices that we negotiate (subject to any rebates the supplier pays to us). We may also purchase certain items from suppliers in bulk and resell them to you at our cost, plus shipping fees and a reasonable markup in our sole discretion.

**6.7. Proprietary Products.** We may, but need not, create Cheba Hut proprietary products for sale at your Cheba Hut Business. If we develop any of these products, you agree to maintain a reasonable inventory of these items at your Cheba Hut Restaurant at all times.

**6.8. Notice.** If you believe that we or our affiliates have failed to adequately provide any assistance or services to you as provided in this Franchise Agreement, you will notify us in writing within 30 days following ours or our affiliates' provision of such services. Without the timely provision of such notice to us, you will be deemed to conclusively acknowledge that all such assistance or services required to be provided by us or our affiliates were sufficient and satisfactory in your judgment.

## **7. ESTABLISHING YOUR CHEBA HUT RESTAURANT**

**7.1. Site Selection.** The Cheba Hut Restaurant must be located within the Territory identified in Attachment B-1 and must conform to our minimum selection criteria. We must accept in writing the site selected by you before you can proceed. You must use our approved vendor to advise and counsel you on-site selection for the Cheba Hut Restaurant. In addition, we recommend that you retain (a) an experienced commercial real estate broker or salesperson who has at least five years' experience in locating restaurant sites to advise and counsel you on price, economics, viability, location, and acquisition or lease of the site for the Cheba Hut Restaurant and (b) an experienced attorney to provide advice and counsel you on your business and the terms, conditions and economics of the legal and other documents required to lease or purchase the site. You agree to locate and obtain our approval of the premises from which you will operate your Cheba Hut Business within 120 days after the Effective Date. You must send us a complete site report (containing the demographic, commercial and other information, photographs, and video tapes that we may reasonably require) for your proposed site. We may require that you obtain a feasibility study at your expense for the proposed site at your sole cost. You must purchase or lease the site for your Cheba Hut Restaurant within 180 days after the Effective Date. We must approve of the site for the Cheba Hut Restaurant before you enter into a lease or a purchase contract. We have the right to accept or reject all proposed sites in our commercially reasonable judgment. We will use our best efforts to approve or disapprove a proposed site within 14 days after we receive all of the requisite materials. Your site is deemed disapproved if we fail to issue our written approval within the 14-day period. Our approval shall be evidenced by the execution of Attachment B-1 by you and us. You may only operate the Cheba Hut Restaurant at the location specified in Attachment B-1. You understand that our approval of a site does not constitute a representation or warranty of any kind, express or implied, of the suitability of the site for a Cheba Hut Restaurant. Our approval of the site indicates only that we believe the site meets our minimum criteria.

**7.2. Lease.** If you will lease the premises for your Cheba Hut Restaurant, you must provide us with a proposed copy at least ten days before signing. We will only review the lease to determine that it is in compliance with the terms of this Franchise Agreement and will not review the lease for or provide you with any business, economic, legal or real estate analysis or advice. Our approved vendor may assist you in negotiating the lease for your Cheba Hut Restaurant. However, you are solely responsible for the terms of the lease and any no-objection letter we provide for the lease does not provide any representation or warranty of any kind, express or implied, that concerning the terms of the lease or the viability or suitability of the site for the Cheba Hut Restaurant. You will ensure your landlord signs the



Lease Addendum that is attached to the Franchise Disclosure Document in Exhibit G or incorporates the terms of the Lease Addendum into the lease for the Cheba Hut Restaurant. If your landlord refuses, we have the right to disapprove of your lease, in which case you must find a new site for your Cheba Hut Restaurant. You and the landlord must sign the lease and Lease Addendum within 180 days of the Effective Date. You must promptly send us a copy of your fully executed lease and Lease Addendum for our records. Your landlord may require you and, if you are an entity, your Owners, and spouses to sign a personal guaranty.

**7.3. Design and Construction.** We will provide you with specifications for the design and layout for a Cheba Hut Restaurant. You must hire one of our approved architects in order to modify these plans to comply with all local ordinances, building codes, permits requirements, and lease requirements and restrictions applicable to the premises. You must use our approved real estate and construction management company in the construction of your Cheba Hut Restaurant. You must submit the final plans to us for approval. Once approved by us, you must, at your sole expense, construct and equip the Cheba Hut Restaurant to the specifications contained in the Brand Standards Manual and purchase (or lease) and install the equipment, fixtures, furnishings, signs and other items that we require. All exterior and interior signs of the Cheba Hut Restaurant must comply with the specifications that we provide to you. We must approve the architects, contractors and other suppliers you use to construct your Cheba Hut Restaurant. You are responsible for all architectural, engineering, survey and construction costs and fees (including fees payable to approved third parties) related to the design and construction of your Cheba Hut Restaurant. You agree to provide us with weekly status updates as to construction of the Cheba Hut Restaurant. You acknowledge these requirements are necessary and reasonable to preserve the identity, reputation and goodwill we developed and the value of the Franchise. Before you open, we must approve the layout of your Cheba Hut Restaurant.

**7.4. Opening.** You must open your Cheba Hut Business to the public within 18 months of the Effective Date. You may not open your Cheba Hut Business before: (i) successful completion of the initial training program by you, your Managing Operator, and your Designated Manager, if you have one; (ii) you purchase all required insurance; (iii) you obtain all required licenses, permits and other governmental approvals; and (iv) we provide our written approval of the construction, build-out and layout of your Cheba Hut Restaurant. You must also purchase décor including menu boards and select plaques from us prior to opening your Cheba Hut Business. We may conduct a pre-opening inspection of your Cheba Hut Restaurant and you agree to make any changes we require before opening. By virtue of opening your Cheba Hut Business, you acknowledge that we have fulfilled all of our pre-opening obligations to you. If you do not open your Cheba Hut Restaurant within 18 months after the Effective Date, then you will have the right to request, in writing, one or more 30-day extension periods to open the Cheba Hut Restaurant, not to exceed a total of 180 days from the required opening date. You must pay us a non-refundable extension fee of \$1,000 for every permitted 30-day extension period upon requesting each extension.

**7.5. Relocation.** You may relocate your Cheba Hut Restaurant within your Territory with our prior written approval, which we will not unreasonably withhold. If we allow you to relocate within your Territory, you must: (i) comply with Section 7.1 through Section 7.4 of this Franchise Agreement with respect to your new Cheba Hut Restaurant (excluding the 12-month opening period); (ii) open your new Cheba Hut Restaurant and resume operations within 30 days after closing your prior Cheba Hut Restaurant; and (iii) and reimburse us for our reasonable expenses up to \$10,000. You may not relocate your Cheba Hut Restaurant outside of your Territory without our prior written approval, which we may withhold in our sole discretion. If we allow you to relocate outside of your Territory, you agree to: (i) comply with Section 7.1 through Section 7.4 of this Franchise Agreement with respect to your new Cheba Hut Restaurant (excluding the 18-month opening period); (ii) open your new Cheba Hut Restaurant and resume operations within 30 days after closing your prior Cheba Hut Restaurant; and (iii) and pay us a



relocation fee of \$10,000. You agree to fully de-identify any Cheba Hut Restaurant you relocate from and no longer utilize.

**7.6. Catastrophes.** If your Cheba Hut Restaurant is destroyed or damaged by fire or other casualty and the Term of this Franchise Agreement and the lease for your Cheba Hut Restaurant has at least five years remaining, you will: (a) within 30 days thereafter commence all repairs and reconstruction necessary to restore the Cheba Hut Restaurant to its condition prior to such casualty; or (b) relocate the Cheba Hut Restaurant pursuant to Section 7.5 and the Term shall be extended for the period from the date the Cheba Hut Restaurant closed due to the catastrophe until it re-opens. You will reimburse us 6% of any insurance proceeds due to business interruption as a result of your Cheba Hut Restaurant being closed a result of a casualty event or any other reason.

## **8. MANAGEMENT AND STAFFING**

**8.1. Owner Participation.** You acknowledge that a major requirement for the success of your Cheba Hut Business is the active, continuing, and substantial personal involvement and hands-on supervision by your Managing Operator, who must at all times be actively involved in the operation of the Cheba Hut Business on a full-time basis and provide on-site management and supervision.

**8.2. Designated Manager.** You must hire a manager to assume responsibility for the daily on-site management and supervision of your Cheba Hut Business (“Designated Manager”), but only if: (i) we approve the Designated Manager in our commercially reasonable discretion; (ii) the Designated Manager successfully completes the initial training program; and (iii) you or your Managing Operator agrees to assume responsibility for the on-site management and supervision of your Cheba Hut Business if the Designated Manager is unable to perform his or her duties due to death, disability, termination of employment, or for any other reason, until such time that you obtain a suitable replacement Designated Manager. The Designated Manager must be an experienced hospitality professional who has a minimum of three years of restaurant and bar management experience. If you are a legal entity, we may require that your Designated Manager have an ownership interest in the legal entity.

**8.3. Employees.** You must determine appropriate staffing levels for your Cheba Hut Business to ensure full compliance with this Franchise Agreement and our System standards. You are solely responsible to hire, train, and supervise employees to assist you with the proper operation of the Cheba Hut Business. You must pay all wages, commissions, fringe benefits, worker’s compensation premiums, and payroll taxes (and other withholdings required by law) due for your employees. These employees will be employees of yours and not of ours. We do not control the day-to-day activities of your employees or the manner in which they perform their assigned tasks. You must inform your employees that you exclusively supervise their activities and dictate the manner in which they perform their assigned tasks. In this regard, you must use your legal business entity name (not our Marks or a fictitious name) on all employee applications, paystubs, pay checks, employment agreements, time cards, and similar items. We also do not control the hiring or firing of your employees. You have sole responsibility and authority for all employment-related decisions, including employee selection and promotion, hours worked, rates of pay and other benefits, work assignments, training, and working conditions. We will not provide you any advice or guidance on these matters. You must require that your employees review and sign the acknowledgment form we prescribe that explains the nature of the franchise relationship and notifies the employee that you are his or her sole employer. You must also post a conspicuous notice for employees in the back-of-the-house area explaining your franchise relationship with us and that you (and not we) are the employee’s sole employer. We may prescribe the form and content of this notice. You agree that any direction you receive from us regarding employment policies should be considered as examples, that you alone are responsible for establishing and implementing your own policies, and that you understand that you should do so in consultation with local legal counsel well-versed in employment law.



**8.4. Interim Manager.** In order to prevent any interruption of operations or to address other operational problems which could cause harm to the System, we have the right, but not the obligation, to designate an individual of our choosing (“Interim Manager”) to manage your Cheba Hut Business if: (i) your Managing Operator ceases to perform the responsibilities of a Managing Operator (whether due to retirement, death, disability, or for any other reason) and you fail to find an adequate replacement Managing Operator within 30 days; (ii) you are in breach of the Franchise Agreement; or (iii) upon a Crisis Management Event. The Interim Manager will cease to manage your Cheba Hut Business at such time that you hire an adequate replacement Managing Operator who has completed training, you cure the breach or the Crisis Management Event ends, as applicable. If we appoint an Interim Manager, you agree to pay us our then-current “Management Fee” (currently equal to \$500 per day, plus costs and expenses). You further agree to pay all of our reasonable attorney’s fees, accountant’s fees, and other professional fees and costs incurred as a consequence of our exercise of our rights under this Section 8.4. The Interim Manager will have no liability to you except for gross negligence or willful misconduct. We will have no liability to you for the activities of an Interim Manager unless we are grossly negligent in appointing the Interim Manager.

**9. FRANCHISEE AS ENTITY.** If you are an Entity, you agree to undertake each obligation under this Section 9. You must provide us with a list of all of your Owners. You must provide us with a resolution of the Entity authorizing the execution of this Franchise Agreement, a copy of the Entity’s organizational documents, and a current Certificate of Good Standing (or the functional equivalent thereof). You represent that the Entity is duly formed and validly existing under the laws of the state of its formation or incorporation. You are qualified and authorized to do business in the jurisdiction where the Cheba Hut Restaurant is to be located and every jurisdiction where it conducts business, maintains offices, owns real estate or where qualification is required. You agree to ensure that your organizational documents will at all times provide your business activities will be confined exclusively to the ownership and operation of the Cheba Hut Restaurant, unless otherwise consented to in writing by us. You agree that Attachment C to this Franchise Agreement completely and accurately describes all of your Owners and their interests in you as of the Effective Date. You and your Owners agree to sign and deliver to us revised versions of Attachment C periodically to reflect any permitted changes in the information that Attachment C now contains. You agree to, at all times, maintain a current schedule of the Owners of you and their ownership interests and to immediately provide us with a copy of the updated ownership schedule whenever there is any change of ownership to you. You acknowledge that you have no material liabilities, adverse claims, commitments or obligations of any nature as of the Effective Date, whether accrued, unliquidated, absolute, contingent or otherwise, except as disclosed to us in writing or set forth in your financial statements that have been provided to us. You will, at all times, maintain sufficient working capital to operate the Cheba Hut Restaurant and to fulfill its obligations under this Franchise Agreement, and will take steps to ensure availability of capital to fulfill your obligations to maintain and remodel the Cheba Hut Restaurant premises in accordance with this Franchise Agreement. You agree not to use the name “Cheba Hut” or any derivative thereof in the name of your Entity. You further acknowledge that the acknowledgments, representations and warranties contained in this Section are continuing obligations of you and your Owners and that any failure to comply with such representations, warranties and covenants will constitute a breach of this Agreement.

**10. OWNERS AGREEMENT.** All Owners (whether direct or indirect) and their spouses must sign the Owners Agreement, attached as Attachment D to this Franchise Agreement, agreeing to be personally bound by all of the Franchise Agreement’s terms. You agree that, if any person or Entity ceases to be one of your Owners, or if any individual or Entity becomes an Owner of you, you will notify us in writing and within five days will require the new Owner (and the new Owner’s spouse) to execute all documents required by us, including the Owners Agreement.



## 11. ADVERTISING & MARKETING

### 11.1. Brand Fund.

11.1.1. Administration. We have established and maintain a brand and promotion fund (“Brand Fund”) to promote public awareness of our brand and to improve our System. We may use the Brand Fund to pay for any of the following in our sole discretion: (i) developing, maintaining, administering, directing, preparing, or reviewing advertising and marketing materials, promotions, and programs; (ii) public awareness of any of the Marks; (iii) public and consumer relations and publicity; (iv) brand development; (v) research and development of technology, products, and services; (vi) website development and search engine optimization; (vii) development and implementation of quality control programs; (viii) conducting market research; (ix) changes and improvements to the System; (x) the fees and expenses of any advertising agency we engage to assist in producing or conducting advertising or marketing efforts; (xi) collecting and account for contributions to the Brand Fund; (xii) preparing and distributing financial accountings of the Brand Fund; (xiii) any other programs or activities that we deem necessary or appropriate to promote or improve the System; and (xiv) our and our affiliates’ expenses associated with direct or indirect labor, administrative, overhead, or other expenses incurred in relation to any of these activities. We may use national and/or regional advertising agencies as the source for our advertising materials, or we may prepare them in-house. We have sole discretion in determining the content, concepts, materials, media, endorsements, frequency, placement, location, and all other matters pertaining to any of the foregoing activities. Any surplus of monies in the Brand Fund may be invested and we may lend money to the Brand Fund if there is a deficit. The Brand Fund is not a trust, and we have no fiduciary obligations to you with respect to our administration of the Brand Fund. A financial accounting of the operations of the Brand Fund, including deposits into and disbursements from the Brand Fund, will be prepared annually and made available to you upon request. We do not ensure that our expenditures from the Brand Fund in or affecting any geographic area are proportionate or equivalent to the Brand Fund Contributions by our franchisees operating in that geographic area or that any of our franchisees benefit directly or in proportion to their Brand Fund Contributions. We reserve the right to change, merge, re-form or dissolve the Brand Fund in our discretion. We will not use the Brand Fund for advertising that is principally a solicitation for the sale of franchises, but we reserve the right to include a notation in any advertisement or website indicating “Franchises Available” or similar phrasing.

11.1.2. Brand Fund Contributions. On the same day your Royalty payment is due, you must contribute two percent (2%) of your weekly Net Sales to the Brand Fund (“Brand Fund Contributions”).

11.1.3. Brand Fund Termination. We may, upon 30 days’ prior written notice to you, reduce or suspend Brand Fund Contributions and operations for one or more periods of any length and terminate and/or reinstate the Brand Fund. If we terminate the Brand Fund, we will distribute all unused contributions to contributing franchisees, and to us or our affiliates, in proportion to respective contributions during the preceding 24-month period.

### 11.2. Your Marketing Activities.

11.2.1. Local Advertising Requirement. In addition to your required Brand Fund Contribution, you must spend one percent (1%) of Net Sales on local advertising to promote your Cheba Hut Business (“Local Advertising Requirement”). We will measure your compliance with this requirement on a rolling six-month basis, meaning that as long as your average monthly expenditure on local advertising over the six-month period equals or exceeds the minimum monthly amount that we specify, you will be deemed in compliance even if your expenditure in any given month is less than the minimum monthly amount that we specify. If you fail to spend the Local Advertising Requirement, you



will be required to pay the difference to us. We must approve all local advertising in accordance with Section 11.2.5. You agree to participate at your own expense in all advertising, promotional, rebates, giveaways and marketing programs that we require, including any advertising cooperative that we establish pursuant to Section 11.3.

11.2.2. First Party; Grand Opening Marketing. Within 60 days of opening, you must host a one-day grand opening celebration (“First Party”) at your Cheba Hut Restaurant. You must spend at least \$2,500 on the First Party. You agree to provide us with a written summary of all expenses incurred by you for the First Party within 20 days of hosting the First Party.

While you are not required to spend any money on grand opening marketing (other than the First Party), we will match up to \$3,000 for any money you spend on approved grand opening marketing, advertising and promotion for your Cheba Hut Business during the period commencing 180 days prior to the opening of your Cheba Hut Business.

11.2.3. Porky’s Clause. You must participate in at least two system-wide celebrations designed by us and held each calendar year. You agree to submit a summary of the expenses incurred by you using the form designated by us within 20 days of the end of each celebration.

11.2.4. Standards for Advertising. You must order sales and marketing material from us or our designated suppliers. All advertisements and promotions that you create or use must be completely factual and conform to the highest standards of ethical advertising and comply with all federal, state, and local laws. You must ensure that your advertisements and promotional materials do not infringe upon the intellectual property rights of others.

11.2.5. Approval of Advertising. Before you use them, we must approve all advertising and promotional materials that we did not prepare or previously approve (including materials that we prepared or approved, and you modify). We will be deemed to have disapproved the materials if we fail to issue our written approval within 30 days after receipt. You may not use any advertising or promotional materials that we have disapproved (including materials that we previously approved and later disapprove). If you use unauthorized advertising materials, you must pay a fee of \$500 per occurrence to us, or to the Brand Fund.

11.2.6. Internet and Websites. We may require that you utilize our designated supplier for social media marketing services. If you wish to utilize social media or advertise online, you must follow our online policy which is contained in our Brand Standards Manual. Our online policy may change as technology and the Internet changes. Under our online policy, we may retain the sole right to market on the Internet, including all use of websites, domain names, advertising, and co-branding arrangements. We may restrict your use of social media. We may not allow you to independently market on the Internet, or use any domain name, address, locator, link, metatag, or search technique with words or symbols similar to the Marks. We intend that any franchisee website will be accessed only through our home page. At this time, we do not allow our franchisees to maintain their own websites (other than the localized webpage that we provide) or market their Cheba Hut Restaurant on the Internet (other than through approved social media outlets). Accordingly, you may not maintain a website, conduct e-commerce, or otherwise maintain a presence or advertise or engage in any promotional or similar activities, whether directly or indirectly, on the Internet or any other proprietary or common carrier electronic delivery system in connection with your Cheba Hut Business. Without limiting the generality of anything else contained herein, you agree not to establish an account or participate in any social networking sites, crowdfunding campaigns or blogs or mention or discuss the Cheba Hut Franchise, us or any of our affiliates, without our prior written consent and as subject to our online policy.





**11.3. Advertising Cooperative.** We have the right, but not the obligation, to create one or more advertising cooperatives for the purpose of creating and/or purchasing advertising programs for the benefit of all franchisees operating within a particular region, in which you may be required to participate. We have the right to determine the composition of all geographic territories and market areas for each advertising cooperative. Franchisees in each cooperative will contribute an amount established by its members to the cooperative for each Cheba Hut Business that the franchisee owns that exists within the cooperative's geographic area in an amount that shall not be below 0.5% of Net Sales and shall not exceed 2% of Net Sales. Each Cheba Hut Business we own that exists within the cooperative's area will contribute to the cooperative on the same basis as franchisees. We reserve the right to form, change, merge or dissolve advertising cooperative in our discretion. Any advertising cooperative contributions will count toward your Local Advertising Requirement.

**11.4. Advisory Council.** We have not yet established but we may establish an advisory council ("Council") to advise us on advertising policies. The Council would be governed by by-laws. Members of the Council would consist of both franchisees and corporate representatives. The Council would serve in an advisory capacity only. We reserve the right to form, change, merge, or dissolve the Council in our discretion.

**11.5. Marketing Assistance from Us.** We may create and make available to you advertising and other marketing materials for your purchase such as t-shirts, stickers and other promotional merchandise. We may use the Brand Fund to pay for the creation and distribution of these materials, in which case there will be no additional charge. We may make these materials available over the Internet (in which case you must arrange for printing the materials and paying all printing costs). Alternatively, we may enter into relationships with third-party suppliers who will create the advertising or marketing materials for your purchase. You are strictly prohibited from resale of any items in this Section 11.5. In the event you re-sell any of these items without our written permission, you will pay us a fee of \$500 per occurrence.

## **12. BRAND STANDARDS**

**12.1. Generally.** You agree to operate your Cheba Hut Business: (i) in a manner that will promote the goodwill of the Marks; and (ii) in full compliance with our standards and all other terms of this Franchise Agreement and the Brand Standards Manual. Any required standards exist to protect our interests in the System and the Marks and not for the purpose of establishing any control or duty to take control over those matters that are reserved to you. The required standards generally will be set forth in the Brand Standards Manual or other written materials. The Brand Standards Manual also will include guidelines or recommendations in addition to required standards. In some instances, the required standards will include recommendations or guidelines to meet the required standards. You may follow the recommendations or guidelines or some other suitable alternative, provided you meet and comply with the required standards. In other instances, no suitable alternative may exist. In order to protect our interests in the System and Marks, we reserve the right to determine if you are meeting a required standard and whether an alternative is suitable to any recommendations or guidelines.

**12.2. Brand Standards Manual.** You agree to establish and operate your Cheba Hut Business in accordance with the Brand Standards Manual. The Brand Standards Manual may contain, among other things: (i) a description of the authorized products and services that you may offer at your Cheba Hut Business; (ii) mandatory and suggested specifications, operating procedures, and quality standards for products, services, and procedures that we prescribe from time to time for our franchisees; (iii) mandatory reporting and insurance requirements; (iv) mandatory and suggested specifications for your Cheba Hut Restaurant; policies and procedures pertaining to any gift card program that we establish; and (v) a written list of products and services (or specifications for products and services) you must purchase



for the development and operation of your Cheba Hut Business and a list of any designated or approved suppliers for these products or services. The Brand Standards Manual is designed to establish and protect our brand standards and the uniformity and quality of the products and services offered by our franchisees. We can modify the Brand Standards Manual at any time. The modifications will become binding immediately when we send you notice of the modification. All mandatory provisions contained in the Brand Standards Manual (whether they are included now or in the future) are binding on you. If your copy of the Brand Standards Manual is lost, destroyed, or significantly damaged you will be required to pay us \$420.

**12.3. Restaurant Artwork.** You agree that the artwork displayed in your Cheba Hut Restaurant is an important part of the customer experience. The quality and kind of artwork must reflect a positive and professional environment. You will be responsible for selecting standard prints from an approved vendor and for commissioning your own mural to be displayed in your Cheba Hut Restaurant subject to our approval as set forth in the Brand Standards Manual. We reserve the right to: (i) change or update our standards for artwork at any time; (ii) change or add approved vendors; (iii) modify the selection of approved prints; and (iv) approve or disapprove of any prints and murals in our sole discretion.

12.3.1 Prints. You must purchase standard prints of the size and quantity we require and have them professionally mounted by an approved vendor at your sole cost at least 60 days prior to store opening in accordance with the Brand Standards Manual. You are required to have at least five large prints, ten medium prints, five small prints displayed in your Cheba Hut Restaurant. Print size, specifications and other requirements are set forth in the Brand Standards Manual.

12.3.2 Mural. You must hire an approved vendor at your sole cost to professionally paint a mural on an interior wall of your Cheba Hut Restaurant. We must approve the design, size and location of your mural at least 30 days before opening your Cheba Hut Business. You must recommission a new mural in your Cheba Hut Restaurant every three years at your sole cost in accordance with the Brand Standards Manual and we must approve the design of your mural at least 14 days prior to painting.

**12.4. Authorized Products and Services.** You agree to offer all products and services that we require from time to time. You may not offer any other products or services at your Cheba Hut Business without our prior written permission. You may not use your Cheba Hut Restaurant or permit your Cheba Hut Restaurant to be used for any purpose other than offering the products and services that we authorize. We may, without obligation to do so, add, modify or delete authorized products and services, and you must do the same upon notice from us. Our addition, modification, or deletion of one or more products or services shall not constitute a termination of the Franchise or this Franchise Agreement. You will not operate any food trucks or offer catering services or otherwise sell any items offered by your Cheba Hut Business outside of the Cheba Hut Restaurant without our express written consent. In addition, except as expressly authorized in our Brand Standards Manual or otherwise with our express written consent, you may not sell any clothing or non-food merchandise or other promotional items at your Cheba Hut Business, including items we may provide to you in any marketing package.

**12.5. Suppliers and Purchasing.** You agree to purchase or lease all products, supplies, equipment, services, and other items specified in the Brand Standards Manual. If required by the Brand Standards Manual, you agree to purchase certain products and services only from suppliers designated or approved by us (which may include, or be limited exclusively to, us or our affiliates). You agree to use the ordering system or service provider designated by us and to pay all ordering or service fees associated with such orders assessed by our approved or designated suppliers. You acknowledge that our right to specify the suppliers that you may use is necessary and desirable so that we can control the uniformity and quality of products and services used, sold, or distributed in connection with the development and ongoing



operation of your Cheba Hut Restaurant, maintain the confidentiality of our trade secrets, obtain discounted prices for our franchisees if we choose to do so, and protect the reputation and goodwill associated with the System and the Marks. If we receive rebates or other financial consideration from these suppliers based upon your purchases or any other of our franchisee's purchases, we have no obligation to pass these amounts on to you or to use them for your benefit. If you want us to approve a supplier that you propose, you must send us a written notice specifying the supplier's name and qualifications and provide any additional information that we request. We will approve or reject your request within 30 days after we receive your notice and all additional information (and samples) that we require. We shall be deemed to have rejected your request if we fail to issue our approval within the 30-day period. You must reimburse us for all costs and expenses that we incur in reviewing a proposed supplier within ten days after invoicing. You agree to maintain an adequate inventory of all items in accordance with the Brand Standards Manual.

**12.6. Equipment Maintenance and Changes.** You agree to maintain all of your equipment in good condition and promptly replace or repair any equipment that is damaged, worn out, or obsolete. We may require that you add new equipment or change, upgrade or replace your equipment, which may require you to make additional investments. You acknowledge that our ability to require franchisees to make significant changes to their equipment is critical to our ability to administer and change the System, and you agree to comply with any such required change within the time period that we reasonably prescribe.

