



## FRANCHISE DISCLOSURE DOCUMENT

### **Chip Partners, LLC**

4752 West California Avenue  
Salt Lake City, UT 84104  
(385) 429-4012  
franchising@chipcookies.co  
www.chipcookies.co

Chip® is a gourmet cookie delivery company. Chip® started as a family business seeking to deliver happiness, one cookie at a time. As a franchisee, you will operate a Chip® branded cookie baking and delivery business.

The total investment necessary to begin operation of a Chip® franchised business ranges from \$281,950 to \$699,000. This includes the \$40,000 to \$50,000 that must be paid to the franchisor or an affiliate.

The franchisor may also, in its sole discretion, grant the right to develop multiple Chip stores under an area development agreement. If you are granted the right to develop multiple stores, the total investment necessary to obtain such rights depends on how many stores you agree to develop. You must pay a development fee to the franchisor according to the following schedule: \$40,000 for your first store and \$35,000 for each subsequent store up to five, and \$30,000 for each additional store after the first five stores. You must pay the entire development fee upon execution of the area development agreement and no additional initial franchise fee will be due for the stores developed pursuant to the area development agreement. The typical number of Chip stores that we anticipate franchisees will purchase pursuant to an area development agreement is between 2 and 10. The total investment necessary for rights to begin development of this number of Chip stores ranges from \$75,000 to \$330,000 that must be paid to the franchisor.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Sean Wilson at franchising@chipcookies.co and (385) 429-4012. The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can

help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at [www.ftc.gov](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: March 28, 2023

## 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 E.
<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 F 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 Chip 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 Chip franchisee?</b>	Item 20 or Exhibit E 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 A.

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration and/or litigation only in Utah. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in Utah than in your own state.
2. **Operating History.** The Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

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.

**MICHIGAN STATE COVER PAGE**  
**CHIP PARTNERS, LLC**

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

1. A prohibition on the right of a franchisee to join an association of franchisees.
2. A requirement that a 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.
3. A provision that permits a franchisor to terminate a franchise prior to the expiration of its term 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.
4. 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 5 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.
5. 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 under similar circumstances. This section does not require a renewal provision.
6. 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.
7. 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.
- 8. 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 (3).
- 9. 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.

If our most recent financial statements are unaudited and show a net worth of less than \$100,000.00, you may request that we arrange for the escrow of initial investment and other funds you paid until our pre-opening obligations to provide real estate, improvements, equipment, inventory, training, or other items including in the franchise offering are fulfilled. At our option, a surety bond may be provided in place of escrow.

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 the State of Michigan Consumer Protection Division, Attn: Franchise Bureau at 525 West Ottawa Street, G. Mennen Williams Building, 7<sup>th</sup> Floor, Lansing, MI 48933, or by telephone at (517) 373-7117.

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## **ITEM 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

To simplify the language in this Disclosure Document (the “Disclosure Document”), “we,” “us,” “Chip,” “Franchisor,” or like terms means Chip Partners, LLC, the franchisor, and “you” or “Franchisee” means the person or entity that buys the franchise. If an entity is the Franchisee, “you” includes Franchisee’s owners.

### **The Franchisor, Parents, Affiliates and Predecessors**

We are a Utah limited liability company, formed on April 9, 2021, and we conduct business under the name Chip. We maintain a principal office address at 4752 West California Avenue, Salt Lake City, UT 84104. Our telephone number is (385) 429-4012. We began selling franchises in 2021. We do not do business under any other name and have no other business activities.

Our affiliates are Chip IP Holder, LLC (“Chip IP”) and Bern Packaging, LLC (“Bern”). Chip IP’s principal business address is 4752 West California Avenue Salt Lake City, UT 84104. It owns the Marks, System (both as defined below) and other intellectual property required to operate a Chip branded store (collectively, the “Chip Intellectual Property”). Chip IP licenses to us the right to use the Chip Intellectual Property pursuant to a license agreement of perpetual duration dated July 23, 2021. Bern’s principal business address is 4752 West California Avenue Salt Lake City, UT 84104. It supplies boxes, bags and other packaging materials to Franchisees and Franchisees are required to make certain purchases from Bern, as outlined in Item 8 below.

Our parent company is Chip Cookies, LLC, a Utah LLC formed on October 12, 2016. We do not have any predecessor entities. Chip Cookies, LLC operates the Chip corporate-owned locations. Other than as set forth above, no affiliate provides products or services to our franchisees or offers franchises in the same or any other line of business.

### **Agent for Service of Process**

Our agent for service of process in Utah, the state of our organization, is United States Corporation Agents, Inc. at 299 S. Main St., Suite 1300, Salt Lake City, UT 84111. Certain state regulatory agencies require that we designate a state agency as agent for service of process, and these agencies are listed on Exhibit A.

### **Description of the Franchise Offered**

Chip® is the original gourmet cookie delivery company. The idea was born out of pregnancy cravings, when our founders, Sean and Sarah were pregnant with their first child and cravings for warm, gooey chocolate chip cookies in the middle of the night were a frequent occurrence. Instead of just baking cookies, Sean went to work on a business plan that would deliver warm, gourmet cookies directly to the customer’s front door. Chip® is a family business that seeks to deliver happiness, one cookie at a time. As a franchisee, you will operate a Chip® branded cookie baking and delivery business.

Chip is the original gourmet cookie delivery company. We license and train others to operate Chip stores. Our franchisees are independent owners and operators of a cookie baking and delivery

franchise business that provides fresh, warm, and delicious cookies and other approved products (the “Products”) from a single approved location (a “Store”). Each Store will operate in a protected area in which we will not grant to others or operate ourselves another Chip Store. Stores operate under the name Chip® Cookies and other trademarks, service marks, logos, and other commercial symbols we designate for use by Stores (all referred to as the “Marks”), using our designated trade dress and have distinctive exterior and interior design, decor, and color scheme, furnishings, special recipes and menu items, uniform standards, specifications, policies and procedures for operation, quality and uniformity of the products and services offered, procedures for inventory, management and financial control, training and assistance, and advertising and promotional programs, all of which we may change, improve, and further develop (together, the “System”). We have the right to license and franchise the System and Marks to franchisees pursuant to a license agreement with our affiliate, Chip IP.

Each Store will operate a cookie baking and delivery business under the Marks in accordance with the System and the terms of our franchise agreement (“Franchise Agreement”). A copy of the Franchise Agreement is attached to this Disclosure Document as Exhibit B.

We may also grant area developer rights to qualified franchisees to develop multiple Stores within a defined area over a specific time period according to a pre-determined development schedule. These area developers must sign the area development agreement (the “Area Development Agreement”) and may open Stores directly or through approved controlled affiliates. Under an Area Development Agreement, you commit to developing a specific number of Stores, according to a specified schedule (the “Development Schedule”), in a specified geographic area (the “Development Area”). The size and configuration of the Development Area, the number of Stores you will be required to open, and the Development Schedule will be outlined in the Area Developer Agreement. The Development Area will be determined based on local market conditions, demographics, and the number of Stores you agree to develop. The Area Development Agreement does not grant you the right to open a Store or to use the Marks or the System. Rather, it controls your rights and obligations to acquire franchises. You will be required to sign an individual Franchise Agreement that will govern the operation of the Store at its identified premises for each Store that is developed pursuant to the Area Development Agreement. You must execute a Franchise Agreement for your first Store at the same time you execute the Area Development Agreement. For each subsequent Store to be developed you will sign our then-current form of Franchise Agreement, the terms of which may materially differ from the form Franchise Agreement that is attached as Exhibit B to this Disclosure Document, when we accept your proposed site for such Store. The Area Development Agreement is included as Exhibit C to this Disclosure Document. Unless specifically stated otherwise, the disclosures for an area development are the same as for a single unit.

### **Market and Competition**

The general market for a retail cookie, baking, and delivery business is well-developed, and you will be required to compete for potential customers in your territory. No studies or surveys have been done to determine a need for these services or products within your territory. You will typically compete with other established cookie baking and cookie distribution businesses, as well as other sweets and desserts shops. There are many of these competitors from large national chains to small independent operators. This business may be operated year-round. You may also

encounter competition from other Chip® franchises operated by us or other franchisees outside your territory under limited circumstances, including, but not limited to, orders through third party delivery services and non-traditional locations.

### **Laws and Regulations**

You must follow all laws and regulations that apply to business generally. In addition, your business will be subject to federal, state, and local laws and regulation pertaining to general standards, zoning, permitting restrictions and requirements and other specifications and requirements for the location, construction, design, maintenance and operation of the Store; employee compensation and health and safety including minimum wage requirements; employee practices concerning the storage, handling, cooking and preparation of food; the health, safety and welfare of your customers, such as general health and sanitation requirements for restaurants and laws and regulations such as the Americans with Disabilities Act relating to access by persons with disabilities, restrictions on smoking, and requirements for fire safety and general emergency preparedness; food identification, labeling, and disclosures on menus and other collateral regarding nutritional information for the Products; advertising; and data protection and privacy laws.

You may also be required to obtain restaurant, business, occupational, food products, and miscellaneous licenses. Some states and local law may also restrict who may secure these licenses. You may also have to obtain health licenses and to comply with health laws and regulations that apply to restaurant and food product sales establishments. The Food and Drug administration, the United States Department of Agriculture and food industry organizations, including the National Restaurants Association, have established rules affecting the bakery industry.

Requirements under local law vary by location, and you should inquire about, and become familiar with, these laws and regulations. You should consider both their effect and costs of compliance with all relevant laws and regulations.

## **ITEM 2. BUSINESS EXPERIENCE**

### **Sean Wilson – Founder and CEO**

Sean Wilson has been our CEO since our inception in April 2021. As a Co-founder and CEO of Chip, he makes major corporate decisions. Sean has been an owner and CEO of Chip Cookies, LLC, which owns and operates the Chip corporate-owned locations, from October 2016 to present. From June 2017 to December 2019, Sean was Director of Strategic Consulting at Sprinklr.

### **Sarah Wilson – Founder and CMO**

Sarah Wilson has been our Chief Marketing Officer since our inception in April 2021. She heads up marketing, social media and events. She is a Co-founder of Chip and has been an owner and CMO of Chip Cookies, LLC, which owns and operates the Chip corporate-owned locations, from October 2016 to present.

## **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**

The initial franchise fee is \$40,000 and must be paid in full in one lump sum, by wire transfer or other method designated by us, when you sign the Franchise Agreement. The initial franchise fee is payment, in part, for expenses incurred by us to furnish assistance and services to you, as set forth in the Franchise Agreement, and for costs incurred by us, including general sales and marketing expenses, training, legal, accounting and other professional fees. The initial franchise fee is uniform and is deemed fully earned upon payment. The initial franchise fee is not refundable.

### **Development Fee**

We may offer you the right, in our sole discretion, to develop multiple Stores pursuant to an Area Development Agreement upon payment of a development fee. The development fee you must pay is determined by the number of Stores you agree to develop according to the following schedule: \$40,000 for the first Store, \$35,000 for each subsequent Store up to five total Stores, and \$30,000 for each subsequent Store after the first five. You will not be required to pay any additional initial franchise fee when you execute the Franchise Agreement for the Stores developed pursuant to the Area Development Agreement. In certain circumstances, we offer a partial refund of the area development fee. If you fail to meet any obligation under the Area Development Agreement and we terminate the Area Development Agreement early, you will receive a partial refund of the area development fee equal 50% of the area development fee if the agreement is terminated within a year of signing the agreement, so long as the termination is not due to crime or misrepresentation. If the agreement is terminated more than a year from signing, you will not receive a refund. Any refund is contingent upon signing a general release in the form and substance that is acceptable to us.

## ITEM 6. OTHER FEES

Type of Fee	Amount	Due Date	Remarks
<b>Royalty</b>	6% of Gross Sales	Weekly by electronic funds transfer, on or before Tuesday of each week for the previous week (a sales week runs Monday – Sunday)	See Note 1 below for a definition of Gross Sales
<b>Technology Fee</b>	Currently \$350	Payable monthly to be received by the first Tuesday of the month	This fee will be updated periodically in our manuals
<b>Advertising Fund</b>	2% of Gross Sales	Weekly by electronic funds transfer, on or before Tuesday of each	See Note 2

Type of Fee	Amount	Due Date	Remarks
		week for the previous week	
<b>Renewal Fee</b>	25% of the then-current Initial Franchise Fee	Payable in lump sum at the time you execute your renewal franchise agreement	See Note 3
<b>Non-Compliance Fee</b>	Store uncleanliness (\$250), Failing to provide documentation (\$250), Unauthorized use of trademark (\$1,000), Unauthorized product/supplier (\$1,000), Poor product quality (\$250), Failure to meet deadlines for new equipment, processes, etc. (\$250), Miscellaneous noncompliance (\$250), plus \$25 per day per deviation from contractual requirement	Within five days after notification from us that the fee is being charged	
<b>Late Payment Fee</b>	\$25 per day	Payable with royalty or upon receipt of invoice from us	Charges begin to accrue after the due date of any required payment or report. You will be charged \$25 per day for each late fee or late report (up to \$500 per late fee).
<b>Interest on Late Payments</b>	18% (or the maximum rate permitted by state law)	Payable with royalty or upon receipt of invoice from us	Interest begins to accrue after the due date of any required payment or report.
<b>Insufficient Funds Fee</b>	Actual fees incurred by us related to insufficient funds in your designated bank account	Upon receipt of invoice from us	
<b>Interest</b>	1.5 % per month or the greatest amount allowed under applicable law, whichever is less	Upon receipt of notification from us that the fee is being charged	All past due amounts will be subject to interest, accruing from the due date at the rate of 1.5% per month or the greatest amount allowed under applicable law, whichever is less
<b>Reimbursement of Taxes</b>	An amount necessary to cover any taxes and related costs and expenses imposed upon or paid by us to ensure that the payment is equal	Upon receipt of notification from us	This fee applies if any tax or fee (other than federal or state income tax) is imposed on us due to our receipt of fees from you under the Franchise Agreement

Type of Fee	Amount	Due Date	Remarks
	to the amount we would have otherwise received		
<b>Initial Training</b>	Initial training for up to three approved individuals is included in the initial franchise fee. Additional individuals or individuals not trained at the same time must pay a fee of at least \$100 per additional person being trained per day	Prior to commencement of training	See Note 4
<b>Additional Training</b>	Our then-current fee for the training provided; currently \$250 per day plus any travel, meals or lodging expenses incurred by us	Upon receipt of invoice from us	We may require additional training and will charge a reasonable fee for providing such training. You may request from us additional training or assistance that will be provided by us at a time and place designated by us for our then-current fee for the type of training provided. You are responsible for the compensation, travel, lodging and living expenses incurred by your attendees in connection with attendance at the initial training program
<b>Testing and Approval of Suppliers</b>	Reasonable costs and expenses of testing	Upon receipt of invoice from us	If you request permission to purchase or sell items from any unapproved supplier, you must pay us the reasonable costs and expenses for review of a supplier and/or testing of products
<b>Audit</b>	Cost of financial audit	Upon receipt of the audit report	You must pay the costs of the audit or inspection if the audit shows that the royalties paid to us have been underpaid by more than 2%. You must also immediately pay any deficiency in fees paid along with interest on such amount at a rate of 1.5% per month or the maximum amount allowed under applicable law, whichever is less
<b>Relocation Fee</b>	Reasonable costs and expenses of us related to the relocation	Upon receipt of invoice from us	If you are allowed to relocate, you must reimburse us for our costs incurred during the relocation process, including

Type of Fee	Amount	Due Date	Remarks
			those required to help you construct and develop the Store at the new site in full compliance with our System. All relocations must be complete and the Store must be open at the new location within 90 days of our approval of such request or we may terminate the Franchise Agreement upon notice to you
<b>Transfer Fee (Franchise Agreement)</b>	30% of our then-current initial franchise fee	Payable before or upon final closing of transfer	You must meet our conditions for approval of any transfer
<b>Transfer Fee (Area Development Agreement)</b>	\$15,000	Payable before or upon final closing of transfer	You must meet our conditions for approval of any transfer
<b>Interim Management Fee</b>	3% of the Gross Sales plus our costs of travel, meals and lodging actual reasonable overhead expenses incurred by us related to management of the Store	As incurred	Incurred if we are required to run your franchise temporarily due to your death, incapacity or unexcused absence
<b>Costs and Attorneys' Fees, Indemnification</b>	Will vary under circumstances	Upon occurrence	If we prevail in any proceeding, arbitration or litigation against you, you must pay the costs and attorneys' fees incurred. You also have indemnification obligations to us. Depending on the circumstances, you may pay these costs and fees to attorneys and other third parties, or reimburse us
<b>National or Regional Conferences</b>	Our then-current fee per attendee	Prior to convention	You must attend all regional or national conferences and meetings that we designate as mandatory. We will designate the locations for these meetings and may charge a conference fee. If you fail to attend, you will still be charged our fee. In addition, you are responsible for all travel and living expenses and all other costs associated with your attendance
<b>Marketing Materials</b>	Cost of materials purchased	As incurred	We may make available to you marketing plans and promotional materials,



Type of Fee	Amount	Due Date	Remarks
			including coupons, merchandising materials, sales aids, point of purchase materials, special promotions, direct-mail materials, community relations programs, and similar marketing and promotional materials for use in local store advertising
<b>Insurance Premiums</b>	Reimbursement of our costs plus 10% administrative fee	On demand	If you do not maintain the required insurance coverages, we have the right, but not the obligation, to obtain insurance on your behalf
<b>Liquidated Damages</b>	Will vary under circumstances	Within 30 days after termination of the Franchise Agreement due to your breach	Liquidated damages are equal to the sum of Royalty Fees accrued during the immediately preceding 24 full calendar months, plus all taxes assessed on such payment. If the remaining term of the Franchise Agreement is less than 24 months, the number of previous months Royalty Fees is reduced to the number of months remaining in the term of the Franchise Agreement

Except as noted above, all fees are payable to us. These fees are non-refundable. Unless noted, all fees payable to us or an affiliate are uniformly imposed. If we or an affiliate do not actually receive your payments and the reports we designate on the due date, they will be deemed delinquent.

1. “**Gross Sales**” means the total amount of all revenues received by you related to the Store from the sale of goods and services, including, but not limited to, all revenues from sales at the premises and from direct delivery, catering and/or delivery services through third parties, whether for cash or by check, credit card, trade, or otherwise, in connection with the Store, less customer refunds and returns and any sales tax or any other indirect tax on the supply of goods and services collected from customers and paid to appropriate tax authorities. Gross Sales also excludes revenue derived from selling or issuing system gift or loyalty cards, although revenue you derive from sales to customers who use such cards for payment will be included in Gross Sales.
2. We administer a system-wide advertising fund (see Item 11) for all Stores. The advertising fund may be used by us for one or more national or regional marketing and brand development programs, as we choose.
3. If you qualify and desire to renew your Franchise Agreement, you will be required to execute a franchise agreement in our then-current form that may include terms that are

different than those found in your current Franchise Agreement. You may also be required, at your expense, to reasonably renovate, remodel, redecorate, re-fixtue or otherwise refurbish your Store to make it consistent with the then current standards and appearance of new Stores.

4. The initial training program will take place online and at a company-owned Chip Store in the Salt Lake City, Utah area, or other location designated by Chip. See Item 11 for additional information regarding the training program. If you are an entity, one approved attendee must either be an owner in your entity or a person who shares in the profits of your Chip Store (a “Principal Owner”) who will be responsible for the day-to-day operation of the Store. If this is your second or additional Chip Store and the owner representative will not be managing the day-to-day operation of the Store, at least one individual who will manage the day-to-day operation must also attend the training. In addition to our fees, you are responsible for the compensation, travel, lodging and living expenses incurred by your attendees in connection with attendance at the initial training program.

## ITEM 7. ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
<b>Initial Franchise Fee</b>	\$40,000	Lump Sum	Upon signing Franchise Agreement	Us
<b>Lease for Premises – 3 months</b> (Note 1)	\$12,000 - \$36,000	As agreed with landlord	Upon signing lease or as agreed with landlord	Landlord
<b>Improvements for Store Build Out</b> (Note 2)	\$100,000 - \$350,000	As agreed with the contractors and suppliers providing labor or materials	As incurred	Various independent contractors and suppliers
<b>Equipment, Fixtures and Signage</b> (Note 3)	\$100,000 - \$180,000	As agreed with the suppliers	As incurred	Various suppliers
<b>Initial Training Costs</b> (Note 4)	\$2,500 - \$3,000	As agreed	As incurred	Us, airlines, hotels and restaurants
<b>Point of Sale System, Computer Hardware and Software</b> (Note 5)	\$3,500 - \$10,000	As agreed with suppliers	As incurred	Suppliers
<b>Opening Inventory and Supplies</b> (Note 6)	\$5,000 - \$20,000	As agreed with suppliers	As incurred	Suppliers
<b>Licenses, Permits, Deposits and Prepaid Expenses</b> (Note 7)	\$1,000 - \$10,000	Lump sum	Before opening	Utility companies, suppliers, and government agencies

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
<b>Grand Opening Promotional Expenses</b> (Note 8)	\$5,000 - \$20,000	As agreed with suppliers	As incurred	Advertising agencies, suppliers, various media outlets
<b>Professional Fees</b> (Note 9)	\$2,500 – 10,000	Lump sum or as arranged by providers	As incurred	Attorneys, accountants, and other consultants
<b>Insurance (3 months)</b> (Note 10)	\$450 - \$5,000	Lump sum or installments, as determined by insurance brokers/carriers	Prior to opening and as required	Insurance brokers/carriers
<b>Additional Funds (3 months)</b> (Note 11)	\$10,000 - \$15,000	As required	As incurred	Employees, suppliers, utilities and other vendors
<b>Totals</b>	\$281,950 – \$699,000			

We have based the estimates provided in the tables above upon our experience in establishing and operating our corporate-owned Stores.

The estimates in the table above assume that you are developing a single Store. The initial franchise fee is not refundable. Payments you make to parties other than us or an affiliate may be refundable at the option of the other party. The estimates in the tables above do not include royalty fees payable to us during the operation of your Franchise since these fees are payable out of the Gross Sales of your Store.

1. A Store is typically located in a commercially zoned area and is approximately 1,000 to 1,800 square feet in size. If you do not own adequate space, you must lease or purchase the location for your Store. Due to the cost of land acquisition and new construction, the estimated cost outlined are based on you leasing the premises and includes any security deposit and the first month of rent. You will make rental payments to the landlord that will vary greatly from site to site and are affected by a number of factors, including location, size, visibility, accessibility, and competitive market conditions. Lease security deposits are typically due upon signing and can potentially be refundable if you do not default on your lease. Depending on the real estate market in your area, you may be able to negotiate for a certain number of free months' rent and/or to negotiate the rent security deposit. Your lease may also require you to pay the last month's rent in advance. All franchisees are required to sign an assignment of lease to us in the event of expiration or termination of the Franchise Agreement. If you purchase the location, your costs may vary substantially based on the terms of your purchase.
2. These estimates include the cost of adapting our prototypical architectural and design plans, construction costs (labor and material) for typical build-out and remodeling to prepare a site for operation of a Store, including general contractor fees, materials, and leasehold improvements. The necessary improvements may vary depending on your location, the condition of the premises and the changes necessary to meet our standards. We must

approve your plans and specifications before you begin construction. These estimates do not include lease costs. Your actual construction costs will depend on numerous factors, such as the condition of the premises, duration of the building process (delays), contractors' fees, availability of materials and equipment, interest rates and the insurance coverage you choose. If your landlord contributes to the cost of build-out, total leasehold improvement costs could be reduced.

3. This estimate includes all initial equipment and fixtures for your Store, such as kitchen equipment, utility sinks, counters and shelving, refrigeration, utility shelving, millwork, chairs, tables, interior design, ovens, warmers, lighting, interior signage, equipment consolidation fees, management fees, and optional equipment installation fees. The costs may vary somewhat depending on the size and layout of your Store.
4. The initial training for up to three people is included with the initial franchise fee. However, you are responsible for all expenses you or your employees incur in attending and participating in the initial training program, including travel, lodging, meals, wages and benefits. These costs will vary depending upon your selection of salary levels, lodging and dining facilities, mode and distance of transportation, and the wages payable to your employees.
5. You are required to use our selected point-of-sale system, software, and hardware. In addition to the costs of the hardware and software, this estimate includes the set-up fee and monthly fee charged for online and application-based ordering for the first three months of operation and the annual subscription cost of the point-of-sale support and maintenance and data warehouse for the first year.
6. We estimate that this range will cover the cost of product inventory, food, beverages, soft goods, boxes, cups, uniforms, baking goods and ingredients, linens, stickers, business cards, gift cards, paper products, uniforms, other food items, and other items required to operate a Chip® franchise business. The range in cost depends upon the size of your franchise business, as well as estimated initial business volume.
7. These are estimates of the costs for obtaining local business licenses which typically remain in effect for one year. The amount for licenses and permits can vary significantly, and you should verify specific amounts with local authorities. You may be required to pay a security deposit or other deposits for utilities and suppliers. Deposits for utility services are typically required at the time the service is applied for and may or may not be refundable. You must confirm all of the specific deposits required.
8. You must conduct a grand opening campaign for the Store within 60 days of opening and spend at least \$5,000 for the grand opening program. We may provide you with certain materials or other items related to the grand opening that you will be required to use, and we must approve all advertising materials, methods and media you use.
9. You should retain an attorney to review the franchise related documents, real estate lease or sublease, or to assist in forming an entity such as a corporation, partnership, limited liability company or other entity. You should also retain an accountant for advice in

establishing and operating your franchise business and filing necessary tax forms and returns. You may also engage other consultants related to the operation of the Store.

10. We require you to obtain and keep in force insurance coverage we designate, which may be changed by us periodically. The current insurance requirements are set forth in Item 8. Your corporate and dba must be listed on the certificate of insurance and must name us as an additional insured. If we request, you must provide us with copies of all policies and endorsements. The table above contains the estimated cost of required insurance coverage for a three month start-up period; however, the cost of insurance varies, depending upon the insurance company you select, lease requirements, variances in the cost of insurance by location, your claims history, and other factors. Whether insurance premiums are refundable depends on individual insurance carriers and the terms of the insurance policies.
11. You will need additional funds during the start-up phase of your business to pay employees, purchase supplies and pay other expenses. This amount represents the range of your initial start-up expenses over the first three months. These figures include estimated payroll costs but excludes a draw or salary for the owner during this time.

**YOUR ESTIMATED INITIAL INVESTMENT  
(AREA DEVELOPMENT AGREEMENT)**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
<b>Development Fee</b> (Note 1)	\$75,000 - \$330,000	Lump Sum	Upon signing Area Development Agreement	Us
<b>Totals</b>	\$75,000 - \$330,000			

The amounts payable to us are nonrefundable.

1. Your development fee will vary, depending on the number of Stores that you agree to develop under your Area Development Agreement. The development fee is equal to \$40,000 for the first Store and \$35,000 for each additional Store up to five, and \$30,000 for each additional Store after the first five Stores. The development fee is equal to the initial franchise fee for each Store you agree to develop, and you will not be required to pay any additional initial franchise fee when you execute the Franchise Agreement for the Stores developed pursuant to the Area Development Agreement. The typical number of Stores that we anticipate in any given Area Development Agreement is between two and ten. As an example, if you agree to open four Stores, your development fee would be \$145,000.

You will incur costs when opening each Store you commit to develop under your Area Development Agreement. Refer to the costs outlined in the first table above for the estimated initial investment for each Store.

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

To maintain the quality and uniformity of all food products, menu items, ingredients, services, products, materials, forms, items, supplies, Store appearance (both internally and externally), fixtures, furnishings and equipment utilized in or by Stores, we may periodically issue certain mandatory standards, specifications, operating procedures and rules for Stores (the “System Standards”). You must strictly comply with all System Standards as designated in our brand standards manual (“Brand Standards Manual”) and through other communications with you.

### **Required Purchases and Suppliers**

You are required to obtain certain products and other items from us, our affiliates, or from sources we approve. We restrict the source of these items to protect trade secrets and other intellectual property rights, assure quality, assure a reliable supply of products meeting our standards, achieve better purchase terms and delivery service and to control use of the Marks by third parties. We will provide a list of approved and designated suppliers, as well as our criteria for supplier approval, in the Brand Standards Manual or otherwise in communications with you. Our Brand Standards Manual also contains standards and specifications for these required supplies.

Currently, we require you to use our designated vendors for (i) specialized software; (ii) POS system; (iii) paper goods and boxes; (iv) branded merchandise such as memorabilia, T-shirts, hats, cups and mugs; (v) ingredients; (vi) equipment such as ovens and warmers; (vii) food; (viii) gift card management and replenishment services; (ix) paper and plastic products. We or our affiliates may negotiate system-wide agreements with suppliers. We will provide our standards and specifications for these items to our approved suppliers.

Our affiliate Bern is currently the approved or sole supplier of Chip branded goods and boxes. Bern is owned by our CEO, Sean Wilson, who also serves as CEO of Bern. Other than Bern, as of the date of this Disclosure Document, none of our officers owns an interest in any approved suppliers.

### **Purchases According to Specifications**

All inventory and other items we require for which no approved supplier is designated may be purchased from any supplier that satisfies our standards and specifications, as contained in the Brand Standards Manual and other written or electronically transmitted materials that we or an affiliate furnish to you. These specifications cover quality, brand, appearance and related specifications and may be modified upon written notice to you.

If we have not provided specifications, you may purchase any items that reasonably meet the requirements of the business, however, we reserve the right to disapprove of a vendor whose performance and products fall below our standards and specifications.

The site as well as the design and layout of the Store must be completed according to our standards and specifications and the prototypical plans provided by us. You are responsible for adapting or modifying the sample plans to comply with all applicable laws, but we must review and approve all final construction plans and specifications before you begin construction for the Store. You must receive our approval of all contractors, designers or architects prior to performance of work

at the premises of the Store. Our review is only to ensure your compliance with our design requirements. You are ultimately responsible for ensuring that your design meets all applicable laws. Once the Store is constructed, we must approve the premises prior to opening as well as any renovations or changes to the premises.

All advertising and promotion by you must be in the media and of the type and format as we may approve, must be conducted in a dignified manner, and must conform to the standards and requirements we specify. Please see Item 11 under the heading “Advertising” for information about the procedure to obtain our approval for advertising and promotional materials prepared by you.

In addition, you must obtain and maintain, at your own expense, the insurance coverage we periodically specify and satisfy other insurance-related obligations, including naming us as an additional insured on your policies. Such insurance policies must be written by an insurance company acceptable to us and which has a rating of “A” or higher. We make no representation that such minimums will be adequate for your needs or desires. You will conduct your own investigation and, at your discretion, purchase such coverages over and above the minimums we establish as you determine to be appropriate for your own situation.

Currently you must carry the following minimum coverages: (i) Statutory worker’s compensation at a minimum amount required by law and employer’s liability insurance in the minimum amount of \$1,000,000; (ii) comprehensive general liability insurance in the minimum amount of \$1,000,000 per occurrence and \$2,000,000 in the aggregate and umbrella liability insurance in the amount of no less than \$1,000,000; (iii) property insurance to cover 100% of the full replacement cost; (iv) if any vehicle is used in connection with the operation of the Store, you must also purchase automobile liability insurance (including all owned, non-owned, leased or hired vehicles), with a minimum limit of liability that equals the greater of the amount required by federal, state or local law, or \$1,000,000 per occurrence and in the aggregate; (v) any insurance required by the terms of the lease for the Store; and (vi) any other insurance we may designate. Despite the above, we may change the required insurance coverage, including the terms, conditions, and coverage amounts, at any time during the term of your Franchise Agreement.

### **Alternative Suppliers**

We reserve the right to add or remove approved suppliers for any item that you are required to purchase. You will be provided a list of our approved suppliers, which will be updated from time to time. We evaluate, approve, or disapprove suppliers based on suppliers who demonstrate to us with continued reasonable satisfaction: (i) an ability to meet our standards and specifications, (ii) possess adequate quality control and the capacity to supply our franchisees’ needs promptly and reliably, and (iii) who have been approved by us in our manuals or otherwise in writing. If you would like us to approve a different supplier, you are required to submit to us a written request to approve a proposed supplier together with such information as we may reasonably require, including financials, total sales figures, written references, etc. We also reserve the right to require that our representative be permitted to inspect the suppliers’ facilities and that samples from the supplier be delivered for our evaluation and testing, either to us or to an independent testing facility designated by us. A charge not to exceed the reasonable cost of the evaluation and testing is required to be paid by you whether or not the supplier is approved. We will notify you in writing

of our approval or disapproval of the proposed supplier and the criteria for our approval and disapproval within 30 days after our receipt of your request and completion of the evaluation and testing. We may revoke approval for a supplier at any time upon 30 days' notice to you.