**12.7. Software and Technology.** You will, at your expense, purchase and maintain any point-of-sale system, cash register, computer hardware and software, communication equipment, communication services, Internet services (including the requirement to maintain a high-speed Internet connection), dedicated telephone and power lines, modems, printers, and other related accessories or peripheral equipment that we may specify for use in the Cheba Hut Business. You will provide any assistance we require to connect your point-of-sale system or computer system with our computer system. We will have the right at any time to retrieve data and other information from your point-of-sale system or computer system as we, in our sole discretion, deem necessary or desirable. You shall ensure that we have access at all times to your point-of-sale system, at your cost. You will strictly comply with the policies and procedures specified in the Brand Standards Manual for all items associated with your point-of-sale system, computer system and communication equipment and services. You will keep the point-of-sale system, computer system and communication equipment in good maintenance and repair, and you will promptly install, at your expense, any additions, changes, modifications or substitutions to your point-of-sale system, computer hardware, software, communication equipment, telephone and power lines, and other related accessories or peripheral equipment, as we may specify periodically. We may require that you license from us proprietary software for use in the Cheba Hut Business, and, if so, you will sign the software license agreement we specify, and you will comply with all of its terms and conditions. You will utilize the point-of-sale system, computer system and communication equipment and services in connection with the Cheba Business pursuant to our policies and procedures as contained in the Brand Standards Manual. You acknowledge and agree that changes to technology are dynamic and not predictable within the Term of this Franchise Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we will have the right to establish, in writing, reasonable new standards for the implementation of technology in the System and you agree to comply with those reasonable new standards that we establish as if we periodically revised this Section for that purpose. We reserve the right to: (i) change or add approved suppliers of these services at any time in our sole discretion; (ii) enter into a master license agreement with any software or technology supplier and sublicense the software or technology to you, in which case we may charge you for all amounts that we must pay to the licensor based on your use of the software or technology; (iii) create proprietary software or technology that must be used by Cheba Hut franchisees, in which case we may require that you enter into a license agreement with us and pay us reasonable initial and ongoing licensing, support and maintenance fees; and (iv) increase or decrease the Technology Fee and other technology and licensing and expenses that you are required to pay



under this Franchise Agreement. It is your responsibility to make sure that you are in compliance with all laws that are applicable to the Computer System or other technology used in the operation of your Cheba Hut Business, including all data protection or security laws.

**12.8. Maintenance.** You agree to maintain your Cheba Hut Restaurant in good order and condition, reasonable wear and tear excepted, and make all necessary repairs, including replacements, renewals, and alterations at your sole expense, to comply with our standards and specifications. Without limiting the generality of the foregoing, you agree to take the following actions at your sole expense: (i) thorough cleaning, repainting, and redecorating of the interior and exterior of the Cheba Hut Restaurant at the intervals we may prescribe (or at such earlier times that such actions are required or advisable); and (ii) interior and exterior repair of the Cheba Hut Restaurant as needed. You agree to comply with any maintenance, cleaning, or facility upkeep schedule that we prescribe from time to time.

**12.9. Remodeling.** You agree to remodel and make all improvements and alterations to your Cheba Hut Restaurant that we reasonably require from time to time to reflect our then-current image, appearance, and facility specifications. There is no limitation on the cost of any remodeling that we may require. You will not install or permit to be installed on or about the Cheba Hut Restaurant premises any furnishings, fixtures, equipment, signs, décor, vending machines, video games, or the like that we have not previously approved. You may not remodel or significantly alter your Cheba Hut Restaurant without our prior written approval, which will not be unreasonably withheld. However, we will not be required to approve any proposed remodeling or alteration if the same would not conform to our then-current standards, specifications, or image requirements. You agree to complete any remodel of the Cheba Hut Restaurant within nine months after receiving our written request specifying the requirements. Except for maintenance under Section 12.8, we will not require that you remodel the Cheba Hut Restaurant more than once every 8 years.

**12.10. Hours of Operation.** You must keep your Cheba Hut Restaurant open for the minimum hours of operation as specified in the Brand Standards Manual, which may change over the Term. Your Cheba Hut Business must be open every day of the year other than federal holidays, unless otherwise agreed to by us. You must establish specific hours of operation and submit those hours to us for approval.

**12.11. Customer Complaints.** If you receive a customer complaint, you must follow the complaint resolution process that we specify in the Brand Standards Manual to protect the goodwill associated with the Marks. You are required to respond to any customer complaint concerning the Cheba Hut Business within 24 hours.

**12.12. Quality Assurance Programs.** At any time, we reserve the right to engage the services of one or more “mystery shoppers” or quality assurance inspection firms who will inspect your Cheba Hut Restaurant for quality control purposes. These inspections may address a variety of issues, including, but not limited to, customer service, food safety, sanitation, and inventory rotation. You agree to fully cooperate with any such inspection. If we implement such a program, you may be invoiced directly by the mystery shopper or quality assurance firm for the services rendered. Alternatively, we may be invoiced by the mystery shopper or quality assurance firm, in which case you must pay your proportional share of the total fee based on number of inspections performed. You agree to pay us this fee within ten days after invoicing.

**12.13. Failure to Comply with Standards.** You acknowledge the importance of every one of our standards and operating procedures to the reputation and integrity of the System and the goodwill associated with the Marks.



**12.14. Methods of Payment and Data Security.** You agree to maintain, at all times, credit card relationships with the credit and debit card issuers or sponsors, check or credit verification services, financial-center services, merchant service providers, loyalty and gift cards, and electronic fund transfer systems (together, “Credit Card Vendors”) that we may periodically designate as mandatory. The term “Credit Card Vendors” includes, among other things, companies that provide services for electronic payment, such as near field communication vendors (for example, “Apple Pay” and “Google Wallet”). You agree not to use any Credit Card Vendor for which we have not given you our prior written approval or as to which we have revoked our earlier approval. We have the right to modify our requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke our approval of any service provider. You agree to comply with the then-current Payment Card Industry Data Security Standards as those standards may be revised and modified by the PCI Security Standards Council, LLC (see [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org)), or any successor organization or standards that we may reasonably specify. Among other things, you agree to implement the enhancements, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards.

**12.15. Crisis Management Event.** You agree to notify us immediately by telephone and email upon the occurrence of a Crisis Management Event. We may establish emergency procedures which may require you to temporarily close the Cheba Hut Business to the public, in which case you agree that we will not be held liable to you for any losses or costs.

**12.16. Gift and Loyalty Cards.** You agree to participate in our gift and loyalty card programs, if any, and agree to make gift and loyalty cards available for purchase and redemption at your Cheba Hut Restaurant.

**12.17. Privacy.** You agree to comply with all applicable international, federal, state and local laws pertaining to the privacy of customer, employee, and transactional information (“Privacy Laws”). You agree to research and proactively ensure that your Cheba Hut Business is in compliance with Privacy Laws, which may vary depending on the location of your Cheba Hut Business. You also agree to comply with our standards and policies pertaining to Privacy Laws. You agree to inform us of any conflict between our standards and policies and any local or state Privacy Laws that govern your Cheba Hut Business to ensure that your conduct complies with all those local or state Privacy Laws.

**12.18. Music & Vending.** You agree to only play the music selections and purchase the music equipment that has been approved by us in writing and in accordance with the Brand Standards Manual. You agree not to install any jukeboxes, vending machines, electronic games, ATM machines, newspaper racks, entertainment devices or gambling devices at the Cheba Hut Restaurant and agree to not sell any tickets, subscriptions, chances, raffles or lottery tickets.

**12.19. Consulting.** If you request that we provide you with a consultant to assist and advise you on management and operational issues of your Cheba Hut Business, then you will pay us the then-current per-diem fee we charge for consulting services and agree to pay for all travel, transportation, food and lodging expenses incurred by the consultant(s).

**12.20. Delivery, Ordering and Catering Procedures.** You agree to follow our policies in the Brand Standards Manual including online and off-site policies and procedures, which may require you to provide catering and delivery services and/or utilize third-party delivery services and which may change over time in our sole discretion. You may be required to use the third-party delivery service(s) with which we have a national contract, and you may not contract with any other delivery platform without our written authorization. You are solely responsible for all costs and fees charged by any third-party delivery service platforms. You acknowledge and agree that customers should be free to order from the Cheba Hut



Restaurant that they wish and, therefore, you are not guaranteed any specific territory, territorial rights or area for catering, online ordering or delivery services. Our delivery and catering policies and procedures may also allow you to provide catering and delivery services in the territories of other Cheba Hut Restaurants without compensating the operator of those restaurants. These policies may also allow other Cheba Hut Restaurants to provide catering and delivery services in your Territory without compensating you. We also may require that you discontinue catering and/or delivery services in our sole discretion. You will also be required to pay for our then-current online ordering service fee, to our approved supplier.

### **13. FEES**

**13.1. Initial Franchise Fee.** You agree to pay us an initial franchise fee (“Initial Franchise Fee”) in the amount specified in Attachment B, payable in one lump sum at the time you sign this Franchise Agreement. You may, at the time you sign this Franchise Agreement, purchase the rights to open either: (1) a single Franchise; or (2) up to three Franchises (a “Multi-3 Franchise”). If you purchase a Multi-3 Franchise you will sign the “Multi-Franchise Addendum” the form of which is attached to the Franchise Disclosure Document in Exhibit G. To open additional Cheba Hut Businesses under a Multi-3 Franchise you will be required to sign our then-current franchise agreement, but you will not be required to pay an Initial Franchise Fee (all other fees will apply). The Initial Franchise Fee is fully earned by us and is non-refundable once this Franchise Agreement has been signed. The Initial Franchise Fee is in consideration of all of our pre-opening assistance that we provide to allow you to open your Cheba Hut Restaurant(s) and our lost or deferred opportunity to enter into this Franchise Agreement with others, and it offsets some of our expenses for franchisee recruitment. If this Franchise Agreement is being signed under a Multi-Franchise Addendum between you and us or if this Franchise Agreement is the renewal of a prior franchise agreement with us for an existing Cheba Hut Business, then no Initial Franchise Fee is due.

**13.2. Royalty.** On Wednesday of each week, you agree to pay us a royalty fee (“Royalty”) of five percent (5%) of Net Sales during the previous week (Monday through Sunday). This Royalty is an ongoing payment that allows you to use the Intellectual Property and that pays for our ongoing support and assistance.

**13.3. Technology Fees.** You are required to pay us our then-current monthly fee for technology (“Technology Fee”), up to \$750 per month, beginning when your Cheba Hut Business is open to the public throughout the Term of this Franchise Agreement for the use of our online systems, email, data sharing, restaurant management software, accounting and operations software and other Internet-related functions. You must also pay us a pre-opening Technology Fee of \$100 per month beginning when you sign this Franchise Agreement until your Cheba Hut Business is open to the public. The fees in this Section 13.4 are currently due by the 5<sup>th</sup> of each month. We may upgrade, modify or add new software and technology. You will be responsible for any increase in fees that result from any upgrades, modifications, or additional software or from increases from third-party vendors.

**13.4. Other Fees and Payments.** You agree to pay all other fees, expense reimbursements, and other amounts specified in this Franchise Agreement in a timely manner as if fully set forth in this Section 13. You also agree to promptly pay us an amount equal to all taxes levied or assessed against us based upon products or services that you sell or based upon products or services that we furnish to you (other than income taxes that we pay based on amounts that you pay us under this Franchise Agreement).

**13.5. Late Fee.** If any sums due under this Franchise Agreement have not been received by us when due (or there are insufficient funds in your account to cover any sums owed to us when due), then, in addition to those sums, you must pay us interest on the amounts past due at the rate equal to the



lesser of eighteen percent (18%) per annum (pro-rated on a daily basis), or the highest rate permitted by applicable law. If no due date has been specified by us, then interest begins ten days after we bill you.

**13.6. Method of Payment.** You must complete and send us an ACH Authorization Form allowing us to electronically debit a banking account that you designate (“Account”) for: (i) all fees payable to us pursuant to this Franchise Agreement (other than the Initial Franchise Fee); and (ii) any amounts that you owe to us or any of our affiliates for the purchase of products or services. We will debit your Account for these payments on or after the due date. Our current form of ACH Authorization Form is attached to the Franchise Disclosure Document in Exhibit G. You must sign and deliver to us any other documents that we or your bank may require authorizing us to debit your Account for these amounts. You must deposit into the Account all revenues that you generate from the operation of your Cheba Hut Business. You must make sufficient funds available for withdrawal by electronic transfer before each due date. If there are insufficient funds in your Account to cover all amounts that you owe, any excess amounts that you owe will be payable upon demand, together with a non-sufficient funds fee, of the lesser of \$100 per occurrence or the highest amount allowed by law, and any late charge imposed pursuant to Section 13.6. If you make any payment to us or our affiliate(s) by credit card for any fee required, we may charge a service charge of up to four percent (4%) of the total charge.

**13.7. Payment Frequency.** We reserve the right to periodically specify (in the Brand Standards Manual or otherwise in writing) different payment frequencies (for example weekly/biweekly/monthly payments) for any payment due to us or our affiliates.

**13.8. Application of Payments.** We have sole discretion to apply any payments from you to any past due indebtedness of yours or in any other manner we feel appropriate. We will not be bound by any instructions for allocation you specify.

**13.9. Payment Obligations.** Your obligations to pay us the fees under this Franchise Agreement are absolute and unconditional, and will remain in full force and effect throughout the entire duration of this Franchise Agreement. You will have no right to offset any fees paid to us and must pay us all fees regardless of any claims you may have against us. We will have the right, at any time before or after termination of this Franchise Agreement, without notice to you, to offset any amounts or liabilities that you may owe to us against any amounts or liabilities that we may owe you under this Franchise Agreement or any other agreement, loan, transaction or relationship between the parties.

**13.10. CPI Adjustments to Fixed Fees.** All fees are current as of the issuance date of the Franchise Disclosure Document. Certain fees that we have indicated may increase over the term of the Franchise Agreement. Also, all fees expressed as a fixed dollar amount in this Franchise Agreement are subject to adjustment based on changes to the Consumer Price Index in the United States. We may periodically review and increase these fees based on changes to the Consumer Price Index (in addition to any other increase), but only if the increase to the Consumer Price Index is more than 5% higher than the corresponding Consumer Price Index in effect on: (a) the effective date of the Franchise Agreement (for the initial fee adjustments); or (b) the date we implemented the last fee adjustment (for subsequent fee adjustments). We will notify you of any CPI adjustment at least 60 days before the fee adjustment becomes effective. We will implement no more than one fee adjustment during any calendar year. Notwithstanding the foregoing, the fee adjustments in this Section shall not impact fees which we reserve the right to increase in higher amounts or to adjust more frequently, including but not limited to the Technology Fee.

## **14. BRAND PROTECTION COVENANTS**

**14.1. Reason for Covenants.** You acknowledge that the Intellectual Property and the training and assistance that we provide would not be acquired except through implementation of this



Franchise Agreement. You also acknowledge that competition by you, the Owners, or persons associated with you or the Owners (including family members) could seriously jeopardize the entire System because you and the Owners have received an advantage through knowledge of our day-to-day operations and Confidential Information related to the System. Accordingly, you and the Owners agree to comply with the covenants described in this Section to protect the Intellectual Property and our System.

**14.2. Our Confidential Information.** You will use the Confidential Information only in the operation of the Cheba Hut Business, and you will not disclose Confidential Information to others, except as expressly authorized by this Franchise Agreement. You will take all appropriate actions to preserve the confidentiality of all Confidential Information, including keeping the Brand Standards Manual and the Guru Guide in a secure location. Access to Confidential Information must be limited to only your employees who need the Confidential Information to perform their jobs and who are subject to your general policy on maintaining confidentiality as a condition of employment or who have first signed our System Protection Agreement. You will not copy or permit copying of Confidential Information. Your obligations under this Section begin when you sign this Franchise Agreement and continue for trade secrets as long as they remain secret, and, for other Confidential Information, for as long as we continue to use the information in confidence (even if edited or revised) plus three years. We will respond promptly and in good faith to any inquiry by you about continued protection of any Confidential Information. You will use the Confidential Information only in the operation of the Cheba Hut Business, and you will not disclose Confidential Information to others, except as expressly authorized by this Franchise Agreement.

All data that you collect, create, provide or otherwise develop (including, but not limited to customer information) is (and will be) owned exclusively by us, and we will have the right to use such data in any manner that we deem appropriate without compensation to you. Copies and/or originals of such data must be provided to us upon our request. We hereby license use of such data back to you, at no additional cost, solely for the Term of this Franchise Agreement and solely for your use in connection with the Cheba Hut Business. You agree to provide us with the information that we reasonably require with respect to data and cybersecurity requirements. You agree to indemnify us for any loss of data including, but not limited to customer information, resulting from a breach of such data caused, in whole or in part, by you.

The restrictions on the disclosure and use of the Confidential Information will not apply to disclosure of Confidential Information: (i) made in confidence to a government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law; (ii) made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; (iii) made in cases of suit for retaliation based on the reporting of a suspected violation of law, disclosure of Confidential Information to an attorney and for use of the Confidential Information in such court proceeding, so long as any document containing the Confidential Information is filed under seal and Confidential Information is not otherwise disclosed except pursuant to court order.

**14.3. Competition during Term.** You and your Owners agree not to compete with us during the Term by engaging in any of the following activities (“Prohibited Activities”): (i) owning, operating, or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent, or in any similar capacity) in any Competitive Business, other than owning an interest of five percent (5%) or less in a publicly traded company that is a Competitive Business; (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); or (iii) inducing any customer of ours (or of one of our affiliates’ or franchisees’) to transfer their business to you or to any other person that is not then a franchisee of ours.

**14.4. Competition after Term.** During the Post-Term Restricted Period, you and your Owners agree not to engage in any Prohibited Activities. Notwithstanding the foregoing, you and your Owners may have an interest in a Competitive Business during the Post-Term Restricted Period as long as





the Competitive Business is not located within, and does not provide competitive products or services to customers who are located within the Restricted Territory. If you or an Owner engages in a Prohibited Activity during the Post-Term Restricted Period (other than having an interest in a Competitive Business that is permitted under this Section), then the Post-Term Restricted Period applicable to you or the non-compliant Owner shall be extended by the period of time during which you or the non-compliant Owner, as applicable, engaged in the Prohibited Activity.

**14.5. Employees and Others Associated with You.** You must ensure that all of your employees, officers, directors, partners, members, independent contractors, and other persons associated with you or your Cheba Hut Business who may have access to our Confidential Information, and who are not required to sign a System Protection Agreement, sign and send us a Confidentiality Agreement before having access to our Confidential Information. You must use your best efforts to ensure that these individuals comply with the terms of the Confidentiality Agreements, and you must immediately notify us of any breach that comes to your attention. You agree to reimburse us for all reasonable expenses that we incur in enforcing a Confidentiality Agreement, including reasonable attorney fees and court costs.

**14.6. Covenants Reasonable.** You and the Owners acknowledge and agree that: (i) the terms of this Franchise Agreement are reasonable both in time and in scope of geographic area; (ii) our use and enforcement of covenants similar to those described above with respect to other Cheba Hut franchisees benefits you and the Owners in that it prevents others from unfairly competing with your Cheba Hut Business; and (iii) you and the Owners have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Franchise Agreement. You and the Owners hereby waive any right to challenge the terms of this Section 14 as being overly broad, unreasonable, or otherwise unenforceable.

**14.7. Breach of Covenants.** You and the Owners agree that failure to comply with the terms of this Section 14 will cause substantial and irreparable damage to us and/or other Cheba Hut franchisees for which there is no adequate remedy at law. Therefore, you and the Owners agree that any violation of the terms of this Section 14 will entitle us to injunctive relief. We may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Franchise Agreement are exclusive of any other, but may be combined with others under this Franchise Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action that you or an Owner may have against us, regardless of cause or origin, cannot be used as a defense against our enforcement of this Section 14.

**14.8. Ownership of Public Companies.** Notwithstanding the provisions of this Section 14, you and your Owners will have the right to own up to five percent (5%) of any publicly-held company or mutual fund that owns, operates, has an interest in, or controls any Competitive Business, provided that such company has a class of securities that is publicly traded on a national exchange or quotation system and is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended.

## **15. YOUR OTHER RESPONSIBILITIES**

**15.1. Insurance.** Before your Cheba Hut Restaurant first opens for business, you will obtain insurance in the types and amounts specified herein. Your insurance policies (except for employment liability insurance policies) must designate us, our directors, officers, employees, agents and



other designees as additional named insureds, and your policies must provide that the insurer will not cancel or materially alter the policies without giving us at least 30 days' prior written notice. You will maintain all required insurance in force during the Term of this Franchise Agreement, and you will obtain and maintain any additional or substituted insurance coverage, limits and amounts as we may periodically require. Your compliance with these insurance provisions does not relieve you of any liability under any indemnity provisions of this Franchise Agreement.

We currently require you to maintain the following insurance coverages: (1) commercial general liability insurance with limits of at least \$2 million per occurrence, at least \$4 million aggregate, and at least \$2 million per person, with \$5,000 per person medical benefits, and a maximum deductible of \$2,500; (2) all risks coverage insurance on all furniture, fixtures, equipment, inventory, supplies and other property used in the operation of the Cheba Hut Restaurant (including flood and/or earthquake coverage where there are known risks) for full replacement value; (3) workers compensation insurance consistent with applicable law; and (4) data theft and cybersecurity. Our insurance requirements are subject to change during the Term of this Franchise Agreement, and you agree to comply with each such change. You agree to provide us with proof of coverage prior to opening, within ten days of any renewal of a policy, and at any other time on demand. You agree to obtain these insurance policies from insurance carriers that are rated "A" or better by Alfred M. Best & Company, Inc. and that are licensed and admitted in the state in which you operate your Cheba Hut Business. All insurance policies (except for employment liability insurance policies) must be endorsed to: (i) name us (and our members, officers, directors, and employees) as additional insureds; (ii) contain a waiver by the insurance carrier of all subrogation rights against us; and (iii) provide that we receive ten days' prior written notice of the termination, expiration, cancellation, or modification of the policy. If any of your policies fail to meet these criteria, then we may disapprove the policy and you must immediately find additional coverage with an alternative carrier satisfactory to us. Upon ten days' notice to you, we may increase the minimum protection requirement as of the renewal date of any policy and require different or additional types of insurance at any time, including excess liability (umbrella) insurance, to reflect inflation, identification of special risks, changes in law or standards or liability, higher damage awards, or other relevant changes in circumstances. If you fail to maintain any required insurance coverage, we have the right to obtain the coverage on your behalf (which right shall be at our option and in addition to our other rights and remedies in this Franchise Agreement), and you must promptly sign all applications and other forms and instruments required to obtain the insurance and pay to us, within ten days after invoicing, all costs and premiums that we incur, plus a twenty percent (20%) administrative surcharge.

**15.2. Books and Records.** You agree to prepare and maintain at your Cheba Hut Restaurant for at least five years after their preparation, complete and accurate books, records, accounts, and tax returns pertaining to your Cheba Hut Business. You must send us copies of your books and records within seven days of our request. You are required to purchase, maintain and use an accounting software program approved by us for all accounting and records for your Cheba Hut Business.

**15.3. Reports.** You will prepare written periodic reports, in the forms that we require, containing the information we require about your operations during each reporting period. You will submit all required weekly reports by Wednesday each week for the preceding business week (Monday through Sunday). We may modify the deadline days and times for submission of all reports. You will submit all required semi-monthly reports to us within 15 days after the semi-monthly period to which they relate. You will submit all required monthly reports to us within 15 days after the month to which they relate, and all other reports within the time period required by the Brand Standards Manual. If you do not submit the monthly reports to us within five days of the request, we will debit your Account a late fee of \$100 per occurrence and \$100 per week until you submit the required report. You will prepare and submit other reports and information about your operations as we may reasonably request in writing or as required by the Brand Standards Manual. We may require, at our option, that certain reports you are required to submit



be certified as accurate and complete by you, your Owners or your chief financial officer, and that certain reports be submitted using the formats and communication media that we specify. If requested by us, your profit and loss statements and balance sheets must be certified by a certified public accountant at your expense and you will cause your certified public accountant, if any, to consult with us concerning such statements and balance sheets at your cost.

**15.4. Financial and Tax Statements.** You will deliver monthly Financial Statements to us within 20 days of the end of each calendar month, which must be certified by you as complete and accurate. You must also prepare annual Financial Statements within 45 days of the end of your fiscal year. All Financial Statements must be in the form specified by us and must conform to our standard chart of accounts as prescribed by us. You must also provide us with complete signed copies of all state sales tax returns and state and federal income tax returns covering the operation of the Cheba Hut Business within 30 days of filing. If you do not submit the Financial Statements or tax returns to us by the deadline, you will be required to pay a late fee of \$100 per occurrence and \$100 per week until you submit required Financial Statements or tax returns.

**15.5. Legal Compliance.** You are solely responsible for complying with all applicable tax laws in connection with the operation of the Cheba Hut Business. You must secure and maintain in force all required licenses, permits, and regulatory approvals for the operation of your Cheba Hut Business and operate and manage your Cheba Hut Business in full compliance with all applicable laws, ordinances, rules, and regulations. You must notify us in writing within two business days of the beginning of any action, suit, investigation, or proceeding, or of the issuance of any order, writ, injunction, disciplinary action, award or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation of your Cheba Hut Business or your financial condition. You must immediately deliver to us a copy of any inspection report, warning, certificate, or rating by any governmental agency involving any health or safety law, rule, or regulation that reflects your failure to fully comply with the law, rule, or regulation.

You and your Owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, you and your Owners certify, represent, and warrant that none of your property or interests is subject to being blocked under, and that you and your Owners otherwise are not in violation of, any of the Anti-Terrorism Laws. "Anti-Terrorism Laws" mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you or your Owners, or any blocking of your or your Owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Franchise Agreement.

**15.6. Photo/Video Release.** You acknowledge and authorize us to use your likeness in a photograph in any and all of our publications, including printed and digital publications and on websites. You agree and understand that any photograph using your likeness will become our property and will not be returned. You agree and irrevocably authorize us to edit, alter, copy, exhibit, publish or distribute any photograph of you for any lawful purpose. You agree and waive any rights to royalties or any other compensation related to our use of any photograph of you. You agree to hold harmless and forever discharge us from all claims, demands, and causes of action which you may have in connection with this authorization.

**15.7. Alcoholic Beverages.** You must obtain a retail alcoholic beverage license under state and local law, regulations and ordinances. You agree to comply with all applicable federal, state,



municipal licensing, insurance and other laws and regulations applicable to the sale of alcoholic beverages and to obtain the liquor liability insurance requirements set forth in the Brand Standards Manual.

## 16. INSPECTION AND AUDIT

**16.1. Inspections.** To ensure compliance with this Franchise Agreement, we or our representatives will have the right to enter your Cheba Hut Restaurant, evaluate your operations, and inspect or examine your books, records, accounts, and tax returns. Our evaluation may include watching or participating during business hours. We may conduct our evaluation at any time and without prior notice. During the course of our inspections, we and our representatives will use reasonable efforts to minimize our interference with the operation of your Cheba Hut Business, and you and your employees will cooperate and not interfere with our inspection. You consent to us accessing your computer system and retrieving any information that we deem appropriate in conducting the inspection.

**16.2. Audit.** We have the right, at any time, to have an independent audit made of your books and financial records. You agree to fully cooperate with us and any third parties that we hire to conduct the audit. If an audit reveals an understatement of your Net Sales or any amount that you owe us, you agree to immediately pay to us any additional fees that you owe us, together with any late fee payable pursuant to Section 13.6. Any audit will be performed at our cost and expense unless the audit: (i) is necessitated by your failure to provide the information requested or to preserve records or file reports as required by this Franchise Agreement; or (ii) reveals an understatement of any amount due to us by at least one and one-half (1.5%) percent in any week, in which case you agree to reimburse us for the cost of the audit and inspection, including, without limitation, reasonable accounting and attorney fees and travel and lodging expenses that we or our representatives incur. The audit cost reimbursements will be due ten days after invoicing. We shall not be deemed to have waived our right to terminate this Franchise Agreement by accepting reimbursements of our audit costs.

## 17. INTELLECTUAL PROPERTY

**17.1. Ownership and Use of Intellectual Property.** You acknowledge that: (i) we and our affiliates own and/or hold legal rights to the Intellectual Property and the goodwill associated with the Marks; (ii) your right to use the Intellectual Property is derived solely from this Franchise Agreement; and (iii) your right to use the Intellectual Property is limited to a license granted by us to operate your Cheba Hut Business during the Term pursuant to, and only in compliance with, this Franchise Agreement, the Brand Standards Manual, and all applicable standards, specifications, and operating procedures that we prescribe from time to time. You may not use any of the Intellectual Property in connection with the sale of any unauthorized product or service, or in any other manner not expressly authorized by us. Any unauthorized use of the Intellectual Property constitutes an infringement of our rights. You agree to comply with all provisions of the Brand Standards Manual governing your use of the Intellectual Property. This Franchise Agreement does not confer to you any goodwill, title, or interest in any of the Intellectual Property.

**17.2. Changes to Intellectual Property.** We have the right to modify the Intellectual Property at any time in our sole and absolute discretion, including by changing the Marks, the System, the Copyrights, or the Confidential Information. If we modify or discontinue use of any of the Intellectual Property, then you must comply with any such instructions from us within 30 days at your expense. We will not be liable to you for any expenses, losses, or damages that you incur (including the loss of any goodwill associated with a Mark) because of any addition, modification, substitution, or discontinuation of the Intellectual Property.



**17.3. Use of Marks.** You agree to use the Marks as the sole identification of your Cheba Hut Business; provided, however that you must identify yourself as the independent owner of your Cheba Hut Business in the manner that we prescribe. You may not use any Marks in any modified form or as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos licensed to you by this Franchise Agreement). You agree to: (i) prominently display the Marks on or in connection with any media advertising, promotional materials, posters and displays, receipts, stationery, and forms that we designate and in the manner that we prescribe to give notice of trade and service mark registrations and copyrights; and (ii) obtain any fictitious or assumed name registrations required under applicable law. You may not use the Marks in signing any contract, lease, mortgage, check, purchase agreement, negotiable instrument, or other legal obligation or in any manner that is likely to confuse or result in liability to us for any indebtedness or obligation of yours.

**17.4. Use of Confidential Information.** We will disclose the Confidential Information to you in the initial training program, the Brand Standards Manual, the Guru Guide, and in other guidance furnished to you during the Term. You agree that you will not acquire any interest in the Confidential Information other than the right to utilize it in strict accordance with the terms of this Franchise Agreement in the development and operation of your Cheba Hut Business. You acknowledge that the Confidential Information is proprietary and is disclosed to you solely for use in the development and operation of your Cheba Hut Business during the Term.

**17.5. Improvements.** If you conceive of or develop any improvements or additions to the marketing, method of operation, or the products or services offered by a Cheba Hut Business (collectively, “Improvements”), you agree to promptly and fully disclose the Improvements to us without disclosing the Improvements to others. You must obtain our approval prior to using any such Improvements. Any Improvement that we approve may be used by us and any third parties that we authorize to operate a Cheba Hut Business, without any obligation to pay you royalties or other fees. You must assign to us or our designee, without charge, all rights to any such Improvement, including the right to grant sublicenses. In return, we will authorize you to use any Improvements that we or other franchisees develop that we authorize for general use in connection with the operation of a Cheba Hut Business.

**17.6. Notification of Infringements and Claims.** You must immediately notify us of any: (i) apparent infringement of any of the Intellectual Property; (ii) challenge to your use of any of the Intellectual Property; or (iii) claim by any person of any rights in any of the Intellectual Property. You may not communicate with any person other than us and our counsel in connection with any such infringement, challenge, or claim. We will have sole discretion to take such action as we deem appropriate. We have the right to exclusively control any litigation, Patent and Trademark Office proceeding, or other proceeding arising out of any such infringement, challenge, or claim. You agree to execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of our counsel, be necessary or advisable to protect and maintain our interest in any such litigation, Patent and Trademark Office proceeding, or other proceeding, or to otherwise protect and maintain our interest in the Intellectual Property. We have no obligation to indemnify you against, and reimburse you for, any expenses or damages in any administrative or judicial proceeding involving the use of our Marks or other Intellectual Property.

## **18. INDEMNITY.**

You agree to indemnify the Indemnified Parties and hold them harmless for, from, and against any and all Losses and Expenses incurred by any of them as a result of or in connection with any of the following: (i) the marketing, use, or operation of your Cheba Hut Business or your performance and/or breach of any of your obligations under this Franchise Agreement; (ii) any Claim relating to taxes or penalties assessed by any governmental entity against us that are directly related to your failure to pay or perform functions required of you under this Franchise Agreement; (iii) any labor, employment, or similar



type of Claim pertaining to your employees, including claims alleging that we are a joint employer of your employees; and (iv) any actions, investigations, rulings, or proceedings conducted by any state or federal agency relating to your employees, including, without limitation, the United States Department of Labor, the Equal Employment Opportunity Commission, and the National Labor Relations Board; (v) your failure to pay the monies payable to any Indemnified Party pursuant to the Franchise Agreement, or to do and perform any other act, matter, or thing required by the Franchise Agreement; or (vi) any action by an Indemnified Party to obtain performance by you of any act, matter, or thing required by the Franchise Agreement. You and your Owners agree to give us notice of any action, suit, proceeding, claim, demand, inquiry, or investigation described above. The Indemnified Parties shall have the right, in their sole discretion to: (i) retain counsel of their own choosing to represent them with respect to any Claim; and (ii) control the response thereto and the defense thereof, including the right to enter into an agreement to settle such Claim. You may participate in such defense at your own expense. You agree to give your full cooperation to the Indemnified Parties in assisting the Indemnified Parties with the defense of any such Claim, and to reimburse the Indemnified Parties for all of their costs and expenses in defending any such Claim, including court costs and reasonable attorney fees, within ten days of the date of each invoice delivered by such Indemnified Party to you enumerating such costs, expenses, and attorney fees.

## 19. TRANSFERS

**19.1. By Us.** This Franchise Agreement and the Franchise is fully assignable by us (without prior notice to you) and shall inure to the benefit of any assignee(s) or other legal successor(s) to our interest in this Franchise Agreement, provided that we shall, subsequent to any such assignment, remain liable for the performance of our obligations under this Franchise Agreement up to the effective date of the assignment. We may also delegate some or all of our obligations under this Franchise Agreement to one or more persons without assigning the Franchise Agreement.

**19.2. By You.** You understand that the rights and duties created by this Franchise Agreement are personal to you and the Owners and that we have granted the Franchise in reliance upon the individual or collective character, skill, aptitude, attitude, business ability, and financial capacity of you and your Owners. Because this Franchise Agreement is a personal services contract, neither you nor any Owner may engage in any Transfer without our prior written approval. Any Transfer without our approval shall be void and constitute a breach of this Franchise Agreement. We will not unreasonably withhold our approval of any proposed Transfer, provided that the following conditions are all satisfied:

(i) you have provided us with written notice of the proposed Transfer at least 45 days prior to the transaction;

(ii) the proposed transferee is, in our opinion, an individual of good moral character who has sufficient business experience, aptitude, and financial resources to own and operate a Cheba Hut Business and otherwise meets all of our then-applicable standards for franchisees;

(iii) all of your monetary obligations to us have been paid in full and you and your Owners are in full compliance with the terms of this Franchise Agreement and all other agreements with us or our affiliate;

(iv) all of the owners of the transferee have successfully completed, or made arrangements to attend, the initial training program (and the transferee has paid us the training fee for each new person who must attend training);



(v) your landlord consents to your assignment of the lease to the transferee, or the transferee is diligently pursuing an approved substitute location within the Territory;

(vi) the transferee and its owners, to the extent necessary, have obtained all licenses and permits required by applicable law in order to own and operate the Cheba Hut Business;

(vii) the transferee and its owners sign our then-current form of franchise agreement and related documents, including but limited to our then-current form of Owner's Agreement or other guaranty (unless we, in our sole discretion, instruct you to assign this Franchise Agreement to the transferee), except that: (a) the Term and renewal term(s) shall be the Term and renewal term(s) remaining under this Franchise Agreement; and (b) the transferee need not pay a separate Initial Franchise Fee;

(viii) you must remodel your Cheba Hut Restaurant in accordance with Section 12.9 to comply with our then-current standards and specifications, or you obtain a written commitment from the transferee to do so;

(ix) you or the transferee pays us a transfer fee equal to \$10,000, payable as follows: (a) \$1,000 non-refundable deposit at the time of your transfer application request, and (b) \$9,000 shall be due at the time of the approved transfer;

(x) you and your Owners sign a General Release for all known and unknown claims against us, our affiliates and subsidiaries, and our and their respective members, officers, directors, agents and employees arising before or contemporaneously with the Transfer;

(xi) you enter into an agreement with us to subordinate the transferee's obligations to you to the transferee's financial obligations owed to us pursuant to the Franchise Agreement;

(xii) we do not elect to exercise our right of first refusal described in Section 19.5;

(xiii) you or the transferring Owner, as applicable, and the transferee have satisfied any other conditions we reasonably require as a condition to our approval of the Transfer; and

(xiv) you must reimburse us for all costs that we incur as a result of the Transfer including but not limited to broker fees, commissions, finder's fees or other placement fees.

Our consent to a Transfer shall not constitute a waiver of any claims we may have against you or your Owners, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of the franchise agreement by the transferee.

**19.3. Transfer to Entity.** If you are an individual or general partnership, you may transfer your ownership interests to an Entity provided that the Owner or Owners of the Entity are the same persons who signed this Franchise Agreement, provided that you comply with all conditions set forth in Section 19.2. Our right of first refusal in Section 19.5 will not apply for a Transfer conducted under this Section 19.5 and you must reimburse us for all of our fees and costs, including attorney fees, associated with your Transfer to the Entity.



**19.4. Death or Disability of an Owner.** Upon the death or Permanent Disability (as defined below) of an Owner, the Owner's ownership interest in you or the Franchise, as applicable, must be assigned to another Owner or to a third party approved by us within 180 days of such Owner's death or disability. For purposes of this Section, "Permanent Disability" shall mean any physical, emotional or mental injury, illness or incapacity that prevents the person from substantially complying with his or her obligations under this Franchise Agreement or otherwise operating the Cheba Hut Business in the manner required by this Franchise Agreement and the Brand Standards Manual for a continuous period of at least three months, and from which recovery from three months from the date of determination of disability is unlikely. If the parties disagree as to whether a person is Permanently Disabled, the existence of Permanent Disability will be determined by a licensed practicing physician selected by us, upon examination of the person; or if the person refuses to submit to an examination, then (for the purpose of this Section 19.4) the person automatically will be considered disabled as of the date of refusal. You must promptly notify us of any death or Permanent Disability of an Owner within 15 days of its occurrence. Your estate or legal representative must apply to us for the right to Transfer to another Owner or third party within 120 calendar days after you or your Owner's death or Permanent Disability. We may appoint an Interim Manager and charge you the applicable fee under Section 8.4 if the death or Permanent Disability of any Owner or ownership interest in you or the Franchise has any impact on the Cheba Hut Business.

**19.5. Our Right of First Refusal.** If you or an Owner desires to engage in a Transfer, you or the Owner, as applicable, must obtain a bona fide, signed written offer from the fully disclosed purchaser and submit an exact copy of the offer to us. We will have 30 days after receipt of the offer to decide whether we will purchase the Cheba Hut Business. If we notify you that we intend to purchase the business within the 30-day period, you or the Owner, as applicable, must sell the Cheba Hut Business to us. We will have at least an additional 30 days to conduct a due diligence review and to prepare for closing. You agree to provide us with all information and records that we request concerning the Cheba Hut Business and we will have the absolute right to terminate the obligation to purchase the Cheba Hut Business for any reason during the due diligence period. You and we will act in good faith to agree on the terms and conditions of the written offer and closing will take place on the 61<sup>st</sup> day following receipt of your offer. We will be entitled to receive from you or the Owner, as applicable, all customary representations and warranties given by you as the seller of the assets or the Owner as the seller of the ownership interest or, at our election, the representations and warranties contained in the offer. If we do not exercise our right of first refusal, you or the Owner, as applicable, may complete the Transfer to the purchaser pursuant to and on the terms of the offer, subject to the requirements of Section 19.2 (including our approval of the transferee). However, if the sale to the purchaser is not completed within 120 days after delivery of the offer to us, or there is a material change in the terms of the sale, we will again have the right of first refusal specified in this Section.

## **20. TERMINATION**

**20.1. By You.** You may terminate this Franchise Agreement if we materially breach this Franchise Agreement and fail to cure the breach within 30 days after you send us a written notice specifying the nature of the breach. If you terminate this Franchise Agreement, you must still comply with your post-termination obligations described in Section 21 and all other obligations that survive the expiration or termination of this Franchise Agreement.

**20.2. Termination by Us without Cure Period.** We may, in our sole discretion, terminate this Franchise Agreement immediately upon written notice to you, without opportunity to cure, for any of the following reasons, all of which constitute material events of default under this Franchise Agreement:





- (i) if you or the Managing Operator fails to satisfactorily complete the initial training program;
- (ii) if you fail to obtain our approval of your site within the time period required;
- (iii) if you fail to secure a fully executed lease and Lease Addendum within the time period required;
- (iv) if you fail to open your Cheba Hut Business within the time period required;
- (v) if you become insolvent by reason of your inability to pay your debts as they become due or you file a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, dissolution, or composition or other settlement with creditors under any law, or are the subject of an involuntary bankruptcy (which may or may not be enforceable under the Bankruptcy Act of 1978);
- (vi) if your Cheba Hut Business, or a substantial portion of the assets associated with your Cheba Hut Business, are seized, taken over, or foreclosed by a government official in the exercise of his or her duties, or seized, taken over, or foreclosed by a creditor, lienholder, or lessor; or a final judgment against you remains unsatisfied for 30 days (unless a supersedes or other appeal bond has been filed); or a levy of execution has been made upon the license granted by this Franchise Agreement or upon any property used in your Cheba Hut Business, and it is not discharged within five days of the levy;
- (vii) if you abandon or fail to operate your Cheba Hut Business for three consecutive business days, unless the failure is due to an event of force majeure or another reason that we approve;
- (viii) if a regulatory authority suspends or revokes a license or permit held by you or an Owner that is required to operate the Cheba Hut Business, even if you or the Owner still maintain appeal rights;
- (ix) if you or an Owner: (a) is convicted of or pleads no contest to a felony, a crime involving moral turpitude, or any crime which impairs the reputation of the System or the goodwill associated with the Marks; (b) is subject to any administrative disciplinary action; or (c) fails to comply with any federal, state, or local law or regulation applicable to your Cheba Hut Business;
- (x) if you or an Owner commits an act that can reasonably be expected to adversely affect the reputation of the System or the goodwill associated with the Marks;
- (xi) if you manage or operate your Cheba Hut Business in a manner that presents a health or safety hazard to your customers, employees, or the public;
- (xii) if you or an Owner make any material misrepresentation to us, whether occurring before or after being granted the Franchise;
- (xiii) if you fail to pay any amount owed to us or an affiliate of ours within ten (10) days after receipt of a demand for payment;



- (xiv) if you understate or underreport any amount owed to us by at least three percent (3%), after having already committed a similar breach that had been cured;
- (xv) if you make an unauthorized Transfer;
- (xvi) if you make an unauthorized use of the Intellectual Property;
- (xvii) if you breach any of the brand protection covenants;
- (xviii) if any Owner, or the spouse of any Owner, breaches an Owners Agreement;
- (xix) you commit a default of any obligation under this Franchise Agreement and have previously received two or more written notices of default from us within the preceding 12 months, regardless of whether any default is cured;
- (xx) if the lease for your Cheba Hut Restaurant is terminated due to your default; or
- (xxi) if we terminate any other agreement between you and us or if any affiliate of ours terminates any agreement between you and the affiliate because of your default.

**20.3. Additional Conditions of Termination.** In addition to our termination rights in Section 20.2, we may, in our sole discretion, terminate this Franchise Agreement upon 30 days' written notice if you or an Owner fails to comply with any other provision of this Franchise Agreement (including any mandatory provision in the Brand Standards Manual) or any other agreement with us, unless such default is cured, as determined by us in our sole discretion, within such 30-day notice period, each of which shall constitute a material event of default under this Franchise Agreement. If we deliver a notice of default to you pursuant to this Section 20.3, we may suspend performance of any of our obligations under this Franchise Agreement until you fully cure the breach.

**20.4. Mutual Agreement to Terminate.** If you and we mutually agree in writing to terminate this Franchise Agreement, you and we will be deemed to have waived any required notice period.

**20.5. Liquidated Damages.** Upon termination of this Franchise Agreement according to its terms and conditions, you agree to pay to us within 15 days after the effective date of this Franchise Agreement's termination, in addition to the amounts owed hereunder, liquidated damages equal to the average monthly Royalties and Brand Fund Contributions you paid during the total months of operation preceding the effective date of termination multiplied by: (a) 36 (being the number of months in three full years); or (b) the number of months remaining in the Franchise Agreement had it not been terminated, whichever is higher, but in no case will such damages be less than \$30,000.

You and we acknowledge and agree that it would be impracticable to determine precisely the damages we would incur from this Franchise Agreement's termination and the loss of cash flow from Royalties due to, among other things, the complications of determining what costs, if any, we might have saved and how much the Royalties would have grown over what would have been this Franchise Agreement's remaining term. You and we consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages.

The liquidated damages provision only covers our damages from the loss of cash flow from the Royalties. It does not cover any other damages, including damages to our reputation with the public and



landlords and damages arising from a violation of any provision of this Franchise Agreement other than the Royalty section. You and each of your Owners agree that the liquidated damages provision does not give us an adequate remedy at law for any default under, or for the enforcement of, any provision of this Franchise Agreement other than the Royalty section.

## 21. POST-TERM OBLIGATIONS

**21.1. Obligations of You and the Owners.** After the termination, expiration, or Transfer of this Franchise Agreement, you and the Owners agree to:

- (i) immediately cease to use the Intellectual Property;
- (ii) pay us all amounts that you owe us;
- (iii) comply with all covenants described in Section 14 that apply after the expiration, termination, or Transfer of this Franchise Agreement or the disposal of an ownership interest by an Owner;
- (iv) return all copies of the Brand Standards Manual, the Guru Guide, or any portions thereof, as well as all signs, sign faces, brochures, advertising and promotional materials, forms, and any other materials bearing or containing any of the Marks, Copyrights, or other identification relating to a Cheba Hut Business, unless we allow you to transfer such items to an approved transferee;
- (v) return all copies of any software we license to you (and delete all such software from your computer memory and storage);
- (vi) take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to your use of any of the Marks;
- (vii) make such modifications and alterations to the premises that are necessary or that we require to prevent any association between us or the System and any business subsequently operated by you or any third party at the premises including the removal of all trade-dress, artwork and murals; provided, however, that this subsection shall not apply if your Franchise is transferred to an approved transferee or if we exercise our right to purchase your entire Cheba Hut Business. If you fail to do so, you must pay us any expenses we incur to de-identify your Cheba Hut Business;
- (viii) notify all telephone companies, listing agencies, and domain name registration companies (collectively, the “Agencies”) of the termination or expiration of your right to use: (a) the telephone numbers and/or domain names, if applicable, related to the operation of your Cheba Hut Business; and (b) any regular, classified, or other telephone directory listings associated with the Marks (you hereby authorize the Agencies to transfer such telephone numbers, domain names, and listings to us and you authorize us, and appoint us and any officer we designate as your attorney-in-fact to direct the Agencies to transfer the telephone numbers, domain names, and listings to us if you fail or refuse to do so); and
- (ix) provide us with satisfactory evidence of your compliance with the above obligations within 30 days after the effective date of the termination, expiration, or Transfer of this Franchise Agreement.



## **21.2. Right to Purchase Facility and Assets.**

21.2.1. Generally. Upon the termination or expiration of this Franchise Agreement, we shall have the right, but not the obligation, to purchase your Cheba Hut Restaurant and/or its assets at fair market value as ascertained by an independent business appraiser. If we elect to exercise this option, the date of determination of the fair market value shall be the effective date of the termination or expiration of this Franchise Agreement (“Appraisal Date”) and, if we elect to make such purchase, we shall give you notice of our intent within 30 days following termination or expiration. We will notify you of the specific items that we wish to purchase (“Acquired Assets”). We may also require that you assign your lease to us at no additional charge.

21.2.2. Selecting Qualified Appraisers. You and we each shall appoint an appraiser with experience appraising businesses comparable to your Cheba Hut Business in the United States (“Qualified Appraiser”). This appointment of the appraisers shall be made within 30 days after the Appraisal Date by giving written notice to the other party of the name and address of the Qualified Appraiser. If either of us fails to appoint a Qualified Appraiser within the 30-day period, the appraisal shall be made by the sole Qualified Appraiser appointed within that period. If each of us shall have appointed a Qualified Appraiser within the 30-day period, then within 30 days after that the two Qualified Appraisers shall appoint a third Qualified Appraiser. If the two Qualified Appraisers fail to agree on the appointment of a third Qualified Appraiser within the 30-day period, then a third Qualified Appraiser shall be appointed by the American Arbitration Association (acting through its office located closest to our corporate headquarters) as promptly as possible after that, upon application by either us or you. Nothing in this provision shall prohibit us and you from jointly approving a single appraiser, nor shall it obligate us or you to do so.

21.2.3. Information for Appraisal. You must furnish to the Qualified Appraisers a copy of your current Financial Statements, as well as your Financial Statements for the prior three years (or the period of time that you have operated your Cheba Hut Business, if less than three years), together with the work papers and other financial information or other documents or information that the Qualified Appraisers may request. The Qualified Appraisers shall take into account the other information and factors that they deem relevant, but the Qualified Appraisers shall be instructed that there shall be no consideration of goodwill in the determination of fair market value.

21.2.4. Appraisal Process. Within 60 days after the appointment of the third Qualified Appraiser, the three Qualified Appraisers shall appraise the Acquired Assets at fair market value without taking into account any value for goodwill (“Appraised Value”). If the three Qualified Appraisers agree on a single value, then they shall issue a joint report and the Appraised Value shall be the value determined by the agreement of the three Qualified Appraisers. If two of the three Qualified Appraisers agree on a single value, these two Qualified Appraisers shall issue a joint report, and the dissenting Qualified Appraiser may (but need not) issue a separate report, and the value determined by agreement of the two Qualified Appraisers who shall agree shall be the Appraised Value. If none of the Qualified Appraisers are able to agree on a single value, each Qualified Appraiser shall issue a report setting forth the value determined by him or her, and the average of the two values that are closest to each other shall be the Appraised Value. Before the issuance of a report by any Qualified Appraiser, each Qualified Appraiser shall advise the others of the value that will appear in his or her report to ensure that the determination of value made by any Qualified Appraiser is made with knowledge of the values determined by the other Qualified Appraisers. If there shall be only a single Qualified Appraiser (because you or we failed to appoint a Qualified Appraiser within the time provided or because you and we jointly approved a single



appraiser), then the Appraised Value shall be the value determined by the single Qualified Appraiser. You and we shall equally bear the cost of the appraisal.

21.2.5. **Closing.** Once the Appraised Value has been determined, we will have at least 60 days to prepare for the closing. We will be entitled to receive from you all customary representations and warranties given by you as the seller of the Acquired Assets and you must transfer good and clean title to the Acquired Assets, subject to any exceptions agreed to by us. We may deduct from the Appraised Value all amounts owed to us and our affiliates under this Franchise Agreement, any promissory note, and any other agreement between you and us or between you and our affiliates.

## **22. DISPUTE RESOLUTION.**

**22.1. Mediation.** Without limiting our rights and remedies under Section 20 and except as set forth in Section 22.3 below, all claims or disputes between you and us or our affiliates arising out of, or in any way relating to, this Franchise Agreement, or any of the parties' respective rights and obligations arising out of this Franchise Agreement, shall be submitted first to non-binding mediation prior to a hearing in binding arbitration. Such mediation shall take place in the city closest to our principal place of business (currently Fort Collins, Colorado) under the auspices of the American Arbitration Association ("AAA"), or other mediation service acceptable to us in our sole discretion, in accordance with AAA's Commercial Mediation Procedures then in effect. You may not commence any action against us or our affiliates with respect to any such claim unless mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by us. The parties shall each bear their own costs of mediation and shall share equally the filing fee imposed by AAA and the mediator's fees. We reserve the right to specifically enforce our right to mediation. Prior to mediation, and before commencing any legal action against us or our affiliates with respect to any such claim or dispute, you must submit a notice to us, which specifies in detail, the precise nature and grounds of such claim or dispute. All aspects of the mediation process will be treated as confidential, will not be disclosed to others, and will not be offered or admissible in any other proceeding or legal action whatsoever.

**22.2. Arbitration.** If the parties cannot fully resolve and settle a dispute through mediation as set forth in Section 22.1, all unresolved issues involved in the dispute shall be, at the request of either party, submitted to final and binding arbitration to be conducted in the city closest to our principal place of business within the United States (currently Fort Collins, Colorado) by AAA (if AAA or any successor thereto is no longer in existence at the time arbitration is commenced or is no longer available for arbitration in such city, you and we will agree on another arbitration organization to conduct the arbitration proceeding), in accordance with AAA's Commercial Arbitration Rules and otherwise as set forth below on an individual basis (not a class action). In any arbitration proceeding, each party will submit or file any claim that would constitute a compulsory counterclaim (as defined by the then-current Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim it relates to. Any claim that is not submitted or filed as required is forever barred. Except for claims excluded from mediation and arbitration herein, the arbitrator, and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this Franchise Agreement including, but not limited to any claim that all or any part of this Franchise Agreement is void or voidable:

(i) **Notice of Arbitration.** Either party may initiate the arbitration proceeding by making a written demand to the other party, and both parties will then be obligated to engage in arbitration. The demand for arbitration must be served on the other party within the period provided by the applicable statute of limitations, and must contain a statement setting forth the nature of the



dispute, the amount involved, if any, and the remedies sought. A demand for arbitration will not operate to stay, postpone or rescind the effectiveness of any termination of this Franchise Agreement. Arbitration will not proceed until any protest of arbitrability is resolved by the arbitrator or by an appropriate court, if necessary.

(ii) Selection of Arbitrator. Arbitration will be conducted before a single, neutral arbitrator who is familiar with legal disputes of the type at issue and who has franchise business or contract experience. The parties will mutually agree on the selection of the arbitrator; however, if the parties have not agreed on the selection of an arbitrator within 30 days after the arbitration demand, either party may request AAA or successor organization, to appoint a qualified arbitrator.

(iii) Discovery. All discovery must be completed within 60 days following appointment of an arbitrator, unless otherwise agreed by the parties. Depositions will be limited to a maximum of five per party and will be held within 30 days after making a request. Additional depositions may be scheduled only with the permission of the arbitrator and for good cause shown. Each deposition will be limited to a maximum of six hours duration. Should a dispute arise over the extent of or propriety of any discovery request, the arbitrator will make a final determination after hearing each party's position.

(iv) Statement of Case. At least five days before the scheduled hearing, each party must deliver to the arbitrator and to the other party a written summary of its position on the issues in dispute.

(v) Arbitrator's Decision. The arbitrator will issue a written decision within ten days after conclusion of the hearing, explaining the basis for the decision. Judgment upon the decision rendered by the arbitrator may be entered in any court having jurisdiction. This decision will be binding upon both parties. The arbitrator will have authority to assess actual damages sustained by reason of any breach or wrongful termination of this Franchise Agreement, including monetary damages and interest on unpaid amounts from date due, specific performance, injunctive and declaratory relief, and legal fees and costs, but will not have any authority to amend or modify the terms of this Franchise Agreement or to assess exemplary or punitive damages. Except for claims excluded from mediation and arbitration herein, the arbitrator, and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this Franchise Agreement including, but not limited to any claim that all or any part of this Franchise Agreement is void or voidable.

(vi) Time Schedule. Any award will be made within nine months of the filing of the notice of intention to arbitrate and the arbitrator will agree to comply with this schedule before accepting appointment. The parties will use due diligence to meet the foregoing time schedule, and the arbitrator will have the right to impose appropriate sanctions against any party who fails to comply with the agreed-upon time schedule. The arbitrator will use his best efforts to comply with the foregoing time schedule, but may unilaterally modify it if, in his opinion, modification is necessary for a proper and just resolution of the dispute. The parties may jointly modify the agreed-upon time schedule, subject to the arbitrator's approval.

(vii) Arbitration Expenses. The fees of, and authorized costs incurred by, the arbitrator will be shared equally by the parties, and each party will bear all of its own costs of arbitration; provided, however, that the arbitration decision will provide that the substantially prevailing party will recover from the other party its actual costs and expenses (including



arbitrator's fees and expenses, and attorney fees and expenses) incurred in connection with the dispute.

(viii) Confidentiality. Except as required by applicable law, including the required disclosure in our franchise disclosure document, the entire arbitration proceedings and related documents are confidential. Except as necessary to enforce the decision of the arbitrator hereunder, all conduct, statements, promises, offers, views and opinions, whether oral or written, made in the course of the arbitration by any of the parties, their agents, employees or representatives and by the arbitrator, are confidential. These matters will not be discoverable or admissible for any purposes, including impeachment, in any litigation or other proceeding involving the parties, and will not be disclosed to anyone who is not an agent, employee, expert witness, or representative for any of the parties; however, evidence otherwise discoverable or admissible is not excluded from discovery or admission as a result of its use in the arbitration.