### **Franchisor Support and Benefits**

We and our affiliates may receive revenue from any of the above described purchases and may profit from the sale and distribution of items sold to you. As of the date of this Disclosure Document, none of our franchisees are open for business we have not previously offered franchises or conducted business. As such, our total revenue from all sources in our last fiscal year was \$0, and the revenues from required purchase of our products by franchisees was \$0 for the same period, or 0% of our total revenues.

The cost of required purchases, including inventory and equipment purchased in accordance with our specifications represents 85% to 95% of your total purchases in connection with the establishment of your franchise and 85-95% or more of your cost in continuing your operations. These figures are based on our costs for the company-owned locations.

As of the date of this Disclosure Document we do not receive rebates from suppliers but reserve the right to do so in the future.

We will negotiate purchase arrangements with potential suppliers, including price, at our discretion for your benefit. We do not provide our franchisees with material benefits, such as the right to purchase additional franchises or to renew based on your use of a supplier designated by us.

At the present time, there are no purchasing or distribution cooperatives.

## **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.**

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
a. Site selection and acquisition/lease	Franchise Agreement Section 6; also see Exhibit A to the Franchise Agreement, Authorized Location  Area Development Agreement Section 3(b)	Items 7, 11 and 12
b. Pre-opening purchases/leases	Franchise Agreement Sections 6(d), 8(a), 9(b), and 11  Area Development Agreement N/A	Items 7 and 8
c. Site development and other pre-opening requirements	Franchise Agreement Sections 6, 7(a), and 8(b)	Items 7 and 11



Obligation	Section in Agreement	Disclosure Document Item
	Area Development Agreement Section 3(b)	
d. Initial and ongoing training	Franchise Agreement Section 7 Area Development Agreement N/A	Items 5, 6, 7, 11 and 15
e. Opening	Franchise Agreement Sections 6(e), 7(b) and 9(b) Area Development Agreement Section 3(c)	Item 11
f. Fees	Franchise Agreement Sections 2(b)(7), 4, 5, and 15(c) Area Development Agreement Section 5	Items 5, 6, 7, 11 and 17
g. Compliance with System Standards and policies/Operating Procedures Manual	Franchise Agreement Sections 1(a), 3(b), 3(d), 5(d)-(g), 6, 8 and 9 Area Development Agreement Section N/A	Items 8, 11, 13, 14 and 16
h. Marks and proprietary information	Franchise Agreement Sections 3 and 10; also see Exhibit D to the Franchise Agreement Area Development Agreement Section 6	Items 13, 14 and 17
i. Restrictions on products/services offered	Franchise Agreement Section 8(a)-(c) Area Development Agreement Section N/A	Items 8 and 16
j. Warranty and customer service requirements	Franchise Agreement Sections 9(d), 9(e), and 9(k) Area Development Agreement Section N/A	Item 11
k. Territorial development and sales quotas	Franchise Agreement Section N/A Area Development Agreement Sections 3(c)	Items 12 and 17
l. Ongoing product/service purchases	Franchise Agreement Sections 8(a)-(c) Area Development Agreement Section N/A	Items 8 and 11

Obligation	Section in Agreement	Disclosure Document Item
m. Maintenance, appearance, and remodeling requirements	Franchise Agreement Sections 6(b), 6(d), 6(e), 9(e), 9(g) and 9(h)  Area Development Agreement Section N/A	Items 8, 11 and 17
n. Insurance	Franchise Agreement Section 11  Area Development Agreement Section N/A	Items 7 and 11
o. Advertising	Franchise Agreement Sections 5 and 9(b)  Area Development Agreement Section N/A	Items 7, 8 and 11
p. Indemnification	Franchise Agreement Sections 3(g), 9(k) and 13  Area Development Agreement Section N/A	Items 6 and 13
q. Owner's participation/management/staffing	Franchise Agreement Sections 9(a) and 9(k)  Area Development Agreement Section 2(a)	Items 11 and 15
r. Records and reports	Franchise Agreement Section 14  Area Development Agreement Section 4	Item 6
s. Inspections and audits	Franchise Agreement Sections 8(d)-(f) and 14(c)  Area Development Agreement Section N/A	Items 6 and 11
t. Transfer	Franchise Agreement Section 15  Area Development Agreement Section 10(b)	Item 17
u. Renewal	Franchise Agreement Section 2(b)  Area Development Agreement Section N/A	Item 17
v. Post-termination obligations	Franchise Agreement Sections 18, 19(b) and 21	Item 17

Obligation	Section in Agreement	Disclosure Document Item
	Area Development Agreement Section 8	
w. Non-competition covenants	Franchise Agreement Sections 19 and 21, also see Exhibit D to the Franchise Agreement  Area Development Agreement N/A	Item 17
x. Dispute resolution	Franchise Agreement Sections 3(g), 19(c), 20 and 22(d)  Area Development Agreement Section 10(a)	Item 17
y. Other	Not Applicable	Not Applicable

## ITEM 10. FINANCING

We do not offer any direct or indirect financing to Franchisees, but we may do so at any time in the future. We do not guarantee any lease, note, or obligation for any franchisee.

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

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

### **Assistance Before Opening:**

1. **Site Selection.** We must approve the site for your Store. The site must be approved within 120 days after execution of the Franchise Agreement or the agreement may be terminated by us. This period may be extended upon timely request up to an additional 60 days provided you have been earnestly searching for suitable premises. Franchisee may request an extension up to 45 days at no extra cost to Franchisee. If Franchisee is requesting an extension of more than 45 days, Franchisee must pay an extension fee. We will approve your site location within this time frame and will not unreasonably withhold approval provided that the site meets our minimum standards for demographic characteristics, traffic patterns, parking, the predominant character of the neighborhood, median income, competition from other businesses providing similar services or products in the area, proximity to other businesses, any exclusivity granted to other franchises, the nature of other businesses in proximity to the premises and other commercial characteristics, and size, appearance and other physical characteristics of the premises. You should take adequate time to investigate, review, and analyze independently the any potential site location, the building in which it is contained, the market area, and all other relevant facts. We do not locate the site or negotiate the purchase or lease of the site, although we must approve your lease. (Franchise Agreement, Section 6(a)).

2. **Plans and Specifications.** We will provide you with general specifications for store layout, signs, equipment and interior décor on which to model the plans to build out your Store. It is your responsibility to comply with all applicable laws and regulations. (Franchise Agreement, Section 6(b)).
3. **Approval of Premises.** We will make a final inspection of the premises to verify that it is in compliance with our standards and specifications. If the premises of the Store does not meet our standards and specifications, you will not be allowed to open for business. (Franchise Agreement, Section 6(e)).
4. **Suppliers and Products.** We will provide you with a list of specifications and a list of approved or designated suppliers of Chip inventory, equipment, supplies, logoed items, and other items. We do not offer assistance in delivery or installation of any of these items (Franchise Agreement, Section 8(b)).
5. **Initial Training.** We provide you with an initial training program for up to three individuals once you have signed the Franchise Agreement as part of the initial franchise fee provided that all individuals must attend training at the same time. These individuals must include the Principal Owner who will manage the day-to-day operation of the business. If the owner representative will not be managing the day-to-day operation of the Store, at least one individual who will manage the day-to-day operation must also attend the training. Any individuals not attending training at the same time must pay our then-current fee for such training. Additional individuals may attend the initial training if approved by us and upon payment of our then-current fee for this training program. As described in Item 7, you must pay the costs of your own travel, lodging, meals and all other living costs and expenses incurred due to any training programs (Franchise Agreement, Section 7(a)). This training is described in detail later in this Item 11.
6. **Opening Assistance.** We will provide you with at least two days of training and opening assistance in-store at your location at around the time of opening and provide you with our required specifications for a grand opening campaign (Franchise Agreement, Sections 7(b)).

### **Assistance During Operation:**

1. **Brand Standards Manual.** We provide you electronic access to the Brand Standards Manual, which covers the operational procedures of your Store, including cookie baking and specifications, customer relations, hands-on operation, bookkeeping, and other operational procedures inclusive of all aspects of operation. You must ensure that access to the Brand Standards Manual is limited to those individuals that must have access to perform their duties, as we further designate. We will update the Brand Standards Manual from time to time. (Franchise Agreement, Section 9).
2. **Ongoing Assistance and Inspections.** We will, upon your request, provide general guidance relating to the operation of your Store and make ourselves reasonably available to consult with you during regular business hours. As we reasonably determine necessary, we will visit and evaluate the Store, the products and service to verify that our System Standards for quality, appearance and the operation of a Chip Store are met. (Franchise Agreement, Section 7(d)).

3. **Administrative, Bookkeeping and Accounting.** You are required to use our specified point-of-sale and accounting systems in your Store. You will contract directly with the third party provider of the systems, must keep the systems up to date and must pay all fees related to the acquisition, licensing and necessary updates to the systems. (Franchise Agreement, Section 9(m)).
4. **Additional Training.** We may, in our discretion, provide additional training or refresher programs for any personnel. You may request additional training from us. We will designate the location of such training and charge our then current additional training fee. If we provide training at your Store, you must also pay our expenses for transportation, food and lodging of each instructor. You are also responsible for such expenses for your attendees. (Franchise Agreement, Section 7(c)).
5. **Advertising.** We will administer the advertising fund and other marketing related services and standards for advertising, marketing and public relations programs we deem appropriate. (Franchise Agreement, Section 5). We may provide marketing materials for use and will review and approve proposed advertising materials you wish to use. (Franchise Agreement, Section 5(d), (g)). We will also maintain a system-wide website and provide a webpage for your Store. (Franchise Agreement, Section 5(e)).
6. **Gift and Loyalty Program.** We will maintain a system-wide gift card and loyalty program. (Franchise Agreement, Section 5(f)).
7. **Price.** To the extent allowed under applicable law, we may periodically set a maximum or minimum price that you will charge for products offered at the Store. (Franchise Agreement, Section 9(c)).
8. **National or Regional Conferences.** We may conduct annual conventions or other national or regional meetings for our franchisees, which will be used to provide additional training and support. (Franchise Agreement, Section 7(e)).

### **Time to Open**

Your Store must be open within ten months from the date you sign the Franchise Agreement. This time period may be extended by an additional 60 days if you timely request an extension in writing and have diligently pursued opening. The time it takes to open the Store may vary depending upon factors such as the weather, the location and condition of the site, your ability to obtain any necessary financing and building, zoning or other permits and approvals, construction delays, completion of required training and so forth. Also, you may not open your Store for business until: (i) we approve the Store for opening; (ii) initial training has been completed to our satisfaction; (iii) the initial franchise fee and all other amounts then due to us have been paid in full; (iv) the lease documentation has been signed and all other documentation for development of your Store has been completed; and (v) we have been furnished with copies of all required insurance policies or other evidence of insurance coverage and payment of premiums we require. (Franchise Agreement Section 6(e)).

## **Advertising**

We are not required to spend any amount of advertising in the area or territory where any particular Store is located. We will provide you a specific webpage on our website for your location. We will maintain the brand website and administer the advertising fund. We have no other obligation to conduct advertising.

You are required to allocate and spend at least 1% of your monthly Gross Sales for local advertising, marketing and promotion programs. (Franchise Agreement, Section 5(a)).

We may provide you with copies of advertising, marketing and promotional formats and materials for use in your Store, which you must purchase from us. (Franchise Agreement, Section 5(d)).

You may develop advertising and promotional materials for your use at your cost. All such materials must be approved by us in advance in writing. Any advertising you create becomes our property and may be used by us or our other franchisees (Franchise Agreement, Sections 3(c) and 5(g)). You may not create a website, social media site, or engage in advertising on the internet without our prior written approval (Franchise Agreement, Section 5(e)).

You must spend at least \$5,000 on a grand opening campaign to promote the opening of your Store within 60 days of opening for business. All advertising materials, methods and media to be used are subject to our review and approval. (Franchise Agreement, Section 9(b)).

You and all other franchisees must contribute to the advertising fund in an amount of 2% of Gross Sales per month. All franchisees contribute the same percentage. Outlets that we or our affiliates own contribute to the advertising fund on the same basis as franchisees. We administer the fund. The fund is not audited. We will make unaudited annual financial statements available to you upon request. Because we have not yet offered franchises, we did not spend any money from the advertising fund in our most recently concluded fiscal year. If not all marketing funds are spent in any fiscal year in which they accrue, the money will remain in the advertising fund to be spent in the next year. No money from the advertising fund will be spent principally to solicit new franchise sales. (Franchise Agreement, Section 5(b)).

As of the issuance date of this Disclosure Document, we do not form, organize, maintain or otherwise make use of advertising cooperatives, nor do we require you to join one. We have the right, however, in the future, to form, organize, maintain and otherwise make use of local or regional advertising cooperatives based on the media markets or other geographical criteria that we deem appropriate. We have the power to require cooperatives to be formed, changed, dissolved, or merged. If instituted, you may be required to contribute up to 3% of your Gross Sales to such cooperative. All contributions to a cooperative will reduce the amount you are required to spend on local advertising. If our own locations are members of a cooperative, they must contribute to the fund on the same basis as franchisees. We will administer the cooperative, but we have the right to delegate responsibility for administration to an outside company such as an advertising agency or accounting firm, or to the franchisee members of the cooperative. We have the right to require the cooperative to operate from written bylaws or other governing documents that we determine. The documents are not currently available for you to review as no cooperatives have been created. Cooperatives will be required to prepare unaudited financial statements which

will be available for review only by us and by the members of cooperative. (Franchise Agreement, Section 5(c)).

We may establish a franchisee advisory council that serves in an advisory capacity only. This council will be comprised of members appointed by Chip and elected by franchisees. We will consult with this council on matters related to the franchise system, including marketing and advertising issues. (Franchise Agreement, Section 7(f)).

### **Point of Sale System/Computer System Requirements**

You must also use in your Store our designated point of sale (“POS”) system as upgraded or modified. We also require you to purchase and use our approved computer system, including accounting software, computers, printers, label printers, displays, receipt printers, scanners, cash drawers, and all necessary hardware and software for the operation of your Store (together with the POS, the “Computer System”). The initial cost to purchase the Computer System ranges from \$2,000 to \$4,000 depending on the features used at the specific Store. You must obtain service contracts and pay monthly service and access fees to our designated POS system service provider. This fee is currently between \$350 and \$500 per month and covers the access, use, maintenance, and updates or upgrades to the POS. Our current POS provider charges a per transaction fee, so your monthly cost will be variable, depending on your sales volume. You must use our centralized ordering system for all online orders.

We also require that you have high-speed Internet access at your Store in order to electronically submit to us Gross Sales and financial statement reports for your Store, and to allow us to access information directly from your POS and Computer System. Currently, you may use any Internet service provider that provides high speed access to the Internet. In addition, you must maintain a valid email address, and you authorize us to communicate with you via e-mail at that address.

We have the right to require you in the future to purchase, install and use a different Computer System or POS, and to designate in the future the supplier or suppliers (which may be or include us) from whom you must purchase these items. You must purchase, install and begin using any required computer hardware and software in your Store within 60 days of our notice to you. We have the right to require you, at your sole expense to upgrade any required computer hardware and software to meet our then-current standards and specifications. There is no limitation on the frequency and cost of this requirement. We also have the right to independently access the information and data you collect and gather using any required computer hardware and software, and there is no limitation on our right to access this information. (Franchise Agreement, Section 9(m)).

### **Brand Standards Manual**

The Brand Standards Manual contains mandatory and suggested specifications, standards and operating procedures prescribed from time to time by us for use in Stores and information relative to your other obligations. The table of contents of our Brand Standards Manual is attached as Exhibit D. It contains 174 total pages. (Franchise Agreement, Section 9(f)).

## **Training**

Before the Store opens for business, you or Principal Owner (or a manager, if this is your second or additional Store) must successfully complete our initial training program. Up to three total individuals approved by us are welcome to attend the full training program for no additional cost provided that all individuals attend the same initial training at the same time. There generally are no limits on the number of people whom you may send to initial training, however, you must pay our then current training charge for each additional person after the first three people or for any individual that does not attend the first initial training at the same time as the other individuals. You must also pay all travel and living expenses that all attendees incur, including your employees' wages and workers' compensation insurance, while they attend any applicable training. You are responsible for providing training to your employees who do not attend our training program.

Initial training takes place online through our online learning system as well as in-store at an operating Store. If you or any required attendee does not successfully complete the initial training, we may terminate the Franchise Agreement, but will not refund any portion of the initial franchisee fee. If an individual not required to attend the training does not successfully complete the initial training, we will not terminate the Franchise Agreement or refund any portion of the initial franchise fee. All classroom training is completed online and self-guided. Online training will occur beginning after you sign the Franchise Agreement and continue while you are developing the Store but before attending on the job, in person training. In person training at our designated location will take place over one week consisting of 5 business days and must be completed not later than 30 days before the anticipated opening date of the Store. We will provide additional on-site training and assistance over at least two days at your location around the time of opening. We may require you to attend periodic training similar to the initial training.

We distribute training materials, including our Brand Standards Manual or materials from the manual and other information relevant to the topics presented and the operation of a Store, at various times during the training course. We maintain a formal training staff. The training program is currently overseen by Sean and Sarah Wilson who each have over five years of experience with Chip and in the restaurant industry. Other of our employees may also participate and assist in providing and conducting aspects of the training program and will have at least one year of experience with us and with the subjects being taught.

### **TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom or Online Training</b>	<b>Hours of "On the Job Training"</b>	<b>Location</b>
Self-Guided Online Training	Up to 80	0	Online
Baking	2	5	Corporate Store/Offices (Salt Lake City, UT) or other location designated by us



<b>Subject</b>	<b>Hours of Classroom or Online Training</b>	<b>Hours of “On the Job Training”</b>	<b>Location</b>
Shift Lead/Store Management	4	4	Corporate Store/Offices (Salt Lake City, UT) or other location designated by us
Franchise Ownership	3	2	Corporate Store/Offices (Salt Lake City, UT) or other location designated by us
Driving	2	2	Corporate Store/Offices (Salt Lake City, UT) or other location designated by us
Back of House Operations	1	4	Corporate Store/Offices (Salt Lake City, UT) or other location designated by us
Vendor Relations	0	2	Corporate Store/Offices (Salt Lake City, UT) or other location designated by us
Point-of-Sale System	1	2	Corporate Store/Offices (Salt Lake City, UT) or other location designated by us
<b>TOTAL</b>	Up to 93	21	

## **ITEM 12. TERRITORY**

### **Franchise Agreement**

You must operate the Store at the specific authorized location designated in the franchise agreement and at no other location. You will receive a protected territory pursuant to the Franchise Agreement. The size and scope of the protected territory will be set out in the Franchise Agreement. Except as described below, during the term of the Franchise Agreement, we will not establish, operate or license any other person to operate a Store in your protected territory. We may adjust the protected territory if the population in the protected territory increases to a total of 100,000 residents or more. You must comply with the terms of the Franchise Agreement or we will have the right to terminate the agreement. Your territorial protection depends on your achieving minimum sales volumes and your compliance with the Franchise Agreement.

Chip reserves the right to market and sell in your protected territory through various means and to sell franchises or licenses for non-traditional locations or to operate non-traditional locations in your protected territory. If we approve your Store to be located at a non-traditional site (such as mall food courts, airports, hospitals, cafeterias, educational facilities, hotels, office buildings and stadiums, arenas, ballparks, festivals, fairs, casinos, military bases and other mass gathering locations or events), you will not be granted a protected territory.

While you will receive the territorial protections set forth in this Item, because we reserve certain rights, you will not receive an exclusive territory. You may face competition from other

franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. Unless you have entered into an Area Development Agreement, you have no options, rights or first refusal or similar rights to acquire additional franchises in any other locations.

You may not relocate your Store unless the relocation is a result of condemnation, the exercise of a relocation right by your landlord or for some other reason approved by us in writing. We may condition our approval of any proposed relocation request on (i) the new site and its lease being acceptable to us, (ii) you paying a reasonable relocation fee (as set forth in the Brand Standards Manual or other communications to franchisees), (iii) you reimbursing our costs incurred during the relocation process, including those required to help you construct and develop the Store at the new site in full compliance with our System, (iv) you confirming that the Franchise Agreement remains in effect and governs the operation of your Store at the new premises with no change in the term or, at our option, signing our then-current form of franchise agreement to govern your operation of the Store at the new premises for a new franchise term, (v) you signing a general release, in a form satisfactory to us, of any and all claims against us, our owners, affiliates, officers, directors, employees, and agents (except for our indemnification obligations), (vi) you continuing to operate the Store at the approved premises until we authorize its closure, and (vii) you taking, within the timeframe we specify and at your expense, all action we require to de-brand and de-identify the former premises.

### **Development Agreement**

You will be granted a specified Development Area under your Area Development Agreement. Provided you are in compliance with the Area Development Agreement, all Franchise Agreements, and all other agreements with us, we will not develop or offer to sell franchises to third parties within the Development Area for a specified development period outlined in the Area Development Agreement (the “Development Period”) that will be determined based on the number of Stores that you agree to develop. After the Development Period or upon termination of the Area Development Agreement, your right to the Development Area terminates, the Development Area is no longer protected in any way and you will not have any protected or exclusive area other than as set forth in your Franchise Agreements. You will not receive any exclusive territory regarding soliciting customers. We do not have the right to modify your Development Area without your approval, but you must comply with the development schedule or we will have the right to terminate your Area Development Agreement.

Typically, your Development Area will be a geographic area with a specific radius, or a specific city, county, zip code or other political subdivision depending on the development obligation and the factors listed below. We reserve the sole right to determine your Development Area before you sign your Area Development Agreement. We may use site availability, demographics, population density, income levels and your ability to develop Stores within your Development Area, among other factors.

### **General**

Except as described above, we and our affiliates have the right, without compensation to you or any other franchisee, to (i) franchise, license and/or own and operate Stores at any location outside your protected territory and/or Development Area, as applicable, and on any terms and conditions

we or an affiliate deem appropriate; (ii) sell and license and franchise others to sell Products and any other products or services under the Marks, or any trade names, trademarks, service marks, trade dress or other commercial symbols of an affiliate, through all distribution channels outside of your premises; and (iii) franchise, license and/or own and operate businesses at any locations, and on any terms and conditions we or an affiliate deem appropriate, or distribute products or services through alternative channels of distribution which are similar to the Products or services offered at Stores under trade names, trademarks, service marks, trade dress or other commercial symbols other than the Marks or those owned by us or an affiliate. These activities may compete with you. Neither we nor our affiliates currently operate, franchise or have any plan to operate, or franchise a business under a different trademark that sells or will sell goods or services similar to those you will offer.

### ITEM 13. TRADEMARKS

Under the Franchise Agreement, we grant you the right to operate a Store under Chip’s name and Marks. You may also use the Marks, as approved by us, in or with your Store. Chip IP is the owner of the Marks and licenses to us the right to use the Chip Intellectual Property, including the Marks and to sublicense the right to use the Chip Intellectual Property, including the Marks. The license agreement with Chip IP is dated July 23, 2021 and, subject to the terms of the agreement, is of perpetual duration. Other than the license agreement, there are no limitations on our use of the Marks.

The following are the principal Marks registered on the Principal Register of the U.S. Patent and Trademark Office (“USPTO”):

Principal Trademark	Registration No.	Registration Date
Chip (stylized logo)	5426232	March 20, 2018
Chip Happens	6455358	August 17, 2021
Chip Flip	6455413	August 17, 2021

All required affidavits have been filed with the USPTO. Chip IP intends to file renewal applications for the Marks. There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court. There are no pending infringement, opposition, or cancellation proceedings. There is no pending material federal or state court litigation regarding our use or ownership rights in a trademark. There are no currently effective agreements that significantly limit our rights to use or license the use of trademarks listed above in a manner material to the franchise. We do not know of either superior prior rights or infringing uses that could materially affect your use of the principal trademarks.

Your right to use the Marks is derived solely from the Franchise Agreement and is limited to your conduct of business in compliance with the Franchise Agreement and all applicable standards, specifications, operating procedures and rules that we require.

You must use all Marks in strict compliance with our System and the Brand Standards Manual. You must file for an assumed or fictitious name or dba in the state where your Store is located.

You may not use any Mark as part of any corporate or trade name, or in any modified form, including on any sites on the Internet or world wide web, as an Internet domain name, as part of an electronic mail address, or in any social media site without prior written approval from us. You must display all Marks in the manner we require and use the “™” symbol with respect to any of the Marks that have not yet been registered and the registration symbol “®” in using any of the registered Marks. You must refrain from any business or marketing practice which may be injurious to our business and the good will associated with the Marks or Stores. We have the right to require you to modify or discontinue use of any Mark or use one or more additional or substitute trade or service marks at your cost if we determine that it becomes advisable at any time. You may not contest, directly or indirectly, our right and interest in the Marks and may not make any application for registration of any of the Marks, or any other trademark, service mark, symbol, name, slogan, logo, trade name or any item similar thereto without our written consent. Any goodwill associated with the Marks and System belongs exclusively to us.

You must immediately notify us of any apparent infringement of or challenge to your use of any Mark or claim by any person of any rights in any Mark. We and our affiliates have the right to take the action we deem appropriate and to exclusively control any litigation, USPTO proceeding or any other administrative or court proceeding concerning any Mark. At our option, we or our affiliates are entitled to defend and control the defense of any proceeding arising out of your authorized use of any Mark. You must sign any instruments and documents, render assistance and do those things as, in the opinion of our legal counsel, may be necessary or advisable to protect and maintain our interests in any litigation or other proceeding or otherwise to protect and maintain our interests in the Marks. We will indemnify you against all damages for which you are held liable in any proceeding arising out of your authorized use of any Mark in compliance with the Franchise Agreement, provided that you have timely notified us of the claim or proceeding and have otherwise complied with the Franchise Agreement.

We do not know of any infringing uses that could materially affect your use of the Marks.

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

Except as noted below, we and our affiliates do not own any patents or copyrights which are material to the franchise or your operation of a Store. As of the date of this Disclosure Document, there are no patents or copyrights registered or pending, and no patent applications that are material to the franchise.

We claim copyrights in the Brand Standards Manual, construction plans, specifications and materials, printed advertising, promotional, sales, training and management materials and in related items you will use in operating your Store. We do not have any registered copyrights. There are no pending copyright applications for our copyrighted materials. There are no currently effective determinations of the U.S. Copyright Office or any court regarding any copyright. There are no agreements currently in effect which significantly limit our rights to use or franchise the copyrighted materials nor are there any superior prior rights or infringing uses known to us which could materially affect your use of the copyrighted materials in any state.

Your right to use the copyrights is derived solely from the Franchise Agreement and is limited to your conduct of business in compliance with the Franchise Agreement, the System, and all applicable standards, specifications, operating procedures and rules that we require. We have the

right to require you to modify or discontinue use of any of the materials in which we claim copyrights if we determine that it becomes advisable at any time. In that case, you must comply with our directions to modify or discontinue the use of those materials within a reasonable time after notice from us.

You must immediately notify us if you learn that any person may be using our copyrighted materials without our consent or authorization. You must also immediately notify us of any challenge to your use of any copyright or claim by any person of any rights in any copyright. We and our affiliates have the right to take the action we deem appropriate and the right to control exclusively any litigation, U.S. Copyright Office proceeding or any other administrative proceeding concerning any copyright. You must sign any instruments and documents, render assistance and do those things as, in the opinion of our legal counsel, may be necessary or advisable to protect and maintain our interests in any litigation or Copyright Office or other proceeding or otherwise to protect and maintain our interests in the copyrights. We are not required to defend or indemnify you for expenses or damages if you are a party to any administrative or court proceeding concerning any copyright.

We also own the Confidential Information (as defined in Section 10 of the Franchise Agreement) and claim copyrights in the Confidential Information. The Confidential Information includes trade secrets such as recipes, inventory buying and management and other information regarding the System and is our proprietary information. The Confidential Information required to operate the Store will be communicated to you, but you will not acquire any interest in any Confidential Information, other than the right to utilize Confidential Information disclosed to you in operating your Store during the term of the Franchise Agreement. You may only use the Confidential Information as outlined in the Franchise Agreement and must limit the disclosure of Confidential Information to individuals who need to know to perform their duties.

If you develop any improvements or additions to the Marks, System, copyrighted materials, or any other trade name, trade or service marks, logos or commercial symbols related to the System, you must fully disclose those changes to us and obtain our written approval before implementing any such changes. Any of these changes may be used by us and all other franchisees without any obligation to compensate you. You must also assign to us all rights, title and interest in the changes, including the right to license any of the changes and the right to apply for our own copyrights, trademarks, patents or other similar or related rights in the changes. We may also authorize you, at our discretion, to utilize any changes developed by other franchisees.

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

### **Franchise Agreement**

You or a Principal Owner are required to devote your full-time to operate and directly supervise the Store. Although you or the Principal Owner does not need to physically be at the premises at all times in which the Store is open to the public, such individual must manage the day-to-day operation of the Store and assure that such operation is in accordance with the System and the Franchise Agreement. You or the Principal Owner who is responsible for the day-to-day supervision of the Store must assume responsibilities on a full-time basis and must not engage in

any other business or other activity, directly or indirectly, that requires any significant management responsibility, time commitments or otherwise may conflict with such obligations.

If this is your second or additional Store, a Principal Owner does not need to manage such additional Stores, however, you must have at least one individual who has successfully completed our initial training program personally manage and operate the Store. Although a trained individual does not need to physically be at the premises at all times in which the Store is open to the public, a manager who has completed the training must manage the day-to-day operation of the Store and assure that such operation is in accordance with the System and the Franchise Agreement. The person who is responsible for the day-to-day supervision of the Store must assume responsibilities on a full-time basis and must not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility, time commitments or otherwise may conflict with such obligations. If your approved and trained manager is terminated or leaves the Store, a Principal Owner (or other individual) that has successfully completed our initial training program must manage the day-to-day operation of the business until the successor manager has successfully completed our training program.

You must obtain covenants from all owners, if you are an entity, and all individuals with managerial responsibility at the Store. These covenants will concern maintaining the confidentiality of our Confidential Information and an agreement not to compete with the Store or any other business operated under the System using the Marks. This non-disclosure and non-competition agreement is included as Exhibit D to the Franchise Agreement.

In addition, if you are a legal entity, each shareholder, partner or member owning, directly or indirectly, at least 5% of the beneficial ownership interest in the entity must personally guarantee your obligations under the Franchise Agreement. This guarantee is included as Exhibit E to the Franchise Agreement.

### **Area Development Agreement**

You must use your best efforts in exercising your development rights under the Area Development Agreement and you may not subcontract or delegate any of your obligations under the Area Development Agreement.

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

In operating your Store, you must offer all menu items, food products and other products and services we designate as required for franchisees, including any promotions or “Chip of the Month” flavors that we designate. You may offer for sale only those goods and services that we approve in writing for you to sell and must obtain our prior written approval for any additional menu items. You may not deviate from our standards and specifications without our prior written consent. You must maintain a sufficient inventory of food, beverage and other items, ingredients, supplies and other materials. We may designate or recommend, to the extent allowed under applicable law, prices for products and services offered at the Store.

We may authorize tests of new products or services at company or affiliate owned or franchised stores. Based upon the results of these tests, we may make changes in our menu. We may designate additional required or optional goods and services in the future and to withdraw any of our previous

approvals. We have the right to change authorized products and services you may offer and sell at your particular Store and there are no limits on our right to make changes.

You may operate the Store only at the approved location and may not make off-site sales or provide delivery services, except as specifically authorized by us in writing as part of the System Standards.