(ix) Acknowledgment. The parties acknowledge that nothing herein shall delay or otherwise limit our rights and remedies under Section 20 of this Franchise Agreement. A notice or request for arbitration or mediation will not operate to stay, postpone, or rescind the effectiveness of any demand for performance or notice of termination under this Franchise Agreement.

**22.3. Disputes Not Subject to Mediation or Arbitration**. Notwithstanding the foregoing, the following actions will not be subject to mediation or arbitration under Sections 22.1 or 22.2, and we may immediately file a lawsuit in accordance with this Section 22.3 with respect to any of the following:

(i) any action that involves an alleged breach of any restrictive covenant under Section 14;

(ii) any action petitioning specific performance to enforce your use of the Marks or the System or to prevent unauthorized duplication of the Marks or the System;

(iii) any action for equitable relief, including without limitation, seeking preliminary or permanent injunctive relief, specific performance, or other relief in the nature of equity to enjoin any harm (or imminent risk of violation or harm) to any of our rights in the Intellectual Property, Copyrights, Marks, the System, or in any of our specialized training, trade secrets, or other Confidential Information, brought at any time including prior to or during the pendency of any mediation or arbitration proceedings under Sections 22.1 or 22.2;

(iv) any action seeking compliance with post-termination obligations set forth in Section 21; or

(v) any action in ejectment or for possession of any interest in real or personal property.

**22.4. Venue**. All mediation and arbitration shall take place exclusively in Fort Collins, Colorado (or where our then-current principal place of business is located). In the event of a lawsuit, if permitted under Section 22.3, such litigation shall take place in the state or federal court nearest to our principal place of business (currently, Fort Collins, Colorado). We and you do hereby agree and submit to personal jurisdiction by these courts in the State of Colorado and do hereby irrevocably waive any rights to contest venue as stated in this Section 22.3.



**22.5. Fees and Costs.** If we or you must enforce this Franchise Agreement in an arbitration or judicial proceeding, the substantially prevailing party will be entitled to reimbursement of its costs and expenses, including reasonable fees for accountants, attorneys, expert witnesses, costs of investigations and proof of facts, court costs, travel and living expenses, and other dispute-related expenses. In addition, if you breach any term of this Franchise Agreement or any other agreement with us or an affiliate of ours, we will have the right, upon written notice to you, to impose a default fee (currently \$100 per occurrence per week), and you agree to reimburse us for all reasonable attorneys' fees and other expenses we incur relating to such breach, regardless of whether the breach is cured prior to the commencement of any dispute resolution proceedings. If there is a mixed decision involving an award of money or money equivalent and equitable relief, the arbitrator will award the above fees to the party that it deems has substantially prevailed over the other party using reasonable business and arbitrator's judgment. We reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding for such arbitration proceeding to take place, and by doing so will not be deemed to have waived or relinquished our right to seek recovery of those costs in accordance with this Section 22.5. If either party commences any legal action or proceeding in any court in contravention of the terms of this Section, that party shall pay all costs and expenses that the other party incurs in the action or proceeding, including, without limitation, costs and attorneys' fees as described in this Section 22.5

**22.6. JURY TRIAL & CLASS ACTION WAIVER.** WE AND YOU IRREVOCABLY WAIVE: (i) TRIAL BY JURY; AND (ii) THE RIGHT TO ARBITRATE OR LITIGATE ON A CLASS ACTION BASIS IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THE PARTIES.

**22.7. LIMITATION OF ACTIONS AND WAIVER OF PUNITIVE DAMAGES.** WE AND YOU AGREE THAT ANY LEGAL ACTION OF ANY KIND BY A PARTY ARISING OUT OF OR RELATING TO THIS FRANCHISE AGREEMENT OR A DEFAULT OF THIS FRANCHISE AGREEMENT MUST BE COMMENCED WITHIN ONE (1) YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO ANY SUCH CLAIM OR ACTION OR SUCH CLAIM OR ACTION WILL BE BARRED PROVIDED, HOWEVER, THAT THE FORGOING LIMITATION SHALL NOT APPLY WHERE REQUIRED BY APPLICABLE LAW, TO THE PARTIES INDEMNIFICATION OBLIGATIONS UNDER THIS FRANCHISE AGREEMENT OR TO THE EXCEPTIONS IN SECTION 22.3. YOU AND WE, FOR OURSELVES, OURSELVES AND ON BEHALF OF THE OWNERS RESPECTIVELY, HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT TO, OR CLAIM FOR, PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT EXCEPT TO THE EXTENT PROVIDED TO THE CONTRARY IN THIS FRANCHISE AGREEMENT, IN THE EVENT OF A DISPUTE YOU AND WE SHALL EACH BE LIMITED TO RECOVERING ONLY THE ACTUAL DAMAGES PROVEN TO BE SUSTAINED ANY LEGAL ACTION OF ANY KIND.

**22.8. Survival.** We and you (and your Owners) agree that the provisions of this Section 22 shall apply during the Term of this Franchise Agreement and following the termination, expiration, or non-renewal of this Franchise Agreement. We and you agree to fully perform all obligations under this Franchise Agreement during the entire mediation, arbitration or litigation process.

## **23. SECURITY INTEREST**

**23.1. Collateral.** You grant to us a security interest ("Security Interest") in all of the furniture, fixtures, equipment, signage, and realty (including your interests under all real property and personal property leases) of the Cheba Hut Business, together with all similar property now owned or hereafter acquired, additions, substitutions, replacements, proceeds, and products thereof, wherever located,





used in connection with the Cheba Hut Business. All items in which a security interest is granted are referred to as the “Collateral.”

**23.2. Indebtedness Secured.** The Security Interest is to secure payment of the following (the “Indebtedness”):

- (i) All amounts due under this Franchise Agreement or otherwise by you;
- (ii) All sums which we may, at our option, expend or advance for the maintenance, preservation, and protection of the Collateral, including, without limitation, payment of rent, taxes, levies, assessments, insurance premiums, and discharge of liens, together with interest, or any other property given as security for payment of the Indebtedness;
- (iii) All expenses, including reasonable attorney fees, which we incur in connection with collecting any or all Indebtedness secured hereby or in enforcing or protecting our rights under the Security Interest and this Franchise Agreement; and
- (iv) All other present or future, direct or indirect, absolute or contingent, liabilities, obligations, and indebtedness of you to us or third parties under this Franchise Agreement, however created, and specifically including all or part of any renewal or extension of this Franchise Agreement, whether or not you execute any extension agreement or Successor Agreement.

Our security interest, as described herein, shall be subordinated to any financing related to your operation of the Cheba Hut Business, including, but not limited to, a real property mortgage and equipment leases.

**23.3. Additional Documents.** You will from time to time as required by us join with us in executing any additional documents and one or more financing statements pursuant to the Uniform Commercial Code (and any assignments, extensions, or modifications thereof) in form satisfactory to us.

**23.4. Possession of Collateral.** Upon default and termination of your rights under this Franchise Agreement, we shall have the immediate right to possession and use of the Collateral.

**23.5. Our Remedies in Event of Default.** You agree that, upon the occurrence of any default set forth above, the full amount remaining unpaid on the Indebtedness secured shall, at our option and without notice, become due and payable immediately, and we shall then have the rights, options, duties, and remedies of a secured party under, and you shall have the rights and duties of a debtor under, the Uniform Commercial Code of Colorado (or other applicable law), including, without limitation, our right to take possession of the Collateral and without legal process to enter any premises where the Collateral may be found. Any sale of the Collateral may be conducted by us in a commercially reasonable manner. Reasonable notification of the time and place of any sale shall be satisfied by mailing to you pursuant to the notice provisions set forth above.

**23.6. Special Filing as Financing Statement.** This Franchise Agreement shall be deemed a Security Agreement and a Financing Statement. This Franchise Agreement may be filed for record in the real estate records of each county in which the Collateral, or any part thereof, is situated and may also be filed as a Financing Statement in the counties or in the office of the Secretary of State, as appropriate, in respect of those items of Collateral of a kind or character defined in or subject to the applicable provisions of the Uniform Commercial Code as in effect in the appropriate jurisdiction.



**24. YOUR REPRESENTATIONS.** YOU HEREBY REPRESENT THAT: (i) YOU ARE AWARE OF THE FACT THAT OTHER PRESENT OR FUTURE FRANCHISEES OF OURS MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENT AND CONSEQUENTLY THAT OUR OBLIGATIONS AND RIGHTS WITH RESPECT TO OUR VARIOUS FRANCHISEES MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES; AND (ii) YOU ARE AWARE OF THE FACT THAT WE MAY HAVE NEGOTIATED TERMS OR OFFERED CONCESSIONS TO OTHER FRANCHISEES AND WE HAVE NO OBLIGATION TO OFFER YOU THE SAME OR SIMILAR NEGOTIATED TERMS OR CONCESSIONS.

## **25. GENERAL PROVISIONS**

**25.1. Governing Law.** Except as governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051, et seq.), this Franchise Agreement and the franchise relationship shall be governed by the laws of the State of Colorado (without reference to its principles of conflicts of law), but any law of the State of Colorado that regulates the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section. Any issue regarding arbitration will be governed by the Federal Arbitration Act and the federal common law of arbitration.

**25.2. Relationship of the Parties.** You are an independent contractor. You will exercise full and complete control over, and have full responsibility for, all of your contracts, daily operations, labor relations, employment practices and policies, including the recruitment, selection, hiring, disciplining, firing, training, compensation, work rules, and schedules of your employees. All employees or independent contractors hired by or working for you will be your employees or independent contractors alone and will not, for any purpose, be deemed our employees or subject to our control, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. You and we will file our own tax, regulatory and payroll reports, and be responsible for all employee benefits and workers compensation payments with respect to our respective employees and operations, and we will save and indemnify one another of and from any liability of any nature whatsoever by virtue thereof. At all times, including in connection with all uses of any of the Marks, in connection with the operation of the Cheba Hut Business, and in connection with all dealings with customers, suppliers, public officials, the general public, and others, you will conspicuously indicate your status as an independent contractor, including in all contracts, advertising, publicity, promotional and other marketing materials, and on any signage and uniforms, and in the manner specified in the Brand Standards Manual or as we otherwise may require. You will not make any express or implied agreements, guarantees or representations, or incur any debt in our name or on our behalf. You will not represent that the relationship between you and us is anything other than a franchise relationship. We will not be obligated by or have any liability under any agreements or representations made by you, and we will not be obligated for any damages to any person or property directly or indirectly arising out of your operation of the Cheba Hut Business. You agree that fulfillment of any and all of our obligations written in the Franchise Agreement, or based on any oral communications which may be ruled to be binding in a court of law, shall be our sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with us shall be personally liable to you for any reason.

**25.3. Severability and Substitution.** Each section, subsection, term, and provision of this Franchise Agreement, and any portion thereof shall be considered severable. If any applicable and binding law imposes mandatory, non-waivable terms or conditions that conflict with a provision of this Franchise Agreement, the terms or conditions required by such law shall govern to the extent of the inconsistency and supersede the conflicting provision of this Franchise Agreement. If a court concludes that any promise or covenant in this Franchise Agreement is unreasonable and unenforceable: (i) the court



may modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable; or (ii) we may unilaterally modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable and consistent with the original intent of the parties (i.e., to provide maximum protection for us and to effectuate your obligations under the Franchise Agreement to the fullest extent permitted by law), and you agree to be bound by the modified provisions.

**25.4. Waivers.** We and you may, by written instrument, unilaterally waive or reduce any obligation of or restriction upon the other. Any waiver granted by us shall be without prejudice to any other rights we may have. We and you shall not be deemed to have waived or impaired any right, power, or option reserved by this Franchise Agreement (including the right to demand exact compliance with every term, condition, and covenant in this Franchise Agreement or to declare any breach of this Franchise Agreement to be a default and to terminate the Franchise before the expiration of its Term) by virtue of: (i) any custom or practice of the parties at variance with the terms of this Franchise Agreement; (ii) any failure, refusal, or neglect of us or you to exercise any right under this Franchise Agreement or to insist upon exact compliance by the other with its obligations under this Franchise Agreement, including any mandatory specification, standard, or operating procedure; (iii) any waiver, forbearance, delay, failure, or omission by us to exercise any right, power, or option, whether of the same, similar, or different nature, relating to other Cheba Hut franchisees; or (iv) the acceptance by us of any payments due from you after breach of this Franchise Agreement.

**25.5. Approvals.** Whenever this Franchise Agreement requires our approval, you must make a timely written request for approval, and the approval must be in writing in order to bind us. Except as otherwise expressly provided in this Franchise Agreement, if we fail to approve any request for approval within the required period of time, we shall be deemed to have disapproved your request. If we deny approval and you seek legal redress for the denial, the only relief to which you may be entitled is to acquire our approval. You are not entitled to any other relief or damages for our denial of approval.

**25.6. Force Majeure.** No party shall be liable for any delay in the fulfillment of or failure to fulfill its obligations in whole or in part (other than the payment of money as may be owed by a party) under this Franchise Agreement where the delay or failure is solely due to Force Majeure, as described below. In the event of Force Majeure, the parties' obligations shall be extended or relieved only to the extent the parties are respectively necessarily prevented or delayed in such performance during the period of such Force Majeure. As used in this Franchise Agreement, the term "Force Majeure" shall mean any act of God, strike, lock-out or other industrial disturbance, war (declared or undeclared), terrorist event, riot, epidemic, fire or other catastrophe, act of any government and any other similar cause which is beyond the party's control and cannot be overcome by use of normal commercial measures. Force Majeure should be construed narrowly and does not include general economic, market or societal conditions, or any changes thereto, even those that are the direct or indirect result of the Force Majeure event. So, for example, in the event of a temporary government-imposed closure of your Cheba Hut Business due to a Force Majeure event, you may only be relieved of your obligations as necessary to comply with the government mandate or order, but not due to the economic or market conditions that result from that action. The party whose performance is affected by an event of Force Majeure shall give prompt notice of such Force Majeure event to the other party, which in no case shall be more than 48 hours after the event, setting forth the nature thereof and an estimate as to its duration, and the affected party shall furnish the other party with periodic reports regarding the progress of the Force Majeure event. Each party must use its best efforts to mitigate the effect of the event of Force Majeure upon its performance of the Franchise Agreement and to fulfill its obligations under the Franchise Agreement. Upon completion of the event of Force Majeure, the party affected must as soon as reasonably practicable recommence the performance of its obligations under this Franchise Agreement. However, in the event the Force Majeure continues for a period of six months or more, then the unaffected party may, at its option, terminate this Franchise Agreement by 30 days' written notice to the party asserting such Force Majeure. An event of Force Majeure



does not relieve a party from liability for an obligation which arose before the occurrence of the Force Majeure event, nor does that event affect any obligation to pay money owed under the Franchise Agreement or to indemnify us, whether such obligation arose before or after the Force Majeure event. An event of Force Majeure shall not affect Franchisee's obligations to comply with any restrictive covenants in this Franchise Agreement during or after the Force Majeure event.

**25.7. You May Not Withhold Payments.** You agree that you will not, on grounds of the alleged nonperformance by us of any of our obligations hereunder, withhold payment of any Royalty, Brand Fund Contributions, amounts due to us for purchases by you or any other amounts due to us.

**25.8. Binding Effect.** This Franchise Agreement is binding upon the parties to this Franchise Agreement and their respective executors, administrators, heirs, assigns, and successors in interest. Nothing in this Franchise Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Franchise Agreement; provided, however, that the additional insureds listed in Section 15.1 and the Indemnified Parties are intended third-party beneficiaries under this Franchise Agreement with respect to Section 18.

**25.9. Integration.** This Franchise Agreement constitutes the entire agreement between the parties and may not be changed except by a written document signed by both parties. Any email correspondence or other form of informal electronic communication shall not be deemed to modify this Franchise Agreement unless such communication is signed by both parties and specifically states that it is intended to modify this Franchise Agreement. The attachment(s) are part of this Franchise Agreement, which, together with any amendments or addenda executed on or after the Effective Date, constitutes the entire understanding and agreement of the parties, and there are no other oral or written understandings or agreements between us and you about the subject matter of this Franchise Agreement. No provision herein expressly identifying any term or breach of this Franchise Agreement as material shall be construed to imply that any other term or breach which is not so identified is not material. As referenced above, all mandatory provisions of the Brand Standards Manual and Guru Guide are part of this Franchise Agreement, however, notwithstanding the foregoing, we may modify the Brand Standards Manual and Guru Guide at any time. Any representations not specifically contained in this Franchise Agreement made before entering into this Franchise Agreement do not survive after the signing of this Franchise Agreement. This provision is intended to define the nature and extent of the parties' mutual contractual intent, there being no mutual intent to enter into contract relations, whether by agreement or by implication, other than as set forth above. The parties acknowledge that these limitations are intended to achieve the highest possible degree of certainty in the definition of the contract being formed, in recognition of the fact that uncertainty creates economic risks for both parties which, if not addressed as provided in this Franchise Agreement, would affect the economic terms of this bargain. Nothing in this Franchise Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document.

**25.10. Covenant of Good Faith.** If applicable law implies a covenant of good faith and fair dealing in this Franchise Agreement, the parties agree that the covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Franchise Agreement. Additionally, if applicable law shall imply the covenant, you agree that: (i) this Franchise Agreement (and the relationship of the parties that is inherent in this Franchise Agreement) grants us the discretion to make decisions, take actions, and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Franchise Agreement that may affect favorably or adversely your interests; (ii) we will use our judgment in exercising the discretion based on our assessment of our own interests and balancing those interests against the interests of our franchisees generally (including ourselves and our affiliates if applicable), and specifically without considering your individual interests or the individual interests of any other particular franchisee; (iii) we will have no liability to you for the exercise of our discretion in this manner, so long as the discretion is not exercised in bad faith; and (iv) in the absence of



bad faith, no trier of fact in any arbitration or litigation shall substitute its judgment for our judgment so exercised.

**25.11. Rights of Parties are Cumulative.** The rights of the parties under this Franchise Agreement are cumulative and no exercise or enforcement by either party of any right or remedy under this Franchise Agreement will preclude any other right or remedy available under this Franchise Agreement or by law.

**25.12. Survival.** All provisions that expressly or by their nature survive the termination, expiration, or Transfer of this Franchise Agreement (or the Transfer of an ownership interest in the Franchise) shall continue in full force and effect subsequent to and notwithstanding its termination, expiration, or Transfer, and until they are satisfied in full or by their nature expire, including, without limitation, Section 13, Section 14, Section 7, Section 18, Section 21, Section 22, Section 23 and Section 25.

**25.13. Construction.** The headings in this Franchise Agreement are for convenience only and do not define, limit, or construe the contents of the sections or subsections. All references to Sections refer to the Sections contained in this Franchise Agreement unless otherwise specified. All references to days in this Franchise Agreement refer to calendar days unless otherwise specified. The term “you” as used in this Franchise Agreement is applicable to one or more persons or an Entity, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine and the possessive.

**25.14. Time of Essence.** Time is of the essence in this Franchise Agreement and every term thereof.

**25.15. Counterparts.** This Franchise Agreement may be signed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

**25.16. Notices.** All notices given under this Franchise Agreement must be in writing, delivered by hand, email (to the last email address provided by the recipient) or comparable electronic system, or certified mail or delivered by recognized courier service, delivery confirmation, to the following addresses (which may be changed upon ten business days’ prior written notice):

You: As set forth on Attachment “B”

Us: Cheba Hut Franchising, Inc.  
400-A N. College Avenue  
Fort Collins, Colorado 80524

Notice shall be considered given at the time delivered by hand, or one business day after sending by reputable overnight delivery service, email or comparable electronic system, or three business days after placed in the mail, by priority mail with a delivery confirmation.

*(Signature Page Follows)*



The parties to this Franchise Agreement have executed this Franchise Agreement effective as of the Effective Date set forth in Attachment "B."

**FRANCHISOR:**

**Cheba Hut Franchising, Inc.,**  
an Arizona Corporation

Sign: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISEE:**

**[INSERT NAME OF FRANCHISEE],**  
a(n) [state] [limited liability company /  
partnership / corporation]

Sign: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Or if Franchisee is an individual(s)

Sign: \_\_\_\_\_  
individually

Printed Name: \_\_\_\_\_

Sign: \_\_\_\_\_  
individually

Printed Name: \_\_\_\_\_



**ATTACHMENT "A"**  
**TO THE CHEBA HUT FRANCHISING, INC. FRANCHISE AGREEMENT**

**DEFINITIONS**

“**Account**” is defined in Section 13.7.

“**Acquired Assets**” is defined in Section 21.2.1.

“**Agencies**” is defined in Section 21.1(viii).

“**Appraisal Date**” is defined in Section 21.2.1.

“**Appraised Value**” is defined in Section 21.2.4.

“**Brand Fund**” is defined in Section 11.2.1.

“**Brand Fund Contribution**” is defined in Section 11.2.1.

“**Brand Standards Manual**” is defined in Section 6.1.

“**Cheba Hut Business**” is defined in Section 2.

“**Cheba Hut Restaurant**” is defined in Section 2.

“**Claim**” or “**Claims**” means any and all claims, actions, demands, assessments, litigation, or other form of regulatory or adjudicatory procedures, claims, demands, assessments, investigations, or formal or informal inquiries.

“**Collateral**” is defined in Section 23.1.

“**Competitive Business**” means any restaurant where at least thirty percent (30%) of the menu items consist of hot and/or cold sandwiches, excluding hamburgers.

“**Confidential Information**” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a Cheba Hut Restaurant, including, but not limited to, methods, techniques, specifications, procedures, policies, marketing strategies, and information comprising the System, the Guru Guide, and the Brand Standards Manual.

“**Confidentiality Agreement**” means our form of Confidentiality Agreement, the most current form of which is attached to the Franchise Disclosure Document in Exhibit G.

“**Copyrights**” means all works and materials for which we or our affiliate has secured common law or registered copyright protection and that we allow Cheba Hut franchisees to use, sell, or display in connection with the marketing and/or operation of a Cheba Hut Restaurant, whether now in existence or created in the future.

“**Council**” is defined in Section 11.4.

“**Credit Card Vendors**” is defined in Section 12.14.

“**Crisis Management Event**” means any event that occurs at the Cheba Hut Business that has or may cause harm or injury to customers or employees, such as food contamination, food spoilage/poisoning,



food tampering/sabotage, contagious diseases, natural disasters, terrorist acts, shootings, or any other circumstance which may damage the System, Marks, or image or reputation of the Cheba Hut Restaurant or us or our affiliates.

**“Designated Manager”** is defined in Section 8.2

**“Dispute”** is defined in Section 22.1.

**“Effective Date”** is listed in Attachment “B.”

**“Entity”** means a corporation, partnership, limited liability company or other form of association.

**“Financial Statements”** means a balance sheet, profit and loss statement, statement of cash flows and explanatory footnotes prepared in accordance with generally accepted accounting principles applied on a consistent basis.

**“First Party”** is defined in Section 11.2.2.

**“Franchise”** means the right granted to Franchisee by Franchisor to use the System and the Marks.

**“Franchise Agreement”** is defined in the Introductory Paragraph.

**“General Release”** means our current form of general release of all known and unknown claims against us and our affiliates and subsidiaries, and our and their respective members, officers, directors, agents, and employees, in both their corporate and individual capacities. A copy of our General Release is attached to the Franchise Disclosure Document as Exhibit G.

**“Guru Guide”** is our confidential manual for management training.

**“Net Sales”** means the total of all revenues and income from the sale of all Cheba Hut Business food products, beverages and other related merchandise, products, and services to your customers whether or not sold or performed at or from the Cheba Hut Business, and whether received in cash, coupon, in services in kind, from barter and/or exchange, on credit (whether or not payment is received) or otherwise. “Net Sales” does not include: (i) revenues that you collect from a customer and later refund to that customer; (ii) any sales or use taxes that you pay to a government agency; or (iii) any tips, gratuities or service charges paid directly by customers to your employees.

**“Improvements”** is defined in Section 17.5.

**“Indebtedness”** is defined in Section 23.2

**“Indemnified Party”** or **“Indemnified Parties”** means us and each of our past, present, and future owners, members, officers, directors, employees, and agents, as well as our parent companies, subsidiaries, and affiliates, and each of their past, present, and future owners, members, officers, directors, employees, and agents.

**“Initial Franchise Fee”** is defined in Section 13.1.

**“Intellectual Property”** means, collectively or individually, our Marks, Copyrights, Confidential Information, System, and Improvements.

**“Interim Manager”** is defined in Section 8.4.





**“Interim Term”** is defined in Section 4.3.

**“Local Advertising Requirement”** is defined in Section 11.2.1.

**“Losses and Expenses”** means all compensatory, exemplary, and punitive damages; fines and penalties; attorney fees; experts fees; court costs; costs associated with investigating and defending against Claims; settlement amounts; judgments; compensation for damages to our reputation and goodwill; and all other costs, damages, liabilities, and expenses associated with any of the foregoing Losses and Expenses or incurred by an Indemnified Party as a result of a Claim.

**“Managing Operator”** means the Owner that you designate, and we approve who is primarily responsible for the daily management and supervision of the Cheba Hut Business.

**“Marks”** means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Cheba Hut Restaurant, including “Cheba Hut,” “The Kind,” “Jamaican Red,” “Pinner,” “Nug,” “Blunt,” Pakalolo,” “Where the only thing fried is an occasional customer,” and any other trademarks, service marks, or trade names that we designate for use in a Cheba Hut Restaurant.

**“Owner”** or **“Owners”** means any individual who owns a direct or indirect ownership interest in the Franchise or the Entity that is the Franchisee under this Franchise Agreement. “Owner” includes both passive and active owners.

**“Owners Agreement”** is defined in the Introductory Paragraph.

**“Post-Term Restricted Period”** means, with respect to you, a period of two years after the termination, expiration, or Transfer of this Franchise Agreement. “Post-Term Restricted Period” means, with respect to an Owner, a period of two years after the earlier to occur of: (i) the termination, expiration, or Transfer of this Franchise Agreement; or (ii) the Owner’s Transfer of his or her entire ownership interest in the Franchise or the Entity that is the Franchisee, as applicable. If a court of competent jurisdiction determines that the two-year Post-Term Restricted period is too long to be enforceable with respect to you and/or an Owner, then the Post-Term Restricted Period means a period of one year after the termination, expiration or Transfer of this Franchise Agreement with respect to you and/or such Owner.

**“Prohibited Activities”** is defined in Section 14.3.

**“Qualified Appraiser”** is defined in Section 21.2.2.

**“Restricted Territory”** means the geographic area within: (i) a ten mile radius from your Cheba Hut Restaurant (and including the premises of the approved location of Franchisee); and (ii) a ten mile radius from all other Cheba Hut Restaurants that are operating or under construction as of the Effective Date and remain in operation or under construction during all or any part of the Post-Term Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the “Restricted Territory” means the geographic area within a five mile radius from your Cheba Hut Restaurant (and including the premises of the approved location of Franchisee) and all other Cheba Hut Restaurants that are operating or under construction as of the Effective Date.

**“Security Interest”** is defined in Section 23.1.

**“Successor Agreement”** is defined in Section 4.1.



**“System”** means our proprietary system for the operation of a business that provides quick-service sandwiches featuring toasted submarine sandwiches, original sauces, salads, soups, chips, brownies, and other high-quality food and beverages, the distinctive characteristics of which include logo, trade secrets, concept, style, proprietary programs and products, confidential Brand Standards Manual, Guru Guide and operating system.

**“Term”** is defined in Section 4.1.

**“Territory”** is defined in Section 3.

**“Transfer”** means any direct or indirect, voluntary or involuntary (including by judicial award, order, or decree), assignment, sale, conveyance, subdivision, sublicense, or other transfer or disposition of the Franchise (or any interest therein), the Cheba Hut Business (or any portion thereof), or an ownership interest in an entity that is the Franchisee, including by merger or consolidation, by issuance of additional securities representing an ownership interest in the entity that is the Franchisee, or by operation of law, will, or a trust upon the death of an Owner (including the laws of intestate succession).

**“We,” “us,” or “our”** is defined in the Introductory Paragraph.

**“You” or, “your”** is defined in the Introductory Paragraph.



**ATTACHMENT “B”**  
**TO THE CHEBA HUT FRANCHISING, INC. FRANCHISE AGREEMENT**

**FRANCHISE DATA SHEET**

1. **Effective Date.** The Effective Date of the Franchise Agreement is: \_\_\_\_\_, 20\_\_\_\_.
  
2. **Franchisee.** The Franchisee identified in the introductory paragraph of the Franchise Agreement is: \_\_\_\_\_
  
3. **Initial Franchise Fee.** The Initial Franchise Fee set forth in Section 13.1 is (check one):  
  
\_\_\_\_ \$50,000 - Franchisee is purchasing a single Franchise.  
  
\_\_\_\_ \$130,000 - Franchisee is purchasing a Multi-3 Franchise and this Franchise Agreement is for the first Cheba Hut Restaurant under the Multi-Franchise Addendum to the Franchise Agreement.  
  
\_\_\_\_ Not applicable - this is the second or third Cheba Hut Restaurant of a Multi-3 Franchise, and Franchisee has previously signed a Multi-Franchise Addendum.
  
4. **Notice Address.** Franchisee’s address for notices as set forth in Section 25.16 of the Franchise Agreement shall be as follows:  
  
Attn: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
  
5. **Restaurant Location; Territory.** If a particular site for the Cheba Hut Restaurant has been selected and approved at the time of the signing of this Franchise Agreement, it shall be entered in Attachment B-1 as the Cheba Hut Restaurant location, and the Territory shall be as listed in Attachment B-1. If a particular site has not been selected and approved at the time of the signing of this Franchise Agreement, Section 5 of this Attachment 1 will describe the location in general terms below in the “General Description.” The General Description does not confer any territory rights to you and is only used for a reference. We may sell other franchised locations in the area in the General Description. After we have approved a location for your Cheba Hut Restaurant, we will complete the Cheba Hut Restaurant location and the Territory in Attachment B-1. As the Territory is dependent on the location of the Cheba Hut Restaurant, we will present you with the Territory upon the identification of the site for the Cheba Hut Restaurant. If you do not wish to accept the Territory, you may choose another site location and we will present you with another Territory based on the site selected.
  
6. **General Description of Area For Restaurant Location** (If your Cheba Hut Restaurant’s location is not specified in Attachment B-1 as of the signing of the Franchise Agreement): \_\_\_\_\_  
\_\_\_\_\_.



**FRANCHISOR:**

**Cheba Hut Franchising, Inc.,**  
an Arizona Corporation

Sign: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISEE:**

**[INSERT NAME OF FRANCHISEE],**  
a(n) [state] [limited liability company /  
partnership / corporation]

Sign: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Or if Franchisee is an individual(s)

Sign: \_\_\_\_\_  
individually

Printed Name: \_\_\_\_\_

Sign: \_\_\_\_\_  
individually

Printed Name: \_\_\_\_\_



**ATTACHMENT B-1 TO THE FRANCHISE AGREEMENT**

You have received approval for site location for the Cheba Hut Restaurant that satisfies the demographics and location requirements minimally necessary for a Cheba Hut Restaurant and that meets our minimum current standards and specifications for the build-out, interior design, layout, floor plan, signs, designs, color, and décor of a Cheba Hut Restaurant. We and you have mutually agreed-upon a Territory based on the site for the Cheba Hut Restaurant which is indicated below. You acknowledge that the Territory is in conformance with the territory guidelines stated in Item 12 of the Franchise Disclosure Document.

**Location for Cheba Hut Restaurant:**

The location for your Cheba Hut Restaurant as provided in Section 7.1 of the Franchise Agreement is:

---

---

---

**Territory:**

The Territory as provided for in Section 3 of the Franchise Agreement is:

---

---

---

**FRANCHISOR:**

**Cheba Hut Franchising, Inc.,**  
an Arizona Corporation

Sign: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISEE:**

**[INSERT NAME OF FRANCHISEE],**  
a(n) [state] [limited liability company /  
partnership / corporation]

Sign: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Or if Franchisee is an individual(s)

Sign: \_\_\_\_\_  
individually

Printed Name: \_\_\_\_\_



**ATTACHMENT "C"**  
**TO THE CHEBA HUT FRANCHISING, INC. FRANCHISE AGREEMENT**

Franchisee: \_\_\_\_\_

**Form of Ownership**  
**(Check One)**

**Individual**    **Partnership**    **Corporation**    **Limited Liability Company**

If a **Partnership**, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a **Corporation**, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a **Limited Liability Company**, give the state and date of formation, the name and address of the manager(s), and list the names and addresses of every member and the percentage of membership interest held by each member.

State and Date of Formation/Incorporation: \_\_\_\_\_

**Management (managers, officers, board of directors, etc.):**

Name	Title

**Members, Stockholders, Partners\*:**

Name	Address	Percentage Owned

\*If any members, stockholders, or partners are entities, please list the entities and owners of such entities up through the individuals.

**Identification of Managing Operator.** Your Managing Operator is \_\_\_\_\_  
 \_\_\_\_\_. You may not change the Managing Operator without prior written approval.



**Identification of Designated Manager.** Your Designated Manager is \_\_\_\_\_  
\_\_\_\_\_. You may not change the Designated Manager without prior written approval.

**FRANCHISEE:**

**[INSERT NAME OF FRANCHISEE],**  
a(n) [state] [limited liability company /  
partnership / corporation]

Sign: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Or if Franchisee is an individual(s)

Sign: \_\_\_\_\_  
individually

Printed Name: \_\_\_\_\_

Sign: \_\_\_\_\_  
individually

Printed Name: \_\_\_\_\_



**ATTACHMENT ‘D’**  
**TO THE CHEBA HUT FRANCHISING, INC. FRANCHISE AGREEMENT**  
**OWNERS AGREEMENT**

As a condition to the execution by Cheba Hut Franchising, Inc. (“we” or “us”) of a Franchise Agreement with \_\_\_\_\_ (“Franchisee”), each of the undersigned individuals (“Owners”), who constitute all of the owners of a direct or indirect beneficial interest in Franchisee, as well as their respective spouses, covenant and agree to be bound by this Owners Agreement (“Owners Agreement”).

**1. Acknowledgments.**

1.1 Franchise Agreement. Franchisee entered into a franchise agreement with us effective as of \_\_\_\_\_, 20\_\_ (“Franchise Agreement”). Capitalized words not defined in this Owners Agreement will have the same meanings ascribed to them in the Franchise Agreement.

1.2 Role of Owners. Owners are the beneficial owners or spouses of the beneficial owners of all of the direct and indirect equity interest, membership interest, or other equity controlling interest in Franchisee and acknowledge there are benefits received and to be received by each Owner, jointly and severally, and for themselves, their heirs, legal representatives and assigns. Franchisee’s obligations under the Franchise Agreement, including the confidentiality and non-compete obligations, would be of little value to us if Franchisee’s direct and indirect owners were not bound by the same requirements. Under the provisions of the Franchise Agreement, Owners are required to enter into this Owners Agreement as a condition to our entering into the Franchise Agreement with Franchisee. Owners will be jointly and severally liable for any breach of this Owners Agreement.

**2. Non-Disclosure and Protection of Confidential Information.**

2.1 Confidentiality. Under the Franchise Agreement, we will provide Franchisee with specialized training, proprietary trade secrets, and other Confidential Information relating to the establishment and operation of a franchised business. The provisions of the Franchise Agreement governing Franchisee’s non-disclosure obligations relating to our Confidential Information are hereby incorporated into this Owners Agreement by reference, and Owners agree to comply with each obligation as though fully set forth in this Owners Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Owners Agreement as we may seek against Franchisee under the Franchise Agreement. Any and all information, knowledge, know-how, techniques, and other data, which we designate as confidential, will also be deemed Confidential Information for purposes of this Owners Agreement.

2.2 Immediate Family Members. Owners acknowledge that they could circumvent the purpose of Section 2.1 by disclosing Confidential Information to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). Owners also acknowledge that it would be difficult for us to prove whether Owners disclosed the Confidential Information to family members. Therefore, each Owner agrees that he or she will be presumed to have violated the terms of Section 2.1 if any member of his or her immediate family uses or discloses the Confidential Information or engages in any activities that would constitute a violation of the covenants listed in Section 3, below, if performed by Owners. However,





Owners may rebut this presumption by furnishing evidence conclusively showing that Owners did not disclose the Confidential Information to the family member.

### **3. Covenant Not To Compete and To Not Solicit.**

3.1 Non-Competition and Non-Solicitation During and After the Term of the Franchise Agreement. Owners acknowledge that as a participant in our system, they will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures, and techniques which we have developed. The provisions of the Franchise Agreement governing Franchisee's restrictions on competition and solicitation both during the term of the Franchise Agreement and following the expiration or termination of the Franchise Agreement are hereby incorporated into this Owners Agreement by reference, and Owners agree to comply with and perform each such covenant as though fully set forth in this Owners Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Owners Agreement as we may seek against Franchisee under the Franchise Agreement.

3.2 Construction of Covenants. The parties agree that each such covenant related to non-competition and non-solicitation will be construed as independent of any other covenant or provision of this Owners Agreement. If all or any portion of a covenant referenced in this Section 3 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a final decision to which we are a party, Owners agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 3.

3.3 Our Right to Reduce Scope of Covenants. Additionally, we have the right, in our sole discretion, to unilaterally reduce the scope of all or part of any covenant referenced in this Section 3 of this Owners Agreement, without Owners' consent (before or after any dispute arises), effective when we give Owners written notice of this reduction. Owners agree to comply with any covenant as so modified.

### **4. Continuing Guarantee.**

4.1 Payment. Owners will pay us (or cause us to be paid) all monies payable by Franchisee under the Franchise Agreement whether now or in the future on the dates and in the manner required for payment in the relevant agreement.

4.2 Performance. Owners unconditionally guarantee full performance and discharge by Franchisee of all of Franchisee's obligations under the Franchise Agreement whether now or in the future on the date and times and in the manner required in the relevant agreement.

4.3 Indemnification. Owners will indemnify, defend, and hold harmless us, all of our affiliates, and the respective shareholders, directors, partners, employees, and agents of such entities, against and from all losses, damages, costs, and expenses which we or they may sustain, incur, or become liable for, whether now or in the future, by reason of: (a) Franchisee's failure to pay the monies payable (to us or any of our affiliates) pursuant to the Franchise Agreement, or to do and perform any other act, matter, or thing required by the Franchise Agreement; or (b) any action by us to obtain performance by Franchisee of any act, matter, or thing required by the Franchise Agreement.

4.4 No Exhaustion of Remedies. Owners acknowledge and agree that we will not be obligated to proceed against Franchisee or exhaust any security from Franchisee or pursue or exhaust any remedy, including any legal or equitable relief against Franchisee, before proceeding to enforce the obligations of the Owners as guarantors under this Owners Agreement, and the enforcement of such



obligations can take place before, after, or contemporaneously with, enforcement of any of Franchisee's debts or obligations under the Franchise Agreement.

4.5 **Waiver of Notice.** Without affecting Owners' obligations under this Section 4, we can extend, modify, or release any of Franchisee's indebtedness or obligation, or settle, adjust, or compromise any claims against Franchisee, all without notice to the Owners. Owners waive notice of amendment of the Franchise Agreement and notice of demand for payment or performance by Franchisee.

4.6 **Effect of Owner's Death.** Upon the death of an Owner, the estate of such Owner will be bound by the obligations in this Section 4, but only for defaults and obligations hereunder existing at the time of death; and the obligations of any other Owners will continue in full force and effect.

4.7 **Waiver of Acceptance, Default and Defenses.** Owners waive: (i) acceptance and notice of acceptance by us of the forgoing undertakings; (b) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; and (c) any and all other notices and legal or equitable defenses, right of setoff, claim or counterclaim whatsoever to which they may be entitled at any time hereunder.

4.8 **Continuing Nature.** Owners agree that each of the obligations in this Section 4 shall be continuing and shall not be discharged by: (i) the insolvency of Franchisee or the payment in full of all of the obligations at any time; (ii) the power or authority or lack thereof of Franchisee to incur the obligations; (iii) the validity or invalidity of any of the obligations; (iv) the existence or non-existence of Franchisee as a legal entity; (v) any statute of limitations affecting the liability of Owners or the ability of us to enforce this Franchise Owner Agreement or the obligations; or (vi) any right of offset, counterclaim or defense of any Owner, including, without limitation, those which have been waived by Owners pursuant to this Franchise Owners Agreement.

5. **Transfers.** Owners acknowledge and agree that we have granted the Franchise Agreement to Franchisee in reliance on Owners' business experience, skill, financial resources, and personal character. Accordingly, Owners agree a) not to sell, encumber, assign, transfer, convey, pledge, merge, or give away any direct or indirect interest in this Franchisee, unless Owners first comply with the sections in the Franchise Agreement regarding transfers and assignment, and b) that any attempt to do so will be a breach of this Owners Agreement and the Franchise Agreement. We may, from time to time, without notice to Owners, assign or transfer any or all of Owners' rights, duties and obligations or any interest therein in this Owners Agreement and, notwithstanding any assignment(s) or transfer(s), the rights, duties and obligations shall be and remain for the purpose of this Owners Agreement. Each and every immediate and successive assignee or transferee of any of the rights, duties or obligations of any interest therein shall, to the extent of such party's interest in the rights duties and/or obligations, be entitled to the benefits of this Owners Agreement to the same extent as if such assignee or transferee were us.

## 6. **Notices.**

6.1 **Method of Notice.** Any notices given under this Owners Agreement shall be in writing and delivered in accordance with the provisions of the Franchise Agreement.

6.2 **Notice Addresses.** Our current address for all communications under this Owners Agreement is:

Cheba Hut Franchising, Inc.



406 N. College Avenue  
Fort Collins, Colorado 80524

The current address of each Owner for all communications under this Owners Agreement is designated on the signature page of this Owners Agreement. Any party may designate a new address for notices by giving written notice to the other parties of the new address according to the method set forth in the Franchise Agreement.

## **7. Enforcement of This Owners Agreement.**

7.1 Dispute Resolution. Any claim or dispute arising out of or relating to this Owners Agreement shall be subject to the dispute resolution provisions of the Franchise Agreement. This agreement to engage in such dispute resolution process shall survive the termination or expiration of this Owners Agreement.

7.2 Choice of Law; Jurisdiction and Venue. This Owners Agreement and any claim or controversy arising out of, or relating to, any of the rights or obligations under this Owners Agreement, and any other claim or controversy between the parties, will be governed by the choice of law and jurisdiction and venue provisions of the Franchise Agreement.

7.3 Provisional Remedies. We have the right to seek from an appropriate court any provisional remedies, including temporary restraining orders or preliminary injunctions to enforce Owners' obligations under this Owners Agreement. Owners acknowledge and agree that there is no adequate remedy at law for Owners' failure to fully comply with the requirements of this Owners Agreement. Owners further acknowledge and agree that, in the event of any noncompliance, we will be entitled to temporary, preliminary, and permanent injunctions and all other equitable relief that any court with jurisdiction may deem just and proper. If injunctive relief is granted, Owners' only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, Owners expressly waive all claims for damages they incurred as a result of the wrongful issuance.

## **8. Miscellaneous.**

8.1 No Other Agreements. This Owners Agreement constitutes the entire, full, and complete agreement between the parties, and supersedes any earlier or contemporaneous negotiations, discussions, understandings, or agreements. There are no representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Owners Agreement, other than those in this Owners Agreement. No other obligations, restrictions, or duties that contradict or are inconsistent with the express terms of this Owners Agreement may be implied into this Owners Agreement. Except for unilateral reduction of the scope of the covenants permitted in Section 3.3 (or as otherwise expressly provided in this Owners Agreement), no amendment, change, or variance from this Owners Agreement will be binding on either party unless it is mutually agreed to by the parties and executed in writing. Time is of the essence.

8.2 Severability. Each provision of this Owners Agreement, and any portions thereof, will be considered severable. If any provision of this Owners Agreement or the application of any provision to any person, property, or circumstances is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Owners Agreement will be unaffected and will still remain in full force and effect. The parties agree that the provision found to be invalid or unenforceable will be modified to the extent necessary to make it valid and enforceable, consistent as much as possible with the original intent of the parties (i.e., to provide maximum protection for us and to effectuate the Owners' obligations under the Franchise Agreement), and the parties agree to be bound by the modified provisions.



8.3 No Third-Party Beneficiaries. Nothing in this Owners Agreement is intended to confer upon any person or entity (other than the parties and their heirs, successors, and assigns) any rights or remedies under or by reason of this Owners Agreement.

8.4 Construction. Any term defined in the Franchise Agreement which is not defined in this Owners Agreement will be ascribed the meaning given to it in the Franchise Agreement. The language of this Owners Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Owners Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

8.5 Binding Effect. This Owners Agreement may be executed in counterparts, and each copy so executed and delivered will be deemed an original. This Owners Agreement is binding on the parties and their respective heirs, executors, administrators, personal representatives, successors, and (permitted) assigns.

8.6 Continuing Nature of this Owners Agreement. This Owners Agreement shall be continuing and shall not be discharged, impaired or affected by: (1) the insolvency of Franchisee or the payment in full of all of the obligations under the Franchise Agreement at any time; (2) the validity or invalidity of any of the terms of the Owners Agreement; (3) the existence or non-existence of Franchisee as a legal entity; (4) any statute of limitations affecting the liability of Owners or the ability of us or our successors or assigns to enforce this Owners Agreement; (5) the transfer or assignment of all or a portion of the ownership in Franchisee and/or the assets of Franchisee; (6) the execution of an owners agreement or any other form of guaranty by any additional direct, indirect or beneficial owner of Franchisee in favor of us or our successors or assigns; (7) any right of offset, counterclaim or defense of any Owner; or (8) the expiration, termination or assignment of the Franchise Agreement or any other agreement between you and us.

8.7 Successors. References to “Franchisor” or “the undersigned,” or “you” include the respective parties’ heirs, successors, assigns, or transferees.

8.8 Nonwaiver. Our failure to insist upon strict compliance with any provision of this Owners Agreement shall not be a waiver of our right to do so. Delay or omission by us respecting any breach or default shall not affect our rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Owners Agreement shall be cumulative.

8.9 No Personal Liability. You agree that fulfillment of any and all of our obligations written in the Franchise Agreement or this Owners Agreement, or based on any oral communications which may be ruled to be binding in a court of law, shall be our sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with us shall be personally liable to you for any reason.

8.10 Owners Agreement Controls. In the event of any discrepancy between this Owners Agreement and the Franchise Agreement, this Owners Agreement shall control.

*(Signature Page Follows)*



**IN WITNESS WHEREOF**, the parties have entered into this Owners Agreement as of the effective date of the Franchise Agreement.

**OWNER(S):**

**SPOUSE(S):**

Sign: \_\_\_\_\_  
Printed Name: [Insert Owner Name Here]  
Address: [Insert Address of Owner]

Sign: \_\_\_\_\_  
Printed Name: [Insert Spouse Name Here]  
Address: [Insert Address of Spouse]

Sign: \_\_\_\_\_  
Printed Name: [Insert Owner Name Here]  
Address: [Insert Address of Owner]

Sign: \_\_\_\_\_  
Printed Name: [Insert Spouse Name Here]  
Address: [Insert Address of Spouse]

Sign: \_\_\_\_\_  
Printed Name: [Insert Owner Name Here]  
Address: [Insert Address of Owner]

Sign: \_\_\_\_\_  
Printed Name: [Insert Spouse Name Here]  
Address: [Insert Address of Spouse]

Rev.030824

Cheba Hut Franchising, Inc. hereby accepts the agreements of the Owner(s) hereunder.

**Cheba Hut Franchising, Inc.,**  
an Arizona Corporation

By: \_\_\_\_\_

Title: \_\_\_\_\_



**EXHIBIT B**  
**FINANCIAL STATEMENTS**





# CHEBA HUT FRANCHISING, INC.

FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2023, 2022, AND 2021



CHEBA HUT FRANCHISING, INC.

Table of Contents

	<u>Page</u>
Independent auditor’s report.....	3
Balance sheets .....	5
Statements of operations.....	6
Statements of stockholders’ deficit.....	7
Statements of cash flows .....	8
Notes to the financial statements .....	9







*Independent Auditor's Report*

Board of Directors  
Cheba Hut Franchising, Inc.  
Fort Collins, CO

***Opinion***

We have audited the accompanying financial statements of Cheba Hut Franchising, Inc., which comprise the balance sheets as of December 31, 2023, 2022, and 2021, and the related statements of operations, stockholders' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cheba Hut Franchising, Inc. as of December 31, 2023, 2022, and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

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

***Responsibilities of Management for the Financial Statements***

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

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

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

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



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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

***Restrictions on Use***

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

Keza  $\frac{3}{4}$  Dunlay

St. George, Utah  
March 8, 2024



# CHEBA HUT FRANCHISING, INC.

## BALANCE SHEETS

As of December 31, 2023, 2022, and 2021

	2023	2022	2021
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 893,842	\$ 1,199,040	\$ 1,277,295
Accounts receivable, net	250,882	153,792	78,253
Deferred commissions, current	33,303	39,715	39,235
Due from related party	11,338	20,550	3,350
Total current assets	1,189,365	1,413,097	1,398,133
<b>Non-current assets</b>			
Fixed assets, net	27,980	52,898	29,658
Deferred commissions, non-current	370,897	509,025	577,667
Note receivable, related party	557,213	224,397	248,407
Right of use asset	78,818	151,331	-
Other non-current assets	5,470	5,470	5,470
Total non-current assets	1,040,378	943,121	861,202
Total assets	\$ 2,229,743	\$ 2,356,218	\$ 2,259,335
<b>Liabilities and Stockholders' Deficit</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 318,403	\$ 176,892	\$ 132,822
Gift certificates	166,937	146,489	101,733
Operating lease liability, current	84,755	75,981	-
Deferred revenue, current	152,393	153,466	136,943
Total current liabilities	722,488	552,828	371,498
<b>Non-current liabilities</b>			
Operating lease liability, non-current	-	84,756	-
Deferred revenue, non-current	2,059,207	2,268,875	1,987,688
Total non-current liabilities	2,059,207	2,353,631	1,987,688
Total liabilities	2,781,695	2,906,459	2,359,186
<b>Stockholders' deficit</b>			
Common stock, no par value; 1,000,000 shares authorized, 3,125 shares issued and outstanding as of December 31, 2023, 2022, and 2021	5,000	5,000	5,000
Additional paid-in capital	190,116	190,116	190,116
Accumulated deficit	(747,068)	(745,357)	(294,967)
Total stockholders' deficit	(551,952)	(550,241)	(99,851)
Total liabilities and stockholders' deficit	\$ 2,229,743	\$ 2,356,218	\$ 2,259,335

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



**CHEBA HUT FRANCHISING, INC.**  
**STATEMENTS OF OPERATIONS**  
For the years ended December 31, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues			
Franchise fees	\$ 464,823	\$ 339,290	\$ 340,786
Royalty fees	5,083,096	3,872,015	2,684,354
National advertising contributions	1,814,870	1,401,956	1,030,768
Other operating revenues	<u>1,484,644</u>	<u>1,045,418</u>	<u>806,421</u>
Total operating revenues	<u>8,847,433</u>	<u>6,658,679</u>	<u>4,862,329</u>
Operating expenses			
Commissions	144,540	68,162	72,003
Operating	3,192,163	2,626,643	1,676,356
National advertising expenses	1,833,512	1,439,184	1,047,084
Administrative	<u>2,716,823</u>	<u>1,974,359</u>	<u>1,161,652</u>
Total operating expenses	<u>7,887,038</u>	<u>6,108,348</u>	<u>3,957,095</u>
Income from operations	960,395	550,331	905,234
Other expense			
Interest expense	-	-	(494)
Interest income	6,127	-	-
Loss on disposal of assets	<u>-</u>	<u>-</u>	<u>(11,859)</u>
Total other expense	<u>6,127</u>	<u>-</u>	<u>(12,353)</u>
Net income	<u>\$ 966,522</u>	<u>\$ 550,331</u>	<u>\$ 892,881</u>

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



**CHEBA HUT FRANCHISING, INC.**  
**STATEMENTS OF STOCKHOLDERS' DEFICIT**  
For the years ended December 31, 2023, 2022, and 2021

	<b>Common Stock</b>	<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Total</b>
Balances as of January 1, 2021	\$ 5,000	\$ 190,116	\$ (1,047,848)	\$ (852,732)
Stockholder dividends	-	-	(140,000)	(140,000)
Net income	-	-	892,881	892,881
Balances as of December 31, 2021	5,000	190,116	(294,967)	(99,851)
Adoption of ASC 842, <i>Leases</i>	-	-	(10,478)	(10,478)
Stockholder dividends	-	-	(990,243)	(990,243)
Net income	-	-	550,331	550,331
Balances as of December 31, 2022	5,000	190,116	(745,357)	(550,241)
Stockholder dividends	-	-	(968,233)	(968,233)
Net income	-	-	966,522	966,522
Balances as of December 31, 2023	<u>\$ 5,000</u>	<u>\$ 190,116</u>	<u>\$ (747,068)</u>	<u>\$ (551,952)</u>

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



**CHEBA HUT FRANCHISING, INC.**  
**STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash flow from operating activities:			
Net income	\$ 966,522	\$ 550,331	\$ 892,881
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	24,918	31,097	25,414
Loss on disposal of assets	-	-	11,859
Changes in operating assets and liabilities:			
Accounts receivable	(97,090)	(75,539)	(58,679)
Deferred commissions	144,540	68,162	72,003
Other assets	-	-	(2,470)
Right of use asset	72,513	68,878	-
Accounts payable	141,511	44,070	35,597
Gift certificates	20,448	44,756	73,066
Operating lease liability	(75,982)	(69,950)	-
Deferred revenue	(210,741)	297,710	380,162
Net cash provided by operating activities	<u>986,639</u>	<u>959,515</u>	<u>1,429,833</u>
Cash flows from investing activities:			
Purchases of fixed assets	-	(54,337)	(16,375)
Investment in note receivable	(332,816)	24,010	(248,407)
Net payments on due from related party	9,212	(17,200)	7,500
Net cash used in investing activities	<u>(323,604)</u>	<u>(47,527)</u>	<u>(257,282)</u>
Cash flows from financing activities:			
Principal payments on note payable	-	-	(151,750)
Stockholder dividends	(968,233)	(990,243)	(140,000)
Net cash used in financing activities	<u>(968,233)</u>	<u>(990,243)</u>	<u>(291,750)</u>
Net change in cash and cash equivalents	(305,198)	(78,255)	880,801
Cash at the beginning of the year	1,199,040	1,277,295	396,494
Cash at the end of the year	<u>\$ 893,842</u>	<u>\$ 1,199,040</u>	<u>\$ 1,277,295</u>
Supplementary disclosures of cash flows			
Cash paid for interest	\$ -	\$ -	\$ 494
Cash paid for taxes	\$ -	\$ -	\$ -

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



**CHEBA HUT FRANCHISING, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2023, 2022, and 2021

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

*(a) Nature of Business*

Cheba Hut Franchising, Inc. (the "Company") was formed on March 2, 2001 in the state of Arizona as a corporation for the principle purpose of conducting franchise sales, marketing, and management. The Company grants qualified franchisees the right to own and operate a Cheba Hut Franchise Restaurant in the United States.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year.

*(b) Accounting Standards Codification*

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

*(c) Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

*(d) Cash and Cash Equivalents*

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. As of December 31, 2023, 2022, and 2021, the Company had cash and cash equivalents of \$893,842, \$1,199,040, and \$1,277,295, respectively.

*(e) Accounts Receivables*

Accounts receivable are recorded for amounts due based on the terms of executed franchise agreements for franchise sales, royalty fees, and marketing fees. Accounts receivable are recorded at the invoiced amount and do not bear interest although a finance charge may be applied to such receivables that are past the due date. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on historical collections, customers' current creditworthiness, age of the receivable balance both individually and in the aggregate, and general economic conditions that may affect the customer's ability to pay. All account balances are reviewed on an individual basis. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. When recoveries of receivables previously charged off are made, they are recognized as income when payment is received. As of December 31, 2023, 2022, and 2021, the Company had net accounts receivable of \$250,882, \$153,792, and \$78,253. As of December 31, 2023, 2022, and 2021, the Company had an allowance for doubtful accounts of \$61,556.