## ITEM 17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

### THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise or Other Agreement	Summary
a. Length of the franchise term	Franchise Agreement Section 2(a)  Area Development Agreement Section 1(b)	5 years from the date the Store opens for business to the public.  Term ends on opening date of last Store covered by Development Schedule or on the last day listed on the Development Schedule.
b. Renewal or extension of the term	Franchise Agreement Section 2(b)  Area Development Agreement N/A	You have the right to renew for one additional 5-year term if you are not in default and meet our renewal conditions.
c. Requirements for you to renew or extend	Franchise Agreement Section 2(b)  Area Development Agreement N/A	You must give 180 days prior notice; have sufficient remaining term on your lease for the premises to operate the franchise for the term; not be in default of your Franchise Agreement; remodel the premises at your expense to reflect the then-current physical appearance of new Stores; sign our then-current franchise agreement (which may contain materially different terms and conditions than your original Franchise Agreement); pay a non-fundable renewal fee of 25% of our then-current initial franchise fee; and you and each person owning and interest in you sign a general release in a form satisfactory to us.
d. Termination by you	Franchise Agreement Section 17	You may terminate the Franchise Agreement if we violate any material obligation and fail to cure such violation within 60 days after our receipt of written notice from you, or such longer time as may be

Provision	Section in Franchise or Other Agreement	Summary
		required due to the nature of the violation; provided, that you are in substantial compliance with the Franchise Agreement at the time of giving the notice of termination.
	Area Development Agreement N/A	
e. Termination by us without cause	Not applicable	Not applicable
f. Termination by us with cause	Franchise Agreement Section 16(a)  Area Development Agreement Section 7	We can terminate the Franchise Agreement if you are in default.  We can terminate the Area Development Agreement if you are in default.
g. "Cause" defined - curable defaults	Franchise Agreement Section 16          Area Development Agreement Section 7(b)	Curable defaults: You have 10 days to cure any failure to make any payment. You have 30 days to cure if you (1) fail to timely select a premises or open your franchise, (2) fail to comply with any provision of the Franchise Agreement, (3) fail to conform to the material requirements of the System or the standards of uniformity and quality; (4) fail to timely pay any obligation to us; (5) fail to successfully complete the required training; or (6) fail to pay taxes as required under applicable law; or (7) you violate the terms of any other agreement with us, our affiliates, or vendors.  You have 10 days to cure nonpayment of fees, 15 days to cure failure to file required reports or documentation, and up to 30 days for other types of noncompliance, except those listed in (h).
h. "Cause" defined – non-curable defaults	Franchise Agreement Sections 16(a), (b)	Non-curable defaults:(1) failure to comply with one or more material requirements of the Franchise Agreement three or more times in any 12 month period; (2) the nature of the breach makes it not curable; (3) you willfully and repeatedly deceive customers relative to the source, nature or quality of goods sold; (4) you or any guarantor managers, directors, officers or shareholders are convicted of or plead guilty to a charge of violating any law that adversely impacts the reputation of us, the Store or Stores generally; (5) you are insolvent within the meaning of applicable law; (6) you make an assignment for the benefit of creditors or enter into any similar arrangement; (7) you voluntarily or



Provision	Section in Franchise or Other Agreement	Summary
	Area Development Agreement Section 7(a)	<p>otherwise abandon the business by failing to operate for five consecutive days or any shorter period of time after which it is not unreasonable to conclude that you do not intend to continue to operate; (8) you are involved in any act or conduct that materially impairs the goodwill associated with the name Chip or any of the Marks or System; (9) you breach any non-competition obligation; (10) you willfully and materially falsify any report statement or other data given to us; (11) you or your assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you violate any such law, ordinance, or regulation; (12) you make any material misrepresentations in connection with the Franchise Agreement or the acquisition of the Store; or (12) you violate any health, safety or sanitation law, ordinance or regulation and do not cure within 72 hours.</p> <p>Non-curable defaults: insolvency or an assignment for benefit of creditors; failure to comply with your Development Schedule; your material misrepresentation to us; felony conviction or no contest plea or conduct; unauthorized transfer or termination of this or any other agreement with us; unauthorized use of trademarks or unauthorized disclosure of intellectual property; failure any three times in a year to pay financial obligations; failure to comply with any Franchise agreement without timely curing; failure any three times in a calendar year to comply with the Area Development Agreement, even if cured.</p>
i. Your obligations on termination/non-renewal	Franchise Agreement Sections 10, 18 and 19(b)	<p>Maintain the confidentiality of all Confidential Information; return or destroy all Confidential Information including the Brand Standards Manual, advertising and other printed materials related to the operation of the franchise; pay all amounts due; not hold yourself out as our franchisee; comply with all non-competition covenants; cease use of Chip name, the Marks and the System; execute all documents and take all other action necessary to remove your name from any register relating to business names and Marks; take all action necessary to assign all telephone numbers, email address, social media and similar accounts to us; and redecorate the premises, both</p>

Provision	Section in Franchise or Other Agreement	Summary
	Area Development Agreement Section 8	interior and exterior so that it is easily distinguished from the standard appearance of Chip Stores.  Cease exercising development rights; cease to represent yourself as a Chip developer; return Confidential Information; pay all amounts due to us; comply with all provisions of Area Development Agreement that survive termination.
j. Assignment of contract by us	Franchise Agreement Section 15(g)  Area Development Agreement Section 10(b)	No restriction on our right to transfer or assign.  No restriction on our right to transfer or assign.
k. "Transfer" by you – defined	Franchise Agreement Section 15(a)  Area Development Agreement Section 10(b)	Includes assignment of Franchise Agreement or change in ownership or a sale of assets or similar transaction in which you turn over the operation of the business.  Includes assignment, sale or transfer of any interest in Area Development Agreement.
l. Our approval of transfer by you	Franchise Agreement Section 15(b)  Area Development Agreement Section 10(b)	We have the right to approve all transfers but will not unreasonably withhold approval if our specified requirements are met, including the payment of a transfer fee.  We must consent in writing prior to any proposed transfer.
m. Conditions for our approval of transfer	Franchise Agreement Sections 15(b)-(d)  Area Development Agreement Section 10(b)	Transferee must meet then current standards for new franchisees and sign the then-current form of franchise agreement; you must pay all amounts due to us and a transfer fee equal to 30% of our then-current franchise fee; you must have provided us all required reports; you must have complied with all required modernization or refurbishment of the premises; you and each guarantor must sign a general release of all claims; the transferee must, at its expense, comply with all training requirements, including any initial training; you must provide us any financial reports and data we require; and you must provide the terms and conditions of the transfer to us in writing.  We have the right to approve all transfers, in our sole discretion. In addition, transferee must assume all your obligations; you must pay all

Provision	Section in Franchise or Other Agreement	Summary
		amounts due to us and a transfer fee of \$10,000; transferee must meet then current standards for new developers and sign the then-current form of area developer agreement; you and each owner must sign a general release of all claims.
n. Our right of first refusal to acquire your business	Franchise Agreement Section 15(f)  Area Development Agreement N/A	We have a right of first refusal to match any offer for your assets, the Franchise Agreement, or the business within 30 days of you providing the required information regarding the offer to us.
o. Our option to purchase your business	Franchise Agreement Sections 15(h) and 18 (c)  Area Development Agreement N/A	If we receive an offer to purchase our assets, a majority of Chip franchises, to merge, go public or any similar transaction, we may, at our option, purchase your Chip Store at a price determined by us based on the sale of comparable stores or an independent appraisal.  We have the right, at our option, within 45 days of expiration or termination, to purchase your assets at fair market value and to assume the lease for the premises.
p. Your death or disability	Franchise Agreement Section 15(e)  Area Development Agreement N/A	An approved personal representative may continue to operate the Store if appointed within 120 days after such death or incapacity or the business must be transferred. We have the right to operate your Store until a new franchisee is appointed.
q. Non-competition covenants during the term of the franchise	Franchise Agreement Section 19(a)	Subject to applicable state law, you may not have any interest in or services for a competitive business. You may not circumvent, avoid or bypass us in any manner, directly or indirectly, to avoid payment of fees, royalties, or any other obligation in any way involving any of the parties or to direct customers or potential customers to any competing business.

Provision	Section in Franchise or Other Agreement	Summary
	Area Development Agreement N/A	
r. Non-competition covenants after the franchise is terminated or expires	Franchise Agreement Section 19(b)  Area Development Agreement N/A	Subject to applicable state law, for two years, you may not have any interest in or services for a competitive business within 25 miles of your Chip Store or 25 miles of any Chip Store.
s. Modification of the agreement	Franchise Agreement Sections 22(a)  Area Development Agreement Section 10(c)	Modifications of the Franchise Agreement must be in writing and signed by both parties, but the System, Brand Standards Manual, policies and procedures are subject to change by us.  Modifications of the Area Development Agreement must be in writing and signed by both parties.
t. Integration/merger clause	Franchise Agreement Section 22(h)  Area Development Agreement Section 11	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 the Disclosure Document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement is intended to disclaim representations we made in this Disclosure Document.  Only the terms of the Area Development Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and Area Development Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Franchise Agreement Section 20  Area Development Agreement Section 10(a)	Disputes must first be discussed at a face-to-face meeting. If it cannot be resolved face-to-face, except for certain claims, disputes must be arbitrated in Salt Lake County, Utah, subject to applicable state law.  Disputes must first be discussed at a face-to-face meeting. If it cannot be resolved face-to-face, except for certain claims, disputes must be arbitrated in Salt Lake County, Utah, subject to applicable state law.

Provision	Section in Franchise or Other Agreement	Summary
v. Choice of forum	Franchise Agreement Sections 20(b) and 22(d)  Area Development Agreement Section 10(a)	Arbitration must be conducted in Salt Lake County, Utah, and litigation, if any, must be in the state courts in Salt Lake Country, Utah or federal courts of the District of Utah, subject to applicable state law.  Arbitration must be conducted in Salt Lake County, Utah, and litigation, if any, must be in the state courts in Salt Lake Country, Utah or federal courts of the District of Utah, subject to applicable state law.
w. Choice of law	Franchise Agreement Section 22(d)  Area Development Agreement Section 10(a)	Utah law applies, subject to applicable state law.  Utah law applies, subject to applicable state law.

### ITEM 18. PUBLIC FIGURES

Chip has partnered with the following public figures to develop and promote “Chip of the Month” flavors: Georges Niang, Joe Ingles, Kelsey Nixon and Rudy Gobert. Chip has produced a brochure that features pictures of these public figures. None of these public figures manage or own an interest in Chip and none have received any compensation for their involvement in Chip of the Month promotions.

### ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any 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 future income, you should report it to our management by contacting Sean Wilson at 4752 West California Avenue, Salt Lake City, UT 84104, (385) 429-4012, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20. OUTLETS AND FRANCHISEE INFORMATION**

**TABLE 1: SYSTEM-WIDE OUTLET SUMMARY FOR (FISCAL) YEARS 2020 TO 2022**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Company Owned	2020	6	7	+1
	2021	7	7	0
	2022	7	11	+4
Total Outlets	2020	6	7	+1
	2021	7	7	0
	2022	7	11	+4

**TABLE 2: TRANSFER OF OUTLETS FROM FRANCHISEE TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR (FISCAL) YEARS 2020 TO 2022**

State	Year	Number of Transfers
Total	2020	0
	2021	0
	2022	0

**TABLE 3: STATUS OF FRANCHISED OUTLETS FOR (FISCAL) YEARS 2020 TO 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewal	Re-acquired by franchisor	Ceased operations other reasons	Outlets at End of Year
Totals	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0

**TABLE 4: STATUS OF COMPANY OUTLETS FOR YEARS 2020 TO 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets re-acquired from franchisee	Outlets closed	Outlets sold to franchisee	Outlets at End of Year
Idaho	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
Utah	2020	4	1	0	0	0	5
	2021	5	0	0	0	0	5
	2022	5	4	0	0	0	9
Totals	2020	6	1	0	0	0	7
	2021	7	0	0	0	0	7
	2022	7	4	0	0	0	11

**TABLE 5: PROJECTED OPENINGS AS OF DECEMBER 31, 2022  
(LAST DAY OF FISCAL YEAR)**

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
Alabama	0	1	0
Arizona	1	1	0
California	5	7	0
Colorado	0	1	0
Florida	0	1	0
Idaho	2	3	0
Montana	1	1	0
Nevada	0	1	0
Texas	1	2	0
Utah	7	8	0
Total	17	26	0

Attached as Exhibit E is a list of the names, addresses, and telephone numbers of all current franchisees and area developers. No franchisee had an outlet terminated, cancelled, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year. The contact information for any such franchisees will be found on Exhibit E. In addition, no franchisee has failed to communicate with us within 10 weeks of the

date of this Disclosure Document. If you buy a Chip franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Franchisees will be required to sign agreements that include confidentiality clauses. In some instances, franchisees will sign agreements restricting their ability to speak openly about their experience with Chip franchise system.

There is no trademark-specific franchisee organization associated with Chip franchise system and no franchisee organization incorporated or otherwise organized under state law has asked us to be included in this Disclosure Document.

## **ITEM 21. FINANCIAL STATEMENTS**

Attached as Exhibit F to this Disclosure Document are audited financial statements for the year ending December 31, 2022 and for the period from inception (April 8, 2021) through December 31, 2021. We did not offer franchises prior to 2021 and do not yet have all required audited financial statements so we cannot include all of the financial statements otherwise required by the FTC rule. We are utilizing the phase-in option available under the FTC rule and state specific rules.

## **ITEM 22. CONTRACTS**

The following agreements and other required exhibits are attached to this Disclosure Document in the pages immediately following:

### **Exhibit B – Franchise Agreement and related exhibits**

- Protected Territory and Authorized Location
- Acknowledgement of Opening
- Entity Ownership Addendum
- Non-Disclosure and Non-Competition Agreement
- Guaranty
- Lease Addendum
- Direct Payment Authorization
- General Release Agreement

By signing the Franchise Agreement, you will acknowledge certain facts pertaining to the offer of this franchise. The acknowledgements are listed in Section 24 of 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.



If you are granted the right to open and operate multiple Stores, you must sign the Area Development Agreement and all related exhibits included as Exhibit C. The related agreements include:

**Exhibit C – Area Development Agreement and related exhibits**  
Development Area and Development Schedule  
Entity Information and Ownership Addendum

### **ITEM 23. RECEIPTS**

Exhibit I of this Disclosure Document is a detachable document prepared in duplicate, acknowledging receipt of the Disclosure Document by you. You must sign both copies. Keep one copy for your records. Please return the other copy to us by mailing it to Chip Partners, LLC, Attn: Sean Wilson at 4752 West California Avenue Salt Lake City, UT 84104 or by emailing a copy of the signed receipt to [franchising@chipcookies.co](mailto:franchising@chipcookies.co).

## EXHIBIT A

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

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
California	Commissioner of the Department of Financial Protection and Innovation	320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013-2344 (866) 275-2677
Hawaii (State Administrator)	Commissioner of Securities Dept. of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch	335 Merchant Street Room 203 Honolulu, HI 96813 (808) 586-2744
Illinois (State Administrator)	Illinois Attorney General	500 South Second Street Springfield, IL 62706 (217) 782-4465
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204 (317) 232-6681
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E111 Indianapolis, IN 46204 (317) 232-6681
Maryland (State Administrator)	Office of the Attorney General Division of Securities	200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6300
Maryland (Agent)	Maryland Securities Commissioner	200 St. Paul Place, 20 <sup>th</sup> Floor Baltimore, MD 21202-2020 (410) 576-6360
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Division	Williams Building, 7th Floor 525 West Ottawa Street Lansing, MI 48909 (517) 335-7622
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7th Place East, Suite 500 St. Paul, MN 55101-2198 (651) 539-1638
New York (State Administrator)	NYS Department of Law Investor Protection Bureau	28 Liberty Street, 21 <sup>st</sup> floor New York, NY 10005 (212) 416-8285
New York (Agent)	New York Secretary of State New York Department of State	One Commerce Plaza 99 Washington Avenue, 6 <sup>th</sup> Floor Albany, NY 12231-0001

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
North Dakota (State Administrator)	North Dakota Securities Department	600 East Boulevard Avenue State Capitol, 5 <sup>th</sup> Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-2910
North Dakota (Agent)	Securities Commissioner	600 East Boulevard Avenue, State Capitol, 5 <sup>th</sup> Floor Bismarck, ND 58505-0510 (701) 328-2910
Rhode Island	Director, Department of Business Regulation, Securities Division	1511 Pontiac Avenue Building 69-1 Cranston, RI 02920 (401) 462-9500
South Dakota	Division of Insurance Securities Regulation	124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563
Virginia (State Administrator)	Virginia State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9th Floor Richmond, VA 23219-3630 (804) 371-9051
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630
Washington	Department of Financial Institutions Securities Division	150 Israel Road SW Tumwater, WA 98501 (877) 746-4334
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 4822 Madison Yards Way, 4 <sup>th</sup> Floor Madison, WI 53705-9100 (608) 261-9555

# **EXHIBIT B**

## **FRANCHISE AGREEMENT AND RELATED EXHIBITS**



## FRANCHISE AGREEMENT

Between

Chip Partners, LLC  
a Utah limited liability company

and

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
(Franchisee)

Date of Franchise Agreement

\_\_\_\_\_

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## FRANCHISE AGREEMENT

This Franchise Agreement (“Agreement”) is made and entered into this \_\_\_\_ day of \_\_\_\_\_ 20\_\_ (the “Effective Date”), by and between Chip Partners, LLC, a Utah limited liability company, with its principal business address at 4752 West California Avenue Salt Lake City, UT 84104 (“Chip”), and \_\_\_\_\_, a(n) \_\_\_\_\_, with its principal business address at \_\_\_\_\_ (“Franchisee”). Chip and Franchisee are sometimes referred to herein individually as a “Party” and collectively as the “Parties.”

### RECITALS

WHEREAS, Chip has developed and established methods, procedures, standards, and specifications, including, but not limited to, those set forth in any manuals, which Chip may improve, further develop or otherwise modify from time to time (the “System”), for the operation of a cookie retail and delivery business offering to the public warm cookies and other related products and services authorized by Chip (the “Products”). The System includes specific marks, interior design, store layout and décor, standards, manuals, recipes, menus, processes, services, know-how, operating procedures and marketing concepts, business formats, specifications for and the use of certain equipment, the sale of products, food and supply items, and the use of proprietary and confidential information, and other intellectual property;

WHEREAS, Chip has the right to utilize certain trademarks, service marks, logos, commercial symbols and such other names and marks as Chip may designate, or at a later time register, license or designate (the “Marks”) that relate to the operation of a Chip® branded cookie retail and delivery business (a “Store”) through a perpetual license with an affiliate;

WHEREAS, Chip has the rights to franchise and license the Marks and the System to third-party franchisees to allow such franchisees to develop and operate a Store using the Marks and the System (the “Franchised Business”);

WHEREAS, Franchisee has had an adequate opportunity and has been thoroughly advised of the provisions of this Agreement and has had sufficient time and opportunity to evaluate and investigate the Franchised Business, the procedures and financial requirements associated with the Franchised Business as well as the competitive market in which it operates;

WHEREAS, it is the intent of both Chip and Franchisee to preserve continuing consumer confidence in the quality and reliability of all Chip Cookie Stores and the products and services provided using the System and Marks, and each Party desires that all Stores consistently conform to the highest expectations of consumers of such products and services; and

WHEREAS, Franchisee desires to acquire from Chip and Chip is willing to grant to Franchisee the right to operate a Franchised Business subject to the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and considerations set forth herein, the Parties hereby agree as follows:

## AGREEMENT

### 1. GRANT OF FRANCHISE

A. Grant of Franchise. Subject to the provisions of this Agreement, Chip grants to Franchisee, and Franchisee hereby accepts, the non-exclusive, non-sublicenseable right and license to operate one Store using the Marks and the System. Franchisee will promote, market, maintain, operate, and conduct all of Franchisee's activities under this Agreement with regard to the franchise granted hereunder and all business activities regarding the Franchised Business in strict compliance with this Agreement and the System as it may be changed, improved and further developed from time to time by Chip.

B. Authorized Location. The Franchised Business may be operated only at the location approved and authorized by Chip (the "Authorized Location") as set forth on Exhibit A. This Agreement does not grant to Franchisee the right or license to operate the Franchised Business or to offer or sell any Chip Products at or from any location other than the Authorized Location. No business activity other than the Franchised Business may take place at the Authorized Location and Franchisee may not use the Marks or System in relation to any business other than the Franchised Business. Franchisee may not relocate the Franchised Business without the expressed prior written consent of Franchisor. If a site for the Franchised Business has not been approved prior to entering into this Agreement, once a site is selected by Franchisee and approved by Chip as set forth herein, the Parties will execute Exhibit A to acknowledge the Authorized Location.

C. Protected Territory. Except as noted below, the license is limited to the right to develop and operate one Store at the Authorized Location within the area set forth on Exhibit A (the "Protected Territory"). During the term of this Agreement and provided Franchisee is in compliance with the terms and conditions of this Agreement, Chip will not locate either a company-owned or franchised Chip Store within the Protected Territory. The Protected Territory may be adjusted depending on the density of the population within the Protected Territory and/or the location of the Authorized Location. Chip may also adjust the boundaries of the Protected Territory if the population in the Protected Territory increases to a total of 100,000 residents or more as measured from the date of this Agreement. The Protected Territory protects only the placement of Chip Stores, and, as set forth in Section 1(D), does not prohibit Chip or any Chip franchisee from soliciting or providing delivery to customers within the Protected Territory. The license granted to Franchisee herein also does not include (i) any right to sell products or services at any location other than the Authorized Location, (ii) any right to sell products or services to any person or entity for resale or further distribution, except as Chip may designate in writing, or (iii) any right to exclude, control or impose conditions on Chip's development of future franchised, company or affiliate owned Chip Store at any time or at any location outside the Protected Territory.

D. No Exclusive Area for Sales or Delivery. Franchisee expressly acknowledges that all Chip Stores, regardless of whether owned by Chip or a third party, may solicit and sell and/or deliver products to customers regardless of their geographic location, including customers located in the Protected Territory. Further, the Protected Territory granted herein does not include the right to provide delivery to customers within the Protected Territory through Chip's designated third-party delivery service provider(s) and another Store may fulfill orders within the Protected Territory due to factors that Chip or the delivery service provider may determine in their discretion, including without limitation, the ability to fulfill orders timely and according to specifications, delivery provider requirements or specifications and delivery driver availability. Chip will define the delivery area for each Chip Store and such delivery area may be significantly different than the Protected Territory and may change from time to time. Franchisee must use reasonable efforts not to solicit sales within the defined delivery area of another Chip Store. However, franchisee acknowledges that such solicitations and sales may occur in its delivery area and that Chip has no duty to monitor, control or stop such advertising, solicitations or sales. In determining which Chip Store



an online, digital or other delivery order will be routed to, we will consider such matters as we reasonably deem material, including: existing delivery areas of Chip Stores, demographic characteristics; traffic patterns and similar factors affecting delivery efficiency; opening or closing of other Chip Stores; and other commercial characteristics of geographically proximate Chip Stores. Franchisee acknowledges that such considerations may change its delivery area and that any relocation of franchisee's Chip Store may change, reduce, alter or restrict its delivery area. Provided that Chip uses reasonable judgment in considering the allocation of delivery areas, franchisee waives all rights to bring any claim or cause of action against Chip for lost sales or profits as a result of Chip's definition of franchisee's delivery area, including any changes made from time to time.

E. Rights Reserved By Chip. Other than the right and license under this Agreement to operate a Franchised Business at the Authorized Location, Chip retains all rights not expressly granted herein, including but not limited to the right to develop, operate, franchise or license other Stores at any location Chip deems appropriate outside of the Protected Territory or sell any products in any channel of distribution under the Marks. Chip may merge with, acquire, or become associated with any businesses of any kind under other systems and/or other marks, which businesses may convert or operate under the Marks or other trademarks or service marks and may offer or sell products and services that are the same as or similar to the products and services offered by the Franchised Business, and which may be located anywhere, including in close proximity to the Franchised Business. Franchisee understands that Chip and its affiliates may also sell any products or services under service marks or trademarks other than the Marks. Chip and its affiliates specifically reserve the right to market and sell in Franchisee's Protected Territory through various means and to sell franchises or licenses for non-traditional locations or to operate non-traditional locations owned by Chip in the Protected Territory. Non-traditional locations include, but are not limited to, hotels, convention centers, airports, universities, military bases, casinos, travel plazas, hospitals, stadiums, food trucks or other mobile kiosks, festivals or other mass gatherings where the primary purpose of customer's visit to the venue is typically for something other than purchasing goods from a Chip Store. Furthermore, Chip reserves the right to sell, market and distribute Chip Products in the Protected Territory and elsewhere using other marketing and strategies and distribution channels including the internet, apps, social media, catalog sales, direct sales, retail or wholesale outlets, and/or co-branding with others without compensating Franchisee. Franchisee may not sell Chip Products and/or services using such reserved marketing strategies and distribution channels without the prior written permission of Chip.

F. Minimum Gross Sales Levels. Starting in the first full calendar year after signing this Agreement, Franchisee must achieve a minimum of \$200,000 in annual Gross Sales ("Minimum Sales Level") for each full calendar year in which your Chip Store is open. For purposes of this Agreement, "Gross Sales" means the total amount of all revenues received by Franchisee related to the Franchised Business from the sale of goods and services, including, but not limited to, all revenues from sales at the premises and from direct delivery, catering and/or delivery services through third parties, whether for cash or by check, credit card, trade, or otherwise, in connection with such Franchised Business, less customer refunds and returns and any sales tax or any other indirect tax on the supply of goods and services collected from customers and paid to appropriate tax authorities. Gross Sales also excludes revenue derived from selling or issuing system gift or loyalty cards, although revenue Franchisee derives from sales to customers who use such cards for payment will be included in Gross Sales. If Franchisee fails to meet the Minimum Sales Level in any given year, Franchisee must initiate preparation of a sales performance plan (the "Performance Plan") within 10 business days of receiving notice from Chip, in coordination with Chip. This Performance Plan will outline requirements Franchisee must implement and a period of time in which Franchisee has to meet the Minimum Sales Level. Failure to comply with the Performance Plan within 30 days of its issuance may result in termination of this Agreement.

G. National Accounts. Chip expressly reserves the right to sell, market and distribute Chip products and related products to all National Accounts, both within and without the Protected Territory. A “National Account” is defined as a company with multiple units or outlets located in more than one geographical area or territory. Franchisee may not sell, market or distribute to such National Accounts without the written consent of Chip.

## 2. TERM OF FRANCHISE; RENEWAL RIGHTS

A. Term. Unless earlier terminated as provided herein, the term of this Agreement commences on the Effective Date and continues for a period of five years from the date that the Franchised Business opens to the public. Upon opening, Franchisee shall execute the acknowledgement of opening attached as Exhibit B to acknowledge the date the Franchised Business opened to the public.

B. Renewal. Franchisee will have the right to renew its franchise for one additional five year term, provided Franchisee meets the following conditions as of the renewal date:

1. Franchisee has given Chip written notice of its intention to renew at least 180 days prior to the end of the initial term of this Agreement;

2. Franchisee has sufficient remaining term on its lease for the premises to operate the Franchised Business for the renewal term;

3. Franchisee is not, at the time of such notice nor at any time prior to expiration of the term, in default of any of the provisions of this Agreement, the System and any other agreement with Chip, any of Chip’s affiliates, any supplier or creditor and any lessor of the premises used for the Franchised Business, including the payment of all monetary obligations owed;

4. Franchisee has at its expense and to Chip’s satisfaction remodeled, modernized and redecorated the premises of the Franchised Business and has replaced and modernized the supplies, signs, fixtures and equipment used in such Franchised Business, as Chip may reasonably require, so that the business premises reflects the then-current physical appearance, image and standards of new Stores;

5. Franchisee executes Chip’s then-current form of franchise agreement, provided that such agreement will not grant any additional renewal rights. Franchisee acknowledges that the provisions of Chip’s then-current form of franchise agreement may, at that time, vary in substance and form from the provisions of this Agreement, including the increase of any fees;

6. Franchisee and each person or entity owning a legal or beneficial interest in Franchisee execute a general release, in a form satisfactory to Chip, of any and all claims it may have against Chip, including any affiliates or subsidiaries, and its officers, directors, shareholders, managers, members, partners, employees and agents in the form of the General Release attached hereto as Exhibit H; and

7. Payment to Chip of a renewal fee equal to 25% of the then-current Initial Franchise Fee upon execution of the renewal franchise agreement.

Notwithstanding the foregoing, Franchisee shall not have the right to renew if Chip has given Franchisee notice at least 180 days prior to expiration of the initial term of its intent not to renew because Chip is withdrawing from the market area in its sole and absolute right.

### **3. OWNERSHIP AND USE OF MARKS AND SYSTEM**

A. **Ownership.** Chip (or its Affiliate) is the owner, and Chip has a right to license, as provided herein, the name “Chip,” other Marks designated by Chip for use in operation of the Franchised Business, Stores, and the System. Franchisee expressly acknowledges the validity and enforceability of the Marks and agrees that during the term on this Agreement and thereafter Franchisee will not represent in any manner that Franchisee has any ownership in the Marks and will not challenge or contest the ownership, validity or enforceability, directly or indirectly, of the Marks. All use of the Marks by Franchisee pursuant to this Agreement or any goodwill created thereby inures exclusively to the benefit of Chip, and this Agreement or the operation of the Franchised Business pursuant hereto does not create in Franchisee’s favor any right, title or interest in or to the Marks.

B. **Use.** Franchisee’s right to use and identify with the Marks and System applies only to the operation of the Franchised Business, and only so long as this Agreement is in effect and Franchisee is in complete compliance with Chip’s quality standards. Franchisee will not have or acquire any rights in any of the Marks or System other than the right of use as governed by this Agreement. Franchisee will have the right to use the Marks and System only in the manner prescribed, directed and approved by Chip in writing. Franchisee will comply with all trademark, trade name, service mark, and copyright notice marking requirements. If, in the judgment of Chip, the acts of Franchisee infringe upon or demean the goodwill, standards of uniformity or quality, or business standing associated with the Marks and System, Franchisee will immediately, upon written notice from Chip, modify its use of the Marks and System in the manner prescribed by Chip. Franchisee will not, during or after the term of this Agreement, do anything directly or indirectly which would infringe upon, harm, mislead, or contest the rights of Chip in the Marks or System.

C. **Concepts Developed by Franchisee.** All ideas, concepts, techniques, improvements or materials relating to the Franchised Business, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, must be promptly disclosed to Chip and will be deemed to be Chip’s sole and exclusive property, part of the System, and works made for hire for Chip. To the extent that any item does not qualify as a “work made for hire” by Chip, Franchisee hereby assigns ownership of that item, and all related rights to that item, to Chip and agrees to take whatever action, including signing assignment or other documents, Chip requests to evidence Chip’s ownership or to help Chip obtain intellectual property rights in the item.

D. **Operation Using the Marks.** Franchisee agrees that the Franchised Business operated will be clearly identified and advertised as a cookie delivery business. Franchisee has the right to use the Marks for advertising only as set forth herein. The style, form and use of the word “Chip” in any advertising, written materials or supplies must have the prior written approval of Chip. Franchisee will use the name Chip and the other Marks, which now or hereafter may form a part of the System, on all paper supplies, business cards, letterhead, envelopes, uniforms, advertising materials, signs or other articles in the identical combination and manner as may be prescribed by Chip in writing.

E. **Corporate Identity.** Franchisee will not use the word “Chip” in its corporate or partnership name. Franchisee must file for an assumed or fictitious name or DBA in the state where the Franchised Business is located. Franchisee will clearly indicate on its business checks, purchase orders, business cards, receipts, promotional materials, other written materials, and at the premises of the Franchised Business that Franchisee is an independent entity operating as a Chip franchisee.

F. **Discontinuance or Substitutions.** If there is a claim by any third party that its rights to use any of the Marks are superior and if Chip determines that such claim is legally meritorious, Franchisee will, upon receiving written notice from Chip, immediately discontinue use of the Marks and/or implement such

changes and amendments to the Marks as may be required by Chip. Franchisee will not make any changes or amendments in or to the use of the Marks and System unless so directed by Chip in writing. Chip will not be obligated to reimburse Franchisee for any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by Franchisee to promote a modified or substitute trademark or service mark.