*(f) Fixed Assets*

Fixed assets are stated at historical cost. Depreciation is provided utilizing the straight-line method over estimated useful lives of 5 to 7 years. Leasehold improvements are depreciated over the lease term.



**CHEBA HUT FRANCHISING, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2023, 2022, and 2021

*(g) Long-Lived Assets*

Long-lived assets will be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Any impairment loss will be measured by the difference between the fair value of an asset and its carrying amount, and will be recognized in the period that the recognition criteria are first applied and met.

*(h) Leasing*

The Company adopted ASC 842, *Leases*, as of January 1, 2022, using the modified retrospective method. The Company has an operating lease for office space, which required adjustments to record the right-of-use asset and lease liability as of the date of implementation. Upon adoption, the Company recorded a right-of-use asset of \$220,209 and a lease liability of \$230,687. The net effect on the Company's equity on January 1, 2022 was a decrease of \$10,478. The lease liability reflects the present value of the Company's estimated future minimum lease payments over the lease term, discounted using a collateralized incremental borrowing rate. The impact of ASC 842 is non-cash in nature and does not affect the Company's cash flows.

The Company has made an accounting policy election not to recognize right-of-use assets and lease liabilities that arise from any of its short-term leases. All leases with a term of 12 months or less at commencement, for which the Company is not reasonably certain to exercise available renewal options that would extend the lease term past 12 months, will be recognized on a straight-line basis over the lease term.

*(i) Revenue Recognition*

The Company's revenues consist of initial franchise fees, royalty fees, tech fees, and marketing fund fees from locations operated by conventional franchisees, and product rebates from vendors that supply products to the franchisees.

The Company has adopted ASC 606, Revenue from Contracts with Customers, which provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. The Company evaluates all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue.

For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the transaction price, which includes an initial fee and ongoing royalties, marketing fees, and technology fees, and the Company's performance obligations.

Upon evaluation of the five-step process, the Company has determined that royalties, marketing fees, and other operational revenue from locations operated by a franchisee, which are based on a percentage of gross revenue, are recognized at the time the underlying sales occur. When recording initial franchise fees, the Company allocates a portion of the initial franchise fee to initial training, grand opening assistance, site selection, and site build-out. If not provided by the Company, these services would likely be provided by third parties and have distinct value. As such, management has determined these services represent distinct performance obligations, and the Company recognizes the fair value of these services when the franchisee begins operations. The remainder of the initial franchise fees are recognized over the franchise term, which is generally ten years.

*(j) Income Taxes*

The Company has elected to be treated as Subchapter S Corporation under the provisions of the Internal Revenue Code for income tax purposes. Accordingly, taxable income and losses of the Company are reported on the income tax returns of its stockholders and no provision for federal or state income taxes has been recorded in the accompanying balance sheet.





**CHEBA HUT FRANCHISING, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2023, 2022, and 2021

As a result of the Tax Reform Act of 1986, the Company may be subject to income taxes at the maximum corporate rate if certain assets are sold at a gain for a 5-year period following the election. However, since it is the Company's intent to utilize the company assets in the operation of the business, the Company has not recognized a net deferred tax liability upon receipt of the approval of election.

The Company follows the guidance under ASC 740, *Accounting for Uncertainty in Income Taxes*. ASC 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the stockholder rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2023, the 2022, 2021, and 2020 tax years are subject to examination.

*(k) Advertising Costs*

The Company expenses advertising costs as incurred. For the years ended December 31, 2023, 2022, and 2021, advertising expenses were \$1,833,512, \$1,439,184, and \$1,047,084, respectively.

*(l) Financial Instruments*

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, pre-paid expenses, and accounts payable the carrying amounts approximate fair value due to their short maturities. The amounts shown for notes payable also approximate fair value because current interest rates and terms offered to the Company for similar debt are substantially the same.

*(m) Concentration of Risk*

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

**(2) Related Party Transactions**

An affiliate related through common ownership provides administrative, advertising, marketing and other support services to the Company related to the development, promotion, and management of the Cheba Hut brand in accordance with a management agreement between the two entities. The agreement carries an indefinite term which can be terminated by either party with thirty days written notices. The Company paid \$0, \$11,680, and \$120,000 in management fees to the affiliate during the years ended December 31, 2023, 2022, and 2021, respectively.

During the years ended December 31, 2023, 2022, and 2021, a franchisee included 50% ownership by an officer of the Company. During the years ended December 31, 2023, 2022, and 2021, the Company recognized revenue of \$99,553, \$126,658, and \$97,322, respectively for royalties, national advertising contributions, and marketing materials.

During the year ended December 31, 2021, the Company entered into a promissory note as the creditor with an affiliate through common ownership. The note has an initial principal balance of \$248,407, accrues interest at a rate of 3% per annum, and has a maturity date of June 1, 2025. As of December 31, 2023, 2022, and 2021, the outstanding balance was \$239,877, \$224,397 and \$248,407, respectively.

During the year ended December 31, 2023, the Company entered into a promissory note as the creditor with an affiliate through common ownership. The note has an initial principal balance of \$320,636, accrues interest at a rate of 7.5% per annum, and has a maturity date of December 1, 2028. As of December 31, 2023, the outstanding balance was \$320,636.



**CHEBA HUT FRANCHISING, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2023, 2022, and 2021

(3) Operating Lease

During the year ended December 31, 2019, the Company entered into a lease agreement with a related party for office space. The lease expires in 2024, with the option to renew. As the Company adopted ASC 842 on January 1, 2022, there are no right of use assets or operating lease liabilities as of December 31, 2021. As of December 31, 2023 and 2022, the Company recorded a right of use asset of \$78,818 and \$151,331, respectively. As of December 31, 2023 and 2022, the Company had the following operating lease liability:

	2023	2022
Operating lease liability, current	\$ 84,755	\$ 75,981
Operating lease liability, non-current	-	84,756
	<u>\$ 84,755</u>	<u>\$ 160,737</u>

(4) Fixed Assets

As of December 31, 2023, 2022, and 2021, the Company's fixed assets consist of the following:

	2023	2022	2021
Furniture and equipment	\$ 61,080	\$ 61,080	\$ 31,897
Vehicle	73,011	73,011	63,011
Leasehold improvements	46,471	46,471	31,317
	<u>180,562</u>	<u>180,562</u>	<u>126,225</u>
Accumulated depreciation	(152,582)	(127,694)	(96,567)
	<u>\$ 27,980</u>	<u>\$ 52,868</u>	<u>\$ 29,658</u>

Depreciation expense for the years ended December 31, 2023, 2022, and 2021 was \$24,918, \$31,097, and \$25,414, respectively.

(5) Gift Certificate Liability

The gift card liability consists of Company-wide activated gift cards that have not been redeemed as of year-end. The gift cards are recorded as liabilities until activation. As of December 31, 2023, 2022, and 2021, the amount of outstanding activated gift cards was \$166,937, \$146,489, and \$101,733, respectively.

(6) Franchise Agreements

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

The Company has estimated the following current and non-current portions of deferred contract costs as of December 31, 2023, 2022, and 2021:

	2023	2022	2021
Deferred commissions, current	\$ 33,303	\$ 39,715	\$ 39,235
Deferred commissions, non-current	370,897	509,025	577,667
	<u>\$ 404,200</u>	<u>\$ 548,740</u>	<u>\$ 616,902</u>



**CHEBA HUT FRANCHISING, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2023, 2022, and 2021

The Company has estimated the following current and non-current portions of deferred revenue as of December 31, 2023, 2022, and 2021:

	2023	2022	2021
Deferred revenue, current	\$ 152,393	\$ 153,466	\$ 136,943
Deferred revenue, non-current	2,059,207	2,268,875	1,987,688
	<u>\$ 2,211,600</u>	<u>\$ 2,422,341</u>	<u>\$ 2,124,631</u>

(7) Retirement Plan

The Company provides a 401(k) contribution plan to all eligible employees. The Company makes discretionary profit-sharing contributions subject to limitations as defined by the plan document. Employer contributions totaled \$74,325 and \$37,046 for the years ended December 31, 2023 and 2022, respectively. There were no employer contributions for the year ended December 31, 2021.

(8) Notes Payable

On April 14, 2020, the Company entered into a note payable with a third-party financial institution as part of the Payroll Protection Program administered by the United States Small Business Administration (“SBA”). The loan had an initial principal balance of \$130,000, accrued interest at an annual rate of 1%, and had a maturity date of April 14, 2022. During the year ended December 31, 2021, the Company obtained forgiveness of the entire balance, which is recorded in other income.

The Company had a note payable agreement for the acquisition of a vehicle. The note carried interest of 3.40%, was secured by the related vehicle, and required monthly payments of \$697 through maturity in September 2023. During the year ended December 31, 2021, the Company disposed of the vehicle and repaid the remaining note balance.

(9) Commitments and Contingencies

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

In the opinion of management, all matters are of such kind, or involving such amounts of unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

(10) Subsequent Events

Management has reviewed and evaluated subsequent events through March 8, 2024, the date on which the financial statements were issued.



**EXHIBIT C**

**LIST OF CURRENT AND FORMER FRANCHISEES**



## LIST OF FRANCHISEES

### Current Franchisees as of December 31, 2023:

Last Name	First Name	Entity Name	Address	City	State	Zip Code	Phone	Email
Lenz (operates 7 outlets)	Dorian	Lenz Enterprises (All AZ locations)	7839 S 170th St	Queen Creek	AZ	85142	480-980-4036	Dorianlenzsr@gmail.com
Fletcher	Hunter	House Fletcher LLC	1805 Josh Drive	Conway	AR	72034	406-461-7159	hmfletcher@crimson.ua.edu
Demaioribus (operates 1 outlet in Texas)	Vincent	Quattro E Venti, LLC	3541 Corte Dulce	Carlsbad	CA	92009	858-336-5929	vdemaioribus@psemi.com
Myles	Tyrone	Myles 4, Inc.	12223 Highland Ave	Rancho Cucamonga	CA	91739	909-225-8029	m4pace@charter.net
Snyder & Robinson	Ryan & Jordan	Wake n Bacon DBA Cheba Hut SDSU	6364 El Cajon Blvd	San Diego	CA	92115	425-418-3811	ryan.snyder@chebahut.com
Timmons (operates 16 outlets)	David	Elevated, Inc.	PO Box 12259	Denver	CO	80212	319-389-1563	timmons.dd@gmail.com
Brashear	Timothy	Brashear Enterprises, LLC	1018 Oceanbreeze Ct	Orlando	FL	32828	407-222-7920	Timothy.brashear@chebahut.com
Derickson	Dustin	Seeing Green, LLC	129 Oyster Catcher Circle	St Augustine	FL	32080	812-230-4313	dustin.derickson@chebahut.com
Burdick & Beatty (operates 2 outlets)	Josh & Justin	Tasty Notes, LLC	323 Shiloh Manor Dr	Marietta	GA	30066	619-871-1301	Josh.burdick@chebahut.com
Custer	Chris	Chi-Town CH LLC	940 Weatherbee Pl	Downers Grove	IL	60516	815-762-4913	Chris.custer@chebahut.com
O'Kelly	Brian	DANK SUBS, LLC	905 Heather Lane	Hoffman Estates	IL	60169	847-987-2345	Brian.okelly@outlook.com
Wiggins	Tommy	Tava Lou, Inc.	17634 Beckfield Ave	Baton Rouge	LA	70817	225-505-7171	Tommy.wiggins@chebahut.com
Timmons (operates 4 outlets)	David	Elevated, Inc.	2550 S Rainbow Blvd Ste 13-14	Las Vegas	NV	89146	319-389-1563	timmons.dd@gmail.com
Montoya (operates 3 outlets)	Isaac	Big Toasted Mon II DBA Cheba Hut Albuquerque	115 Harvard Dr SE	Albuquerque	NM	87106	406-461-7159	isaac.montoya@chebahut.com
Elliff	Jennee	Triple Joint, LLC	P.O. Box 262	Bend	OR	97709	541-410-8718	Jennee.elliff@chebahut.com
Donaldson	Josh	A Rope Smokin Son of a B DBA Cheba Hut Eugene	339 E 11th Ave	Eugene	OR	97401	817-800-4915	joshua.donaldson@chebahut.com
Steed (operates 2 outlets)	Chance	Change Holdings LLC	4508 Pershing Ave	Ft Worth	TX	76107	979-229-4867	Chance.steed@chebahut.com
Gandhi (operates 2 outlets)	Raj	A Joint Effort Inc.	24606 Bennetts Ridge Lane	Porter	TX	77365	773-575-4962	Raj.gandhi@chebahut.com
Bales (operates 2 outlets)	Steve	Briast, LLC	1326 Alpine Pond	San Antonio	TX	78260	210-439-7078	Steve.bales@chebahut.com
Bhakta	Bhavik	AJNAAA, LLC	1333 E. HWY 276	West Tawakoni	TX	75474	940-977-6325	Bhavik.bhakta@chebahut.com
Engerman	Douglas	interiorARTS, Ltd.	677 Adelia St.	Blaine	WA	98230	360-961-6655	dengerman@comcast.net



Last Name	First Name	Entity Name	Address	City	State	Zip Code	Phone	Email
Huhn (operates 2 outlets)	Robert	Mary Jane Restaurants LLC	541 E Erie St, Unit 514	Milwaukee	WI	53202	920-946-0841	rc.huhn@icloud.com

\*Operates one outlet in Texas

**Franchisees with Unopened Outlets as of December 31, 2023:**

Last Name	First Name	Entity Name	Address	City	State	Zip Code	Phone	Email
Smith	Tom	Espresso LLC	PO Box 600	Farmington	AR	72703	479-770-4200	Fayetteville-collegeave@chebahut.com
Lemos/Brown	Justin/Robbie	Toasted Life LLC	20451 S 187 <sup>th</sup> Way	Queen Creek	AZ	85142	480-747-3567	justin.lemos@chebahut.com
McNabb & Cardenas	Tyler & Racelis	Kali Hospitality	4384 E Ashlan Ave Ste 107	Fresno	CA	93726	310-795-9720	Fresno-westshaw@chebahut.com
Schlueter-Beckner	Travis & Emily	37 Waffles Development Co LLC	730 W Doran St Unit 213	Glendale	CA	91203	414-426-0299	Losangeles-noho@chebahut.com
Sangha	Pavandeep	Blunted 916 Inc	1966 Creeewood Dr	Yuba City	CA	95993	530-301-8244	Sacramento65@chebahut.com
Timmons	David	CSpring-Interquest	1856 Democracy Point STE 110	Colorado Springs	CO	80908	319-389-1563	csprings-interquest@chebahut.com
Crouch & Montgomery	Tim & Angie/Tiffany	Untethered Eats LLC	1125 Lagoon Ave	Minneapolis	MN	55408	937-248-6662	Minneapolis-Uptown@chebahut.com
Doney/Hopkins/Webster	Michael/Michael/Tim	Petrol Penguin CH-1 LLC	415 Beatties Ford Road	Charlotte	NC	28216	704-819-3944	Charlotte54@chebahut.com
Montoya	Isaac	Big Toasted Mon 7 LLC	TBD	Bernalillo	NM	87004	406-461-7159	isaac.montoya@chebahut.com
Montoya	Isaac	Big Toasted Mon 7 LLC	556 S Telshor Blvd	Las Cruces	NM	88001	406-461-7159	lascruces-mesilla@chebahut.com
Atkins	Scott & Dawn	Wylde Parsley LLC	329 Donelson Pike	Nashville	TN	37214	615-604-9032	nashville-donelson@chebahut.com
White	Eddie	E2 Restaurant Group LLC	3104 Beaver Creek Dr	Flower Mound	TX	75022	972-834-0800	Dfw63@chebahut.com
Cung/To/Willis	Brian/Kay/Chris	CH HTX LLC	4530 Dacoma St., Ste. 200	Houston	TX	77092	713-927-9613	houston-dacoma@chebahut.com
Hyder	Kerry & Jasmin	Hyder Restaurant Holdings LLC	1341 Millers Creek Dr	Prosper	TX	75078	469-584-3472	dallas-preston@chebahut.com
Singh/Chahill	Sonny/Daman	Endless Enterprises LLC	4730 University Way NE, Ste 108	Seattle	WA	98105	206-578-2151	Seattle-udistrict@chebahut.com
Huhn (3 <sup>rd</sup> outlet)	Robert	Mary Jane Restaurants LLC	541 E Erie St, Unit 514	Milwaukee	WI	53202	920-946-0841	rc.huhn@icloud.com



**Former Franchisees:**

The name and last known address of every franchisee who had a Cheba Hut Franchise transferred, terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement during the period January 1, 2023 to December 31, 2023, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document are listed below. If you buy this Franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

Last Name	First Name	Entity Name	Address	City	State	Zip Code	Phone	Email
Hamilton	Allison	The Happy Company Corporation	2005 Foxbrook Pl	Cincinnati	OH	45244	513-919-3133	Allison.hamilton@chebahut.com



**EXHIBIT D**

**LIST OF STATE ADMINISTRATORS AND  
AGENTS FOR SERVICE OF PROCESS**





**STATE ADMINISTRATORS AND  
AGENTS FOR SERVICE OF PROCESS**



**CALIFORNIA**

State Administrator and Agent for Service of Process:  
Commissioner  
Department of Financial Protection and Innovation  
320 W. 4<sup>th</sup> Street, #750  
Los Angeles, CA 90013  
(213) 576-7500  
(866) 275-2677

**HAWAII**

Commissioner of Securities of the State of Hawaii  
335 Merchant Street, Room 203  
Honolulu, HI 96813  
(808) 586-2722

Agent for Service of Process:  
Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, HI 96813  
(808) 586-2722

**ILLINOIS**

Illinois Attorney General Chief, Franchise Division  
500 S. Second Street  
Springfield, IL 62706  
(217) 782-4465

**INDIANA**

Secretary of State  
Securities Division  
Room E-018  
302 W. Washington Street  
Indianapolis, IN 46204  
(317) 232-6681

**MARYLAND**

Office of the Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, MD 21202  
(410) 576-6360

**MARYLAND CONTINUED**

Agent for Service of Process:  
Maryland Securities Commissioner  
200 St. Paul Place  
Baltimore, MD 21202-2020

**MICHIGAN**

Michigan Department of Attorney General  
Consumer Protection Division  
525 W. Ottawa Street  
Lansing, MI 48913  
(517) 373-7117

**MINNESOTA**

Department of Commerce  
Commissioner of Commerce  
85 Seventh Place East, Suite 280  
St. Paul, MN 55101-3165  
(651) 539-1600

**NEW YORK**

Administrator:  
NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21<sup>st</sup> Floor  
New York, NY 10005  
(212) 416-8222

Agent for Service of Process:  
Secretary of State  
99 Washington Avenue  
Albany, NY 12231

**NORTH DAKOTA**

Administrator:  
North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol, Fourteenth Floor, Dept. 414  
Bismarck, ND 58505-0510  
(701) 328-4712

Agent for Service of Process:  
Securities Commissioner  
600 East Boulevard Avenue  
State Capitol, Fourteenth Floor, Dept. 414  
Bismarck, ND 58505-0510

**RHODE ISLAND**

Department of Business Regulation  
1511 Pontiac Avenue, Bldg. 68-2  
Cranston, RI 02920  
(401) 462-9527

**SOUTH DAKOTA**

Division of Insurance  
Securities Regulation  
124 South Euclid, Suite 104  
Pierre, SD 57501  
(605) 773-3563

**VIRGINIA**

State Corporation Commission  
Division of Securities and Retail Franchising  
1300 E. Main Street, 9<sup>th</sup> Floor  
Richmond, VA 23219

Agent for Service of Process:  
Clerk of the State Corporation Commission  
1300 E. Main Street, 1<sup>st</sup> Floor  
Richmond, VA 23219

**WASHINGTON**

State Administrator:  
Washington Department of Financial Institutions  
Securities Division  
P.O. Box 41200  
Olympia, WA 98504-1200  
(360) 902-8760

Agent for Service for Process:

Director of Department of Financial Institutions  
Securities Division  
150 Israel Road SW  
Tumwater, WA 98501

**WISCONSIN**

Department of Financial Institutions  
Division of Securities  
201 W. Washington Avenue  
Madison, WI 53703  
(608) 266-3364



## EXHIBIT E

### BRAND STANDARDS MANUAL TABLE OF CONTENTS

Section	Number of Pages
<b>Cover Page</b>	1
<b>Table of Contents</b>	2

#### Section 1: The Business

Section	Number of Pages
<b>Store Opening</b>	4
Recon	
Architects	
General Contractors	
Liquor Licenses	
Insurance	
Local Human Resource Consultant	
Setting Up Services	
Setting Up Listings	
Technology Fee	
<b>Managing Your Investment</b>	2
Accounting and Backend	
Store Maintenance	
Store Reinvestment	
<b>Training</b>	1
Culture Daze	
Franchisee Training	
NSO Training	
<b>Operations</b>	3
On-boarding the Crew	
Sandwich Builds	
Customer Service	
Leadership	
<b>Marketing</b>	5
NSO Playbook	
OS Playbook	
Local Store Marketing	
Events	
Local Advertising	
Social Media Guidelines	
Customer Engagement Platform	
Partnerships	
Business Networking	
Reputation Management	
Quarterly Packages	
Brand Book	
Discounting	



## Section 2: Partnerships and Products

Section	Number of Pages
<b>Food &amp; Beverage</b>	3
Proprietary Goods	
Food Partners	
Beverage Partners	
<b>Alcohol</b>	1
Beer Partners	
Liquor Partners	
<b>Technology</b>	1
<b>Merchandise &amp; Printing</b>	1
<b>Store Opening Vendors</b>	3

## Section 3: Look and Feel

Section	Number of Pages
<b>Google vs. Yahoo</b>	1
“Clean” Look Areas of Focus	
<b>4 Walls</b>	7
The Vibe	
Atmosphere	
Work Culture	
Customer Service	
Diversity Advocacy	
Cleanliness	
<b>Brand Alignment</b>	5
Store Design Packages	
Mandatory	
Organization	
Patio Best Practices	
Bar Best Practices	

Total Pages – 40



# Cheba Hut Franchising - Brand Standards Manual

## Table of Contents

### Section 1: The Business

<b>Store Opening .....</b>	<b>3</b>
Recon .....	3
Architects.....	4
General Contractors .....	4
Liquor Licenses .....	4
Insurance .....	5
Local Human Resource Consultant.....	5
Setting Up Services .....	5
Setting Up Listings .....	5
Technology Fee.....	6
 <b>Managing Your Investment.....</b>	 <b>6</b>
Accounting and Backend .....	6
Store Maintenance .....	7
Store Reinvestment .....	7
 <b>Training.....</b>	 <b>8</b>
Culture Daze .....	8
Franchisee Training .....	8
NSO Training.....	8
 <b>Operations .....</b>	 <b>9</b>
On-boarding the Crew .....	9
Sandwich Builds.....	10
Customer Service.....	10
Leadership .....	11
 <b>Marketing .....</b>	 <b>11</b>
NSO Playbook .....	11
OS Playbook.....	12
Local Store Marketing .....	12
Events .....	13
Local Advertising .....	13
Social Media Guidelines .....	13
Customer Engagement Platform.....	14
Partnerships.....	14



Business Networking .....	14
Reputation Management .....	15
Quarterly Packages.....	15
Brand Book .....	16
Discounting.....	16
<b>Section 2: Partnerships and Products</b>	
<b>Food &amp; Beverage .....</b>	<b>17</b>
Proprietary Goods .....	17
Food Partners .....	18
Beverage Partners .....	19
<b>Alcohol.....</b>	<b>20</b>
Beer Partners.....	20
Liquor Partners .....	20
<b>Technology.....</b>	<b>21</b>
<b>Merchandise &amp; Printing .....</b>	<b>21</b>
<b>Store Opening Vendors.....</b>	<b>22</b>
<b>Section 3: Look and Feel</b>	
<b>Google vs. Yahoo .....</b>	<b>25</b>
“Clean” Look Areas of Focus .....	25
<b>4 Walls .....</b>	<b>26</b>
The Vibe.....	26
Atmosphere .....	26
Work Culture .....	29
Customer Service.....	30
Diversity Advocacy .....	31
Cleanliness.....	31
<b>Brand Alignment .....</b>	<b>32</b>
Store Design Packages.....	32
Mandatory.....	32
Organization .....	34
Patio Best Practices .....	35
Bar Best Practices .....	35



# Cheba Hut Franchising - Guru Guide

## Table of Contents

# TABLE OF CONTENTS

<b>INTRO .....</b>	
OVERVIEW .....	1
WELCOME TO THE SHOW .....	5
GURU DIFFERENTIATORS .....	6
BIG 4 FUNDAMENTALS .....	7
CORE VALUES .....	11
JOB DESCRIPTIONS - CREW MEMBER, SHIFT MANAGER, GENERAL MANAGER .....	12
<b>WEEK 1 - CREW TRAINING .....</b>	
WEEK 1 SCHEDULE .....	
ROCKSTAR OVERVIEW .....	15
LINE CHECK .....	28
BATTLE PLAN .....	30
PREP LIST .....	33
CART PARS .....	37
CHECKLISTS .....	40
INTRANET .....	42
WEEK 1 GURU SKILLS CHECK .....	
<b>WEEK 2 - OPENING &amp; ORDERING .....</b>	
WEEK 2 SCHEDULE .....	
MGR LOG .....	43
MGR OPENING CHECKLIST .....	44
READY 4 REVENUE .....	45
CASH HANDLING .....	47
ASSIGNING DRAWERS .....	51
REVEL CASH OUT .....	52
BANKING AND DEPOSITS .....	54
VERIFYING PUNCHES .....	56
SYSCO ORDERING .....	58
RECEIVING ORDERS .....	59
SHIFT CHANGE .....	61
ENTERING INVOICES .....	63
ADDITIONAL ORDERING .....	65
WEEK 2 SKILLS CHECK .....	



**WEEK 3 - OPENING & LEADERSHIP .....**

WEEK 3 SCHEDULE.....  
WEEKLY REPORTING ..... 69  
    *Weekly Reporting Checklist*..... 72  
LEADERSHIP VS MANAGEMENT..... 73  
SERVANT LEADERSHIP ..... 75  
ACCOUNTABILITY, AWARENESS, AND ACKNOWLEDGEMENT ..... 76  
COACHING AND DEVELOPMENT ..... 78  
HABIT REINFORCEMENT ..... 80  
TELL, SHOW, DO, REVIEW ..... 81  
DELEGATION ..... 83  
TIME MANAGEMENT..... 85  
CREW MEMBER 1-ON-1'S ..... 87  
    *N.U.G.S. Form*..... 89  
MGR REVIEW PROCESS..... 90  
    *Performance Appraisal Form*..... 92  
MANAGER MEETINGS ..... 94  
    *MGR Meeting Template*..... 95  
WEEK 3 SKILLS CHECK.....

**WEEK 4 - CLOSING & EQUIPMENT MAINTENANCE.....**

WEEK 4 SCHEDULE.....  
CLOSING PROCEDURE..... 96  
    *Closing Checklist* ..... 99  
EQUIPMENT MAINTENANCE..... 101  
3 TYPES OF CLEANING ..... 103  
SLICER MAINTENANCE ..... 105  
CART MAINTENANCE ..... 107  
TOASTER MAINTENANCE ..... 108  
EMERGENCY PROCEDURES ..... 110  
SAFETY AND SECURITY..... 114  
WEEK 4 SKILLS CHECK.....

**WEEK 5 - CLOSING & HUMAN RESOURCES.....**

WEEK 5 SCHEDULE.....  
LABOR FORECASTING..... 115  
    *Forecast Tool*..... 118  
SCHEDULE WRITING..... 119  
HIRING GUIDELINES..... 123  
STAFFING TARGETS..... 125





INTERVIEW QUESTIONS.....	126
NEW HIRE PROCESS.....	129
ONBOARDING PROCESS.....	131
INCIDENT REPORTING.....	132
CUSTOMER COMPLAINT RESOLUTION/ H.A.R.T. ....	134
PROGRESSIVE DISCIPLINARY ACTION.....	135
TERMINATION PROCESS.....	137
EMAIL ETIQUETTE.....	138
WEEK 5 SKILLS CHECK.....	