G. Litigation. Chip may, in its sole discretion, prosecute or defend any action or proceeding that Chip deems necessary or desirable for the protection of the Marks. Franchisee will execute any documents and render such other reasonable assistance as is deemed necessary by Chip or its affiliates to obtain protection for the Marks or to maintain their continued validity and enforceability, and will promptly inform Chip if it becomes aware of the infringement of any Marks. Franchisee will have no obligation to and will not, without the prior written consent of Chip, defend or enforce any of the Marks in any court or other proceedings for or against imitation, infringement, any claim of prior use, or for any other allegation. Franchisee will, however, immediately notify Chip of any claims or complaints made against Franchisee with respect to the Marks and will, at its expense, cooperate in all respects with Chip in any court or other proceedings involving the Marks. Chip will pay the cost and expense of all litigation incurred by Chip including attorneys' fees, specifically relating to the Marks. Chip, its affiliates and its legal counsel will have the right to control and conduct any litigation relating to the Marks. Chip agrees to indemnify Franchisee against and to reimburse Franchisee for all damages for which Franchisee is held liable in any proceeding arising out of Franchisee's authorized use of any Mark in compliance with this Agreement, provided that Franchisee has timely notified Chip of the claim or proceeding and has otherwise complied with this Agreement.

#### **4. FEES AND PAYMENT**

A. Initial Franchise Fee. Franchisee will pay Chip an "Initial Franchise Fee" equal to \$35,000 upon execution of this Agreement by wire transfer, or another method approved by Chip. The Initial Franchise Fee is in consideration for, among other expenses of Chip, expenses incurred by Chip to furnish initial training assistance and services to Franchisee and for costs incurred by Chip, including general sales and marketing expenses, legal, accounting and other professional fees. The Initial Franchise Fee is fully earned by Chip upon execution of this Agreement and is non-refundable. No rights or privileges under this Agreement will exist until the Initial Franchise Fee is paid in full. Notwithstanding the foregoing, if this Agreement is being executed for a Store that is being developed pursuant to the terms of an area development agreement with Chip then the franchise fee has been paid in full and no additional Initial Franchise Fee is due upon execution of this Agreement.

B. Area Development. If Chip agrees, Franchisee may purchase additional franchises at a discounted Initial Franchise Fee of \$30,000 each for up to five additional locations, and \$25,000 for each additional location over five. This option will only be available if there are franchise territories available, if Franchisee meets Chip's then-current criteria for new franchisees, if Franchisee is current and not in default of this Agreement, and if Chip determines, in its sole discretion, to sell other locations to Franchisee. In such case, Franchisee will be required to sign Chip's then-current area development agreement and a franchise agreement for each franchise, which may have material terms different from this Agreement.

C. Royalty Fee. Franchisee agrees to pay Chip a non-refundable weekly "Royalty Fee" equal to 6% of all Gross Sales for the respective calendar week and will provide reports of such Gross Sales as further set forth in Section 13(a). Franchisee's obligation to pay Chip the Royalty Fee under the terms of this Agreement will remain in full force and effect until this Agreement expires or is terminated in accordance with the provisions stated herein.

D. Technology Fee. Franchisee agrees to pay Chip or its designated third-party a monthly “Technology Fee” of \$350 per month for required software, costs incurred in maintaining Chip website, investments in technology for brand and system technology improvements, and other technology required by Chip. Franchisee will pay these funds to Chip in accordance with its electronic funds or automatic withdrawal program, if established, or otherwise, by the first Tuesday of the month. Chip may update the Technology Fee periodically in its manuals.

E. Non-compliance Fee. Franchisee acknowledges the importance of operating the Franchised Business in full compliance with this Agreement, the System, as may be modified and revised from time to time by Chip in its sole discretion, and that Franchisee’s deviation from any contractual requirement, including any System standard, is a violation of this Agreement and requires Chip to incur additional administrative and management costs to address the violation. Franchisee agrees to pay Chip a fine for certain violations of this Agreement and/or the manuals. The fines consist of: (i) an initial amount set forth in Chip’s manuals that may include actual, reasonable expenses incurred, if applicable and (ii) a daily fee of \$25 per day for each day the violation is not adequately addressed after Chip notifies Franchisee of the violation (the “Non-Compliance Fee”). Franchisee acknowledges that the Non-Compliance Fee is a reasonable estimate of Chip’s administrative and management costs incurred. Non-Compliance Fees are due and payable to Chip within five days after Chip notifies Franchisee that Chip is charging the Non-Compliance Fee due to Franchisee’s violation and bills Franchisee for such fee. Chip need not give Franchisee an opportunity to cure a violation before charging the Non-Compliance Fee. Charging the Non-Compliance Fee does not preclude Chip from seeking any other relief available under applicable law, including but not limited to, recovering additional damages not related to Chip’s additional administrative expenses, defaulting Franchisee and terminating this Agreement, or exercising any of other rights under this Agreement.

F. Interest and Late Fees. If any sum required to be paid by Franchisee to Chip under this Agreement is not actually received by Chip by the due date, that sum will bear interest at a rate equal to 18% per month, or the highest rate allowed under applicable law, whichever is less. Additionally, Chip may charge a late fee of \$25 per day per late fee, up to \$500 per late fee. Interest and late fees are due upon receipt of notice from Chip that such fees are being charged and are in addition to any other rights or remedies that Chip may have under this Agreement or otherwise.

G. Payment. The Royalty Fees and any Ad Fund (see Section 5 below) amounts payable by Franchisee will be paid to Chip weekly no later than the Tuesday of the following week. Franchisee must also submit by such date all required Gross Sales reports, as further set forth in Section 13(a). All other fees are due as set forth herein, or, if the due date for a sum is not specified in this Agreement, will be due upon receipt of an invoice from Chip. All fees or other amounts due to Chip must be paid by electronic funds transfer from Franchisee’s designated bank account on the due date, or by such other method as Chip may designate, and Franchisee agrees to comply with any payment instructions provided by Chip. Franchisee authorizes Chip to initiate debit entries and credit correction entries to Franchisee’s checking, savings, operating or other account for the payment fees or other amounts due from Franchisee under this Agreement or otherwise. Franchisee shall reimburse Chip upon receipt of any invoice for any fees incurred due to insufficient funds in Franchisee’s designated bank account. Franchisee shall comply with Chip’s procedures and instructions in connection with this direct debit and credit process and sign any document or take any action that may be required to effect this authorization, including completing the form attached hereto as Exhibit G.

H. Application of Payments, No Right to Offset. Regardless of any designation by Franchisee, Chip has the right to apply any payments by Franchisee to any past due indebtedness for Royalty Fees, Technology Fees, purchases from Chip or its affiliates, interest or any other indebtedness or amounts owed to Chip or its affiliates. Franchisee has no right of “offset” and will not withhold payment, for any reason, of any Royalty Fees or any other payment due to Chip under this Agreement or any other agreement.

I. Reimbursement of Taxes. If any tax or fee other than federal or state income tax is imposed on Chip by any governmental agency due to Chip's receipt of fees from Franchisee under this Agreement, then Franchisee agrees to reimburse Chip or gross up the amount paid to Chip in an amount sufficient to cover such taxes and related costs and expenses imposed upon or paid by Chip to ensure that Chip receives the payment it otherwise would have received if such taxes or fees had not been applicable. Franchisee will make such reimbursement within 10 days after receipt of written notice from Chip that Chip is entitled to reimbursement for payment of such taxes and other amounts as set forth herein.

## **5. ADVERTISING FUND AND REQUIRED ADVERTISING EXPENDITURES**

Franchisee understands and acknowledges that the required contributions and expenditures set forth in this Section are minimum requirements only, and that Chip encourages Franchisee to spend additional funds for local advertising and promotion that will focus on disseminating marketing directly related to the Franchised Business.

A. Local Advertising. Franchisee will use its best efforts to promote and advertise the Franchised Business, provided that Franchisee agrees to spend at least 1% of its Gross Sales on a monthly basis on local advertising, marketing and promotional programs. For purposes of this provision local advertising, marketing and promotional programs shall consist only of the direct costs or purchasing and producing marketing materials and those direct out-of-pocket expenses related to costs of marketing and sales promotion spent in Franchisee's local market area, advertising agency fees and expenses, postage, shipping, telephone and photocopying and shall not include costs or expenses incurred in connection with salaries and expenses of employees, including salaries or expenses for attendance at marketing meetings or activities or incentives provided or offered to such employees, including discount coupons; charitable, political, or other contributions or donations; and/or the value of discounts provided to customers. Local advertising must be in compliance with all standards set out in Chip's Brand Standards Manual.

B. Advertising Fund. Chip maintains and administers a system-wide advertising fund ("Ad Fund") for all Stores. Franchisee agrees to contribute 2% of the Franchised Business' Gross Sales during the preceding week (the "Ad Fund Contribution"). Franchisee agrees to make such payments as set forth in Section 4(e) of this Agreement or as otherwise designated by Chip. Ad Fund Contributions are non-refundable under any circumstances. The Ad Fund will be maintained and administered as follows:

1. Chip or its designee has the right to direct all marketing programs and all aspects thereof, including, without limitation, the concepts, materials, and media used in such programs and the placement and allocation thereof. Franchisee understands and agrees that Chip's collection and expenditure of Ad Fund Contributions is intended to maximize recognition of the Marks and patronage of Stores. Although Chip will endeavor to utilize the Ad Fund Contributions collected to develop advertising and marketing materials and programs and to place advertising that will benefit all Stores, Chip does not guaranty and cannot ensure Franchisee that expenditures of Ad Fund Contributions in or affecting any geographic area will be proportionate or equivalent to the Ad Fund Contributions by Stores operating in that geographic area or that any Store or the Franchise Business will benefit directly or in proportion to its respective Ad Fund Contributions.

2. The Ad Fund, all contributions to the Ad Fund, and any of the Ad Fund's earnings, will, except as otherwise set forth herein, be used exclusively for any and all costs of maintaining, administering, directing, conducting, creating and/or otherwise preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that Chip believes will enhance the image of the Chip brand and Stores. These expenses may include, but are not limited to, costs of preparing and conducting marketing and advertising campaigns in any medium, whether digital, print, direct-mail or other; marketing surveys and other public relations

activities; employing marketing personnel; the cost of retaining advertising and/or public relations agencies; purchasing promotional items; conducting and administering visual merchandising, point of sale, and other merchandising programs; engaging individuals as spokespersons and celebrity endorsers; purchasing creative content for local sales materials; reviewing locally-produced advertisements or marketing materials; preparing, purchasing and distributing door hangers, free-standing inserts, coupons, brochures, and trademarked apparel; market research; conducting sponsorships, sweepstakes and competitions; engaging mystery shoppers for businesses and their competitors; and providing promotion and other marketing materials and services to Stores. Chip will have the right to charge the Ad Fund for reasonable administrative costs and overhead incurred in activities reasonably related to the direction and implementation of the Ad Fund and marketing programs for franchisees and the Chip system, including, but not limited to, the costs of personnel for creating and implementing advertising, merchandising, promotional and marketing programs. The Ad Fund and its earnings will not otherwise inure to Chip's benefit.

3. Chip will maintain separate bookkeeping accounts for the Ad Fund, although it is not required to establish a separate bank account for such fees. Upon Franchisee's prior written request made within the first quarter of any calendar year, Chip will make available to Franchisee no later than 120 days after the end of the calendar year, an annual statement of amounts collected and costs incurred related to the Ad Fund. No independent audit is required in connection with this statement or the Ad Fund Contributions collected. Chip and its affiliates have no fiduciary obligation to franchisees with respect to the collection and expenditure of Ad Fund Contributions. No part of the Ad Fund or any Ad Fund Contribution will be deemed an asset of Chip, nor a trust, and Chip does not assume any fiduciary obligation to Franchisee for maintaining, directing or administering Ad Fund Contributions or for any other reason.

4. Although the Ad Fund is intended to be of perpetual duration, Chip maintains the right to terminate the Ad Fund. The Ad Fund will not be terminated, however, until all amounts in the Ad Fund have been expended as set forth herein.

C. Advertising Cooperatives. Chip has the right to designate any geographical area for purposes of establishing a regional cooperative advertising fund ("Co-op Fund"). If a Co-op Fund for the geographic area in which the Franchised Business is located has been established at the time Franchisee starts to operate under this Agreement, Franchisee will immediately become a member of such Co-op Fund. If a Co-op Fund for the geographic area in which the Franchised Business is located is established during the term of this Agreement, Franchisee will become a member of that Co-op Fund within 30 days after the date on which the Co-op Fund commences operation. Under no circumstances will Franchisee be required to be a member of more than one Co-op Fund. If instituted, Franchisee agrees to contribute an amount designated by Chip that may be up to 3% of the Franchised Business' Gross Sales during the preceding month to the Co-op Fund. Chip will notify all members of a Co-op Fund of the timing and manner of payment for required contributions. Any contributions to a Co-op Fund shall proportionately reduce Franchisee's required monthly local advertising expenditure but shall be in addition to any required Ad Fund Contribution. Each Co-op Fund will be administered as follows:

1. Each Co-op Fund shall be organized for the exclusive purpose of administering regional marketing programs and developing, subject to Chip's approval, standardized materials for use by its members and must adopt formal written governing documents, including bylaws, approved by Chip in writing. The activities of each Co-op Fund shall be decided by majority vote of the members, unless otherwise specified in writing and approved by Chip. The minutes of all Co-op Fund meetings and all action taken must be submitted to Chip. Stores operated by Chip in the region shall have the same voting rights as those operated by franchisees. The owner of each Store shall be entitled to cast one vote for each business owned.

2. No advertising, marketing or promotional plans or materials may be used by a Co-op Fund or furnished to its members without Chip's prior written approval as set forth in this Section. Each Co-op Fund may be required to engage the services of a professional advertising agency, public relations firm or similar service that has expertise in the market and is approved by Chip in writing.

3. Although, once established, a Co-op Fund is intended to be of perpetual duration, Chip maintains the right to terminate any Co-op Fund. The Co-op Fund will not be terminated, however, until all amounts in the Co-op Fund have been expended as set forth herein.

D. Marketing Materials. Chip may make available to Franchisee, at Franchisee's expense, marketing plans and promotional materials, including coupons, merchandising materials, sales aids, point of purchase materials, special promotions, direct-mail materials, community relations programs, and similar marketing and promotional materials for use in local advertising.

E. Internet Presence. Chip will provide a specific webpage for the Franchised Business on Chip's website. Franchisee may not develop and operate its own website, social media website, mobile application, or other similar application in connection with the Franchised Business, including, but not limited to, Facebook, Yelp, Twitter, Instagram, Pinterest and YouTube that in any way references the System, the Marks, the Franchised Business or any Store without Chip's prior written approval, which may be withheld by Chip in its sole discretion for any or no reason. Any such approval may be thereafter withdrawn, or, if required by Chip, Franchisee agrees to grant control of any such sites used to Chip, and Franchisee shall cease operating such site, account, handle, app, or otherwise and shall establish links to such websites as Chip may prescribe. All such pages, accounts, or sites and all posts or content must conform with Chip's social media policy or other policies set forth in its Brand Standards Manual.

F. Gift Cards and Loyalty Programs. Franchisee agrees to participate fully in all national, regional and local gift certificate, gift card, coupon, and/or promotional, stored value card, loyalty and charitable programs, whether physical or electronic, including, without limitation, the then current stored value card, specified from time to time by Chip, the cost for which shall be borne by Franchisee where applicable and the terms, conditions and procedures of which shall be determined by Chip from time to time. Franchisee acknowledges and agrees that, to participate in such programs, Chip may require that Franchisee enter into agreements with service providers mandated by Chip. Franchisee shall participate in promotional programs developed by Chip, in the manner directed by Chip in the manuals or otherwise in writing. Additionally, Franchisee shall sell or otherwise issue gift cards provided or designated by Chip, and only in the manner specified by Chip in the manuals or otherwise in writing. Franchisee shall fully honor all gift cards that are in the form provided or approved by Chip regardless of whether a gift card was issued directly or indirectly by Franchisee, Chip or another franchisee. Franchisee shall sell, issue, and redeem gift cards in accordance with procedures and policies specified by Chip. Franchisee shall purchase or lease, and install, all required fixtures, furniture, furnishings, signs and equipment, including required computer, point-of-sale, and other electronic information systems and all equipment components and software necessary for Franchisee to accept and process Chip's gift cards or loyalty cards and participate in Chip's gift card, loyalty or similar programs for the Franchised Business. Except as set forth above, Franchisee may not issue other loyalty programs, discounts, punch cards, gift certificates, coupons, or other cash equivalent certificates or devices for use at the Restaurant without the prior written approval of Chip.

G. Marketing Standards and Approval. Any advertising conducted by Franchisee must be in the media and of the type and format that Chip approves, be conducted in a dignified manner consistent with the Chip brand, and conform to the standards and requirements that Chip may specify, including those standards set forth in the Brand Standards Manual. Franchisee acknowledges and agrees that any and all copyright in and to advertising, marketing materials or promotional plans developed by or on behalf of Franchisee are



the sole property of Chip, as further set forth herein. For all proposed advertising and marketing, Franchisee, or the Co-op Fund, as applicable, must submit to Chip samples of any such plans or materials for review and prior written approval. If Franchisee has not received approval of any submitted materials after 14 days of receipt by Chip, such materials are deemed not approved.

## **6. SITE SELECTION, DESIGN, PLANS AND CONSTRUCTION**

A. Site Selection and Approval. If the premises for the Franchised Business has not been located by Franchisee and accepted by Chip prior to execution of this Agreement, it will be the obligation of Franchisee to locate, within 120 days after execution of this Agreement, premises suitable for the operation of the business and acceptable to Chip. If Franchisee is delayed from locating suitable premises within 105 days, Franchisee must immediately provide Chip with either a written confirmation that Franchisee will locate suitable premises before the end of the 120 day period or a written request for an extension. Franchisee may request an extension up to 45 days at no extra cost to Franchisee. If Franchisee is requesting an extension of more than 45 days, Franchisee must pay Chip an extension fee of \$1,000 to cover Chip's administrative costs related to the request. The request must state that a delay is anticipated, the reasons which caused the delay, the efforts that Franchisee is making to locate suitable premises, and an anticipated date of compliance. In considering the request, Chip will not unreasonably withhold its consent to a delay, up to a maximum period of 60 days, provided that Franchisee has been earnestly looking for suitable premises. Chip must approve any location. Chip will not unreasonably withhold acceptance of any premises that meets its minimum standards for demographic characteristics, traffic patterns, parking, the predominant character of the neighborhood, median income, competition from other businesses providing similar services or products in the area, proximity to other businesses, any exclusivity granted to other franchises of Chip, the nature of other businesses in proximity to the premises and other commercial characteristics, and size, appearance and other physical characteristics of the premises. Chip will give written notice of acceptance or rejection of the proposed site within a reasonable time after receiving Franchisee's written proposal and letter of intent or other evidence satisfactory to Chip confirming Franchisee's favorable prospects of obtaining the proposed site. Franchisee acknowledges that Chip's acceptance of any premises or the provision of any information to Franchisee regarding a potential location does not constitute any assurance that the Franchised Business will be profitable at such premises or more profitable at a particular premises in comparison to other premises. Chip's acceptance is only an indication that the particular premises meets Chip's minimum criteria. All leases for the premises of the Franchised Business must be approved by Chip prior to the signing of any lease and must include the lease addendum attached hereto as Exhibit F. Franchisee must provide Chip a copy of the signed, approved lease within 15 days of its execution. The premises of the Franchised Business may not be relocated without Chip's prior written approval.

B. Plans and Design of Premises. Chip will provide Franchisee a sample layout for the interior of a typical Store. Franchisee must use Chip's sample plans and must pay the architect that developed such plan the then-current cost for reuse of the plans. Additionally, Franchisee will, at its sole expense, engage architects, designers, engineers, or others, as may be necessary under applicable laws and regulations or otherwise, to complete, adapt, modify, or substitute the sample plans and specification for the premises. Franchisee must submit a complete set of final plans and specifications to Chip for approval prior to commencement of construction related to the premises. Chip will promptly approve of such plans or provide comments. Franchisee will use licensed general contractors, designers, and architects as approved by Chip prior to performing construction work at the premises of the Franchised Business. Chip will consult with Franchisee, to the extent Chip deems necessary, on the construction and equipping of the premises, but it will be and remain Franchisee's sole responsibility to diligently design, construct, equip, and otherwise ready the premises.

C. Permits and Licenses. Franchisee will be responsible, at its expense, to secure financing to develop the premises of the Franchised Business, for obtaining all zoning classifications, permits, clearances, certificates of occupancy, and clearances that may be required by governmental authorities, and to construct the premises of the Franchised Business pursuant to all applicable requirements.

D. Equipment, Fixtures, Furniture and Signs. Franchisee agrees to use in the operation of the Franchised Business only those brands and models of equipment, fixtures, furniture and signs that Chip has approved for Stores as part of the System by meeting its specifications and standards. Specifications may include minimum standards for design, appearance, function, performance, serviceability and warranties. Franchisee further agrees to place or display at the premises of the business (interior and exterior) only the signs, emblems, lettering, logos and display materials that Chip approves in writing. Franchisee may purchase approved brands and models of equipment, fixtures, furniture and signs from any supplier, including Chip or its affiliated companies, where applicable. If a supplier or desired equipment, fixtures, furniture or signage is not then approved by Chip, Franchisee may request approval by following the process set forth in Section 8(c) regarding approval of suppliers of products or alternative products for use in the Franchised Business.

E. Approval of Premises and Opening. Chip will make a final inspection of the completed premises and may require such corrections and modifications as it deems necessary to bring the premises into compliance with the System and currently approved plans and specifications. The Franchised Business will not be allowed to open: (i) if it does not conform to the plans and specifications approved by Chip, including changes thereof approved by Chip; (ii) if pre-opening training has not been completed to Chip's satisfaction; (iii) if the Initial Franchise Fee has not been paid in full; (iv) the lease for the Authorized Location has not been executed; and (v) if Chip has not been furnished with copies of all insurance policies required by this Agreement and evidence of the payment of premiums. Failure to meet any of the above obligations, including correction of any unauthorized variance from the approved plans and specifications promptly may result in the termination of this Agreement. Franchisee agrees to obtain all necessary governmental permits and approval and to open the Franchised Business within ten months after the Effective Date, but if Franchisee is delayed from opening within nine months of such date, Franchisee must immediately provide Chip with either a written confirmation that Franchisee will open before the end of the ten month period or a written request to delay opening. The request must state that a delay is anticipated, the reasons which caused the delay, the efforts that Franchisee is making to proceed with the opening, and an anticipated opening date. In considering the request, Chip will not unreasonably withhold its consent to a delay, up to a maximum period of 60 days, provided that Franchisee has been and continues to diligently pursue the opening.

F. Relocation. Franchisee may not relocate the premises of the Franchised Business to a new site unless as a result of condemnation, the exercise of a relocation right by Franchisee's landlord or for some other reason approved by Chip in writing, which Chip may grant or deny in its sole discretion. Chip may condition its approval of any proposed relocation request on (i) the new site and its lease being acceptable to Chip, (ii) Franchisee reimbursing the costs Chip incurs during the relocation process, including those required to help Franchisee construct and develop the Franchised Business at the new site in full compliance with Chip's System, (iii) Franchisee confirming that this Agreement remains in effect and governs the operation of the Franchised Business at the new premises with no change in the term or, at Chip's option, Franchisee signing Chip's then current form of franchise agreement to govern Franchisee's operation of the Franchised Business at the new premises for a new franchise term, (iv) Franchisee signing a general release, in a form satisfactory to Chip, of any and all claims against Chip and its owners, affiliates, officers, directors, employees, and agents (except for Chip's indemnification obligations herein), (v) Franchisee continuing to operate the Franchised Business at the approved premises until Chip authorizes its closure, and (vi) Franchisee taking, within the timeframe Chip specifies and at Franchisee's own expense, all action

Chip requires to de-brand and de-identify the former premises of the Franchised Business so that it no longer is associated or identified in any manner with Chip or as a Store, including the action specified in Section 18(b) below. All relocations must be complete and the Store must be open at the new location within 90 days of Chip's approval of such request or Chip may in its reasonable discretion terminate this Agreement upon notice to Franchisee.

## 7. TRAINING AND ASSISTANCE

A. Initial Training. Chip will provide an initial training program to educate, familiarize and acquaint Franchisee with all aspects of operating a Chip cookie delivery business pursuant to the System. The initial training program will take place online and at a company-owned Chip Store in the Salt Lake City, Utah area or other location designated by Chip, including online. Up to three total individuals approved by Chip may attend the full training program for no additional cost beyond the Initial Franchise Fee provided that all individuals attend the same initial training at the same time. If Franchisee is an entity, one approved representative must be an owner in Franchisee or an individual who will share in profits from the Chip Store (a "Principal Owner") who will also manage the day-to-day operation of the Franchised Business. If this is Franchisee's second or additional Store and such Principal Owner will not be managing the day-to-day operation of the Franchised Business, one individual who will manage the day-to-day operation of the Franchised Business must also attend the training. The period of the training program will be at the discretion of Chip and will be scheduled by Chip in its sole discretion. Each attendee shall be required to complete all phases of the training program to Chip's satisfaction and shall participate in all other activities required to open a Franchised Business. Franchisee will be solely responsible for the compensation, travel, lodging and living expenses incurred in connection with attendance at such initial training program. Additional individuals beyond the three authorized attendees who attend training separately from the initial training may attend the initial training program, at Franchisee's request, for an additional fee designated by Chip, which fee shall be at least \$50 per additional attendee per day. Payment for additional individuals must be received by Chip prior to commencement of training. If the Principal Owner (or the manager(s) if this is Franchisee's second or additional Chip Store) fails to successfully complete the training program, Chip may terminate this Agreement pursuant to Section 16(a)(11) below, provided that if an allowed manager fails training an alternate manager(s) may thereafter complete the training.

B. Opening Assistance. Chip will assist in scheduling the opening of the Franchised Business. Franchisee will not open business operations of the Franchised Business until Chip has approved the opening. Chip will, at no charge, provide at least one person to assist Franchisee with the opening of the Franchised Business for at least two business days around the time of opening. Chip will be responsible for travel, food, lodging, and other out-of-pocket costs of its employees for any trips its employees take to the Franchised Business related to the opening assistance.

C. Additional Training and Assistance. Chip shall have the right to require that Franchisee designate management personnel to attend, at Franchisee's cost, additional supplemental and refresher training programs other than the initial training during the term of this Agreement, including without limitation annual manager training, and to charge a reasonable fee for such training, to be conducted at a time and place reasonably designated by Chip. Franchisee may request additional training or assistance from Chip, which Chip, in its sole discretion, may provide to Franchisee at a time and place designated by Chip for Chip's then-current daily fee for the type of training requested, including travel, meals and lodging expenses incurred by Chip, or as otherwise agreed by the Parties. Franchisee is responsible for all compensation, travel, lodging and living expenses incurred by attendees in connection with attendance. Payment for any additional training or assistance is due upon receipt of an invoice from Chip.

D. Ongoing Assistance. During the operation of Franchisee's business, Chip will: (i) provide, upon the written request of Franchisee and payment of Chip's applicable fees, advisory services pertaining to the

operation of Franchisee's business; (ii) make available to Franchisee from time to time all changes, improvements and additions to the System to the same extent as made available to other franchisees; (iii) provide Franchisee with all supplements and modifications to the manuals; (v) develop, as Chip deems necessary, advertising materials available for Franchisee to purchase, as set forth herein.

E. Regional or National Conferences. Chip may, in its sole discretion, conduct an annual convention or other regional or national conferences for franchisees, for which Franchisee agrees to attend and pay Chip's then-current per person fee for attendance at any such conference prior to attendance. Franchisee will be responsible for all of costs and expenses incurred by those attending the annual convention, including compensation, travel, lodging and living expenses incurred in connection with attendance. All attendees must be approved by Chip. Franchisees that do not attend any designated conference will be charged and must pay the fee for attendance of one individual at such conference.

F. Advisory Council. Chip reserves the right to establish a franchisee advisory council comprised of members elected by franchisees in accordance with an election process prescribed by Chip as well as members appointed by Chip. If established, Chip will consult with this group from time to time, but this council will serve solely in an advisory capacity and will have no right to bind Chip in any way. Although, once established, any advisory council is intended to be of perpetual duration, Chip maintains the right to terminate or not terminate such council.

## **8. QUALITY CONTROL**

A. Products and Quality. Franchisee is required to sell all of Chip's approved products and will sell only those products and services approved by Chip in writing. Franchisee must change its menu to include all products required by Chip, including, but not limited to, promotional or monthly flavors. Franchisee agrees to promptly add, remove or modify any such food, beverage or other product or service upon notice from Chip. Should Chip approve a new product or item developed by Franchisee as part of the System, the rights in and title to such items shall become Chip's property as set forth herein. Franchisee is prohibited from selling, leasing or offering any products or services not authorized by Chip in writing. Franchisee, in the preparation of items to sell shall use only such ingredients, recipes, formulas and supplies as are specified by Chip and shall prepare products in such portions, sizes, appearance, and packaging and at such timeframes as are specified by Chip's manuals or other written instruction. Franchisee will conform to all product quality standards prescribed by Chip in writing.

B. Sources of Products and Specifications. Franchisee must purchase certain products, inventory, supplies, or items from sources that are designated or approved by Chip. Franchisee acknowledges and agrees that certain approved supplies may only be available from one approved supplier source, and Chip or its affiliates may be that source. Other products, inventory supplies, and other items must meet Chip's specifications and Franchisee may obtain products meeting these specifications from any source carrying them. Chip will develop and research new products or suppliers as it determines necessary. The required sources and specifications for any products will be outlined in the Brand Standards Manual. **ALTHOUGH APPROVED BY CHIP, CHIP MAKES NO WARRANTY AND EXPRESSLY DISCLAIMS ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO PRODUCTS, EQUIPMENT, SUPPLIES, FIXTURES, FURNISHINGS AND OTHER APPROVED ITEMS. FURTHER, CHIP MAY FROM TIME TO TIME MAKE AVAILABLE TO FRANCHISEE OR REQUIRE FRANCHISEE TO PURCHASE GOODS, PRODUCTS, AND/OR SERVICES FOR USE IN THE FRANCHISED BUSINESS ON THE SALE OF WHICH CHIP MAY MAKE A PROFIT. CHIP MAY FROM TIME TO TIME RECEIVE CONSIDERATION FROM SUPPLIERS AND/OR MANUFACTURERS IN RESPECT TO SALES OF GOODS, PRODUCTS, OR SERVICES TO FRANCHISEE OR IN CONSIDERATION OF SERVICES**

RENDERED OR RIGHTS LICENSED TO SUCH PERSONS. FRANCHISEE AGREES THAT CHIP IS ENTITLED TO SUCH PROFITS AND/OR CONSIDERATION.

C. Unapproved Suppliers and Products. If Franchisee desires to purchase or sell any items for which Chip has designated an approved supplier from an unapproved supplier, or if Franchisee desires to sell products that have not been approved, Franchisee must submit to Chip a written request for such approval of the supplier or product. Chip may require Franchisee to submit samples and other data to permit Chip to ascertain whether any such items meet Chip's specifications. Chip will notify Franchisee in writing and within 30 days of receipt of all required information and completion of any testing as to whether such item, equipment or supplies meets Chip's specifications. Prior to review, Franchisee will be required to pay Chip's reasonable costs and expenses related to Chip's review of the request. A supplier who is able to provide equipment and/or supplies meeting Chip's specifications may become an approved supplier to the extent designated by Chip. Chip may, from time to time, make changes or alterations in the standards and specifications and approved suppliers and products. At Chip's discretion, Chip may revoke approval of an approved supplier or product upon 30 days written notice to Franchisee.

D. Inspections. Chip may inspect the Franchised Business from time to time to enhance uniformity and quality control. Chip's personnel or designated agent will have the right to enter the premises of the Franchised Business at any reasonable time and from time to time for the purpose of examination, conferences with Franchisee or its managers, inspection of operations and inventory, auditing, and for all other purposes in connection with the determination that the Franchised Business is being operated in accordance with the System. Franchisee specifically authorizes Chip personnel or representatives to enter the premises of the Franchised Business as set forth above for such periods of time as Chip may determine to be necessary at no expense to Franchisee, provided that Chip's inspections do not unreasonably interfere with the operation of the Franchised Business. Franchisee agrees to remedy any defects, deficiencies, or unsatisfactory conditions discovered at the Franchised Business by Chip's personnel within a reasonable period of time upon being advised of same.