**WEEK 6 - GHOST SHIFTS & MARKETING.....**

WEEK 6 SCHEDULE.....	
OPM.....	139
SnapShot.....	141
QUARTERLY BUSINESS PLAN.....	143
S.W.O.T.....	146
LOCAL STORE MARKETING.....	148
TRADE AREA MAP.....	149
BIZ TO BIZ MARKETING.....	150
CATERING.....	151
DONATION REQUESTS.....	153
PARTY PLANNING.....	154
LOCAL GOV'T / PERMITS.....	156
COMMUNITY OUTREACH.....	157
SOCIAL MEDIA.....	158
WEEK 6 SKILLS CHECK.....	

**WEEK 7 - GHOST SHIFTS.....**

WEEK 7 SCHEDULE.....	
GHOST SHIFT ASSESSMENT.....	
FINAL TEST.....	

**WEEK 8 - SOLO-DOLO SHIFTS.....**

<b>RESOURCES.....</b>	
<b>S.O.P. UPDATES.....</b>	
<b>USER GUIDES.....</b>	
<b>TESTS/QUIZZES.....</b>	
<b>CONTACTS.....</b>	



**EXHIBIT F**  
**STATE ADDENDA AND AGREEMENT RIDERS**



## STATE ADDENDA AND AGREEMENT RIDERS

### ADDENDUM TO FRANCHISE AGREEMENT, SUPPLEMENTAL AGREEMENTS, AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES FOR CHEBA HUT FRANCHISING, INC.

The following modifications are made to the Cheba Hut Franchising, Inc. (“**Franchisor**,” “**us**,” “**we**,” or “**our**”) Franchise Disclosure Document (“**FDD**”) given to franchisee (“**Franchisee**,” “**you**,” or “**your**”) and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement between you and us dated \_\_\_\_\_, 20\_\_\_\_ (“**Franchise Agreement**”). When the term “**Franchisor’s Choice of Law State**” is used, it means Colorado. When the term “**Supplemental Agreements**” is used, it means “**none**.”

Certain states have laws governing the franchise relationship and franchise documents. Certain states require modifications to the FDD, Franchise Agreement and other documents related to the sale of a franchise. This State-Specific Addendum (“**State Addendum**”) will modify these agreements to comply with the state’s laws. The terms of this State Addendum will only apply if you meet the requirements of the applicable state independently of your signing of this State Addendum. The terms of this State Addendum will override any inconsistent provision of the FDD, Franchise Agreement or any Supplemental Documents. This State Addendum only applies to the following states: California, Hawaii, Illinois, Iowa, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Ohio, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

If your state requires these modifications, you will sign this State Addendum along with the Franchise Agreement and any Supplemental Agreements.

#### **CALIFORNIA**

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

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the Franchise be delivered together with the FDD 14 days prior to execution of the agreement.

California Corporations Code Section 31125 requires us to give to you an FDD, in a form containing the information that the Commissioner may by rule or order require, before we ask you to consider a material modification of your Franchise Agreement.

The Franchise Agreement contains, and if applicable, the Supplemental Agreements may contain, provisions requiring binding arbitration with the costs being awarded to the prevailing party. The arbitration will occur in Colorado. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement or Supplemental Agreements restricting venue to a forum outside the State of California. The Franchise Agreement may contain a mediation provision. If so, the parties shall each bear their own costs of mediation and shall share equally the filing fee and the mediator’s fees.

The Franchise Agreement and Supplemental Agreements require the application of the law of Colorado. This provision may not be enforceable under California law.



Neither Franchisor nor any other person listed in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement or Supplemental Agreements contain a provision that is inconsistent with the California Franchise Investment Law, the California Franchise Investment Law will control.

The Franchise Agreement provides for termination upon bankruptcy. Any such provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. SEC. 101 et seq.).

The Franchise Agreement contains, and if applicable, the Supplemental Agreements may contain, a covenant not to compete provision which extends beyond the termination of the Franchise. Such provisions may not be enforceable under California law.

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

You must sign a general release of claims if you renew or transfer your Franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

Our website has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Item 6 of the FDD is amended to state the highest interest rate allowed by law in California is 10% annually.

## **HAWAII**

The following is added to the Cover Page:

**THIS FRANCHISE WILL BE/HAS BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS**



**THAT THE INFORMATION PROVIDED IN THIS FRANCHISE DISCLOSURE DOCUMENT IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO YOU OR SUBFRANCHISOR AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH US AND YOU.**

Registered agent in the state authorized to receive service of process:

Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The status of the Franchisor's franchise registrations in the states which require registration is as follows:

1. States in which this proposed registration is effective are listed in Exhibit I of the FDD on the page entitled, "State Effective Dates."
2. States which have refused, by order or otherwise, to register these Franchises are:  
None
3. States which have revoked or suspended the right to offer the Franchises are:  
None
4. States in which the proposed registration of these Franchises has been withdrawn are:  
None



## ILLINOIS

Sections 4 and 41 and Rule 608 of the Illinois Franchise Disclosure Act states that court litigation must take place before Illinois federal or state courts and all dispute resolution arising from the terms of this Agreement or the relationship of the parties and conducted through arbitration or litigation shall be subject to Illinois law. The FDD, Franchise Agreement and Supplemental Agreements are amended accordingly.

The governing law or choice of law clause described in the FDD and contained in the Franchise Agreement and Supplemental Agreements is not enforceable under Illinois law. This governing law clause shall not be construed to negate the application of Illinois law in all situations to which it is applicable.

Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void.” The Franchise Agreement is amended accordingly. To the extent that the Franchise Agreement would otherwise violate Illinois law, such Agreement is amended by providing that all litigation by or between you and us, arising directly or indirectly from the Franchise relationship, will be commenced and maintained in the state courts of Illinois or, at our election, the United States District Court for Illinois, with the specific venue in either court system determined by appropriate jurisdiction and venue requirements, and Illinois law will pertain to any claims arising under the Illinois Franchise Disclosure Act.

Item 17.v, Choice of Forum, of the FDD is revised to include the following: “provided, however, that the foregoing shall not be considered a waiver of any right granted upon you by Section 4 of the Illinois Franchise Disclosure Act.”

Item 17.w, Choice of Law, of the FDD is revised to include the following: “provided, however, that the foregoing shall not be considered a waiver of any right granted upon you by Section 4 of the Illinois Franchise Disclosure Act.”

The termination and non-renewal provisions in the Franchise Agreement and the FDD may not be enforceable under Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Under Section 705/27 of the Illinois Franchise Disclosure Act, no action for liability under the Illinois Franchise Disclosure Act can be maintained unless brought before the expiration of three years after the act or transaction constituting the violation upon which it is based, the expiration of one year after you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by the Act, or 90 days after delivery to you of a written notice disclosing the violation, whichever shall first expire. To the extent that the Franchise Agreement is inconsistent with the Illinois Franchise Disclosure Act, Illinois law will control and supersede any inconsistent provision(s).

### Posting of Surety Bond

Items 5 and 7 of the Franchise Disclosure Document and Section 13.1 of the Franchise Agreement are amended to state: Franchisor has posted a surety bond in an amount required by the Illinois Attorney General’s Office to financially protect you, to the extent of your payment of an initial franchise fee, if we do not meet our pre-opening obligations to you. The Illinois Attorney General’s Office has imposed the bond requirement due to our financial condition.



No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

See the last page of this Exhibit F for your required signature.

## INDIANA

Item 8 of the FDD is amended to add the following:

Under Indiana Code Section 23-2-2.7-1(4), we will not accept any rebates from any person with whom you do business or associate in relation to transactions between you and the other person, other than for compensation for services rendered by us, unless the rebate is properly accounted for and submitted to you.

Item 17 of the FDD is amended to add the following:

Indiana Code 23-2-2.7-1(7) makes it unlawful for us to unilaterally terminate your Franchise Agreement unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

Indiana Code 23-2-2.7-1(5) prohibits us to require you to agree to a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Act.

The “Summary” column in Item 17.r. of the FDD is deleted and the following is inserted in its place:

No competing business for one year after the expiration or termination of the agreement within a ten-mile radius of your Restaurant or any other Cheba Hut Businesses or within any exclusive area granted by Cheba Hut.

The “Summary” column in Item 17.t. of the FDD is deleted and the following is inserted in its place:

Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.

The “Summary” column in Item 17.v. of the FDD is deleted and the following is inserted in its place:

Litigation regarding Franchise Agreement in Indiana; other litigation in Franchisor’s Choice of Law State. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, is fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice of law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.



The “Summary” column in Item 17.w. of the FDD is deleted and the following is inserted in its place:

Indiana law applies to disputes covered by Indiana franchise laws; otherwise Franchisor’s Choice of Law State law applies.

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Indiana:

1. The laws of the State of Indiana supersede any provisions of the FDD, the Franchise Agreement, or Franchisor’s Choice of Law State law, if such provisions are in conflict with Indiana law.
2. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the Franchise without good cause or in bad faith, good cause being defined under law as including any material breach of the Franchise Agreement, will supersede the provisions of the Franchise Agreement relating to termination for cause, to the extent those provisions may be inconsistent with such prohibition.
3. Any provision in the Franchise Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.
4. The covenant not to compete that applies after the expiration or termination of the Franchise Agreement for any reason is hereby modified to the extent necessary to comply with Indiana Code 23-2-2.7-1 (9).
5. The following provision will be added to the Franchise Agreement:

No Limitation on Litigation. Despite the foregoing provisions of this Agreement, any provision in the Agreement which limits in any manner whatsoever litigation brought for breach of the Agreement will be void to the extent that any such contractual provision violates the Indiana Deceptive Franchise Practices Law.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **IOWA**

Any provision in the Franchise Agreement or Compliance Questionnaire which would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Iowa Business Opportunity Promotions Law (Iowa Code Ch. 551A) is void to the extent that such provision violates such law.





The following language will be added to the Franchise Agreement:

**NOTICE OF CANCELLATION**

\_\_\_\_\_ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within three business days from the above date. If you cancel, any property traded in, any payments made by you under the contract or sale, and any negotiable instrument executed by you will be returned within ten business days following receipt by the seller 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 residence or business address, in substantially as good condition as when received, any goods delivered to you under this contract or sale; 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 not agree to return the goods to the seller or if the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation.

To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to Cheba Hut Franchising, Inc., 400-A N. College Avenue, Fort Collins, Colorado 80524 not later than midnight of the third business day after the Effective Date.

I hereby cancel this transaction.

Franchisee: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

**MARYLAND**

**AMENDMENTS TO FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENTS**

Item 17 of the FDD and the Franchise Agreement are amended to state: “The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

Representations in the Franchise Agreement are not intended to, nor shall they act as, a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Item 17 of the FDD and sections of the Franchise Agreement are amended to state that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure



Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the Franchise.

The Franchise Agreement and Franchise Disclosure Questionnaire are amended to state that all representations requiring prospective franchisees to assent to a release, estoppel, or waiver of liability are not intended to, nor shall they act as, a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A Sec. 101 et seq.).

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **MICHIGAN**

**THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.**

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on your right to join an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which deprives you of rights and protections provided in this act. This shall not preclude you, after entering into a Franchise Agreement, from settling any and all claims.
- (c) A provision that permits us to terminate a Franchise prior to the expiration of its term except for good cause. Good cause shall include your failure to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits us to refuse to renew your Franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the Franchise business are not subject to compensation. This subsection applies only if: (i) the term of the Franchise is less than five years; and (ii) you are prohibited by the Franchise Agreement or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the Franchise or you do not receive at least six months' advance notice of our intent not to renew the Franchise.



(e) A provision that permits us to refuse to renew a Franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside the State of Michigan. This shall not preclude you from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits us to refuse to permit a transfer of ownership of a Franchise, except for good cause. This subdivision does not prevent us from exercising a right of first refusal to purchase the Franchise. Good cause shall include, but is not limited to:

(i) the failure of the proposed transferee to meet our then-current reasonable qualifications or standards.

(ii) the fact that the proposed transferee is a competitor of us or our subfranchisor.

(iii) the unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) your or proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

(h) A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants to us a right of first refusal to purchase the assets of a Franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants us the right to acquire the assets of a Franchise for the market or appraised value of such assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits us to directly or indirectly convey, assign, or otherwise transfer our obligations to fulfill contractual obligations to you unless provision has been made for providing the required contractual services.

**THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.**

Any questions regarding this notice should be directed to:

State of Michigan  
Department of Attorney General  
Consumer Protection Division  
Attn: Franchise  
670 Law Building  
525 W. Ottawa Street  
Lansing, Michigan 48913  
Telephone Number: (517) 373-7117



No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **MINNESOTA**

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Minnesota:

1. Any provision in the Franchise Agreement which would require you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22 will be void to the extent that such contractual provision violates such law.
2. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400J prohibit the franchisor from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the FDD or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of Minnesota.
3. Minn. Rule Part 2860.4400J prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. Any provision in the Franchise Agreement which would require you to waive your rights to any procedure, forum or remedies provided for by the laws of the State of Minnesota is deleted from any agreement relating to Franchises offered and sold in the State of Minnesota; provided, however, that this paragraph will not affect the obligation in the Franchise Agreement relating to arbitration.
4. With respect to Franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement; and that consent to the transfer of the Franchise will not be unreasonably withheld.
5. Item 13 of the FDD is hereby amended to state that we will protect your rights under the Franchise Agreement to use the Marks, or indemnify you from any loss, costs, or expenses arising out of any third-party claim, suit or demand regarding your use of the Marks, if your use of the Marks is in compliance with the provisions of the Franchise Agreement and our System standards.
6. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. As a result, the FDD and the Franchise Agreement, which require you to sign a general release prior to renewing or transferring your Franchise, are hereby deleted from the Franchise Agreement, to the extent required by Minnesota law.



7. The following language will appear as a new paragraph of the Franchise Agreement:

No Abrogation. Pursuant to Minnesota Statutes, Section 80C.21, nothing in the dispute resolution section of this Agreement will in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80.C.
8. Minnesota Statute Section 80C.17 states that no action for a violation of Minnesota Statutes, Sections 80C.01 to 80C.22 may be commenced more than three years after the cause of action accrues. To the extent that the Franchise Agreement conflicts with Minnesota law, Minnesota law will prevail.
9. Item 6 of the FDD and Section 13.7 of the Franchise Agreement is hereby amended to limit the Insufficient Funds Charge to \$30 per occurrence pursuant to Minnesota Statute 604.113.
10. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **NEW YORK**

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT D OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is added at the end of Item 3:

With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.



B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge, or within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for franchisee to renew or extend,**” and Item 17(m), entitled “**Conditions for franchisor approval of transfer:**”

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”: You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum,**” and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York.

6. Franchise Questionnaires and Acknowledgements - No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.



7. Receipts - Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

## **NORTH DAKOTA**

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring that you sign a general release, estoppel or waiver as a condition of renewal and/or assignment may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements relating to choice of law may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to liquidated damages and/or termination penalties may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Item 17(r) of the FDD and Section 14 of the Franchise Agreement disclose the existence of certain covenants restricting competition to which Franchisee must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The FDD and the Franchise Agreement are amended accordingly to the extent required by law.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.



**OHIO**

The following language will be added to the front page of the Franchise Agreement:

You, the purchaser, 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.

Initials \_\_\_\_\_ Date \_\_\_\_\_

**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 20 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 to Cheba Hut Franchising, Inc., 400-A N. College Avenue, Fort Collins, Colorado 80524 not later than midnight of the fifth business day after the Effective Date.

I hereby cancel this transaction.

Franchisee:

Date: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Its: \_\_\_\_\_

**RHODE ISLAND**

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.” The FDD, the Franchise Agreement, and the Supplemental Agreements are amended accordingly to the extent required by law.

The above language has been included in this FDD as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement and the Supplemental Agreements, including all choice of law provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement, the Supplemental Agreements, and all other documents signed by them, including





but not limited to, all venue, choice of law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **SOUTH DAKOTA**

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **VIRGINIA**

Item 17(h). The following is added to Item 17(h):

“Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement or Supplemental Agreements involve the use of undue influence by the Franchisor to induce a franchisee to surrender any rights given to franchisee under the Franchise, that provision may not be enforceable.”

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the FDD for Cheba Hut Franchising, Inc. for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 8 and Item 17.h.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

## **Fee Deferral**

Items 5 and 7 of the Franchise Disclosure Document and the Franchise Agreement are amended to state: The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

The Multi-Franchise Addendum to the Franchise Agreement is amended to state: The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of



the initial franchise fee owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the multi-franchise addendum to the franchise agreement.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **WASHINGTON**

### **WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, AND RELATED AGREEMENTS**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring



any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

Section 24 of the Franchise Agreement is hereby revised to state: YOU HEREBY REPRESENT THAT: (i) YOU HAVE NOT RECEIVED ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS, OR SUCCESS OF THE CHEBA HUT BUSINESS CONTEMPLATED BY THIS FRANCHISE AGREEMENT, EXCEPT FOR ANY INFORMATION DISCLOSED IN THE FRANCHISE DISCLOSURE DOCUMENT; (ii) YOU HAVE NO KNOWLEDGE OF ANY REPRESENTATIONS BY US OR ANY OF OUR OFFICERS, DIRECTORS, MEMBERS, EMPLOYEES, OR REPRESENTATIVES ABOUT THE CHEBA HUT BUSINESS CONTEMPLATED BY THIS FRANCHISE AGREEMENT THAT ARE CONTRARY TO THE TERMS OF THIS FRANCHISE AGREEMENT OR THE FRANCHISE DISCLOSURE DOCUMENT; (iii) YOU RECEIVED OUR FRANCHISE DISCLOSURE DOCUMENT AT LEAST FOURTEEN CALENDAR DAYS BEFORE YOU SIGNED A BINDING AGREEMENT OR PAID ANY MONEY TO US OR OUR AFFILIATES; (iv) YOU ARE AWARE OF THE FACT THAT OTHER PRESENT OR FUTURE FRANCHISEES OF OURS MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENT AND CONSEQUENTLY THAT OUR OBLIGATIONS AND RIGHTS WITH RESPECT TO OUR VARIOUS FRANCHISEES MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES; (v) YOU ARE AWARE OF THE FACT THAT WE MAY HAVE NEGOTIATED TERMS OR OFFERED CONCESSIONS TO OTHER FRANCHISEES AND WE HAVE NO OBLIGATION TO OFFER YOU THE SAME OR SIMILAR NEGOTIATED TERMS OR CONCESSIONS; AND (vi) YOU HAVE CONDUCTED AN INDEPENDENT INVESTIGATION OF THE CHEBA HUT BUSINESS CONTEMPLATED BY THIS FRANCHISE AGREEMENT AND RECOGNIZE THAT IT INVOLVES BUSINESS RISKS, MAKING THE SUCCESS OF THE VENTURE LARGELY DEPENDENT UPON YOUR OWN BUSINESS ABILITIES, EFFORTS, AND JUDGMENTS, AND THE ABILITIES, EFFORTS AND SERVICES OF YOU AND THOSE YOU EMPLOY.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

#### Posting of Surety Bond

A surety bond in the amount of \$100,000 has been obtained by the franchisor. The Washington Securities Division has made the issuance of the franchisor's permit contingent upon the franchisor maintaining bond coverage acceptable to the Administrator until (a) all Washington franchisees have (i) received all initial training that they are entitled to under the franchise agreement or offering circular, and (ii) are open for business; or (b) the Administrator issues written authorization to the contrary.

#### WISCONSIN

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Agreements are amended accordingly.



No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

*(Signatures on following page)*



**APPLICABLE ADDENDA**

If any one of the preceding Addenda for specific states (“**Addenda**”) is checked as an “Applicable Addenda” below, then that Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement and any other specified agreement(s) entered into by us and the undersigned Franchisee. To the extent any terms of an Applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement.

- |                          |            |                          |              |                          |              |
|--------------------------|------------|--------------------------|--------------|--------------------------|--------------|
| <input type="checkbox"/> | California | <input type="checkbox"/> | Michigan     | <input type="checkbox"/> | Rhode Island |
| <input type="checkbox"/> | Hawaii     | <input type="checkbox"/> | Minnesota    | <input type="checkbox"/> | South Dakota |
| <input type="checkbox"/> | Illinois   | <input type="checkbox"/> | New York     | <input type="checkbox"/> | Virginia     |
| <input type="checkbox"/> | Iowa       | <input type="checkbox"/> | North Dakota | <input type="checkbox"/> | Washington   |
| <input type="checkbox"/> | Indiana    | <input type="checkbox"/> | Ohio         | <input type="checkbox"/> | Wisconsin    |
| <input type="checkbox"/> | Maryland   |                          |              |                          |              |

Dated: \_\_\_\_\_, 20\_\_\_\_

**FRANCHISOR:**

CHEBA HUT FRANCHISING, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Rev. 071823



## **EXHIBIT G**

### **CONTRACTS FOR USE WITH THE CHEBA HUT FRANCHISE**

The following contracts contained in Exhibit G are contracts that Franchisee is required to utilize or execute after signing the Franchise Agreement in the operation of the Cheba Hut Business. The following are the forms of contracts that Cheba Hut Franchising, Inc. uses as of the Issuance Date of this Franchise Disclosure Document. If they are marked “Sample,” they are subject to change at any time.



**EXHIBIT G-1**

**CHEBA HUT FRANCHISE**

**SAMPLE GENERAL RELEASE AGREEMENT**

**WAIVER AND RELEASE OF CLAIMS**

This Waiver and Release of Claims (“Release”) is made as of \_\_\_\_\_, 20\_\_ by \_\_\_\_\_, a(n) \_\_\_\_\_ (“Franchisee”), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, “Releasor”) in favor of Cheba Hut Franchising, Inc., an Arizona corporation (“Franchisor,” and together with Releasor, the “Parties”).

**WHEREAS**, Franchisor and Franchisee have entered into a Franchise Agreement (“Agreement”) pursuant to which Franchisee was granted the right to own and operate a Cheba Hut business;

**WHEREAS**, (Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee/enter into a successor franchise agreement/amend the Agreement) or (the Agreement is being terminated/or indicate other reason for the requirement of this waiver and release), and Franchisor has consented to such (transfer/successor franchise agreement/amendment/termination/other reason); and

**WHEREAS**, as a condition to Franchisor’s consent to (transfer the Agreement/enter into a successor franchise agreement/amend the Agreement/terminate the Agreement/other reason), Releasor has agreed to execute this Release upon the terms and conditions stated below.

**NOW, THEREFORE**, in consideration of Franchisor’s consent, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows:

1. **Representations and Warranties**. Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations herein contained, and has not assigned, transferred, or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims, or obligations being terminated and released hereunder. Each individual executing this Release on behalf of Franchisee represents and warrants that he/she is duly authorized to enter into and execute this Release on behalf of Franchisee. Releasor further represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.

2. **Release**. Releasor and its subsidiaries, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit, and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries, or related companies, divisions, and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, successors and assigns, and attorneys, and the spouses of such individuals (collectively, the “Released Parties”), from any and all claims, liabilities, damages, expenses, actions, or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions, or causes of action directly or indirectly arising out of or relating to the execution and performance of the Agreement and the



offer and sale of the franchise related thereto, except to the extent such liabilities are payable by the applicable indemnified party in connection with a third-party claim.

3. Nondisparagement. Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit, or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Released Parties, their business, or their reputation.

4. Confidentiality. Releasor agrees to hold in strictest confidence and not disclose, publish, or use the existence of, or any details relating to, this Release to any third party without Franchisor's express written consent, except as required by law.

5. Miscellaneous.

a. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that such a discussion with legal counsel has occurred.

b. This Release shall be construed and governed by the laws of the State of Colorado.

c. Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor.

d. In the event that it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees.

e. All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders, and the spouses of such individuals, successors, affiliates, and assigns. No other party shall be a third-party beneficiary to this Release.

f. This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties. This Release may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

g. If one or more of the provisions of this Release shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if such invalid, illegal, or unenforceable provision had not been contained herein.

h. Releasor agrees to do such further acts and things and to execute and deliver such additional agreements and instruments as any Released Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

i. This Release is inapplicable with respect to claims arising under the Washington Franchise Investment Protection Act, chapter 19.100 RCW, and the rules adopted thereunder in accordance with RCW 19.100.220.





**IN WITNESS WHEREOF**, Releasor has executed this Release as of the date first written above.

**FRANCHISEE:**

\_\_\_\_\_, a  
\_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISEE'S OWNERS:**

Date \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name

Rev. 092122



## EXHIBIT G-2

### CHEBA HUT FRANCHISE

#### SYSTEM PROTECTION AGREEMENT

This System Protection Agreement (“Agreement”) is entered into by the undersigned (“you” or “your”) in favor of Cheba Hut Franchising, Inc., an Arizona corporation, and its successors and assigns (“us,” “we,” or “our”), upon the terms and conditions set forth in this Agreement.

**1. Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

“*Competitive Business*” means any restaurant where at least 30% of the menu items consist of hot and/or cold sandwiches, excluding hamburgers.

“*Copyrights*” means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow franchisees to use, sell, or display in connection with the marketing and/or operation of a Cheba Hut business or the solicitation or offer of a Cheba Hut Business franchise, whether now in existence or created in the future.

“*Franchisee*” means the Cheba Hut business franchisee for which you are a manager or officer.

“*Franchisee Territory*” means the territory granted to you pursuant to a franchise agreement with us.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a Cheba Hut business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

“*Manual*” means our confidential operations manual for the operation of a Cheba Hut business, which may be periodically modified by us.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Cheba Hut business, including “CHEBA HUT,” and any other trademarks, service marks, or trade names that we designate for use by a Cheba Hut business. The term “Marks” also includes any distinctive trade dress used to identify a Cheba Hut business, whether now in existence or hereafter created.

“*Prohibited Activities*” means any or all of the following: (i) owning, operating, or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent, or in any similar capacity) in a Competitive Business (other than owning an interest of five percent (5%) or less in a publicly-traded company that is a Competitive Business); (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); and/or (iii) inducing or attempting to induce: any customer of ours (or of one of our affiliates or franchisees) to transfer their business to you or to any other person that is not then a franchisee of ours.

“*Restricted Period*” means the two-year period after you cease to be a manager or officer of Franchisee’s Cheba Hut business; provided, however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the “Restricted Period” means 12 months after you cease to be a manager or officer of Franchisee’s Cheba Hut business.



“*Restricted Territory*” means the geographic area within: (i) a ten-mile radius from Franchisee’s Cheba Hut business (and including the premises of the approved location of Franchisee); and (ii) a ten-mile radius from all other Cheba Hut Businesses that are operating or under construction as of the beginning of the Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the “Restricted Territory” means the geographic area within a five-mile radius from Franchisee’s Cheba Hut business (and including the premises of the approved location of Franchisee).

“*System*” means our system for the establishment, development, operation, and management of a Cheba Hut business, including Know-how, proprietary programs and products, Manual, and operating system.

**2. Background.** You are a manager or officer of Franchisee. As a result of this relationship, you may gain knowledge of our System. You understand that protecting the Intellectual Property and our System are vital to our success and that of our franchisees and that you could seriously jeopardize our entire System if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

**3. Know-How and Intellectual Property.** You agree: (i) you will not use the Know-how in any business or capacity other than the Cheba Hut business operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer a manager or officer of Franchisee’s Cheba Hut business. You further agree that you will not use all or part of the Intellectual Property or all or part of the System for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee. These restrictions on Know-how, Intellectual Property and the System shall not apply to any information which is information publicly known or becomes lawfully known in the public domain other than through a breach of this Agreement or is required or compelled by law to be disclosed, provided that you will give reasonable notice to us to allow us to seek protective or other court orders.

**4. Unfair Competition During Relationship.** You agree not to unfairly compete with us at any time while you are a manager or officer of Franchisee’s Cheba Hut business by engaging in any Prohibited Activities.

**5. Unfair Competition After Relationship.** You agree not to unfairly compete with us during the Restricted Period by engaging in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within or provides competitive goods or services to customers who are located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the Prohibited Activity.

**6. Immediate Family Members.** You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, grandparent or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family: (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities; or (ii) uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.



**7. Covenants Reasonable.** You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE, OR OTHERWISE UNENFORCEABLE.**

**8. Breach.** You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other Cheba Hut Business franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours in the event of the entry of such injunction will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action that you may have against us, our owners or our affiliates, or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

**9. Miscellaneous.**

a. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorneys' fees and costs in doing so.

b. This Agreement will be governed by, construed, and enforced under the laws of Colorado, and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

c. Each section of this Agreement, including each subsection and portion thereof, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration, and geographic area.

d. You and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration, and geographic area. However, we may at any time unilaterally modify the terms of this Agreement upon written notice to you by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory, and/or reducing the scope of any other covenant imposed upon you under this Agreement to ensure that the terms and covenants in this Agreement are enforceable under applicable law.