E. Mystery Shopping Service. Chip may itself, or through a designee or a third party secret shopping service, evaluate the operation and quality of the Store, including such things as quality, inventory availability, customer service, cleanliness, merchandising, franchise compliance, proper use of point-of-sale and computer systems, and compliance with the System. Chip may use such service evaluations to inspect the Store at any time at its expense, without prior notification to Franchisee. Chip may make the results of any such service evaluation available to Franchisee, in Chip's sole discretion.

F. Customer Surveys. Franchisee shall participate in all customer surveys and satisfaction audits specified by Chip, which may require that Franchisee provide discounted or complimentary products, provided that such discounted or complimentary sales shall not be included in the Gross Sales of the Franchised Business. Additionally, Franchisee shall participate in any complaint resolution and other programs as Chip may reasonably establish, which programs may include, without limitation, providing discounts or refunds to customers. Franchisee further acknowledges that Chip may directly contact such customers who have lodged complaints and provide certain discounts or refunds on Franchisee behalf, to be reimbursed by Franchisee upon demand.

## **9. OPERATION OF THE FRANCHISED BUSINESS**

Franchisee acknowledges and agrees that the operation of the Franchised Business in accordance with the System is the essence of this Agreement and is essential to preserve the goodwill of the Marks and all Stores. Therefore, Franchisee agrees that, at all times during the term of this Agreement, Franchisee will operate the Franchised Business and use the Marks in strict compliance with the System and all standards, operating procedures, specifications, requirements and instructions required of all Chip franchisees, as set

forth in Chip's operations and brand standards manual for Stores, as may be modified and revised from time to time by Chip in its sole discretion (the "Brand Standards Manual") or any other manuals or communications from Chip to Chip's franchise system. Chip will promulgate, and may change, from time to time, the System and such uniform standards of quality and service regarding the business operations of the Franchised Business so as to protect, for the benefit of all franchisees and Chip, the distinction, valuable goodwill and uniformity represented and symbolized by the Marks and System, and Franchisee agrees that Chip has the right to do so. Franchisee further agrees to operate the Franchised Business according to the following provisions:

A. Managerial Responsibility. During the term of this Agreement, a Principal Owner who has successfully completed Chip's initial training program personally manage and operate the Franchised Business. Although such Principal Owner does not need to physically be at the premises at all times in which the Franchised Business is open to the public, this Principal Owner must manage the day-to-day operation of the Franchised Business and assure that such operation is in accordance with the System. Such Principal Owner is responsible for the day-to-day supervision of the Franchised Business must assume responsibilities on a full-time basis and must not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility, time commitments or otherwise may conflict with such obligations. All individuals with managerial responsibility must sign a non-disclosure and non-competition agreement substantially in the form as the agreement attached as Exhibit D.

If the Franchised Business is Franchisee's second or additional Chip Store, a Principal Owner does not need to manage the Franchised Business, however, Franchisee must have at least one individual who has successfully completed Chip's initial training program personally manage and operate the Franchised Business. Although a trained individual does not need to physically be at the premises at all times in which the Franchised Business is open to the public, a manager who has completed the training must manage the day-to-day operation of the Franchised Business and assure that such operation is in accordance with the System and the Franchise Agreement. The person who is responsible for the day-to-day supervision of the Franchised Business must assume responsibilities on a full-time basis and must not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility, time commitments or otherwise may conflict with such obligations. If Franchisee's approved and trained manager is terminated or leaves the Store, a Principal Owner who has successfully completed Chip's initial training program must manage the day-to-day operation of the Franchised Business until another manager has successfully completed the training program.

A Principal Owner responsible for the day-to-day supervision of the Franchised Business is listed on Exhibit C. Franchisee agrees to immediately notify Chip if this individual (or any subsequent manager) no longer manages the Restaurant for any reason and will promptly notify Chip of the name and contract information for any subsequent Principal Owner (or manager, as applicable) that will be attending the initial training program.

B. Opening. The Franchised Business shall not open to the public until Chip has approved of such opening. Franchisee must conduct a grand opening campaign within 60 days of opening for business, both as set forth by Franchisor. Franchisee shall expend at least \$5,000 for the grand opening program. The grand opening shall conform to Chip's requirements and shall utilize the media and advertising formats designated by Chip. Chip has the right to require Franchisee to use Chip's designated vendor related to the grand opening campaign and/or to submit a grand opening plan that meets Chip's approval containing details about the grand opening promotion.

C. Pricing. Chip reserves the right, to the fullest extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements with respect to the prices Franchisee may charge for

products and services and Franchisee agrees to abide by any such requirements upon adequate prior notice of at least 30 days.

D. Standards of Service. Franchisee agrees to at all times give prompt, courteous and efficient service to customers and, in all dealings with customers, and suppliers, and the public, adhere to the highest standards of honesty, integrity and fair dealing, including, but not limited to, all customer service standards prescribed by Chip in writing.

E. Standardization and Uniformity of Appearance. The design and appearance of the exterior and interior of the Franchised Business, including signage, are part of the System. It is essential to the integrity of the System that as great a degree of uniformity as possible is maintained among the various premises of Stores, both corporate owned and franchised. No material change, addition, or alterations will be made to the premises, layout or design without the prior written consent of Chip and only such signs, emblems, logos, lettering, and artwork as may be reasonably prescribed or provided by Chip from time to time, will be displayed on the premises of the Franchised Business. Franchisee will require its employees present at the premises of the Franchised Business to comply with the dress code, as may be designated by Chip, and such other programs of standardization as Chip may from time to time promulgate to promote the common business image and to protect the goodwill associated with the Marks and System.

F. Brand Standards Manual. In order to protect the reputation and goodwill of Chip and to maintain uniform operating standards under the Marks and System, Franchisee will conduct their businesses in accordance with Chip's Brand Standards Manual and other written instructions. Chip will loan Franchisee one copy of Chip's Brand Standards Manual containing mandatory and suggested specifications, standards and operating procedures prescribed from time to time by Chip for Stores and information relative to other obligations of Franchisee. Franchisee will treat the Brand Standards Manual as Confidential Information and will use all reasonable efforts to maintain the Brand Standards Manual as secret and confidential. The Brand Standards Manual will remain the sole property of Chip. Chip may from time to time revise the contents of the Brand Standards Manual. With notice and a reasonable time to implement new or changed standards, Franchisee agrees to comply with each new or changed standard. Franchisee will ensure that its copy of the Brand Standards Manual is kept current. In the event of any dispute as to the contents of the Brand Standards Manual, the terms of the master copy of the Brand Standards Manual maintained by Chip or Chip's specific instruction in writing will be controlling.

G. Maintenance of Premises. Maintenance and repair of the premises is Franchisee's sole responsibility. Franchisee will maintain all pictures, equipment, decor, furnishings, fixtures, and all other tangible property at the premises in excellent condition and repair and will replace any equipment and fixtures that become obsolete or mechanically impaired to the extent that such equipment or fixtures no longer adequately perform the functions for which they were originally intended. Replacement equipment and fixtures will be of the same type and quality as the System requires at the time the replacement is necessary. All replacement pictures, decor, equipment, and fixtures will comply with the System.

H. Remodel and Upgrades. At Franchisee's expense, Franchisee agrees to repair, refinish, repaint, remodel, modernize, redecorate, or otherwise refurbish the premises of the Franchised Business from time to time as Chip may reasonably direct to conform to the building design, color schemes and presentation of trade dress, trademarks and service marks consistent with Chip's then-current public image, including, without limitation, structural changes, remodeling, redecoration of the furnishings and fixtures and décor and such modifications to existing improvements as may be reasonably necessary, such that all Stores may have a generally similar look and appearance. Notwithstanding the foregoing, Franchisee will not be required to spend more than 30% of the amount spent on the Store's initial build out in any five year period on such remodels or upgrades.

I. Compliance with Laws. Franchisee will, at its expense, comply with all applicable laws, rules and regulations pertaining to the operations of a restaurant, the Franchised Business, and all licensing and bonding requirements. If any government approval or permit is required for operation of the Franchised Business, Franchisee will be responsible for securing the same at its expense. Franchisee must comply with all laws and regulations relating to privacy and data protection, and must comply with any privacy policies or data protection and breach response policies Chip may establish. Franchisee must notify Chip in writing within five days of the commencement of any action, suit, proceeding or investigation, and of the issuance of any order, injunction, and award of decree, by any court, agency, or other governmental instrumentality that may adversely affect the operation or financial condition of Franchisee or the Store. Franchisee must notify Chip immediately of any suspected data breach at or in connection with the Store. Franchisee will not conduct any business or advertising practice which injures Chip, the System or the goodwill associated with the Marks and other Stores.

J. Payment of Liabilities. Franchisee will timely pay all of its obligations and liabilities due and payable related to the Franchised Business, including, but not limited to, all obligations to Chip, suppliers, lessors and creditors.

K. Personnel. Franchisee will, at all times, have a person designated as a management person on duty who shall be responsible for the business operations of the Franchised Business. Franchisee will employ and maintain a sufficient number of adequately trained and competent employees to provide efficient service to Franchisee's customers and shall require such employees to use their best efforts to maintain customer satisfaction. Franchisee shall be exclusively responsible for all employment decisions of the Franchised Business including the hire of employees, which must include all terms of employment, compensation, training and similar labor issues that may be required. Franchisee will indemnify Chip against any claim brought by any employee of Franchisee.

L. Hours of Operation. The Franchised Business will be open for business at the Authorized Location for such hours as otherwise directed by Chip pursuant to the System. Chip will also designate in the Brand Standards Manual certain holidays on which the Franchised Business will be closed for business.

M. Point-of-Sale and Computer Systems. Franchisee agrees to utilize in the Franchised Business any point-of-sale system that may be developed or selected by Chip as part of the System, including any updates, supplements, changes to, or modifications thereof. Franchisee will enter into any required agreements with the designated suppliers of such systems and pay all fees associated therewith. Franchisee agrees that Franchisor will be allowed to monitor Gross Sales centrally using information submitted through the point-of-sale system. Franchisee must purchase, install and begin using any required computer hardware and software within 60 days of notice to Franchisee. Franchisee shall be entitled to select its own credit card processor as it deems appropriate, unless otherwise directed by Franchisor at a future time. Franchisee agrees to maintain high-speed internet access necessary to allow Franchisor access to information contained in Franchisee's point-of-sale system.

N. Data Protection. Franchisee shall abide by all applicable laws pertaining to the protection and privacy of information collected or maintained regarding customers or other individuals, and shall comply with any standards and policies pertaining to data protection and privacy Chip may provide from time-to-time, including Payment Card Industry Data Security Standard requirements, as they may change from time to time. Franchisee shall immediately notify Chip of any actual or suspected data breach or data protection or privacy issues related in any way to the Franchised Business, Chip or any other Chip Store or franchisee.

O. Ownership of Data. Chip may, from time-to-time, specify in the Brand Standards Manual or otherwise in writing information that Franchisee must collect and maintain on the point-of-sale and/or computer systems installed at the Franchised Business, and Franchisee shall provide to Chip such reports



as Chip may reasonably request from the data so collected and maintained. All data pertaining to the Franchised Business, and all data created or collected by Franchisee in connection with the Franchised Business, or in connection with Franchisee's operation of the Franchised Business, including without limitation data pertaining to or otherwise concerning the customers, or otherwise provided by Franchisee, including, without limitation, data uploaded to, or downloaded from point-of-sale or computer systems, is and will be owned exclusively by Chip, and Chip will have the right to use such data in any manner that it deems appropriate without compensation to Franchisee. Copies and/or originals of such data must be provided to Chip upon request. Chip hereby licenses use of such data back to Franchisee for the term of this Agreement, at no additional cost, solely for use in connection with the Franchised Business as directed and approved by Chip.

P. Health and Sanitation. The Franchised Business shall meet and maintain the highest health standards and ratings applicable to the operation of a Store and shall be maintained at all times in compliance with any and all applicable laws and health and sanitary standards prescribed by Chip and by the local government authorities. Franchisee shall notify Chip within 24 hours of any investigation or violation, actual or alleged, concerning any health or sanitary laws or regulations and, thereafter, take any actions directed by Chip or governmental agencies related thereto.

## **10. CONFIDENTIAL INFORMATION**

Chip possesses, and will continue to develop and acquire, certain confidential information, some of which constitutes trade secrets under applicable law (the "Confidential Information"), relating to developing and operating Stores, including, but not limited to, site selection criteria; information regarding products; training and operations materials and manuals including the Brand Standards Manual; recipes, methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating Stores; marketing and advertising programs; customer data; knowledge of specifications for and suppliers of products, products and other supplies; any computer software or similar technology which is proprietary to Chip or the System, including, without limitation, digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology; knowledge of the operating results and financial performance of outlets other than the Franchised Business; and, graphic designs and related intellectual property. Confidential Information does not include information, knowledge, or know-how which Franchisee can demonstrate lawfully came to its attention before Chip provided it to Franchisee directly or indirectly; which, at the time Chip disclosed it to Franchisee, already had lawfully become generally known through publication or communication by others without violating an obligation to Chip; or which, after Chip discloses it to Franchisee, lawfully becomes generally known through publication or communication by others without violating an obligation to Chip.

Franchisee acknowledges and agrees that it will not acquire any interest in Confidential Information, other than the right to use it as specified in this Agreement and during this Agreement's term, and that Confidential Information is proprietary, includes Chip's trade secrets, and is disclosed to Franchisee only on the condition that it agrees, and Franchisee does agree, that it will not use Confidential Information in any other business or capacity; will keep each item deemed to be part of Confidential Information absolutely confidential, both during this Agreement's term and then thereafter for as long as the item is not generally known; will not make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form; and, will adopt and implement reasonable procedures to prevent unauthorized use or disclosure of Confidential Information, including, without limitation, complying with all laws regulations and best practices related to the protection of customer and financial information and restricting its disclosure to employees or other personnel of the Franchised Business and others and using non-disclosure and non-competition agreements with those having access to Confidential Information. Chip

has the right to regulate the form of agreements that Franchisee uses and to be a third-party beneficiary of those agreements with independent enforcement rights.

## 11. INSURANCE

During the Term of this Agreement, Franchisee will maintain in effect at all times a policy or policies of insurance at levels Chip directs, which policies and amounts may be revised from time to time in its discretion and upon Chip providing Franchisee at least 60 days prior written notice. All policies must be with an “A” insurance carrier and name Chip as an additional insured on the face of each policy at Franchisee’s sole cost and expense. Franchisee shall list the corporate and dba name on all policies. Upon the written request of Chip, Franchisee shall provide Chip with copies of the certificates of insurance and policy endorsements for all insurance coverage required by this Section, and shall not do anything to invalidate such insurance. The failure to maintain the required insurance policies constitutes a material default under this Agreement, and Chip may, in its discretion, either terminate this Agreement as set forth herein or procure the required insurance on Franchisee’s behalf. If Chip procures the required insurance, Franchisee agrees to reimburse Chip for the cost of such insurance plus an additional 10% administrative fee to cover Chip costs related to procuring the insurance. The current levels and types of coverage Chip directs is as follows:

A. Property Insurance. Franchisee agrees, at its sole cost and expense, at all times during the term of this Agreement, to keep all of its goods, fixtures, furniture, equipment, and other personal property located at the premises of the Franchised Business insured to the extent of 100% of the full replacement cost against loss or damage from fire and other risks normally insured against in special cause of loss coverage. Franchisee will also maintain business income and extra expense coverage to cover loss of income and extra expense for at least one year.

B. Liability Insurance. Franchisee agrees, at its sole cost and expense, at all times during the term of this Agreement, to maintain in force a comprehensive general liability insurance policy or policies, on an occurrence basis, which will name both Chip and any affiliates as additional insureds on a primary non-contributory basis, insuring against all liability resulting from damage, injury, or death occurring to persons or property in or about the premises of the Franchised Business, including products liability insurance and broad form contractual liability insurance, the limits under such insurance to be not less than \$1,000,000 per occurrence, \$2,000,000 in the aggregate, and \$1,000,000 for property damage and umbrella liability insurance with limits of not less than \$1,000,000.

C. Workers’ Compensation and Employers Liability Insurance. Franchisee also agrees to maintain and keep in force all workers’ compensation and employers liability insurance on its employees, if any, in the following amounts:

1. Workers Compensation: The amount required under the applicable workers’ compensation laws of the state in which the Franchised Business is located.

2. Employers Liability: No less than \$1,000,000 per accident for bodily injury by accident, no less than \$1,000,000 per employee for bodily injury by disease and no less than a \$1,000,000 policy limit for bodily injury by disease.

D. Automobile Liability. Franchisee must maintain commercial automobile liability insurance coverage for all owned, rented, leased and/or hired vehicles used by Franchisee in connection with the operation of the Franchised Business in the amount of \$1,000,000 per occurrence and in the aggregate.

E. Other Insurance Policies. At Franchisees sole cost, Franchisee agrees, at all times during the term of this Agreement, to maintain in force such other and additional insurance policies as a prudent franchisee in its position would maintain or as Chip reasonably requires.

F. Release of Insured Claims. Franchisee releases and relieves Chip and its affiliates, and all of its and their officers, directors, shareholders, employees, agents, successors, assigns, contractors, and invitees and waives Franchisees entire right of recovery against Chip and its affiliates and all of its officers, directors, shareholders, employees, agents, successors, assigns, contractors, and invitees for loss or damage arising out of or incident to the perils required to be insured against under this Section, which perils occur in, on or about the premises of the Franchised Business or relate to the business on the premises, whether due to the negligence of Chip or its affiliates or Franchisee or any of Chip's or Franchisee's related parties.

## **12. RELATIONSHIP OF THE PARTIES**

Franchisee understands and agrees that it is and will be an independent contractor under this Agreement. Nothing in this Agreement may be construed to create a partnership, joint venture, agency, employment or fiduciary relationship of any kind. None of Franchisee's employees will be considered to be Chip's employees. Neither Franchisee nor any of its employees may in any way, directly or indirectly, expressly or by implication, be construed to be Chip's employee for any purpose, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any national, city, state or federal governmental agency. Chip will not have the power to hire or fire Franchisee's employees. Franchisee expressly agrees, and will never contend otherwise, that Chip's authority under this Agreement to certify certain of its employees for qualification to perform certain functions for the Franchised Business does not directly or indirectly vest in Chip the power to hire, fire or control any such employee.

Franchisee acknowledges and agrees, and will never contend otherwise, that Franchisee alone will exercise day-to-day control over all operations, activities and elements of the Franchised Business and that under no circumstance shall Chip do so or be deemed to do so. Franchisee further acknowledges and agrees, and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications and procedures of the System which Franchisee is required to comply with under this Agreement, whether set forth in the Brand Standards Manual or otherwise, does not directly or indirectly constitute, suggest, infer or imply that Chip controls any aspect or element of the day-to-day operations of the Franchised Business, which Franchisee alone controls, but only constitutes standards Franchisee must adhere to when exercising control of the day-to-day operations of the Franchised Business.

Franchisee may not, without Chip's prior written approval, have any power to obligate Chip for any expenses, liabilities or other obligations, other than as specifically provided in this Agreement. Except as expressly provided in this Agreement, Chip may not control or have access to Franchisee's funds or the expenditures of Franchisee's funds or in any other way exercise dominion or control over the Franchised Business. Except as otherwise expressly authorized by this Agreement, neither Party will make any express or implied agreements, warranties, guaranties or representations or incur any debt in the name of or on behalf of the other Party, or represent that the relationship between the Parties is other than that of franchisor and franchisee. Chip does not assume any liability, and will not be considered liable, for any agreements, representations, or warranties made by Franchisee which are not expressly authorized under this Agreement. Chip will not be obligated for any damages to any person or property which directly or indirectly arise from or relate to the operation of the Franchised Business.

### **13. INDEMNIFICATION**

Franchisee will defend, indemnify and hold Chip and any of its officers, directors, shareholders, agents, members, managers and employees harmless against any and all losses, liabilities, damages, costs and expenses whatsoever, including reasonable attorneys' fees arising out of or related to (i) the operations of the Franchised Business, whether caused by Franchisee's negligent or willful action or failure to act; and (ii) Franchisee's breach of any representation or warranty under this Agreement. Such indemnity shall include all costs reasonably incurred by Chip in the defense of any such claim brought against it or in any action in which it is named as a party. Chip will have the right to defend any such claim against it. Chip will defend, indemnify and hold Franchisee and any of its officers, directors, shareholders, agents, members, and managers harmless against any and all losses, liabilities, damages, costs and expenses whatsoever, including reasonable attorneys' fees arising out of (i) representations or warranties of Chip under this Agreement; or (ii) the gross negligence or willful misconduct of Chip. Such indemnity shall include costs reasonably incurred by Franchisee in the defense of any such claim brought against it or in any action in which it is named as a party, provided that Chip will have the right to participate in and, to the extent Chip deems necessary, to control any litigation or proceeding which might result in liability of or expense to Franchisee subject to such indemnification. The indemnities and assumptions of liabilities and obligations set forth in this Agreement will continue in full force and effect subsequent to the expiration or terminations of this Agreement.

### **14. SALES REPORTS, FINANCIAL STATEMENTS AND AUDIT RIGHTS**

A. **Sales Reports.** Franchisee will maintain an accurate written and electronic record of daily Gross Sales and if requested by Chip will remit a signed and verified statement of the weekly Gross Sales and other revenues generated by, at, or from the Franchised Business using such forms and at such times as Chip may prescribe in writing. Franchisee also agrees to grant Chip unrestricted access to monitor Franchisee's daily sales using its point-of-sale system and other designated computer systems. Chip reserves the right to modify or substitute the prescribed forms and impose additional recordkeeping procedures.

B. **Financial Statements.** Franchisee will, at its expense, provide Chip quarterly and annual financial statements for the Franchised Business and such other financial reports as Chip specifies. All financial information provided to Chip under this Section must be presented in the form prescribed from time to time by Chip in writing. Franchisee will deliver the annual financial statement on or before January 31 of each year for the preceding calendar year.

C. **Audit Rights.** Franchisee will make all of its financial books and records available to Chip or its designated representative at all reasonable times for review and audit by Chip or its designee. Franchisee's financial books and records for each fiscal and calendar year will be kept in a secure place by Franchisee and will be available for audit by Chip for at least six years. If an audit conducted by Chip results in a determination that the Royalty Fees paid Chip are deficient (underpaid) by more than 2%, Franchisee will immediately pay Chip for the reasonable costs and expenses that it has incurred as a result of the audit. Franchisee will also immediately pay Chip any deficiency in such fee payments as disclosed by such audit or examination, together with interest at the maximum rate specified by law, or in the absence of a maximum rate specified by law, 1.5% per month. If pursuant to audits, the Royalty Fees have been deficient by more than 2% twice or more within any five year period or by more than 5% pursuant to any one audit, this will be considered a material breach of this Agreement.

### **15. TRANSFERS**

Chip and Franchisee agree that the following provisions govern any transfer or proposed transfer:

A. Transfer by Franchisee. Franchisee acknowledges and agrees that Chip has entered into this Agreement with specific reliance upon Franchisee's financial qualifications, experience, skills and managerial qualifications as being essential to the satisfactory operation of the Franchised Business. As a result, neither Franchisee's interest in this Agreement nor in the Franchised Business may be transferred or assigned to or assumed by any other person or entity, in whole or in part, unless Franchisee has first tendered to Chip the right of first refusal to acquire this Agreement and the Franchised Business in accordance with this Section, and if Chip does not exercise such right, unless Chip's prior written consent is obtained, the transfer fee is paid, and the transfer conditions are satisfied. Any sale, including installment sale, lease, pledge, management agreement, contract for deed, option agreement, assignment, bequest, gift or otherwise, or any arrangement pursuant to which Franchisee turns over all or part of the daily operation of the business to a person or entity who shares in the losses or profits of the business in a manner other than as an employee will be considered a transfer for purposes of this Agreement. Specifically, but without limiting the generality of the foregoing, the sale or transfer, directly or indirectly, whether through one or a series of transactions, of 25% or more of the ownership interests in Franchisee or the change in the general partner if Franchisee constitutes a transfer, and Franchisee must comply with the right of first refusal, consent, transfer fee, and other transfer conditions in this Section.

B. Consent to Transfer. Chip will not unreasonably withhold its consent to transfer, provided that all of the conditions described in this Section have been satisfied. Franchisee must request in writing Chip's consent to a transfer and tender of the right of first refusal provided for in this Section, which must be accompanied by the documents related to the transfer, including a copy of the proposed purchase or other transfer agreement, and any other required information. Franchisee must immediately notify Chip of any proposed transfer. Any attempted transfer by Franchisee without Chip's prior written consent or otherwise not in compliance with the terms of this Agreement will be void and will constitute a material default under this Agreement.

C. Transfer Fee. Franchisee must pay to Chip a transfer fee in the amount of 30% of Chip's then-current Initial Franchise Fee. The transfer fee is nonrefundable even if, for any reason, the proposed transfer does not occur.

D. Conditions of Transfer. Chip's consent to any proposed transfer, whether to an individual, a corporation, a partnership or any other entity is conditioned upon the following:

1. Assignee Requirements. The assignee must meet all of Chip's then-current requirements for franchisees and sign Chip's then-current form of franchise agreement, including any exhibits, addenda or attachments thereto modified to reflect the term remaining under this Agreement.

2. Payment of Amounts Owed. All amounts owed by Franchisee to Chip, or any of its affiliates, Franchisee's suppliers or any landlord for the premises of the Franchised Business, or upon which Chip or its affiliates have any contingent liability, must be paid in full.

3. Reports. Franchisee must have provided all required reports to Chip in accordance with the Franchise Agreement.

4. Modernization. Franchisee must have complied with the provisions of Section 9(h).

5. General Release. Franchisee and each guarantor must sign a general release of all claims arising out of or relating to this Agreement, the Franchised Business or the Parties' business

relationship, in the form Chip designates, releasing Chip and its affiliates attached hereto as Exhibit H.

6. **Training.** The assignee must, at Franchisee's or assignee's expense, comply with the training requirements, including any required initial training and the payment of any fees for the provision of such training.

7. **Financial Reports and Data.** Chip has the right to require Franchisee to prepare and furnish to assignee and/or Chip such financial reports and other data relating to the Franchised Business and its operations as Chip deems reasonably necessary or appropriate for assignee and/or Chip to evaluate the Franchised Business and the proposed transfer. Franchisee agrees that Chip has the right to confer with proposed assignees and furnish them with information concerning the Franchised Business and proposed transfer without being held liable to Franchisee, except for intentional misstatements made to an assignee.

8. **Other Conditions.** Franchisee must have complied with any other conditions that Chip reasonably requires from time to time as part of its transfer policies.

E. **Death, Disability or Incapacity.** If in the event of a death, disability or incapacity of Franchisee, or, if Franchisee is a legal entity of Franchisee's Principal Owner(s), the decedent's or disabled or incapacitated person's heir or successor-in-interest wishes to continue as Franchisee or a Principal Owner of Franchisee, such person or entity must request Chip's consent, pay the applicable transfer fee, and satisfy the transfer conditions under this Section, as in any other case of a proposed transfer, all within 120 days of the death or event of disability or incapacity. The failure to effect an approved transfer within such 120 day period constitutes a material default under this Agreement. During any transition period to an heir or successor-in-interest, the Franchised Business still must be operated in accordance with the terms and conditions of this Agreement. If Chip is required to run the Franchised Business for a time due to Franchisee's or a Principal Owner's death, incapacity, unexcused absence or as otherwise allowed under this Agreement, Chip will charge a management fee 3% of the Gross Sales of the Franchised Business during such period, plus its costs of travel, meals and lodging and Chip's reasonable overhead expenses related thereto. In addition, Franchisee must continue to pay all Royalty Fees, Ad Fund Contributions and other fees due under this Agreement. If the assignee of the decedent or disabled or incapacitated person is the spouse or child of such person, no transfer fee will be payable to Chip and Chip will not have a right of first refusal as set forth in this Section.

F. **Right of First Refusal.** If Franchisee proposes to transfer or assign this Agreement, its interest herein or in the Franchised Business, in whole or in part, to any third party, including, without limitation, any transfer related to death, disability or incapacity or the transfer of an interest in Franchisee as set forth in this Section, Franchisee first must offer to sell to Chip such interest. In the event of a bona fide offer from a third party, Franchisee must obtain from the third-party offeror and deliver to Chip a statement in writing, signed by the offeror and by Franchisee, of the terms of the offer. Chip will then have 30 days from its receipt of the statement setting forth the third-party offer and other requested information to accept the offer by delivering written notice of acceptance to Franchisee. Chip will have an additional 45 days to complete the purchase if it elects to exercise its right of first refusal. Chip's acceptance of any right of first refusal will be on the same price and terms set forth in the statement delivered to Chip; provided, however, Chip has the right to substitute equivalent cash for any noncash consideration included in the offer. If the parties cannot agree on a cash equivalent within a reasonable time, they will either jointly select one appraiser, or elect three appraisers (one by Chip, one by Franchisee, and one jointly by the first two appraisers), and his, her or their determination will be binding. The parties will share equally the fees and expenses of any appraiser jointly selected, but each must pay any separately selected appraiser individually. If Chip does not accept the offer within the 30-day period, Franchisee will be free for 60 days after such

period to affect the transfer described in the statement delivered to Chip provided such transfer is in accordance with this Section. Franchisee may affect no other sale, assignment, or transfer of Franchisee, this Agreement or the Franchised Business without first offering the same to Chip in accordance with this Section.

G. Transfer by Chip. Chip has the right to sell or assign, in whole or in part, its interest in this Agreement.

H. Sale of Chip. If Chip receives an offer to acquire a majority of the Chip franchises, to purchase a majority of Chip's assets and/or outstanding stock, to merge with Chip or take Chip public, or to engage in any related or similar transaction, Chip shall have the option, but not the obligation, to purchase all of Franchisee's rights and interests in and under the Agreement and the Franchised Business and its assets (or any combination of the foregoing) for a purchase price equal to the Fair Market Value of the Franchised Business, which is payable on terms comparable to those received by Chip (the "Option"). Assets available for purchase by Chip will include equipment, furniture, fixtures, signs, inventory, and accounts, among other items. Chip will be entitled to, and Franchisee shall make and/or enter into, all customary representations, warranties and agreements given by the seller of the assets or equity of a business.

If this Option is exercised, Franchisee will indemnify and hold Chip harmless against obligations incurred in connection with the business accrued or arising prior to the closing date. Franchisee and each direct or indirect owner of Franchisee will sign a general release in favor of Chip. Franchisee will furnish Chip with a complete list of debts and accounts unpaid within 10 days of Chip's request. Chip, at its option, may pay these unpaid bills directly to the parties owed and deduct them from the purchase price in lieu of paying such portion of the purchase price directly to Franchisee. Franchisee and Chip will close Chip's purchase within 60 days from the date Franchisee receives Chip's notice or as soon thereafter as is reasonably practical.

Chip will not assume any of Franchisee's liabilities, debts or obligations in connection with any such purchase, transfer or payment, and Franchisee will indemnify Chip from any and all claims arising out of such sale transaction. Outside of this, all costs incurred in connection with the sale (for example, closing costs, costs of determining Fair Market Value but excluding the parties' attorneys' fees paid), will be shared equally between Chip and Franchisee, provided that Franchisee will pay any sales taxes incurred. Franchisee will cooperate with Chip in complying with all applicable laws and requirements. If Franchisee litigates, contests or commences proceedings against Chip with respect to termination of the Agreement under this provision or the purchase price (or any matter related to such purchase and sale transaction), and does not prevail, the amount of the purchase price will be reduced by the amount of all of Chip's attorneys' fees, costs and expenses related to the litigation, contest or proceeding.

"Fair Market Value" for purposes of the Option shall mean the value assigned to comparable Chip franchises sold in the past 12 months using a multiple that can be commonly applied to either: (i) gross profit margin; or (ii) EBITDA (earnings before interest, taxes, depreciation and amortization). The multiple may be adjusted by Chip, in its reasonable discretion, based on the maturity of the franchise, size of the franchise, quality of margin at the time of exercise of the Option, percentage of customer credit card payments, shared account revenue and self-service freight, and other reasonable factors differentiating Franchisee from comparable Chip Stores. If there are no comparable sales within the past 12 months, "Fair Market Value" shall be established by an independent appraisal done at Chip's expense by an appraiser selected by Chip.

## 16. FRANCHISOR'S TERMINATION RIGHTS

A. Grounds. Franchisee will be in default, and Chip may, at its option, terminate this Agreement, as provided herein, if

1. Franchisee fails to select and receive approval of a site for the premises of the Franchised Business or open and commence operation of the Franchised Business, or otherwise receive an extension as set forth herein, within the required time periods;

2. Franchisee violates any material provision or obligation of this Agreement;

3. Franchisee or any of guarantor, limited liability company managers, directors, officers or majority owners or shareholders are convicted of, or plead guilty to or no contest to a charge of violating any law which adversely impacts upon the reputation of Chip, the Franchised Business or the Chip brand;

4. Franchisee fails to conform to the material requirements of the System or the material standards of uniformity and quality of the products and services promulgated by Chip in connection with the System or this Agreement;

5. Franchisee fails to timely pay, as set forth in any applicable agreement or as specified, any of its obligations or liabilities due and owing to Chip, under this agreement or otherwise, suppliers, banks, other creditors or any governmental unit or agency;

6. Franchisee is insolvent within the meaning of any applicable law;

7. Franchisee makes an assignment for the benefit of creditors or enters into any similar arrangement for the disposition of its assets for the benefit of creditors;

8. Franchisee voluntarily or otherwise abandons the Franchised Business by failing to operate the business for five consecutive days during which Franchisee is required to operate the business under the terms of this Agreement, or any shorter period after which it is not unreasonable under the facts and circumstances for Chip to conclude that Franchisee does not intend to continue to operate the Franchised Business;

9. Franchisee is involved in any act or conduct that materially impairs the goodwill associated with the name Chip or any of the Marks or the System including without limitation the failure to protect the confidentiality of Chip or customer information;

10. Franchisee breaches any non-competition obligation;

11. Franchisee fails to successfully complete the required training;

12. Franchisee violates any health, safety, or sanitation law, ordinance, or regulation, or operates the Franchised Business in an unsafe manner, and does not begin to cure the violation immediately, and correct the violation within 72 hours, after Franchisee receives notice from Chip or any other party;

13. Franchisee fails to pay taxes as required under applicable law, including without limitation all employment related taxes, or suffers any federal, state or local tax lien, levy or suit to enforce the same, brought against Franchisee or Franchisee's property;



14. Franchisee or any of Franchisee's owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or Franchisee or any of Franchisee's owners otherwise violate any such law, ordinance, or regulation.

15. Franchisee makes any material misrepresentations in connection with the execution of this Agreement or the acquisition of the Store; or

16. Franchisee has violated the terms of any other agreement with Chip or its affiliated entities or vendors, in which case Franchisee may be cross-defaulted for the existing default of the agreement with the related party.

B. Termination with Notice and No Opportunity to Cure. Chip may terminate this Agreement immediately upon delivery of written notice to Franchisee, with no opportunity to cure, if the termination results from any of the following:

1. Franchisee fails to comply with one or more material requirements of the Agreement three or more times in any 12 month period;

2. the nature of Franchisee's breach makes it not curable;

3. Franchisee willfully and repeatedly deceives customers relative to the source, nature or quality of goods sold;

4. any default under items (3), (6), (7), (8), (9), (10), (12), (14), or (15) in Section 16(a); or

5. Franchisee willfully and materially falsifies any report, statement, or other written data furnished to Chip. Any report submitted pursuant to Section 13 will be conclusively deemed to be materially false if it understates Gross Sales by more than 5%.

C. Termination with Notice and Opportunity to Cure for Failure to Make Payment. Chip may terminate this Agreement for failure to make payments, as described in Section 16(a)(5), upon 10 days written notice to Franchisee. If Franchisee does not cure the failure to make payment within such 10 day period, Chip may terminate this Agreement by providing written notice of such termination to Franchisee.

D. Termination with Notice and Opportunity to Cure. For all other breaches or defaults, Franchisee will have 30 days or the time specified in applicable provision, or such longer period as applicable law may require, after its receipt from Chip of a written notice of default within which to remedy any default hereunder, and to provide evidence thereof to Chip. If Franchisee fails to cure the alleged default within that time, or such longer period of time as applicable law may require, this Agreement will terminate without further notice to Franchisee effective immediately upon the expiration of the applicable period, or such longer period as applicable law may require.

## 17. FRANCHISEE'S TERMINATION RIGHTS

Franchisee may terminate this Agreement, as provided herein, if Chip violates any material obligation of Chip to Franchisee and fails to cure such violation within 60 days after Chip's receipt of written notice from Franchisee, or such longer time as may be required due to the nature of the violation; provided, however, that Franchisee must be in substantial compliance with this Agreement at the time of giving such notice of termination. Franchisee's written notice will identify the violation and demand that it be cured.

## 18. **OBLIGATIONS UPON TERMINATION**

A. **Post Term Duties.** If this Agreement expires or is terminated for any reason, Franchisee will:

1. within 30 calendar days after termination, pay all amounts due and owing to Chip under this Agreement;
2. return to Chip the Brand Standards Manual and any other manuals and all copies thereof, advertising materials, and all other printed materials pertaining to the operation of the Franchised Business;
3. comply with all other applicable provisions of this Agreement, including the non-compete provisions;
4. immediately cease use of the Chip name, the Marks and the System;
5. take all action necessary to assign or transfer to Chip all rights to use any telephone, facsimile or other numbers, telephone directory listings, email addresses, domain names, website addresses, URLs, internet and website directory listings, social media accounts, web based platform and program accounts and other media related to the operation of the Store or Franchised Business and provide to Chip all necessary usernames, passwords, credentials or other information necessary to operate or access any such accounts; and
6. execute all documents and do all such things as may be necessary to remove the name of Franchisee from any register relating to business names and the Marks which are the property of Chip, and for this purpose Franchisee appoints Chip its true and lawful attorney for it and in its name to execute all such documents and do all such things as may be necessary to remove the name of Franchisee.

B. **Redecoration.** If this Agreement expires or is terminated for any reason, Franchisee will, at its expense, alter, modify and change, both the exterior and interior appearance of the business premises so that they will be easily distinguished from the standard appearance of Stores. At a minimum, such changes and modifications to the premises will include:

1. repainting the premises with totally different colors;
2. removing all signs and other materials bearing the name Chip and other Marks;
3. removing from the premises all fixtures which are indicative of Stores;
4. discontinuing use of the approved employee uniforms and refraining from using any uniforms which are confusingly similar; and
5. discontinuing use of all Confidential Information regarding the operation of the Franchised Business.

If Franchisee fails to complete such required modifications or alterations within a reasonable time after expiration or termination, Franchisee agrees that Chip may enter the premises for the purposes of making such modifications. Franchisee agrees to reimburse Chip for its reasonable expenses related to such redecoration and modification.

C. Purchase Option. Upon expiration or termination of this Agreement, Franchisee hereby grants to Chip the right to:

1. acquire, in Chip's sole discretion, all or any part of Franchisee's inventory, equipment, signs and accessories and other personal property relating to the Franchise at the then-existing fair market value of such item or items as of the date of expiration or termination of this Agreement. If the fair market value is not agreed to by the parties, the fair market value will be established by an independent appraisal. The appraisal shall be done at Chip's expense by an appraiser selected by Chip. No goodwill shall be considered associated with the Franchised Business or said items. Chip must exercise this option within 45 days of such expiration or termination by giving Franchisee written notice of its intent to exercise this option to purchase. Unless otherwise agreed by Franchisee, the purchase price as determined hereunder shall be paid in cash within the option period. If Chip has not notified Franchisee of its election to exercise this option within the aforesaid period, it shall be conclusively presumed that Chip has elected not to exercise its option and Franchisee is then free to sell or transfer such assets to any person or entity on such terms as Franchisee may so choose.

2. Take over the lease for the premises of the Franchised Business pursuant to the consent to lease assignment attached hereto as Exhibit F.

The purchase contract for such assets and contracts, as set forth in this Section, shall include standard representations, warranties, covenants and indemnities from Franchisee as to the assets and contracts being purchased, including without limitation, warranties of good title, absence of liens, compliance with laws, absence of defaults under contracts, litigation and tax compliance. Chip has no obligation to pay for goodwill or other intangible assets or costs of the Franchised Business.

D. Liquidated Damages. Upon early termination of this Agreement by Chip according to its terms and conditions or Franchisee's termination of this Agreement without cause, Franchisee agrees to pay Chip within 30 days after termination, in addition to the amounts otherwise owed to Chip related to operations or activities prior to such termination, liquidated damages equal to the sum of accrued Royalty Fees during the immediately preceding 24 full calendar months, plus any applicable taxes assessed on such payment. If the remaining term of this Agreement is less than 24 months, the number of previous months Royalty Fees is reduced to the number of months remaining in the term of this Agreement. Chip and Franchisee agree that actual damages upon termination as set forth above will be difficult or impossible to ascertain and that these liquidated damages are a reasonable, good faith estimate of those damages and are not a penalty. Payment of liquidated damages shall be in addition to Chip's other rights in this Agreement.

## **19. FRANCHISEE'S COVENANTS NOT TO COMPETE**

A. During Term. Franchisee and, if Franchisee is an entity, all owners, shareholders, partners or members owning, directly or indirectly, a beneficial ownership interest in Franchisee, and all spouses and immediate family members of such individuals, will not, during the term of this Agreement, on their own account or as an employee, consultant, partner, officer, director, or shareholder of any other person, firm, entity, partnership or corporation, own, operate, lease, franchise, license, conduct, engage in, be connected with, have any interest in, or assist any person or entity that operates a delivery business selling cookies, or is the same as, similar to, or competes, directly or indirectly, with Stores where such non-competition provisions are enforceable, except with the prior written consent of Chip. Franchisee may not circumvent, avoid or bypass Chip in any manner, directly or indirectly, to avoid payment of fees, royalties, or any other obligation in any way involving any of the parties or direct customers or potential customers to any competing business of Stores.

B. Post Termination. Except as authorized by Chip in writing prior to termination or expiration of this Agreement, Franchisee and, if Franchisee is an entity, all owners, shareholders, partners or members owning, directly or indirectly, a beneficial ownership interest in Franchisee, and all spouses and immediate family members of such individuals, will not, for a period of two years after the expiration or termination of this Agreement, except for a termination as a result of Chip's breach, on their own account or as an employee, consultant, partner, officer, director, or shareholder of any other person, firm, entity, partnership, or corporation, own, operate, lease, franchise, license, conduct, engage in, be connected with, have any interest in or assist any person or entity that operates a delivery business selling cookies, or is the same as, similar to, or competes, directly or indirectly, with Stores which is located within 25 miles of an existing or previously existing Store and only in jurisdictions where such non-competition provisions are enforceable; provided, however, Franchisee may continue to operate any Store for which Franchisee is in good standing pursuant to a separate, effective franchise agreement with Chip. Franchisee expressly agrees that the two year period and the geographic restrictions, where enforceable, are the reasonable and necessary time and distance needed to protect Chip if this Agreement expires or is terminated for any reason. Franchisee agrees that the length of time in above will be tolled for any period during which Franchisee is in breach of the covenants or any other period during which Chip seeks to enforce this Agreement. The Parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement.

C. Enforcement. Franchisee shall cause all individuals with managerial responsibility for the Franchised Business and all owners of Franchisee, if Franchisee is an entity, who have not executed a personal guaranty of the obligations in this Agreement to execute a non-competition and non-disclosure agreement substantially in the form set forth on Exhibit D and shall provide such agreement to Chip. Franchisee shall also cause all employees with access to Confidential Information to execute a non-disclosure and non-competition agreement with protections similar to those set forth in Exhibit D but appropriate as to time and scope for such employee's duties. Notwithstanding anything in this Section, neither Franchisee nor its owners shall be precluded from ownership of securities in a company if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 2% percent or less of the class of securities. Franchisee agrees that damages alone cannot adequately compensate Chip if there is a violation of these noncompetitive covenants and that injunctive relief is essential for the protection of Chip. Franchisee therefore agrees that in case of any alleged breach or violation of this Section by it, Chip may seek injunctive relief without posting any bond or security, in addition to all other remedies that may be available to Chip in equity or law.

## **20. ARBITRATION, ENFORCEMENT AND DAMAGES**

A. Face-to-Face Meeting. Chip and Franchisee agree that in the event of any disputes, claims and controversies between the Parties arising under or in connection with this Agreement or the making, performance or interpretation thereof, including, but not limited to, claims of fraud in the inducement and other claims of fraud (a "Dispute"), the Parties will first discuss the Dispute in a face-to-face meeting between Chip and Franchisee in Salt Lake City, Utah, or at our then-current headquarters within 30 days after either Franchisee or Chip gives written notice to the other proposing such a meeting. Chip has the right, in its sole discretion, to waive this requirement.

B. Arbitration Process. If, in the opinion of either Franchisee or Chip, the face-to-face meeting has not successfully resolved a Dispute and if desired by either Franchisee or Chip, the Dispute must be settled, upon demand and written notice by either Party by a single mutually acceptable arbitrator who has had at least five years of experience in the area of franchising or trademark licensing. If the Parties are unable to agree upon a single arbitrator, any Party may request that the American Arbitration Association appoint such arbitrator. The proceedings will be conducted in accordance with the commercial arbitration rules of the American Arbitration Association to the extent such rules are not inconsistent with the provisions of

this arbitration provision. The arbitration proceedings will take place in Salt Lake County, Utah. The decision of the arbitrator will be in writing and final and binding on all Parties. This Section will survive termination or non-renewal of this Agreement under any circumstances. Judgment upon the award of the arbitrator may be entered in any court having jurisdiction thereof. During the pendency of any arbitration proceeding, Franchisee and Chip will fully perform their respective obligations under this Agreement.

C. Additional Proceedings. If, after Chip or Franchisee institutes an arbitration proceeding, one or the other asserts a claim, counterclaim or defense, the subject matter of which, under statute or current judicial decision is non-arbitrable for public policy reasons, the Party against whom the claim, counterclaim or defense is asserted may elect to proceed with the arbitration of all arbitrable claims, counterclaims or defenses or to proceed to litigate all claims, counter claims or defenses in a court having competent jurisdiction.

D. Injunctive Relief. Notwithstanding the other provisions of this Section, Franchisee recognizes that the failure of a single franchisee to comply with the terms of its Agreement could cause irreparable damage to Chip, its corporate owned locations, other franchisees in the system, and all Stores. Chip and Franchisee therefore agree that, in the event of a breach or threatened breach of any of the terms of this Agreement by Franchisee or in the event of any conduct by Franchisee which is illegal or is dishonest or misleading to Franchisee's customers or prospective customers, may impair the goodwill associated with the Marks, may reveal Confidential Information, or relates to the non-competition covenants herein, Chip may seek an injunction restraining such breach or a decree of specific performance in any court of competent jurisdiction, without showing or proving any actual damage, until such time as a final and binding determination is made by the arbitrator. The foregoing equitable remedy will be in addition to, and not in lieu of, all other remedies or rights that Chip might otherwise have by virtue of any breach of this Agreement by Franchisee.

E. Attorneys' Fees. In the event any action in law or equity or any arbitration or other proceeding is brought for the enforcement of this Agreement or in connection with any of the provisions of this Agreement, the successful or prevailing Party or Parties shall be entitled to reasonable attorneys' fees and other costs reasonably incurred in such action or proceeding.

F. Waiver of Trial by Jury. To the extent that each Party may lawfully do so, Franchisee and Franchisor both waive their right to a trial by jury in any action that may be brought on or with respect to this Agreement or any other agreement executed in connection herewith.

G. Consequential or Punitive Damages. In no event will Franchisor be liable to Franchisee for consequential or punitive damages in any action or proceeding arising out of or relating to this Agreement; any breach, termination, cancellation or non-renewal of this Agreement; or in any other action or proceeding whatsoever between the parties and/or any of their affiliates. Franchisee hereby waives and covenants never to advance any such claim for consequential or punitive damages.

## 21. GUARANTY

If Franchisee is a partnership, corporation, a limited liability company or other business entity, personal guaranties shall be required from all shareholders, partners or members owning, directly or indirectly, at least 5% of the beneficial ownership interest in Franchisee. Franchisee shall provide to Chip a list of all such owners as of the Effective Date by completing Exhibit C and shall provide to Chip as soon as reasonably possible after a change of ownership any updates to the ownership that occur during the term of this Agreement. Nothing in the paragraph shall be construed to limit the application of the transfer provisions under this Agreement or Franchisee's obligation to comply with such provisions. The required personal guaranties for each such owner must be executed on Chip's standard form Guaranty attached

hereto as Exhibit E concurrently with the execution of this Agreement or at such time such owner becomes an owner of Franchisee. Chip may also require the spouse of any such owner to execute the Guaranty. If Franchisee is in breach or default under this Agreement, Chip may proceed directly against each such individual and/or entity guarantor without first proceeding against Franchisee and without proceeding against or naming in the suit any other such individuals and/or entities. Franchisee's obligations and those of each such individual and/or entity will be joint and several. Notice to or demand upon one such individual and/or entity will be considered notice to or demand upon Franchisee and all such individuals and/or entities and no notice or demand need be made to or upon all such individuals and/or entities. The cessation of or release from liability of Franchisee or any such individual and/or entity guarantor will not relieve any other individual and/or entity from liability under this Agreement, except to the extent that the breach or default has been remedied or money owed has been paid.

## **22. MISCELLANEOUS**

A. Severability. All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions will be enforced to the extent valid and enforceable. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to renew this Agreement than is required hereunder or the taking of some other action not required hereunder, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by Chip is invalid or unenforceable, the prior notice or other action required by such law or rule will be substituted for the notice requirements hereof, or such invalid or unenforceable provision, specification, standard or operating procedure will be modified to the extent required to be valid and enforceable. Such modifications to this Agreement will be effective only in such jurisdiction and will be enforced as originally made and entered into in all other jurisdictions. If an invalid or unenforceable provision is deemed by Chip to be an essential term of this Agreement, Chip shall have the option of terminating the Agreement with immediate effect by providing written notice to Franchisee.

B. Waiver; Amendment. No waiver by Chip of any breach by Franchisee, nor any delay or failure by Chip to enforce any provision of this Agreement, may be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce Chip's rights with respect to that or any other subsequent breach. Subject to Chip's rights to modify the Brand Standards Manuals, System and/or standards and as otherwise provided herein, this Agreement may not be waived, altered or rescinded, in whole or in part, except by a writing signed by both Parties.

C. Cumulative Rights. The rights of Chip and Franchisee hereunder are cumulative and no exercise or enforcement by Chip or Franchisee of any right or remedy hereunder will preclude the exercise or enforcement by Chip or Franchisee of any other right or remedy hereunder or which Chip or Franchisee is entitled by law to enforce.

D. Governing Law; Forum; Limitation Period. This Agreement will be governed by the laws of the State of Utah, without regard to its conflicts of law principles. Subject to Section 20 hereof, forum for any action shall be exclusively in the United States District Court for the District of Utah, or, if such court does not have subject matter jurisdiction, the courts of the State of Utah sitting in Salt Lake County, and any appellate court from any thereof. In connection therewith, each Party hereby agrees to submit to the jurisdiction of such courts and to waive any possible defense of forum non conveniens and/or lack of personal jurisdiction before such court. Any and all claims and actions arising out of or relating to this Agreement, the relationship of Franchisee and Chip, or Franchisee's operations, brought by either Party hereto against the other, must be commenced within one calendar year of the occurrence of the facts giving rise to such claim or the action shall be barred.

E. **Binding Effect.** This Agreement is binding upon the Parties hereto and their respective executors, administrators, heirs, assigns and successors in interest.

F. **Consents.** Whenever a Party's consent or approval is required under this Agreement, such consent or approval will not be unreasonably withheld or delayed.

G. **Headings; Construction.** The headings and table of contents used herein are for purposes of convenience only and will not be used in constructing the provisions hereof. As used herein, the male gender will include the female and neuter genders, the singular will include the plural, and the plural, the singular. If Franchisee consists of more than one individual, all individuals will be bound jointly and severally by the provisions of this Agreement.

H. **Entire Agreement.** This Agreement together with the exhibits, addenda and appendices hereto constitute the entire agreement between the Parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations Chip made in the Disclosure Document furnished to Franchisee.

I. **Force Majeure.** In the event of any failure of performance of this Agreement according to its terms by any Party, except the timely payment of fees to Chip, the same shall not be deemed a breach of this Agreement if it arose from causes beyond the control of and without the fault or negligence of said Party. Such causes include, but are not limited to, acts of God, actions of the elements, lockouts, strikes, wars, riots, civil commotion, and acts of the government except as otherwise provided for in this Agreement. If the cause of the Force Majeure continues for more than 90 calendar days, the Party not claiming the Force Majeure as a basis for non-performance may terminate this Agreement with immediate effect by providing notice to the other Party.

### 23. **NOTICES**

All notices, requests, demands, payments, consents, and other communications hereunder will be transmitted in writing and sent by registered or certified United States mail, postage prepaid, or by overnight commercial courier to the following address or such other address as designated in writing pursuant to this Section:

**FRANCHISOR:**

Chip Partners, LLC  
Attn: Sean Wilson  
4752 West California Avenue  
Salt Lake City, UT 84104

With copy to:

Kirton McConkie  
50 E. South Temple #400  
Salt Lake City, UT 84111  
Attn: Karen Taylor DelPriore

**FRANCHISEE:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Any notice will be deemed to have been duly given upon receipt, or, in the case of refusal to accept delivery or inability to deliver through no fault of the delivering Party, the earlier of (i) the date of the attempted delivery or inability to deliver through no fault of the delivering Party; (ii) the delivery date of the return receipt; or (iii) the date of the receipt of notice of refusal or notice of non-delivery by the sending Party.

## 24. SPECIFIC REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGEMENTS

A. 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. Franchisee acknowledges that:

1. It has made no payment to Chip before the execution of this Agreement.

\_\_\_\_\_  
Initials

2. It has received a Franchise Disclosure Document at least fourteen (14) calendar days before entering into a binding agreement with or making any payment to Chip and signed a receipt page indicating the day Franchisee received the Franchise Disclosure Document.

\_\_\_\_\_  
Initials

3. **The success or failure of its franchise will depend on a wide variety of factors including, Franchisee's skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms, and other economic and business factors.**

\_\_\_\_\_  
Initials

4. Other franchisees of Chip may be granted franchises at different times and in different situations, and further acknowledges that the provisions of such franchise agreements may vary substantially from those contained in this Agreement. Franchisee further acknowledges and agrees that Chip, in its sole and absolute discretion may modify or vary aspects of the System as to any franchisee or group of franchisees based on, for example, local sales potential, demographics, competition, business practices or other conditions. Chip is under no obligation to disclose or offer the same or similar variances to the Franchisee and Chip's obligations and rights as to those franchisees may differ materially in certain circumstances.

\_\_\_\_\_  
Initials

[Signature page to follow]



IN WITNESS WHEREOF, the Parties enter into this Agreement as of the Effective Date.

**FRANCHISOR:**

**FRANCHISEE:**

CHIP PARTNERS, LLC

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

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

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

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

**EXHIBIT A**

**PROTECTED TERRITORY AND AUTHORIZED LOCATION**

**Chip Cookies:** Chip Partners, LLC

**Franchisee:**

1. Pursuant to Section 1(B) of the Franchise Agreement, Chip and Franchisee hereby acknowledge and agree that the below listed address is the Authorized Location for the Store to be opened pursuant to the Franchise Agreement.

**Authorized Location:**

2. Pursuant to Section 1(C) of the Franchise Agreement, Chip and Franchisee hereby agree that the Protected Territory for the Store to be opened pursuant to the Franchise Agreement is defined by the following geographical boundaries as they exist as of the Effective Date:

**FRANCHISOR:**

**FRANCHISEE:**

CHIP PARTNERS, LLC

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

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

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

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

## EXHIBIT B

### ACKNOWLEDGEMENT OF OPENING

**Chip Cookies:** Chip Partners, LLC

**Franchisee:**

**Authorized Location:**

Franchisee hereby acknowledges and agrees that the Chip Store at the Authorized Location listed above opened for business on \_\_\_\_\_ (the "Opening Date"). Accordingly, the initial term of the Franchise Agreement shall expire five (5) years from the Opening Date.

**FRANCHISEE:**

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

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

## EXHIBIT C

### ENTITY OWNERSHIP ADDENDUM

1. Entity Owners. If Franchisee is an entity, Franchisee represents and warrants to Chip that each shareholder owning directly or beneficially 5% or more of any class of securities of the entity; and general partner or co-venturer in the entity; any partner in a limited liability partnership or member in a limited liability company owning directly or beneficially 5% or more of the ownership interest in the entity; the trustees or administrators of any trust or estate; and any beneficiary of a trust or estate owning, directly or beneficially, 5% or more of the interest in the trust or estate (“Entity Owners”) are listed below. If an Entity Owner is itself an entity, the term “Entity Owner” also includes Entity Owners in the entity. Entity Owners are as follows:

NAME	ADDRESS	PERCENTAGE OF INTEREST
_____	_____	_____
_____	_____	_____

2. Change. Franchisee agrees to immediately notify Chip in writing of any change in the information contained in this Addendum and, at Chip’s request, prepare and sign a new Addendum containing the correct information.

3. Principal Owner. Franchisee’s Principal Owner responsible for the day-to-day supervision of the Franchised Business is \_\_\_\_\_.

4. Date of Addendum. The date of this Addendum is \_\_\_\_\_, 20\_\_.

#### FRANCHISEE:

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

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

## EXHIBIT D

### NON-DISCLOSURE AND NON-COMPETITION AGREEMENT

This NON-DISCLOSURE AND NON-COMPETITION AGREEMENT (this “Agreement”) is entered into and made effective as of the \_\_\_ day of \_\_\_\_\_, 20\_\_, by and between \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”) and the undersigned individual (“Individual”) in favor of Chip Partners, LLC, a Utah limited liability company, and its successors and assigns (the “Company”).

WHEREAS, Franchisee has acquired the right from the Company to: (i) establish and operate a Chip store (the “Franchised Business”); and (ii) use in the operation of the Franchised Business the Company’s trade names, trademarks and service marks and the Company’s unique system relating to the establishment and operation of Chip stores (the “System”), as they may be changed, improved and further developed from time to time in the Company’s sole discretion; and

WHEREAS, Individual will be provided with access to certain information regarding the Franchised Business and the System, including Confidential Information (as defined below) in connection with Individual being a [INSERT TITLE/ROLE WITH FRANCHISEE] of Franchisee.

NOW, THEREFORE, in consideration of Individual’s position with Franchisee, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, Individual and Franchisee agree as follows:

1. The Company possesses certain proprietary and confidential information relating to the operation of the Franchised Business and System generally, including without limitation: Company’s proprietary and confidential operations manual and other manuals providing guidelines, standards and specifications related to the establishment and operation of the Franchised Business (collectively, the “Brand Standards Manual”); the System; customer data and customer lists; site selection criteria; information regarding products; training and operations materials and manuals; methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating Chip stores; marketing and advertising programs; knowledge of specifications for and suppliers of products, products and other supplies; any computer software or similar technology which is proprietary to the Company or the System, including, without limitation, digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology; knowledge of the operating results and financial performance of outlets other than the Franchised Business; and, graphic designs and related intellectual property (collectively, the “Confidential Information”). Any other information, knowledge, know-how, and techniques which the Company specifically designates as confidential will also be deemed to be Confidential Information for purposes of this Agreement.
2. As [INSERT TITLE WITH RESPECT TO FRANCHISEE] of Franchisee, the Company and Franchisee will disclose the Confidential Information to Individual, which may include furnishing to Individual the training program and subsequent ongoing training, the Brand Standards Manual, and other general assistance while Individual maintains such position with Franchisee.
3. Individual acknowledges and agrees that he/she will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the

term hereof, and the use or duplication of the Confidential Information, in whole or in part, for any use outside the System would constitute an unfair method of competition.

4. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to Individual solely on the condition that Individual agrees, and Individual does hereby agree, that he/she shall hold in strict confidence the Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, Individual will disclose and/or use the Confidential Information only in connection with his/her duties as [INSERT TITLE] of Franchisee, and will continue not to disclose any such information even after Individual ceases to be in that position and will not use any such information even after Individual ceases to be in that position unless Individual can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee, or any agent, representative, employee or other party related to Franchisee, under the Franchise Agreement. Nothing in this Agreement shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation, or order. Individual shall promptly provide written notice of any such order to Franchisee.
5. Individual will surrender any material containing some or all of the Confidential Information to the Company, upon request, or upon conclusion of the use for which the information or material may have been furnished.
6. Except as otherwise approved in writing by the Company, Individual shall not, while in his/her position with Franchisee, for his/her self, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, be employed by, or have any interest in any other business that engages in or grants or has granted franchises or licenses, or establishes or has established joint ventures, for one or more entity that operates a store selling and delivering cookies, or is the same as, similar to, or competes, directly or indirectly, with Chip stores (collectively, a “Competing Business”). Individual also agrees that he/she will not undertake any action to divert business from the Franchised Business or any other Chip store to any Competing Business, or solicit any of the former customers or employees of the Company, Franchisee or any other franchisee of the Company for any competitive business purpose.
7. In the event Individual is a manager of the Franchised Business, or an officer/director/manager/partner of Franchisee that has not already executed a Personal Guaranty agreeing to be bound by the terms of the Franchise Agreement, then Individual further agrees that he/she will not be involved in a Competing Business of any kind for a period of two years after the expiration or termination of Individual’s position with Franchisee for any reason: (i) at or within a 25 miles of the location of the Franchised Business; or (ii) within 25 miles of any other Chip store that exists at the time Individual’s position with Franchisee ceases through the date of Individual’s involvement with the Competing Business. Individual also agrees that he/she will not undertake any action to divert business from the Franchised Business or any other Chip store to any Competing Business, or solicit any of the former customers or employees of the Company, Franchisee or any other franchisee of the Company for any competitive business during this two year period following the termination or expiration of Individual’s employment with Franchisee. Notwithstanding the foregoing, Individual shall not be precluded from ownership of securities in a company if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 2% percent or less of the class of securities.

8. Individual agrees that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Company is a party, Individual expressly agrees 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 Agreement.
9. Individual understands and acknowledges that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without Individual's consent, effective immediately upon receipt by Individual of written notice thereof; and Individual agrees to comply forthwith with any covenant as so modified.
10. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. Individual is aware that his/her violation of this Agreement will cause the Company and Franchisee irreparable harm; therefore, Individual acknowledges and agrees that Franchisee and/or the Company may apply for the issuance of a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security. Individual agrees to pay Franchisee and the Company all costs incurred, including, without limitation, legal fees and expenses, if this Agreement is enforced against Individual. Due to the importance of this Agreement to Franchisee and the Company, any claim Individual has against Franchisee or the Company is a separate matter and does not entitle Individual to violate, or justify any violation of this Agreement.
11. Individual shall not at any time, directly or indirectly, do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Confidential Information and the System.
12. Franchisee shall make all commercially reasonable efforts to ensure that Individual acts as required by this Agreement.
13. Any failure by Franchisee to object to or take action with respect to any breach of this Agreement by Individual shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Individual.
14. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF [STATE], WITHOUT REGARD TO ITS CONFLICTS OF LAW PRINCIPLES. INDIVIDUAL HEREBY IRREVOCABLY SUBMITS HIMSELF/HERSELF TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS OF THE STATE OF [STATE], COUNTY OF [COUNTY]. INDIVIDUAL HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. INDIVIDUAL HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON INDIVIDUAL IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED UNDER APPLICABLE LAW. INDIVIDUAL FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE ONE OF THE COURTS DESCRIBED ABOVE IN THIS SECTION; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER

EXTRAORDINARY RELIEF, FRANCHISEE OR THE COMPANY MAY BRING SUCH ACTION IN ANY COURT OF COMPETENT JURISDICTION.