EXECUTED on the date stated below.

Date \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name

Rev. 120619



## EXHIBIT G-3

### CHEBA HUT FRANCHISE

#### SAMPLE CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (“Agreement”) is entered into by the undersigned (“you”) in favor of Cheba Hut Franchising, Inc., an Arizona corporation, and its successors and assigns (“us”), upon the terms and conditions set forth in this Agreement.

**1. Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

“*Cheba Hut Business*” means a business that features toasted submarine sandwiches, original sauces, salads, soups, chips, brownies, and other high-quality food and beverage items in a fun, casual, and distinctive atmosphere and other related products and services using our Intellectual Property.

“*Copyrights*” means all works and materials for which we or our affiliate(s) have secured common law or registered copyright protection and that we allow Cheba Hut franchisees to use, sell, or display in connection with the marketing and/or operation of a Cheba Hut Business, whether now in existence or created in the future.

“*Franchisee*” means the Cheba Hut Business franchisee for which you are an employee, independent contractor, agent, representative, or supplier.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, Manual, and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a Cheba Hut Business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

“*Manual*” means our confidential operations manual for the operation of a Cheba Hut Business.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Cheba Hut Business, including “CHEBA HUT” and any other trademarks, service marks, or trade names that we designate for use by a Cheba Hut Business. The term “Marks” also includes any distinctive trade dress used to identify a Cheba Hut Business, whether now in existence or hereafter created.

“*System*” means our system for the establishment, development, operation, and management of a Cheba Hut Business, including Know-how, proprietary programs and products, confidential operations manuals, and operating system.

**2. Background.** You are an employee, independent contractor, agent, representative, or supplier of Franchisee. Because of this relationship, you may gain knowledge of our Intellectual Property. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees, and that you could seriously jeopardize our entire Franchise System if you were to use such Intellectual Property in any way other than as described in this Agreement. In order to avoid such damage, you agree to comply with this Agreement.

**3. Know-How and Intellectual Property: Nondisclosure and Ownership.** You agree: (i) you will not use the Intellectual Property in any business or capacity other than for the benefit of the



Cheba Hut Business operated by Franchisee or in any way detrimental to us or to the Franchisee; (ii) you will maintain the confidentiality of the Intellectual Property at all times; (iii) you will not make unauthorized copies of documents containing any Intellectual Property; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Intellectual Property; and (v) you will stop using the Intellectual Property immediately if you are no longer an employee, independent contractor, agent, representative, or supplier of Franchisee. You further agree that you will not use the Intellectual Property for any purpose other than the performing your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

The Intellectual Property is and shall continue to be the sole property of Cheba Hut IP Franchising, Inc. You hereby assign and agree to assign to us any rights you may have or may acquire in such Intellectual Property. Upon the termination of your employment or engagement with Franchisee, or at any time upon our or Franchisee's request, you will deliver to us or to Franchisee all documents and data of any nature pertaining to the Intellectual Property, and you will not take with you any documents or data or copies containing or pertaining to any Intellectual Property.

**4. Immediate Family Members.** You acknowledge you could circumvent the purpose of this Agreement by disclosing Intellectual Property to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Intellectual Property to family members. Therefore, you agree you will be presumed to have violated the terms of this Agreement if any member of your immediate family uses or discloses the Intellectual Property. However, you may rebut this presumption by furnishing evidence conclusively showing you did not disclose the Intellectual Property to the family member.

**5. Covenants Reasonable.** You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE, OR OTHERWISE UNENFORCEABLE.**

**6. Breach.** You agree that failure to comply with this Agreement will cause substantial and irreparable damage to us and/or other Cheba Hut Business franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

**7. Miscellaneous.**

a. Although this Agreement is entered into in favor of Cheba Hut Franchising, Inc., you understand and acknowledge that your employer/employee, independent contractor, agent, representative, or supplier relationship is with Franchisee and not with us, and for all purposes in connection with such relationship, you will look to Franchisee and not to us.



b. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorney fees and costs in doing so.

c. This Agreement will be governed by, construed, and enforced under the laws of Colorado, and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

d. Each section of this Agreement, including each subsection and portion, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms enforceable.

EXECUTED on the date stated below.

Date \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name

Rev. 032916



**EXHIBIT G-4**

**AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM**

**Franchisee Information:**

Franchisee Name	Business No.
Franchisee Mailing Address (street)	Franchisee Phone No.
Franchisee Mailing Address (city, state, zip)	
Contact Name, Address and Phone number (if different from above)	
Franchisee Fax No.	Franchisee Email Address

**Bank Account Information:**

Bank Name		
Bank Mailing Address (street, city, state, zip)		
<input type="checkbox"/> Checking <input type="checkbox"/> Savings		
Bank Account No.	(check one)	Bank Routing No. (9 digits)
Bank Mailing Address (city, state, zip)		Bank Phone No.

**Authorization:**

Franchisee hereby authorizes Cheba Hut Franchising, Inc. (“Franchisor”) to initiate debit entries to Franchisee’s account with the Bank listed above, and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee’s account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

Federal Tax ID Number: \_\_\_\_\_

Rev. 032916

**NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.**





**EXHIBIT G-5**

**CHEBA HUT FRANCHISE**

**SAMPLE APPROVAL OF REQUESTED ASSIGNMENT**

This Approval of Requested Assignment (“**Agreement**”) is entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between Cheba Hut Franchising, Inc. (“**Franchisor**”), an Arizona corporation, \_\_\_\_\_ (“**Former Franchisee**”), the undersigned owners of Former Franchisee (“**Owners**”) and \_\_\_\_\_, a [State] [corporation/limited liability company] (“**New Franchisee**”).

**RECITALS**

WHEREAS, Franchisor and Former Franchisee entered into that certain franchise agreement dated \_\_\_\_\_, 20\_\_\_\_ (“**Former Franchise Agreement**”), in which Franchisor granted Former Franchisee the right to operate a Cheba Hut franchise located at \_\_\_\_\_ (“**Franchised Business**”); and

WHEREAS, Former Franchisee desires to assign (“**Requested Assignment**”) the Franchised Business to New Franchisee, New Franchisee desires to accept the Requested Assignment of the Franchised Business from Former Franchisee, and Franchisor desires to approve the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon the terms and conditions contained in this Agreement, including that New Franchisee sign Franchisor’s current form of franchise agreement together with all exhibits and attachments thereto (“**New Franchise Agreement**”), contemporaneously herewith.

NOW, THEREFORE, in consideration of the mutual covenants, promises, and agreements herein contained, the parties hereto hereby covenant, promise, and agree as follows:

1. Payment of Fees. In consideration for the Requested Assignment, Former Franchisee acknowledges and agrees to pay Franchisor the Transfer Fee, as required under the Franchise Agreement (“**Franchisor’s Assignment Fee**”).

2. Assignment and Assumption. Former Franchisee hereby consents to assign all of its rights and delegate its duties with regard to the Former Franchise Agreement and all exhibits and attachments thereto from Former Franchisee to New Franchisee, subject to the terms and conditions of this Agreement, and conditioned upon New Franchisee’s signing the New Franchise Agreement pursuant to Section 5 of this Agreement.

3. Consent to Requested Assignment of Franchised Business. Franchisor hereby consents to the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon receipt of the Franchisor’s Assignment Fee from Former Franchisee and the mutual execution of this Agreement by all parties. Franchisor waives its right of first refusal set forth in the Former Franchise Agreement.

4. Termination of Rights to the Franchised Business. The parties acknowledge and agree that effective upon the date of this Agreement, the Former Franchise Agreement shall terminate and all of Former Franchisee’s rights to operate the Franchised Business are terminated and that from the date of



this Agreement only New Franchisee shall have the sole right to operate the Franchised Business under the New Franchise Agreement. Former Franchisee and the undersigned Owners agree to comply with all of the covenants in the Former Franchise Agreement that expressly or by implication survive the termination, expiration, or transfer of the Former Franchise Agreement. Unless otherwise precluded by state law, Former Franchisee shall execute Franchisor's current form of General Release Agreement.

5. New Franchise Agreement. New Franchisee shall execute the New Franchise Agreement for the Franchised Business (as amended by the form of Addendum prescribed by Franchisor, if applicable), and any other required contracts for the operation of a Cheba Hut franchise as stated in Franchisor's Franchise Disclosure Document.

6. Former Franchisee's Contact Information. Former Franchisee agrees to keep Franchisor informed of its current address and telephone number at all times during the three-year period following the execution of this Agreement.

7. Acknowledgement by New Franchisee. New Franchisee acknowledges and agrees that the purchase of the rights to the Franchised Business ("**Transaction**") occurred solely between Former Franchisee and New Franchisee. New Franchisee also acknowledges and agrees that Franchisor played no role in the Transaction and that Franchisor's involvement was limited to the approval of Requested Assignment and any required actions regarding New Franchisee's signing of the New Franchise Agreement for the Franchised Business. New Franchisee agrees that any claims, disputes, or issues relating New Franchisee's acquisition of the Franchised Business from Franchisee are between New Franchisee and Former Franchisee, and shall not involve Franchisor.

8. Representation. Former Franchisee warrants and represents that it has not heretofore assigned, conveyed, or disposed of any interest in the Former Franchise Agreement or Franchised Business. New Franchisee hereby represents that it received Franchisor's Franchise Disclosure Document and did not sign the New Franchise Agreement or pay any money to Franchisor or its affiliate for a period of at least 14 calendar days after receipt of the Franchise Disclosure Document.

9. Notices. Any notices given under this Agreement shall be in writing, and if delivered by hand, or transmitted by U.S. certified mail, return receipt requested, postage prepaid, or via telegram or telefax, shall be deemed to have been given on the date so delivered or transmitted, if sent to the recipient at its address or telefax number appearing on the records of the sending party.

10. Further Actions. Former Franchisee and New Franchisee each agree to take such further actions as may be required to effectuate the terms and conditions of this Agreement, including any and all actions that may be required or contemplated by the Former Franchise Agreement.

11. Affiliates. When used in this Agreement, the term "**Affiliates**" has the meaning as given in Rule 144 under the Securities Act of 1933.

12. Miscellaneous. This Agreement may not be changed or modified except in a writing signed by all of the parties hereto. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same document. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

13. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Colorado.



**IN WITNESS WHEREOF**, the parties have executed this Agreement under seal, with the intent that this be a sealed instrument, as of the day and year first above written.

**FRANCHISOR:**

CHEBA HUT FRANCHISING, INC.

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

**FORMER FRANCHISEE:**

\_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

**NEW FRANCHISEE:**

\_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Rev. 031821



**EXHIBIT G-6**

**CHEBA HUT FRANCHISE**

**LEASE ADDENDUM**

This Addendum to Lease (“**Addendum**”), dated \_\_\_\_\_, 20\_\_\_\_, is entered into by and between \_\_\_\_\_ (“**Landlord**”), \_\_\_\_\_ (“**Tenant**”) and Cheba Hut Franchising, LLC (“**Franchisor**”), collectively referred to herein as the “**Parties.**”

A. Landlord and Tenant have entered into a certain Lease Agreement dated \_\_\_\_\_, 20\_\_\_\_, and pertaining to the premises located at \_\_\_\_\_ (“**Lease**”).

B. Landlord acknowledges that Tenant intends to operate a franchised business from the leased premises (“**Premises**”) pursuant to a Franchise Agreement (“**Franchise Agreement**”) with Franchisor under Franchisor’s trademarks and other names designated by Franchisor (herein referred to as “**Franchised Business**” or “**Franchise Business**”).

C. The parties now desire to supplement the terms of the Lease in accordance with the terms and conditions contained herein.

**NOW, THEREFORE,** it is hereby mutually covenanted and agreed among the Parties as follows:

1. Use of the Premises. During the term of the Franchise Agreement, the Premises shall be used only for the operation of the Franchised Business.

2. Franchise System. Landlord hereby consents to Tenant’s use of such proprietary marks, signs, interior and exterior décor items, color schemes and related components of the Franchised Business required by Franchisor. Tenant’s use of such items shall at all times be in compliance with all applicable laws, ordinances, rules and regulations of governmental authorities having jurisdiction over the Premises.

3. Assignment. Tenant shall have the right, without further consent from Landlord, to sublease or assign all of Tenant’s right, title, and interest in the Lease to an assignee of the Tenant or the Franchised Business (“**Franchise Assignee**”) at any time during the term of the Lease, including any extensions or renewals thereof. In addition, if Tenant fails to timely cure any default under either the Lease or the Franchise Agreement, Franchisor or a Franchise Assignee that Franchisor designates, will, at its option, have the right, but not the obligation, to take an assignment of Tenant’s interest under the Collateral Assignment of Lease or other form of assignment and assumption document reasonable acceptable to Landlord, provided such Franchise Assignee cures a default of the Lease no later than ten days following the end of Tenant’s cure period. No assignment shall be effective until: (i) a Franchise Assignee gives Landlord written notice of its acceptance of the assignment and assumption of the Lease; and (ii) Tenant of the Franchise Assignee has cured all material defaults of the Lease for which it has received notice from Landlord. Nothing contained herein or in any other document shall create any obligation or liability of Franchisor, any Franchise Assignee, or guarantor thereof under the Lease unless and until the Lease is assigned to, and accepted in writing by a Franchise Assignee. In the event of any assignment or purported assignment under this Addendum, Tenant shall remain liable under the terms of the Lease and the assignee or subtenant shall retain all of the Tenant’s rights granted in the Lease including without limitation (x) any grant of a protected territory or use exclusivity; and (y) the renewal



or extension of the Lease term. With respect to any assignment proposed or consummated under this Addendum, Landlord hereby waives any rights it may have to: (A) recapture the Premises; (B) terminate the Lease; or (C) modify any terms or conditions of the Lease. If Franchisor accepts an assignment and assumes the Lease under this section, Franchisor shall have the right to further sublet or reassign the Lease to another Franchise Assignee without Landlord's consent in which event Franchisor shall be released from any obligation or liability under the Lease. As used in this Addendum, "**Franchise Assignee**" means: (i) Franchisor or Franchisor's parent, subsidiary, or affiliate; or (ii) any franchisee of Franchisor or of Franchisor's parent, subsidiary, or affiliate.

4. Default and Notice.

a. If Tenant defaults on or breaches the Lease and Landlord delivers a notice of default to Tenant, Landlord shall contemporaneously send a copy of such default notice to Franchisor. Franchisor shall have the right, but not the obligation, to cure the default during Tenant's cure period plus an additional ten-day period. Franchisor will notify Landlord whether it intends to cure the default prior to the end of Tenant's cure period.

b. All notices to Franchisor shall be sent by a reputable overnight delivery service to the following address:

Cheba Hut Franchising, LLC  
400-A N. College Avenue,  
Fort Collins, CO 80524

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

c. Tenant and Landlord agree not to terminate, or materially amend the Lease during the term of the Franchise Agreement or any renewal thereof without Franchisor's prior written consent. Any attempted termination, or material amendment shall be null and void and have no effect as to Franchisor's interests thereunder; and a clause to the effect shall be included in the Lease.

5. Termination or Expiration.

a. If Franchisor does not elect to take an assignment of the Tenant's interest, Landlord will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Landlord, to remove all signs, awnings, and all other items identifying the Premises as a Franchised Business and to make other modifications (such as repainting) as are reasonably necessary to protect the Franchisor's trademarks and franchise system and to distinguish the Premises from a Franchised Business provided that Franchisor repairs any damage caused to the Premises by exercise of its rights hereunder.

b. If any Franchise Assignee purchases any assets of Tenant, Landlord shall permit such Franchise Assignee to remove all the assets being purchased, and Landlord waives any lien rights that Landlord may have on such assets.

6. Consideration; No Liability.

a. Landlord acknowledges that the Franchise Agreement requires Tenant to receive Franchisor's approval of the Lease prior to Tenant executing the Lease and that this Addendum is a



material requirement for Franchisor to approve the Lease. Landlord acknowledges Tenant would not lease the Premises without this Addendum. Landlord also hereby consents to the Collateral Assignment of Lease from Tenant to Franchisor as evidenced by Attachment 1.

b. Landlord further acknowledges that Tenant is not an agent or employee of Franchisor, and Tenant has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any Franchise Assignee, and that Landlord has entered into this with full understanding that it creates no duties, obligations, or liabilities of or against any Franchise Assignee.

7. Amendments. No amendment or variation of this Addendum shall be valid unless made in writing and signed by the Parties hereto.

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

**IN TESTIMONY WHEREOF**, witness the signatures of the Parties hereto as of the day, month, and year first written above.

**LANDLORD:**

**TENANT:**

\_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISOR:**

\_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Rev. 022324



**EXHIBIT G-6 Attachment I**

**ATTACHMENT 1 TO LEASE ADDENDUM**

**COLLATERAL ASSIGNMENT OF LEASE**

FOR VALUE RECEIVED, as of the \_\_\_ day of \_\_\_\_\_, 20\_\_ (“**Effective Date**”), the undersigned, \_\_\_\_\_ (“**Assignor**”) hereby assigns, transfers and sets over unto Cheba Hut Franchising, LLC (“**Assignee**”) all of Assignor’s right, title, and interest as tenant, in, to and under that certain lease, a copy of which is attached hereto as Exhibit A (“**Lease**”) with respect to the premises located at \_\_\_\_\_ . This Collateral Assignment of Lease (“**Assignment**”) is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment unless Assignee expressly assume the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein, and that Assignor has not previously, and is not obligated to, assign or transfer any of its interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under that certain franchise agreement for a franchise between Assignee and Assignor (“**Franchise Agreement**”), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered, in Assignee’s sole discretion, to: (i) cure Assignor’s default of the Lease; (ii) take possession of the premises demised by the Lease; (iii) expel Assignor from the premises, either temporarily or permanently; (iv) terminate Assignee’s rights, title, and interest in the Lease; and/or (v) assume the Lease. If Assignee expends sums to cure a default of the Lease, Assignor shall promptly reimburse Assignee for the cost incurred by Assignee in connection with such performance, together with interest thereon at the rate of two percent per month, or the highest rate allowed by law.

Assignor agrees it will not suffer or permit any surrender, termination, amendment, or modification of the Lease without the prior written consent of Assignee. Through the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than 30 days before the last day that said option must be exercised, unless Assignee otherwise agrees in writing. Upon failure of Assignee to otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as stated herein, Assignor hereby irrevocably appoints Assignee as its true and lawful attorney-in-fact, which appointment is coupled with an interest to exercise the extension or renewal options in the name, place, and stead of Assignor for the sole purpose of effecting the extension or renewal.

*(Signatures on following page)*



**IN WITNESS WHEREOF**, Assignor and Assignee have signed this Collateral Assignment of Lease as of the Effective Date first above written.

**ASSIGNOR:**

\_\_\_\_\_

By: \_\_\_\_\_

Printed Name \_\_\_\_\_

Its: \_\_\_\_\_

**ASSIGNEE:**

\_\_\_\_\_

By: \_\_\_\_\_

Printed Name \_\_\_\_\_

Its: \_\_\_\_\_

Rev. 022324





## EXHIBIT G-7

### CHEBA HUT FRANCHISE

#### MULTI-FRANCHISE ADDENDUM TO FRANCHISE AGREEMENT

THIS ADDENDUM (the “Addendum”) is entered into and made effective as of the date set forth on the signature page hereof, by and between Cheba Hut Franchising, Inc. (“Franchisor”) and the franchisee named on the signature page of this Addendum (“Franchisee”). This Addendum relates to that certain Cheba Hut franchise agreement dated \_\_\_\_\_, 20\_\_ (“Franchise Agreement”) and supplements the terms of the Franchise Agreement in relation to the opening of additional Cheba Hut franchises. All capitalized terms not otherwise defined in this Addendum shall have the meaning set forth in the Franchise Agreement. To the extent this Addendum conflicts with the terms of the Franchise Agreement, the terms of this Addendum shall control.

1. Initial Franchise Fee. Franchisee has paid the Initial Franchise Fee of \$130,000 listed in Attachment B to the Franchise Agreement. The Initial Franchise Fee is fully earned immediately upon receipt and non-refundable, regardless of whether Franchisee opens any additional Cheba Hut franchises.
2. Multi-3 Franchise. Franchisee has purchased a Multi-3 Franchise which allows Franchisee to open up to two additional Cheba Hut franchises at a later date (“Additional Franchises”) without paying an Initial Franchise Fee.
3. Cheba Hut Franchise Agreements. Franchisee shall exercise the rights under this Addendum only by entering into a separate Cheba Hut Franchise Agreement with Franchisor for each Additional Franchise. Franchisee acknowledges that the then-current form of Cheba Hut franchise agreement may differ from the Cheba Hut Franchise Agreement that is signed in conjunction with this Addendum. Franchisee will not be required to pay a separate Initial Franchise Fee.
4. Limited Rights. This Addendum does not grant Franchisee the right to franchise, license, subfranchise, or sublicense others to operate Cheba Hut Businesses. Only Franchisee (and/or Franchisee-affiliated entities Franchisor approves) may develop, open and operate Additional Franchises pursuant to this Addendum and Cheba Hut franchise agreements. This Addendum only grants Franchisee the right to enter into Cheba Hut franchise agreements to open Additional Franchises subject to the terms of the franchise agreement for such Additional Franchises. Franchisee is not granted any territorial rights or other rights except those granted under the franchise agreement pursuant to the Cheba Hut franchise agreements for the Additional Franchises. Except for the Initial Franchise Fee, Franchisee shall be liable for all costs and expenses incurred in opening the Additional Franchises.
5. Term. This Addendum and Franchisee’s right to open Additional Franchises shall terminate as of the date of termination or expiration of the Franchise Agreement.

*(Signature Page Follows)*



IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Addendum on the day and year first written above.

**FRANCHISOR:**

CHEBA HUT FRANCHISING, INC.,  
an Arizona corporation

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_,  
a(n) \_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_



**EXHIBIT H**  
**FRANCHISE DISCLOSURE QUESTIONNAIRE**



## FRANCHISE DISCLOSURE QUESTIONNAIRE

**(This questionnaire is not to be used for any franchise sale in or to residents of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin)**

As you know, Cheba Hut Franchising, Inc. (“we” or “us”), and you are preparing to enter into a Franchise Agreement for the operation of a Cheba Hut Franchise. **You cannot sign or date this questionnaire the same day as the Receipt for the Franchise Disclosure Document, but you must sign and date it the same day you sign the Franchise Agreement.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer in the table provided below.

**Do not sign this Questionnaire if you are a resident of Maryland or the franchise is to be operated in Maryland.**

1.        Yes\_\_ No\_\_    Have you received and personally reviewed the Franchise Agreement and each attachment or exhibit attached to it that we provided?
  
2.        Yes\_\_ No\_\_    Have you received and personally reviewed the Franchise Disclosure Document and each attachment or exhibit attached to it that we provided?
  
3.        Yes\_\_ No\_\_    Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?
  
4.        Yes\_\_ No\_\_    Do you understand all the information contained in the Franchise Disclosure Document and Franchise Agreement?
  
5.        Yes\_\_ No\_\_    Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant, or other professional advisor, or have you had the opportunity for such review and chosen not to engage such professionals?
  
6.        Yes\_\_ No\_\_    Have you had the opportunity to discuss the benefits and risks of developing and operating a Cheba Hut Franchise with an existing Cheba Hut franchisee?
  
7.        Yes\_\_ No\_\_    Do you understand the risks of developing and operating a Cheba Hut Franchise?
  
8.        Yes\_\_ No\_\_    Do you understand the success or failure of your Cheba Hut Franchise will depend in large part upon your skills, abilities, and efforts, and those of the persons you employ, as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs, and other relevant factors?
  
9.        Yes\_\_ No\_\_    Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be arbitrated in Colorado, if not resolved informally or by mediation (subject to state law)?



10. Yes\_\_\_ No\_\_\_ Do you understand that you must satisfactorily complete the initial training program before we will allow your Cheba Hut Franchise to open or consent to a transfer of the Cheba Hut Franchise to you?
11. Yes\_\_\_ No\_\_\_ Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Cheba Hut Franchise that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
12. Yes\_\_\_ No\_\_\_ Do you agree that no employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement and any addendum, concerning advertising, marketing, media support, marketing penetration, training, support service, or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
13. Yes\_\_\_ No\_\_\_ Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Cheba Hut Franchise will generate that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
14. Yes\_\_\_ No\_\_\_ Do you understand that the Franchise Agreement, including each attachment or exhibit to the Franchise Agreement contains the entire agreement between us and you concerning the Cheba Hut Franchise?
15. Yes\_\_\_ No\_\_\_ Do you understand that we are relying on your answers to this questionnaire to ensure that the franchise sale was made in compliance of state and federal laws?

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Name (please print)

Date \_\_\_\_\_

Date \_\_\_\_\_



EXPLANATION OF ANY NEGATIVE RESPONSES (REFER TO QUESTION NUMBER):

Question Number	Explanation of Negative Response

Rev. 071823



**EXHIBIT I**  
**STATE EFFECTIVE DATES**



## State Effective Dates

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

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

<b>State</b>	<b>Effective Date</b>
California	Pending
Illinois	Pending
Michigan	Pending
Minnesota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

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





**EXHIBIT J**  
**RECEIPTS**



**RECEIPT**  
**(Retain This Copy)**

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

If Cheba Hut Franchising, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Under Iowa law, if applicable, Cheba Hut Franchising, Inc. must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires Cheba Hut Franchising, Inc. to give you this disclosure document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this disclosure document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Cheba Hut Franchising, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency identified on Exhibit D.

The name, principal business address, and telephone number of each franchise seller offering the franchise is:
Scott Jennings, 400-A N. College Avenue, Fort Collins, Colorado 80524, (970) 286-2953
Marc Torres, 400-A N. College Avenue, Fort Collins, Colorado 80524, (970) 286-2953
Seth Larsen, 400-A N. College Avenue, Fort Collins, Colorado 80524, (970) 222-9851

Issuance Date: April 16, 2024

I received a disclosure document issued April 16, 2024, which included the following exhibits:

- Exhibit A Franchise Agreement
- Exhibit B Financial Statements
- Exhibit C List of Current and Former Franchisees
- Exhibit D List of State Administrators and Agents for Service of Process
- Exhibit E Brand Standards Manual Table of Contents
- Exhibit F State Addenda and Agreement Riders
- Exhibit G Contracts for use with the Cheba Hut Franchise
- Exhibit H Franchise Disclosure Questionnaire
- Exhibit I State Effective Dates
- Exhibit J Receipt

_____	_____	_____
Date	Signature	Printed Name
_____	_____	_____
Date	Signature	Printed Name

Rev. 012417

**PLEASE RETAIN THIS COPY FOR YOUR RECORDS.**



**RECEIPT  
(Our Copy)**

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

If Cheba Hut Franchising, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Under Iowa law, if applicable, Cheba Hut Franchising, Inc. must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires Cheba Hut Franchising, Inc. to give you this disclosure document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this disclosure document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Cheba Hut Franchising, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580, and the appropriate state agency identified on Exhibit D.

The name, principal business address, and telephone number of each franchise seller offering the franchise is:
Scott Jennings, 400-A N. College Avenue, Fort Collins, Colorado 80524, (970) 286-2953
Marc Torres, 400-A N. College Avenue, Fort Collins, Colorado 80524, (970) 286-2953
Seth Larsen, 400-A N. College Avenue, Fort Collins, Colorado 80524, (970) 222-9851

Issuance Date: April 16, 2024

I received a disclosure document issued April 16, 2024, which included the following exhibits:

- Exhibit A Franchise Agreement
- Exhibit B Financial Statements
- Exhibit C List of Current and Former Franchisees
- Exhibit D List of State Administrators and Agents for Service of Process
- Exhibit E Brand Standards Manual Table of Contents
- Exhibit F State Addenda and Agreement Riders
- Exhibit G Contracts for use with the Cheba Hut Franchise
- Exhibit H Franchise Disclosure Questionnaire
- Exhibit I State Effective Dates
- Exhibit J Receipt

\_\_\_\_\_  
Date Signature Printed Name

\_\_\_\_\_  
Date Signature Printed Name

Rev. 012417

**Please sign this copy of the receipt, date your signature, and return it to Cheba Hut Franchising, Inc., 400-A N. College Avenue, Fort Collins, Colorado 80524.**