15. The parties acknowledge and agree that each of the covenants contained in this Agreement are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisee or the Company. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisee or the Company is a part, Individual expressly agrees to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made a part of this Agreement.
16. Except with respect to any franchise agreement of the Company to which Individual has guaranteed any obligations, this Agreement contains the entire agreement of the parties regarding the subject matter of this Agreement. Except as otherwise specifically set forth herein, this Agreement may be modified only by a duly authorized writing executed by all parties.
17. If Individual violates any of the terms of the restrictive covenant obligations in this Agreement, the obligation at issue will begin to run from the first date on which Individual ceases to be in violation of the obligation/the restriction period for all such restrictions shall automatically be extended by the period Individual was in violation of such obligation.
18. All notices, requests, demands, payments, consents, and other communications hereunder will be transmitted in writing and sent by registered or certified United States mail, postage prepaid, or by overnight commercial courier to the following address or such other address as designated in writing pursuant to this Section:

If to Franchisee:

\_\_\_\_\_  
Attn: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

If to Individual, at the address set forth in the signature block.

Any notice will be deemed to have been duly given upon receipt, or, in the case of refusal to accept delivery or inability to deliver through no fault of the delivering party, the earlier of (i) the date of the attempted delivery or inability to deliver through no fault of the delivering party; (ii) the delivery date of the return receipt; or (iii) the date of the receipt of notice of refusal or notice of non-delivery by the sending party.

19. The rights and remedies of Franchisee under this Agreement are fully assignable and transferable and inure to the benefit of its respective parent, successor and assigns. Individual may not assign this Agreement or any part hereof. Any purported assignment by Individual shall be null and void from the initial date of purported assignment.



IN WITNESS WHEREOF, this Agreement is made and entered into by the undersigned parties as of the date first set forth above.

**INDIVIDUAL:**

**FRANCHISEE:**

\_\_\_\_\_

\_\_\_\_\_

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

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

Address: \_\_\_\_\_

Its: \_\_\_\_\_

\_\_\_\_\_

## EXHIBIT E

### GUARANTY

In consideration of, and as an inducement to, the execution of a Chip Franchise Agreement between Chip Partners, LLC (“Chip”) and \_\_\_\_\_ (“Franchisee”) dated \_\_\_\_\_ (the “Franchise Agreement”), and for other good and valuable consideration, each of the undersigned for themselves, their heirs, legal representatives, successors and assigns (collectively the “Guarantors”) do hereby unconditionally, individually, jointly and severally guaranty to Chip, and to its successors and assigns, the full, complete and timely payment and performance of each and all of the terms, covenants and conditions of the Franchise Agreement, and any modification or amendment to the Franchise Agreement, to be kept and performed by Franchisee during the term of the Franchise Agreement, including without limitation the payment of all fees and charges accruing pursuant to the Franchise Agreement.

Each of the Guarantors further agrees as follows:

1. The Guarantors, individually, jointly and severally, shall be personally bound by each and every condition and term contained in the Franchise Agreement as though each of the Guarantors had executed a franchise agreement containing the identical terms and conditions of the Franchise Agreement, including without limitation the provisions relating to Confidential Information and covenants not to compete. This Guaranty shall continue in favor of Chip notwithstanding any extension, modification, or alteration of the Franchise Agreement, and notwithstanding any assignment of the Franchise Agreement, with or without Chip’s consent. No extension, modification, alteration or assignment of the Franchise Agreement shall in any manner release or discharge the Guarantors, and each of the Guarantors consents to any such extension, modification, alteration or assignment.
2. This Guaranty will continue unchanged by the occurrence of any event of insolvency with respect to Franchisee or any assignee or successor of Franchisee or by any disaffirmance or abandonment of the Franchise Agreement by a trustee in bankruptcy of Franchisee. Each Guarantor’s obligation to make payment or render performance in accordance with the terms of this Guaranty and any remedy for the enforcement of this Guaranty will not be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for the enforcement thereof, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency.
3. Each Guarantor’s liability under this Guaranty is primary and independent of the liability of Franchisee and any other Guarantors. Each Guarantor waives any right to require Chip to proceed against any other person or to proceed against or exhaust any security held by Chip at any time or to pursue any right of action accruing to Chip under the Franchise Agreement. Chip may proceed against each Guarantor and Franchisee, jointly and severally or may, at its option, proceed against each Guarantor without having commenced any action, or having obtained any judgment, against Franchisee or any other Guarantor. Each Guarantor waives the defense of the statute of limitations in any action under this Guaranty or for the collection of any indebtedness or the performance of any obligation guaranteed pursuant to this Guaranty.
4. The Guarantors unconditionally, individually, jointly and severally agree to pay all attorneys’ fees and all costs and other expenses incurred in any collection or attempted collection of this Guaranty or in any negotiations relative to the obligations guaranteed or in enforcing this Guaranty against Franchisee.

5. Each Guarantor waives notice of any demand by Chip, any notice of default in the payment of any amounts contained or reserved in the Franchise Agreement, or any other notice of default under the Franchise Agreement. Each Guarantor expressly agrees that the validity of this Guaranty and its obligations shall in no way be terminated, affected or impaired by reason of any waiver by Chip, or its successors or assigns, or the failure of Chip to enforce any of the terms, covenants or conditions of the Franchise Agreement or this Guaranty, or the granting of any indulgence or extension of time to Franchisee, all of which may be given or done without notice to the Guarantors.

6. This Guaranty shall extend, in full force and effect, to any assignee or successor of Chip and shall be binding upon the Guarantors and each of their respective successors and assigns.

7. Until all obligations of Franchisee to Chip have been paid or satisfied in full, the Guarantors have no remedy or right of subrogation and each Guarantor waives any right to enforce any remedy which Chip has or may in the future have against Franchisee and any benefit of, and any right to participate in, and security now or in the future held by Chip.

8. All existing and future indebtedness of Franchisee to each Guarantor is hereby subordinated to all indebtedness and other obligations guaranteed in this Guaranty and, without the prior written consent of Chip, shall not be paid in whole or in part, nor will any Guarantor accept any payment of or on account of any such indebtedness while this Guaranty is in effect.

9. This Guaranty shall be construed in accordance with the laws of the State of Utah, without giving effect to its conflict of laws principles.

**GUARANTORS:**

\_\_\_\_\_  
Individually

\_\_\_\_\_  
Individually

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Address

\_\_\_\_\_  
Address

\_\_\_\_\_  
City, State, Zip

\_\_\_\_\_  
City, State, Zip

\_\_\_\_\_  
Telephone

\_\_\_\_\_  
Telephone

## EXHIBIT F

### LEASE ADDENDUM

This Lease Addendum (this “Addendum”) made and entered into this \_\_\_ day of \_\_\_\_\_ 20\_\_\_, and is attached to and made a part of that certain Lease Agreement by and between \_\_\_\_\_, a \_\_\_\_\_ having its principal offices at \_\_\_\_\_ (“Landlord”), and \_\_\_\_\_, a \_\_\_\_\_ having its principal office at \_\_\_\_\_ (“Tenant”).

WHEREAS, the Landlord and the Tenant have entered into a certain lease agreement concurrently herewith (the “Lease”) for the premises having an address of \_\_\_\_\_, as more particularly described in the Lease (the “Leased Premises”) for use by the Tenant as business to be opened pursuant to certain proprietary marks and system in connection with a written Franchise Agreement by and between Chip Partners, LLC (hereinafter referred to as “Chip”) and Tenant (the “Franchise Agreement”); and

WHEREAS, a condition to the approval of the Tenant’s specific location by Chip is that the Lease for the Leased Premises designated for the operation of a Chip store contains the provisions set forth herein.

NOW THEREFORE, in consideration of the foregoing premises and other good and valuable consideration which is acknowledged by the parties hereto, Tenant and Landlord agree as follows:

1. During the term of the Lease, including renewals, if any, the Leased Premises shall not be used for any purpose other than the operation of a Chip store.
2. Landlord and Tenant grant to Chip the exclusive right, exercisable at the option of Chip, to take assignment of and assume all rights, title and interest of Tenant in and to the Lease and the Leased Premises:
  - a. on the termination of the Franchise Agreement;
  - b. on the sale, transfer or assignment of the business licensed pursuant to the Franchise Agreement;
  - c. on the commencement of eviction or termination proceedings by the Landlord against Tenant;  
or
  - d. on cessation of the use of the Leased Premises as a Chip store.

Chip must give written notice to Landlord of its intent to exercise this option within thirty (30) days after the event triggering the option. If Chip timely exercises its option, the Lease and all rights, title and interest of Tenant under the Lease and to the Leased Premises will be automatically, and without need of further documentation, assigned to Chip and assumed by Chip (or an entity to be formed and controlled by Chip, provided Chip guaranties the full performance of the Lease by such entity in such form as Landlord may reasonably require). If Chip does not give notice exercising its assignment option within the thirty (30) day period, Chip will be deemed to have forfeited its rights under this Section. Upon Chip’s written request, Landlord and Tenant agree to execute documents acceptable to Landlord in its reasonable discretion confirming this assignment and assumption in form acceptable to Landlord in its reasonable discretion, including a short form of Assignment and Assumption of Lease suitable for recording. If Chip takes assignment of the Lease

pursuant to this Section, Chip shall be deemed to have assumed all obligations of Tenant under the Lease, and shall be obligated to cure any default in existence on the date of such assignment and assumption (the “Assumption Date”) within the timeframe set forth in the Lease for curing such default after the Assumption Date. Landlord may rely upon any notice from Chip that Chip has assumed the Lease, notwithstanding any claim to the contrary or contesting Chip’s right to assume the Lease by Tenant, and, as a condition of the assumption, Chip agrees to indemnify and hold harmless Landlord from any and all claims, losses, damages, costs and expenses, including reasonable attorneys’ fees, incurred by Landlord as a result of any claim by Tenant as a result of Chip’s exercise of this assumption right.

3. If Chip takes assignment and assumption of the Lease and the Leased Premises, Chip may subsequently grant a franchise at the Leased Premises to another Chip franchisee and may assign the Lease to a new Chip franchisee, provided that Chip notifies the Landlord of such assignment, and Chip and the new franchisee execute an assignment and assumption of lease agreement in form acceptable to Landlord in its reasonable discretion. Chip shall remain liable under the Lease notwithstanding such assignment and assumption unless the new franchisee has a tangible net worth at least equivalent to the tangible net worth of Tenant on this effective date of this Lease as reasonably determined by Landlord or Landlord, in its sole discretion, agrees in writing to release Chip from liability. Landlord shall permit the assignment of the Lease and Leased Premises to said franchisee without the payment of any fee or other cost requirement. The parties agree to execute any commercially reasonable documents in furtherance of this Section.
4. During the Lease Term, Landlord and Tenant grant to Chip the right to enter the Leased Premises upon reasonable notice during regular business hours to:
  - a. inspect and audit Tenant’s business;
  - b. make any modifications necessary to protect the Chip trademarks, provided such modifications are made in accordance with the terms of the Lease; or
  - c. remove all Chip signage, trademarked items and other related materials, provided such removal is done in accordance with the terms of the Lease.
5. Landlord will endeavor to give Chip written notice of any Tenant default under the Lease, and Landlord further agrees that it will not terminate the Lease or evict Tenant from the Premises unless it has given Chip written notice of the Tenant default and Chip has had the time period after Chip’s receipt of such notice provided for the curing of such default under the Lease before Landlord may exercise such remedy. Landlord acknowledges and understands that by curing Tenant’s default, Chip does not assume and Landlord shall not hold it responsible for any liabilities of Tenant unless Chip assumes the Lease as provided in Section 2 herein. All notices directed to Chip shall be sent to:

Chip Partners, LLC  
Attn: Sean Wilson  
4752 West California Avenue  
Salt Lake City, UT 84104

6. In the event of a conflict between the terms of this Addendum and the terms of the Lease, the terms of this Addendum shall control.

7. Landlord and Tenant agree not to amend the Lease in any respect, except with the prior written consent of Chip.
8. If Landlord has a lien on Tenant's equipment and inventory (the "Collateral") pursuant to either, statute, common law or the terms of the Lease, such lien shall be subordinate to Chip's interest in the Collateral pursuant to the terms of the Franchise Agreement, and Landlord shall give Chip at least ten (10) business days' prior written notice before commencing any action to enforce such lien against the Collateral.
9. Any approvals or consents required by Landlord under this Addendum shall not be unreasonably withheld.

Dated this \_\_ day of \_\_\_\_\_ 20\_\_.

**LANDLORD:**

**TENANT:**

\_\_\_\_\_

\_\_\_\_\_

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**FRANCHISOR:**

CHIP PARTNERS, LLC

\_\_\_\_\_

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

Its: \_\_\_\_\_

## EXHIBIT G

### DIRECT PAYMENT AUTHORIZATION

\_\_\_\_\_ (“Franchisee”) hereby authorizes Chip Partners, LLC (“Chip”) to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account(s) designated below with the depository institution designated below (“Bank”). Franchisee agrees that ACH transaction it authorizes comply with all applicable law.

Bank Name: \_\_\_\_\_

Account Owner: \_\_\_\_\_

Account Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Routing # (9 digits): \_\_\_\_\_

Account #: \_\_\_\_\_

THIS AUTHORIZATION SHALL REMAIN IN FULL FORCE AND EFFECT UNTIL TERMINATED IN WRITING BY FRANCHISEE. FRANCHISEE UNDERSTANDS FRANCHISOR AND BANK REQUIRE A REASONABLE AMOUNT OF TIME TO ACT ON SUCH A TERMINATION REQUEST AND FRANCHISEE AGREES SUCH TIME MAY BE UP TO 14 DAYS AFTER RECEIPT OF NOTICE. NOTICE SHOULD BE PROVIDED TO CHIP PURSUANT TO THE NOTICE PROVISION IN ITS FRANCHISE AGREEMENT WITH CHIP. Franchisee shall provide Chip a voided check from the above-referenced account in conjunction with this authorization.

#### FRANCHISEE:

\_\_\_\_\_

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

Its: \_\_\_\_\_

## EXHIBIT H

### GENERAL RELEASE AGREEMENT

This GENERAL RELEASE AGREEMENT (this “Release”) is entered into and made effective as of the \_\_\_ day of \_\_\_\_\_, 20\_\_\_, by and between \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”), each individual holding an ownership interest in Franchisee (collectively with Franchisee, the “Releasor”) and Chip Partners, LLC, a Utah limited liability company, and its successors and assigns (“Chip”). Chip and Releasor are each sometimes referred to herein as a “Party” or collectively as the “Parties”.

WHEREAS, Chip and Franchisee have entered into a Franchise Agreement (the “Franchise Agreement”) pursuant to which Franchisee was granted the right to own and operate a Chip store (the “Franchised Business”);

WHEREAS, Franchisee has notified Chip of its desire to transfer or sell and assign an ownership interest in the Franchised Business (as defined in the Franchise Agreement) at the Approved Location (as defined in the Franchise Agreement) and all rights related thereto, to a third party in accordance with the transfer provisions of the Franchise Agreement, and Chip has consented to such transfer and agreed to enter into a successor franchise agreement; [or WHEREAS, Franchisee has notified Chip of its desire to renew] and

WHEREAS, as a condition to Chip’s consent to the transfer under the Franchise Agreement [or renewal of Franchisee’s ability to enter into a successor franchise agreement], Releasor and transferee has agreed to execute this Release upon the terms and conditions stated below;

NOW, THEREFORE, in consideration of Chip’s consent to the transfer [Chip entering into a successor franchise agreement], 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.** Each Releasor severally represents and warrants that such party is duly authorized to enter into this Release and to perform the terms and obligations in this Release, and has not assigned, transferred or otherwise conveyed, either voluntarily or by operation of law, any of its rights or claims against Chip or any of the rights, claims or obligations being terminated, released or waived hereunder.
2. **Release of Chip.** Releasor and any 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 Chip, 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, performance, default, assignment and termination of the Franchise Agreement and the offer and sale of the franchise related thereto. The Parties intend that this Release shall include, without limitation, claims, demands and causes of action arising out of alleged misrepresentations of any kind or nature whatsoever, alleged breaches of contract (based upon implied, express, estoppel, waiver or alternative theories of contractual obligation), or breach



of any alleged special, trust, agency or fiduciary relationship, whether asserted or proposed to be asserted by way of claim, setoff, affirmative defense, counterclaim, cross-claim or third party claim. The Releasors have been made aware of, and understand, the provisions of California Civil Code Section 1542 (“Section 1542”), which provides: “**A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.**” The Releasors expressly, knowingly, and intentionally waive any and all rights, benefits, and protections of Section 1542 and of any other state or federal statute or common law principle limiting the scope of a general release.

3. Confidentiality. Each Party hereto and their respective counsel, representatives and agents agrees that they will not disclose any of the terms of this Release. The parties and their respective counsel, representatives and agents are not, however, precluded from disclosing the terms of the Release to their attorneys, accountants, tax preparers paid financial advisors or any governmental, regulatory or judicial authority which might compel the disclosure of this Release. Notwithstanding the foregoing, if any of the parties is served with a subpoena or other governmental or judicial process seeking to compel the disclosure of this Release, it shall be the responsibility of the Party that receives the subpoena or other governmental or judicial process to promptly notify all other parties to this Release with sufficient time to afford the other parties to this Release an opportunity to move to quash the subpoena or oppose the entry of any order seeking to compel the disclosure of this Release. Additionally, in the event it becomes necessary to file this Release with a court in any future enforcement action between the parties, the parties hereby agree to apply jointly for leave to file this Release under seal.
4. 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. Releasor understands how this Release will affect Releasor’s legal rights and voluntarily enter into this Release with such knowledge and understanding.
  - b. This Release shall be construed and governed by the laws of the State of Utah. The parties hereby consent and waive all objections to the non-exclusive personal jurisdiction of, and venue, in the United States District Court for the District of Utah and Utah state courts situated in Salt Lake County, Utah for the purposes of all cases and controversies involving this Release and its enforcement, and the Franchise Agreement.
  - c. 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 attorney fees.
  - d. 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.
  - e. 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.

- f. This Release may be executed in multiple counterparts, as may be required, and it shall not be necessary that the signatures on behalf of each Party appear on one or more of the counterparts. All counterparts 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. The Parties agree to do such further acts and things and to execute and deliver such additional agreements and instruments as any Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

[Signature page to follow]

IN WITNESS WHEREOF, this Release is made and entered into by the Parties as of the date first set forth above.

**FRANCHISEE**

\_\_\_\_\_

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

Its: \_\_\_\_\_

**INDIVIDUAL RELEASORS:**

\_\_\_\_\_  
Name

\_\_\_\_\_  
Name

\_\_\_\_\_  
Name

\_\_\_\_\_  
Name

**CHIP PARTNERS, LLC**

\_\_\_\_\_

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

Its: \_\_\_\_\_

# **EXHIBIT C**

## **AREA DEVELOPMENT AGREEMENT AND RELATED EXHIBITS**



## AREA DEVELOPMENT AGREEMENT

Between

Chip Partners, LLC  
a Utah limited liability company

and

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(Developer)

Date of Area Development Agreement

\_\_\_\_\_

**CHIP PARTNERS, LLC**  
**AREA DEVELOPMENT AGREEMENT**

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# AREA DEVELOPMENT AGREEMENT

This Area Development Agreement (this “Agreement”) is entered into this \_\_\_ day of \_\_\_\_\_, 20\_\_\_ (the “Effective Date”) by and between Chip Partners, LLC, a Utah limited liability company, with its principal business address at 4752 West California Avenue Salt Lake City, UT 84104 (“Chip”), and \_\_\_\_\_, a(n) \_\_\_\_\_, with its principal address at \_\_\_\_\_ (“Developer”). Chip and Developer are sometimes referred to herein individually as a “Party” or collectively as the “Parties.”

## RECITALS

WHEREAS, Chip is in the business of granting to qualified individuals or entities, franchises (each a “Franchise”) the rights to operate a Chip® branded restaurant (a “Chip Store”) using Chip’s registered and unregistered trademarks, and other trademarks, trade names, service marks, logos, emblems, and the like that Chip authorizes from time to time (the “Marks”) and its system for the operation of a cookie retail and delivery business offering to the public warm cookies and other related products and services (the “System”). Chip grants each Franchise solely pursuant to a written franchise agreement signed by both Parties (each a “Franchise Agreement”);

WHEREAS, Chip may also grant, in its sole discretion, the right to acquire multiple Franchises for the development and operation of Chip Stores within a defined geographic area (the “Development Area”) pursuant to an agreed upon schedule (the “Development Schedule”); and

WHEREAS, Developer desires to acquire and develop multiple Franchises and Chip agrees to grant such rights under the terms and conditions contained in this Agreement.

NOW, THEREFORE, in consideration of the representations, warranties, and covenants in this Agreement and subject to this Agreement, the Parties agree as follows:

## AGREEMENT

### 1. GRANT OF DEVELOPMENT RIGHTS; TERM

a. Development Rights. Subject to the limitations set forth in this Agreement, Chip hereby grants to Developer the right, and Developer accepts and undertakes the obligation, to acquire Franchises and develop and operate multiple Chip Stores (the “Development Rights”) within the Development Area and in strict compliance with the Development Schedule, both as set forth in Exhibit A. The Development Rights are limited to the rights to acquire Franchises in accordance with this Agreement and the Development Schedule. The rights to develop and operate each individual Franchise and to use the Marks are granted only pursuant to individual Franchise Agreements.

b. Term. Except as otherwise provided in this Agreement, the Development Rights shall commence on the Effective Date and continue until the earlier of: (i) the date on which the last Chip Store listed on the Development Schedule is open for regular business, or (ii) the last day listed on the Development Schedule (the “Term”). Developer shall have no right to renew or extend the Term or the rights herein granted.

c. Development Area. Provided that Developer is in full compliance with this Agreement, each Franchise Agreement, and all other agreements with Chip, Chip will not, during the Term, establish, operate, or license any other party to establish or operate a Chip Store within the Development Area, as

outlined in Exhibit A. Developer will not receive any exclusive rights or Development Area regarding soliciting customers. Except as provided above, Developer may face competition from other franchisees or other channels of distribution.

d. Reservation of Rights. Chip reserves all rights that it does not grant to Developer and it is not restricted in any manner from engaging in any business activity whatsoever that is not expressly prohibited by this Agreement or any Franchise Agreement. For example, and without limiting the foregoing, Chip reserves the right to: (i) own and operate, and authorize others to own and operate Chip Stores outside the Development Area or within the Development Area after the Term; (ii) the use of its name, to promote Chip Stores branded services and to sell Chip branded products over the internet and other means of electronic communication that are developed in the future, whether inside or outside of the Development Area; (iii) establish, in the future, whether inside or outside of the Development Area, other franchises or company-owned outlets to conduct a similar program or to sell similar services or products under a different trademark, or to do so through a different channel of distribution; (iv) acquire the assets or ownership interests of businesses, whether inside or outside of the Development Area; (v) be acquired or become controlled by any other business, whether inside or outside of the Development Area; (vi) operate or grant any third party, whether inside or outside of the Development Area, the right to operate any Chip Stores that Chip or Chip's designees acquire as a result of the exercise of a right of first refusal or purchase right under this Agreement or any Franchise Agreement. This Agreement does not give Developer any right to franchise, license, subfranchise, or sublicense others to operate Chip Stores. Only Developer (and/or approved affiliated entities) may construct, develop, open, and operate Chip Stores pursuant to this Agreement. This Agreement also does not give Developer (or Developer's affiliated entities) any independent right to use the Marks or other intellectual property. The right to use the Marks is granted only under a Franchise Agreement signed directly with us. This Agreement only grants Developer potential Development Rights if Developer complies with its terms.

## **2. DEVELOPER DUTIES**

a. Best Efforts; No Delegation. At all times during the Term of this Agreement, Developer shall use its best and continuing efforts to exercise the Development Rights in strict compliance with this Agreement and with the Development Schedule outlined in Exhibit A. Developer may not subcontract or delegate any of its obligations under this Agreement to any third parties.

b. Business Entity. If Developer is a corporation, partnership, limited liability company, or other form of business entity, Developer agrees and represents that:

(1) Developer's owners and their interests in Developer as of the Effective Date are set forth on Exhibit B; and

(2) Developer will designate, in writing, an individual with at least 20% ownership in Developer (the "Managing Developer") using Exhibit B. The Managing Developer must be approved by Chip and must have the authority to deal with Chip on Developer's behalf in all matters arising under or relating to this Agreement. Chip is not obligated to discuss this Agreement or the Development Rights with any of Developer's owners or managers other than the Managing Developer.

## **3. EXERCISE OF DEVELOPMENT RIGHTS**

a. Execution of Franchise Agreements. Simultaneously with the execution of this Agreement, Developer must sign and deliver to Chip a Franchise Agreement for the first Franchise that Developer is obligated to acquire under the Development Schedule. For each subsequent Franchise, prior to signing a



lease or contract for the location, but subsequent to Developer's receipt of Chip's then current franchise disclosure document and the passage of the mandatory minimum waiting period, Developer must sign Chip's then-current franchise agreement, which may include terms materially different from, and that may be less favorable to Developer than the franchise agreement in effect on the Effective Date of this Agreement. If Developer's owners establish a new legal entity to operate one or more of the Chip Stores to be developed pursuant to this Agreement and that new legal entity's ownership is completely identical to Developer's ownership, that legal entity automatically will be considered an "approved affiliated entity" without further action. However, if the new legal entity's ownership is not completely identical to Developer's ownership, Developer first must seek our approval to allow that new entity to operate the proposed Chip Store.

b. Site Selection and Consent to Develop. Developer is responsible for providing Chip with the information it requests, including the information required under Developer's individual Franchise Agreements, for each site Developer proposes for a Chip Store.

c. Development Schedule. Developer agrees to comply with the Development Schedule, as set forth in Exhibit A to this Agreement.

(1) Chip does not make any representations with regard to the number of Chip Stores that the Development Area can support or with regard to the number of suitable sites for Chip Stores within the Development Area. Developer must conduct its own independent investigation to determine whether Developer can satisfy the terms of the Development Schedule.

(2) Chip will determine whether Developer has met the development obligations under this Agreement based on the number of Chip Stores that are open for business and operating in the regular course of business as of each date listed on the Development Schedule as described on Exhibit A. For purposes of the Development Schedule, the number of Chip Stores operating must be operated pursuant to a fully signed and effective Franchise Agreement and a fully paid fee, with all operations in compliance with the applicable Franchise Agreement.

(3) DEVELOPER ACKNOWLEDGES AND AGREES THAT TIME IS OF THE ESSENCE UNDER THIS AGREEMENT AND THAT ITS RIGHTS UNDER THIS AGREEMENT ARE SUBJECT TO TERMINATION (WITHOUT ANY CURE OPPORTUNITY) IF IT DOES NOT COMPLY STRICTLY WITH THE DEVELOPMENT SCHEDULE AND OTHER OBLIGATIONS PROVIDED HEREIN. CHIP MAY ENFORCE THIS AGREEMENT STRICTLY.

#### **4. REPORTING AND RECORD KEEPING**

a. Business Plan. Upon request from Chip, Developer may be required to submit to Chip a business plan showing Developer's projected revenues, costs, staffing and operations in exercising the Development Rights.

b. Financial Statements.

(1) Annual Statements. Upon request, Developer shall deliver to Chip, within 30 days after the close of each calendar year during the Term of this Agreement, an annual profit and loss statement, a statement regarding the source and use of funds, and a balance sheet that include all of its activities.

(2) **Purposes/Other Reports.** These reports will be requested for benchmarking purposes and to allow Chip to provide greater details in its later franchise disclosure documents should Chip ever opt to provide financial performance representations to future potential franchisees and/or area developers. Developer shall also submit to Chip such other financial and non-financial reports and information as Chip may request from time to time. These statements and reports shall be certified as true and correct by Developer and shall be in the form and format that Chip reasonably specifies.

c. **Disclosure.** Chip may be required by law, regulation or other legal requirement, or may deem it advisable, to disclose information regarding Developer or its operations, including without limitation, earnings or other financial performance information. Developer agrees that Chip shall be entitled to disclose such information and that Chip shall have the right to determine the extent and manner in which such disclosure will be made. If Chip does not have the information necessary for the disclosure Chip determines it will make, Developer agree to provide such information to Chip promptly upon its request.

## **5. FEES.**

In consideration of the rights granted in this Agreement, on execution Developer shall pay to Chip a development fee based on the number of Chip Stores that Developer agrees to develop according to the following schedule: \$35,000 for the first Store, \$30,000 for each additional Store up to five, and \$25,000 for each additional Store after five, if Developer will develop six or more Stores (the “Development Fee”). Developer agrees to pay a Development Fee of \$\_\_\_\_\_ for the right to operate \_\_\_\_ Chip Stores, as further set forth herein. This Development Fee is fully earned by Chip upon execution of this Agreement. The Development Fee may be partially refunded (50%) if the Agreement is terminated within one year of execution, as long as the termination is not based on Developer’s fraud or misrepresentation. The Development Fee is not refundable in part or in whole, even if Developer chooses not to ultimately develop the number of Chip Stores outlined in the Development Schedule, after a year has passed since execution. This Development Fee is in place of the initial franchise fee that would otherwise be due under each Franchise Agreement and no additional initial franchise fee will be due to Chip upon execution of each Franchise Agreement entered into to meet the Development Schedule.

## **6. CONFIDENTIAL INFORMATION**

a. **Confidential Information.** All information that Chip furnishes to Developer, whether orally or in writing, including, without limitation, this Agreement, any Franchise Agreement, the recipes, system, methods, techniques, formulas, formats, specifications, standards, material, curriculum documents, lesson plans, training material, marketing materials, audiovisual components, emails, handouts, sources and suppliers of equipment, procedures, know-how, information, trade secrets, methods of business management, appraisal methods, customer data, sales and promotion techniques, plans, specifications, knowledge of and experience in franchise operation, or any other forms of business information, whether or not marked as confidential, shall be considered confidential (collectively, the “Confidential Information”). Developer acknowledges and agrees that the Confidential Information is proprietary, includes Chip’s trade secrets, and Developer (and its shareholders, partners, members and managers, if Developer is a business entity) agrees that Developer: (i) shall not use the Confidential Information in any other business or capacity other than to the extent necessary to exercise the Development Rights or as permitted under the Franchise Agreements; (ii) shall not disclose, reveal or share the Confidential Information, except to its employees or contractors who have a need to know such Confidential Information for purposes of this Agreement and who are under a duty of confidentiality no less restrictive than its obligations hereunder, or to entities or individuals specifically authorized by Chip in advance; and (iii) shall adopt and implement all procedures prescribed from time to time by Chip to prevent unauthorized use or disclosure of the Confidential Information, including without limitation complying with all laws,

regulations and best practices related to the protection of customer and financial information. All Confidential Information is and will remain Chip's sole property. Developer agrees to return to Chip or destroy, at its election, all Confidential Information in its possession or control and permanently erase all electronic copies of such Confidential Information promptly upon Chip's request or upon termination of this Agreement, whichever comes first, and, at its request, will provide written certification that Developer has complied with this obligation.

## 7. **TERMINATION.**

The following provisions are in addition to and not in limitation of any other rights and remedies Chip may have at law or in equity, all of which are expressly reserved. The exercise by Chip of any right or remedy shall not be deemed an election of remedies.

a. With Notice and No Opportunity to Cure. This Agreement shall immediately terminate on delivery of notice of termination to Developer upon the occurrence of any of the following events, each of which is deemed to be an incurable breach of this Agreement and each of which is deemed to be "good cause." If Developer (or any of its owners, if Developer is a business entity):

(1) becomes insolvent or admit in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors, files a petition under any foreign, state or United States bankruptcy act, receivership statute, or the like or if such a petition is filed by a third party, or if an application for a receiver is made by anyone and such petition or application is not resolved favorably to Developer within 90 days;

(2) fails to comply with the Development Schedule and such failure continues for a period of 30 days after written notice from Chip (except if the failure is the direct result of a "Casualty Event," which includes a fire, tornado, hurricane, flood, earthquake or similar natural disaster not within its control, and Developer is using good faith efforts to cure the failure);

(3) has made any material misrepresentation or omission in the application for the Franchise or in any report that it submits to Chip pursuant to this Agreement;

(4) is convicted by a trial court of or plead no contest to a felony or other crime or offense or engage in conduct that reflects materially and unfavorably upon the operation and reputation of Chip or the System, or if any of its principals is convicted of or pleads no contest to a felony or other crime or offense or engages in such conduct;

(5) attempts to make or makes an unauthorized assignment, encumbrance or other transfer of its rights or obligations under this Agreements a party to any other agreement with Chip or its affiliates that is terminated for Developer's breach thereof;

(6) makes any unauthorized use of the Marks or intellectual property or make any duplication or disclosure of any Confidential Information;

(7) fails any three times in a calendar year to fulfill any financial obligation to Chip, even if timely cured in each instance;

(8) fails to comply with any provision of any Franchise Agreement and do not cure such failures within the applicable cure period, if any; or

(9) receives written notice from Chip of its failure any three times in a calendar year to comply with this Agreement, even if timely cured in each instance.

b. With Notice and an Opportunity to Cure. This Agreement shall terminate upon Developer's failure to cure any of the following, each of which is deemed to be "good cause." If Developer (or any of its owners, if Developer is a business entity):

(1) fail to comply with any requirement in this Agreement not listed in Subsection 7.1 above prescribed by Chip within 30 days after notice is delivered to Developer;

(2) fail to furnish reports, financial statements, tax returns or any other documentation required by the provisions of this Agreement and do not correct such failure within 15 days following notice; or

(3) fail to make payments to Chip for any amounts due within 10 days after notice is delivered to Developer.

c. Cross Default. Any default by Developer under any other agreement between Chip or its affiliates as one party and Developer or any of Developer's members or any of its or their affiliates as the other party that is material as to permit Chip to terminate, or declare a default under, such other agreement shall be deemed to be a default of this Agreement, and Chip shall have the right, at its option, to terminate this Agreement, effective immediately upon notice to Developer.

d. Limits. The description of any default in any notice from Chip to Developer shall not preclude Chip from specifying additional or supplemental defaults in any action or proceeding under this Agreement.

## **8. OBLIGATIONS UPON TERMINATION OR EXPIRATION**

a. Obligations. Upon termination or expiration of this Agreement for any reason:

(1) Developer's rights under this Agreement shall cease and Developer is no longer entitled to exercise the Development Rights;

(2) Developer shall immediately and for all time thereafter, cease to represent that Developer is a developer of Chip Stores, except as allowed under any then-effective Franchise Agreements;

(3) At Developer's sole expense, Developer must return all Confidential Information in Developer's possession or control, except the Confidential Information that Developer are permitted to use under any then-effective Franchise Agreements;

(4) Developer shall pay immediately all sums due to Chip and its affiliates under this Agreement (if any); and

(5) Developer shall comply with all provisions of this Agreement that survive its termination and expiration.

b. Survival of Obligations. The expiration or termination of this Agreement shall not relieve Developer of any of its obligations to Chip existing at the time of such expiration or termination, or terminate Developer's obligations that, by their nature, survive the expiration or termination of this

Agreement. The expiration or termination of this Agreement shall be without prejudice to Chip's rights against Developer. Chip has no obligation to inform Developer of its obligations or of the termination of any of Developer's rights under this Agreement.

**9. NOTICES**

Any notice or payment required to be given to either party is properly given and effective (a) on the date of delivery if delivered in person or (b) upon confirmation of receipt (or notice of refusal to accept receipt) if delivered by reputable overnight courier, such as FedEx, all fees postage paid, to the respective addresses given below, or to another address as is designated by written notice given to the other party. The notice addresses are as follows:

In the case of Developer: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

In the case of Chip:           Chip Partners, LLC  
                                  Attn: Sean Wilson  
                                  4752 West California Avenue  
                                  Salt Lake City, UT 84104

**10. MISCELLANEOUS**

a. Governing Law and Dispute Resolution. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Utah, without regard to its conflict of laws principles. In the event of a dispute between the Parties, both agree to first try to amicably resolve the dispute. Any dispute that cannot be resolved by the Parties through negotiation shall be governed by the dispute resolution provisions of the Franchise Agreement executed by the Parties contemporaneously with this Agreement.

b. Assignment. Chip has the absolute right to transfer, assign, or sell, by agreement or by law, directly, indirectly, or contingently, this Agreement and any right and obligation under this Agreement. Developer may not transfer, assign, or sell, by agreement or by law, directly, indirectly, or contingently, this Agreement and any right and obligation under this Agreement without the prior written consent of Chip. Consent to an assignment may be refused by Chip at its sole discretion for any reason. In order for a proposed transfer to become effective: (a) the proposed assignee must have assumed all obligations to Chip incurred in connection with this Agreement; (b) Developer must be current on all fees and other amounts owing to Chip; (c) the proposed assignee or its owners meet Chip's criteria for new area developers and franchisees; (d) the proposed assignee or its owners must be willing to be bound by Chip's then-current Area Development Agreement; (e) Developer or proposed assignee has paid a transfer fee of \$10,000, plus the transfer fees set forth in each Franchise Agreement transferred; and (f) Developer and its owners have signed Chip's general release. Any purported transfer, assignment or sale by Developer in violation of this Section is void and of no effect.

c. Modifications. This Agreement may not be modified except by a writing signed by authorized representatives of both Parties. It is agreed that no use of trade or other regular practice or method of dealing between the parties hereto shall be used to modify, interpret, supplement, or alter in any manner the terms of this Agreement.

d. Attorneys' Fees. In the event any action or claim is brought by either Party to enforce its rights under this Agreement (including any agreement to participate in binding arbitration), the prevailing Party in any such action shall be entitled to recover from the non-prevailing party all reasonable fees, costs, and expenses of counsel (at pre-trial, trial and appellate levels). If Chip is required to seek injunctive relief against Developer, or if Developer does not comply with the obligations upon termination or expiration of the Agreement and Chip is required to enjoin Developer's continued activities, Developer must reimburse Chip its reasonable attorneys' fees and costs in obtaining such injunctive or related relief.

e. Independent Contractors. The parties are independent contractors, and no agency, partnership, joint venture, or employee-employer relationship is intended or created by this Agreement. Neither party shall make any warranties or representations on behalf of the other party.

f. Waiver. Any Party to this Agreement may extend the time for or waive the performance of any of the obligations of the other, waive any inaccuracies in the representations or warranties by the other, or waive compliance by the other with any of the covenants or conditions contained in this Agreement. Any such extension or waiver shall be in writing and signed by the Parties. No such waiver shall operate or be construed as a waiver of any subsequent act or omission of the Parties.

g. Severability. The invalidity or unenforceability of any one or more of the words, phrases, sentences, clauses, or sections contained in this Agreement shall not affect the validity or enforceability of the remaining provisions of this Agreement or any part of any provision, all of which are inserted conditionally on their being valid in law, and in the event that any one or more of the words, phrases, sentences, clauses or sections contained in this Agreement shall be declared invalid or unenforceable, this Agreement shall be construed as if such invalid or unenforceable word or words, phrase or phrases, sentence or sentences, clause or clauses, or section or sections had not been inserted or shall be enforced as nearly as possible according to their original terms and intent to eliminate any invalidity or unenforceability.

h. Waiver of Jury Trial. **EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT.**

i. Survival. All covenants, agreements, representations and warranties made in this Agreement or otherwise made in writing by any party pursuant to this Agreement shall survive the execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement.

j. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original.

## **11. ENTIRE AGREEMENT.**

This agreement and its exhibits constitute the entire agreement of the parties and there are no other written or oral understandings between the parties related to the subject matter of the agreement, except that Developer acknowledges that Chip has relied on Developer's representations made prior to execution of this agreement. Nothing in this Agreement or any related agreement is intended to disclaim the representations made by Chip in its franchise disclosure document.

[Signature page to follow]

IN WITNESS WHEREOF, the parties have executed this Agreement, as of the Effective Date.

**CHIP PARTNERS, LLC**

**DEVELOPER**

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

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

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

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

## EXHIBIT A

### DEVELOPMENT AREA AND DEVELOPMENT SCHEDULE

1. Development Area. The Development Area is defined by the following geographic boundaries, as they exist as of the Effective Date, and as further set forth on the attached map:
  
2. Development Schedule. Developer must meet the following Development Schedule as outlined below (to be completed before the execution of this Agreement):

<b>Franchise Agreement Number</b>	<b>Franchise Agreement To Be Executed By (Date)</b>	<b>Store To Be Opened By (Date)</b>	<b>Minimum Cumulative Number of Chip Stores to be Open and Operating by Developer in Development Area</b>
1	Signed concurrently with this Agreement		1
2			2
3			3
4			4
5			5

IN WITNESS WHEREOF, the parties have executed this Exhibit A on the Effective Date.

**CHIP PARTNERS, LLC**

**DEVELOPER**

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

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

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

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



**EXHIBIT B**

**ENTITY INFORMATION AND OWNERSHIP ADDENDUM**

1. Entity Information. If Developer is an entity, Chip requires the following information regarding Developer’s corporate form and ownership:

Entity form (corporation, LLC, partnership, etc.): \_\_\_\_\_

Date of formation: \_\_\_\_\_

Incorporated or formed under the laws of the State of: \_\_\_\_\_

2. Managing Developer. The name and contact information for the Managing Developer are as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Entity Owners. Developer represents and warrants to Chip that each shareholder owning directly or beneficially five percent (5%) or more of any class of securities of the entity; and general partner or co-venturer in the entity; any partner in a limited liability partnership or member in a limited liability company owning directly or beneficially five percent (5%) or more of the ownership interest in the entity; the trustees or administrators of any trust or estate; and any beneficiary of a trust or estate owning, directly or beneficially, five percent (5%) or more of the interest in the trust or estate (“Entity Owners”) are listed below. If an Entity Owner is itself an entity, the term “Entity Owner” also includes Entity Owners in the entity. Entity Owners are as follows:

<b>NAME</b>	<b>ADDRESS</b>	<b>PERCENTAGE OF INTEREST</b>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

4. Change. Developer agrees to immediately notify Chip in writing of any change in the information contained in this Addendum and, at Chip’s request, prepare and sign a new Addendum containing the correct information.

IN WITNESS WHEREOF, the parties have executed this Exhibit B on the Effective Date.

**CHIP PARTNERS, LLC**

**DEVELOPER**

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

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

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

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

**EXHIBIT D**  
**BRAND STANDARDS MANUAL**

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## EXHIBIT E

### FRANCHISEE LIST

There were no Chip Stores open for business as of the issuance date of this Disclosure Document. The following franchisees have signed a franchise agreement, but the location is not yet open for business:

<u>FRANCHISEE</u>	<u>CONTACT</u>	<u>CITY</u>	<u>STATE</u>	<u>EMAIL ADDRESS</u>
*MitchSix LLC	Brady Mitchell	Gilbert	Arizona	brady_mitchell@icloud.com
*BrightOne LLC	Dawna Montgomery	Irvine	California	montgomerydawna@gmail.com
*Chip San Clemente L.L.C.	Greg McGrath	San Clemente	California	gregmcgrath22@gmail.com
CookieCo LLC	Navjot Singh	Sacramento	California	navjotsinghmomi@yahoo.com
J&S Franchises LLC	Shawna Christensen	Torrance	California	sbchristensen@me.com
*Wolfgang Industries LLC	Tom Christensen	Los Angeles	California	tom.chris@hey.com
Hall Joshi Global Capital LLC	Kim Hall	Coeur d'Alene	Idaho	gkjball@yahoo.com
*IF Cookies, LLC	Josh Sommers	Idaho Falls	Idaho	josh.sommers11@gmail.com
*Jensen and Coleman Holdings, LLC	Jacob Jensen	Billings	Montana	jacobjensen44@gmail.com
*Scott Coombs	Scott Coombs	Dallas	Texas	scottbcoombs@gmail.com
Boren Ventures, LLC	Sarah Boren	Ogden	Utah	Sarahboren910@gmail.com
*Sandy Chipper Inc.	David Sharette	Cottonwood Heights	Utah	davidsharette@gmail.com
DayBake Cookies LLC	Wesley LaPorte	South Jordan	Utah	wesleylaporte@gmail.com
*Dough'n It Right, LLC	Brandon Stocks	Sandy	Utah	brstocks@icloud.com
*High Octane Holdings LLC	Kayly Bowman	Spanish Fork	Utah	klybowman@gmail.com
Jensen Cookies, LLC	Jana Jensen	West Valley	Utah	weissie02@hotmail.com
*Perfect Batch, LLC	Jamie Bayles	St. George	Utah	tbayles2@gmail.com

\*These franchisee are Chip Area Developers and have the right to open multiple Chip Stores.

No franchisees were terminated, not renewed, reacquired, or otherwise voluntarily ceased doing business during 2022. No franchisees transferred a Chip Store in 2022 to a new owner. No franchisees have not communicated with us during 10 weeks prior to issuance of this Disclosure Document.

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

# **EXHIBIT F**

## **FINANCIAL STATEMENTS**

AUDITED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022 AND DECEMBER 31,  
2021

# FORVIS

250 E. 200 S., Suite 1200 / Salt Lake City, UT 84111  
P 801.531.9100 / F 801.531.9147  
[forvis.com](http://forvis.com)

## Auditor's Consent

We consent to the use in the Franchise Disclosure Document issued by Chip Partners, LLC ("Franchisor") on March 28, 2023, as it may be amended, of our report dated March 27, 2023 relating to the financial statements of Franchisor as of December 31, 2022 and 2021 and for the year and period then ended.

**FORVIS, LLP**

Salt Lake City, Utah  
March 28, 2023

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FORVIS is a trademark of FORVIS, LLP, registration of which is pending with the U.S. Patent and Trademark Office



# **Chip Partners, LLC**

## **Independent Auditor's Report and Financial Statements**

**December 31, 2022 and 2021**



**Chip Partners, LLC**  
**December 31, 2022 and 2021**

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# FORVIS

250 E. 200 S., Suite 1200 / Salt Lake City, UT 84111

P 801.531.9100 / F 801.531.9147

[forvis.com](http://forvis.com)

## Independent Auditor's Report

Members and Management  
Chip Partners, LLC  
Salt Lake City, Utah

### *Opinion*

We have audited the financial statements of Chip Partners, LLC, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, members' equity (deficit), and cash flows for the year ended December 31, 2022 and the period from April 8, 2021 (inception) through December 31, 2021, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Chip Partners, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the year ended December 31, 2022 and the period from April 8, 2021 (inception) through December 31, 2021, 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 (GAAS). 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 Chip Partners, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *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 Chip Partners, LLC's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

FORVIS is a trademark of FORVIS, LLP, registration of which is pending with the U.S. Patent and Trademark Office



Members and Management  
Chip Partners, LLC

***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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Chip Partners, LLC'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 Chip Partners, LLC's ability to continue as a going concern for a reasonable period of time.

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

**FORVIS, LLP**

Salt Lake City, Utah  
March 27, 2023

**Chip Partners, LLC**  
**Balance Sheets**  
**December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 212,832	\$ 15,835
Accounts receivable	60,000	-
Total current assets	272,832	15,835
<b>Long-term Assets</b>		
Deferred franchise agreement costs	301,250	-
Total long-term assets	301,250	-
Total assets	\$ 574,082	\$ 15,835
<b>Liabilities and Members' Equity (Deficit)</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 7,878	\$ 14,209
Accrued commissions	180,000	-
Total current liabilities	187,878	14,209
<b>Long-term Liabilities</b>		
Contract liabilities	1,200,000	-
Total long-term liabilities	1,200,000	-
Total liabilities	1,387,878	14,209
<b>Members' Equity (Deficit)</b>		
Total liabilities and members' equity (deficit)	(813,796)	1,626
	\$ 574,082	\$ 15,835

See Notes to Financial Statements

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**Chip Partners, LLC**  
**Statements of Operations**  
**Year Ended December 31, 2022 and Period From**  
**April 8, 2021 (inception) through December 31, 2021**

	<b>2022</b>	<b>2021</b>
<b>Revenues</b>	\$ -	\$ -
<b>Operating Expenses</b>		
Legal expenses	37,551	15,359
Marketing expenses	10,620	-
Software expenses	3,305	-
Accounting expenses	5,775	-
Other general and administrative expenses	12,181	15
	12,181	15
<b>Net Loss</b>	\$ (69,432)	\$ (15,374)

See Notes to Financial Statements

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**Chip Partners, LLC**  
**Statements of Members' Equity**  
**Year Ended December 31, 2022 and Period From**  
**April 8, 2021 (inception) through December 31, 2021**

<b>April 8, 2021 (Inception)</b>	\$	-
Capital contributions		17,000
Net loss		<u>(15,374)</u>
<b>December 31, 2021</b>		1,626
Capital distributions		(745,990)
Net loss		<u>(69,432)</u>
<b>December 31, 2022</b>	<b>\$</b>	<b><u>(813,796)</u></b>

*See Notes to Financial Statements*

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**Chip Partners, LLC**  
**Statements of Cash Flows**  
**Year Ended December 31, 2022 and Period From**  
**April 8, 2021 (inception) through December 31, 2021**

	<u>2022</u>	<u>2021</u>
<b>Operating Activities</b>		
Net loss	\$ (69,432)	\$ (15,374)
Changes in		
Accounts receivable	(60,000)	-
Deferred franchise agreement costs	(301,250)	-
Accounts payable	(6,331)	14,209
Accrued commissions	180,000	-
Contract liabilities	1,200,000	-
	<u>942,987</u>	<u>(1,165)</u>
Net cash provided by (used in) operating activities		
<b>Investing Activities</b>	<u>-</u>	<u>-</u>
<b>Financing Activities</b>		
Capital contributions	-	17,000
Capital distributions	(745,990)	-
	<u>(745,990)</u>	<u>17,000</u>
Net cash provided by (used in) financing activities		
<b>Increase in Cash</b>	196,997	15,835
<b>Cash, Beginning of Period</b>	<u>15,835</u>	<u>-</u>
<b>Cash, End of Period</b>	<u><u>\$ 212,832</u></u>	<u><u>\$ 15,835</u></u>

See Notes to Financial Statements

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**Chip Partners, LLC**  
**Notes to Financial Statements**  
**December 31, 2022**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

Chip Partners, LLC (the Company) was organized on April 8, 2021 under the laws of the state of Utah as a Utah corporation.

The Company has been organized to become a franchise company for the Chip Cookies locations. During 2022, the Company began to grant franchisees the right to operate a physical storefront location using the Chip Cookies name and marks but through the date of this audit report, no franchise locations have been opened.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The use of estimates is pervasive throughout these financial statements. The current economic environment has increased the degree of uncertainty inherent in these estimates and assumptions.

***Accounts Receivable***

Accounts receivable generally represent amounts due from franchisees for initial franchise fees. Accounts receivable are stated at the amount of consideration from customers of which the Company has an unconditional right to receive plus any accrued and unpaid interest. The Company provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions.

***Contract Liabilities***

Contract liabilities represent the Company's obligation to transfer goods or services to a customer when consideration has already been received from the customer. These consist primarily of deferred franchise fee revenues on the balance sheets.

***Revenue Recognition***

The Company has had no revenues since its inception during April 2021. Beginning in 2023, revenue is expected to be recognized when control of the promised goods or services is transferred to the Company's customers, in an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services. The amount and timing of revenue recognition varies based on the nature of the goods or services provided and the terms and conditions of the customer contract. A portion of the proceeds from the sale of franchises is recognized as revenue when the Company has performed substantially all services for the franchise as stipulated in the franchise agreement, generally at completion of new franchise training and the start of business by the franchise. The remaining portion is recognized as revenue over the expected life of the franchise agreement.

**Chip Partners, LLC**  
**Notes to Financial Statements**  
**December 31, 2022**

The Company generally requires that the entire franchise fee be paid upon execution of the franchise agreement and consequently recognizes deferred revenue until certain revenue recognition criteria have been met.

See Note 2 for additional information about the Company's revenue.

***Income Taxes***

The Company's members have elected to have the Company's income taxed as a limited liability corporation under provisions of the Internal Revenue Code. Therefore, taxable income or loss is reported to the individual members for inclusion in their respective tax returns and no provision for federal and state income taxes is included in these financial statements.

**Note 2: Revenue with Contracts with Customers**

***Performance Obligations***

The Company plans to derive its revenues principally from three main sources: 1) franchise fees and royalties, and 2) service sales.

The Company will determine the amount of revenue to be recognized in each revenue stream through the application of the following five-step model:

- Identification of the contract, or contracts with the customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as the Company satisfies the performance obligations

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring distinct goods or providing services to customers.

As a franchisor, the Company's principal business is to sell franchises and to receive royalty fees. Franchise rights are granted through a franchise agreement that sets out the terms of the arrangements with the franchisee. The franchise agreements require that the franchisee remit continuing royalty fees to the Company based on the monthly revenues of the franchisees. The franchise agreements also require certain upfront franchise fees such as initial franchise fees and development fees. Once franchisees open the required stores, the Company will begin to earn these initial franchise fees.



**Chip Partners, LLC**  
**Notes to Financial Statements**  
**December 31, 2022**

Although the Company has begun to enter into various franchise agreements during 2022 and collected initial franchise fees, the Company has not recorded any revenues since its inception during April 2021 through December 31, 2022 since there have not been any store openings through December 31, 2022. A portion of the fees collected during 2022 are expected to be recorded as revenues during 2023 as the various franchisees begin to open the required store locations. The franchise agreements require the franchisee to pay an initial, non-refundable fee and continuing sales-based royalties based on an agreed upon percentage of the franchisee's monthly sales. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew its agreement upon its expiration. Direct costs of sale and servicing of franchise agreements are charged to general and administrative expenses as incurred.

The Company will recognize revenue when the performance obligations under the terms of the contracts with its customers are satisfied, which as mentioned above, occurs when pre-opening services are provided to a customer to enable them to direct the use and obtain the benefit of the franchise, with the remaining portion being recognized over the life of the contract. The amount and timing of revenue recognition varies based on the nature of the goods or services expected to be provided and the terms and conditions of the customer contract.

The broker and other fees related to the franchise sales have also been deferred as of December 31, 2022 and recorded as an asset to be recognized over the expected life of the franchise agreement.

**Contract Balances**

The following table provides information about the Company's receivables and contract liabilities from contracts with customers as of December 31, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Accounts receivable, beginning of year	\$ -	\$ -
Accounts receivable, end of year	\$ 60,000	\$ -
Contract liabilities, beginning of year	\$ -	\$ -
Contract liabilities, end of year	\$ 1,200,000	\$ -

**Significant Judgments**

The Company determined the satisfaction of initial franchising fees to be partially completed upon the franchise opening, and completion of the related training. The Company determined this based on providing assistance with the franchise location and training provided in relation to the operation of a business, which is all provided prior to the opening of a franchise location. The remaining portion of initial franchise fees are recognized over the life of the contract, as these fees are tied to ongoing support by the Company to assist the customer.

**Chip Partners, LLC**  
**Notes to Financial Statements**  
**December 31, 2022**

***Accounting Policies and Practical Expedients Elected***

The Company has elected to use the portfolio approach to evaluate contracts. As a practical expedient, a portfolio approach is permitted if it is reasonably expected that the approach's impact on the financial statements will not be materially different from the impact of applying the revenue standard on an individual contract basis. In order to use the portfolio approach, an entity must reasonably expect that the accounting result will not be materially different from the result of applying the standard to the individual contracts.

For shipping and handling activities, the Company is applying an accounting policy election, which allows an entity to account for shipping and handling activities as fulfillment activities rather than a promised good or service when the activities are performed, even if those activities are performed after the control of the good has been transferred to the customer. Therefore, the Company expenses shipping and handling costs at the time revenue is recognized.

The Company is also applying an accounting policy election, which allows an entity to exclude from revenue any amounts collected from customers on behalf of third parties, such as sales taxes and other similar taxes the Company collects concurrent with revenue-producing activities. Therefore, revenue is presented net of sales taxes and similar revenue-based taxes.

**Note 3: Subsequent Events**

Subsequent events have been evaluated through March 27, 2023, which is the date the financial statements were available to be issued.

**EXHIBIT G**  
**STATE SPECIFIC ADDENDA**

**CALIFORNIA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
CHIP PARTNERS, LLC**

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

As a supplement to the information disclosed in this Disclosure Document, the following additional paragraphs are added:

1. No litigation is required to be disclosed in this Franchise Disclosure Document and no person or entity identified in Items 1 or 2 of this Franchise Disclosure Document is subject to a currently effective injunctive 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 any person from membership in that association or exchange.
2. California Business and Professions Code §20000 through 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
3. 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.*).
4. The franchise agreement contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
5. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
6. The franchise agreement requires dispute resolution by arbitration in the State of Utah, with the costs being borne by the non-prevailing party. You are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code §20040.5, Code of Civil Procedure §1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
7. The franchise agreement requires application of the laws of the State of Utah. This provision may not be enforceable under California law.
8. Section 31125 of the California Corporations Code requires us to give you a Disclosure Document, in a form containing the information that the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
9. We have negotiated certain franchise agreements with franchisees pursuant to the statutory exemption in Section 31109.1 of the California Corporations Code. We have complied with the requirements of the Section 31109.1 in making all negotiated sales.

10. You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).
11. 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 <https://dfpi.ca.gov>.
12. Each owner of the franchise is required to execute a personal guaranty. Doing so could jeopardize the marital assets of non-owner spouses domiciled in community property states such as California.
13. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.
14. The highest interest rate allowed by law in California is 10% annually.

**Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner.**

**ILLINOIS ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
CHIP PARTNERS, LLC**

As a supplement to the information disclosed in this Disclosure Document, the following additional paragraphs are added:

1. Item 17.v. Choice of Law is revised to state that Illinois law shall apply.
2. Illinois law governs the Franchise Agreement and Area Development Agreement.
3. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
4. Your rights upon termination or non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
5. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring a franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

**ILLINOIS ADDENDUM TO THE FRANCHISE AGREEMENT  
CHIP PARTNERS, LLC**

This Amendment (“**Amendment**”) is effective as of \_\_\_\_\_, 20\_\_ to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (“**Agreement**”) by and between Chip Partners, LLC, a Utah limited liability company (“**Chip**”), and \_\_\_\_\_ (“**Franchisee**”). Notwithstanding any provisions in the Agreement, Chip and Franchisee hereby agree to the following:

1. **Waivers Void.** Any condition, stipulation or provision in the Agreement requiring Franchisee to waive his or her rights under the Illinois Franchise Disclosure Act (the “Act”) or any other Illinois law shall be void.
2. **Choice of Law and Forum.** Section 22.D. of the Agreement is amended to state that Illinois law shall apply and any action will be brought in a state or federal court of general jurisdiction in Illinois.
3. **Termination and Non-Renewal.** Franchisee’s rights upon termination or non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

**IN WITNESS WHEREOF**, the parties have executed this Amendment to be effective as of the date set forth above:

**FRANCHISOR:**

Chip Partners, LLC

**FRANCHISEE:**

\_\_\_\_\_

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

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

\_\_\_\_\_

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

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

**ILLINOIS ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT  
CHIP PARTNERS, LLC**

This Amendment (“**Amendment**”) is effective as of \_\_\_\_\_, 20\_\_ to that certain Area Development Agreement dated \_\_\_\_\_, 20\_\_ (“**Agreement**”) by and between Chip Partners, LLC, a Utah limited liability company (“**Chip**”), and \_\_\_\_\_ (“**Developer**”). Notwithstanding any provisions in the Agreement, Chip and Franchisee hereby agree to the following:

1. **Choice of Law; Forum.** Section 10.a. of the Agreement is amended to state that any action will be brought in a state or federal court of general jurisdiction in Illinois and Illinois law shall apply. Notwithstanding the foregoing, any arbitration will take place at the location indicated in the Agreement.
2. **Waivers Void.** Any condition, stipulation or provision in the Agreement requiring Developer to waive his or her rights under the Illinois Franchise Disclosure Act (the “Act”) or any other Illinois law shall be void.
3. **Termination and Non-Renewal.** Developer’s rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

**IN WITNESS WHEREOF**, the parties have executed this Amendment to be effective as of the date set forth above:

**FRANCHISOR:**

Chip Partners, LLC

\_\_\_\_\_

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

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

**DEVELOPER:**

\_\_\_\_\_

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

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



**MARYLAND ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
CHIP PARTNERS, LLC**

1. Pursuant to COMAR 02.02.08.16L, 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.
2. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
3. The provision in the franchise agreement providing for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law.

**MARYLAND ADDENDUM TO THE FRANCHISE AGREEMENT  
CHIP PARTNERS, LLC**

This Amendment (“**Amendment**”) is effective as of \_\_\_\_\_, 20\_\_ to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (“**Agreement**”) by and between Chip Partners, LLC, a Utah limited liability company (“**Chip**”), and \_\_\_\_\_ (“**Franchisee**”). Notwithstanding any provisions in the Agreement, Chip and Franchisee hereby agree to the following:

1. **Release, Estoppel or Waiver of Liability.** All representations requiring Franchisee 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.
2. **Venue.** Franchisee may bring lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
3. **Statute of Limitations.** Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
4. **Release.** 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.
5. **Bankruptcy.** The provision in the franchise agreement providing for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law.

**IN WITNESS WHEREOF**, the parties have executed this Amendment to be effective as of the date set forth above:

**FRANCHISOR:**

Chip Partners, LLC

\_\_\_\_\_

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

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

**FRANCHISEE:**

\_\_\_\_\_

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

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

**MARYLAND ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT  
CHIP PARTNERS, LLC**

This Amendment (“**Amendment**”) is effective as of \_\_\_\_\_, 20\_\_ to that certain Area Development Agreement dated \_\_\_\_\_, 20\_\_ (“**Agreement**”) by and between Chip Partners, LLC, a Utah limited liability company (“**Chip**”), and \_\_\_\_\_ (“**Developer**”). Notwithstanding any provisions in the Agreement, Chip and Developer hereby agree to the following:

1. **Release, Estoppel or Waiver of Liability.** All representations requiring Developer 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.
2. **Venue.** Developer may bring lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
3. **Statute of Limitations.** Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
4. **Release.** 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.
5. **Bankruptcy.** The provision in the Agreement providing for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law.

**IN WITNESS WHEREOF**, the parties have executed this Amendment to be effective as of the date set forth above:

**FRANCHISOR:**

Chip Partners, LLC

\_\_\_\_\_

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

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

**DEVELOPER:**

\_\_\_\_\_

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

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

**MINNESOTA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
CHIP PARTNERS, LLC**

As a supplement to the information disclosed in this Disclosure Document, the following additional paragraphs are added:

1. Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
2. With respect to the franchises governed by Minnesota law, the franchisor will comply with Minnesota Statute Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
3. The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers it unfair not to protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
4. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
5. With respect to the franchises governed by Minnesota law, any limitations of claims must comply with Minnesota Statutes Section 80C.17, Subd. 5.
6. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rule 2860.4400J. Also, a court will determine if a bond is required.

**MINNESOTA ADDENDUM TO THE FRANCHISE AGREEMENT  
CHIP PARTNERS, LLC**

This Addendum (“**Addendum**”) is effective as of \_\_\_\_\_, 20\_\_ to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (“**Agreement**”) by and between Chip Partners, LLC, a Utah limited liability company (“**Chip**”), and \_\_\_\_\_ (“**Franchisee**”). Notwithstanding any provisions in the Agreement, Chip and Franchisee hereby agree to the following:

1. **Release.** Minnesota Rule 2860.4400D prohibits Chip from requiring Franchisee to consent to a general release. The Agreement is modified accordingly, to the extent required by Minnesota law.
2. **Dispute Resolution.** Section 22 is amended, to the extent required under Minnesota law, to comply with Minn. Statutes, Sec. 80C.21 and Minn. Rule Part 2860.4400J, which may prohibit Chip from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring Franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Agreement can abrogate or reduce (1) any of Franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C, or (2) Franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
3. **Notice.** With respect to the franchises governed by Minnesota law, Chip will comply with Minnesota Statute Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that Franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the Agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
4. **Indemnification for Use of Trademark.** Chip will protect Franchisee’s rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers it unfair not to protect Franchisee’s right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
5. **Limitation of Claims.** With respect to the franchises governed by Minnesota law, any limitations of claims must comply with Minnesota Statutes Section 80C.17, Subd. 5.
6. **Injunctive Relief.** Franchisee cannot consent to Chip obtaining injunctive relief. Chip may seek injunctive relief. See Minn. Rule 2860.4400J. Also, a court will determine if a bond is required.

**IN WITNESS WHEREOF**, the parties have executed this Amendment to be effective as of the date set forth above:

**FRANCHISOR:**

Chip Partners, LLC

\_\_\_\_\_

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

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

**FRANCHISEE:**

\_\_\_\_\_

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

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

**MINNESOTA ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT  
CHIP PARTNERS, LLC**

This Addendum (“**Addendum**”) is effective as of \_\_\_\_\_, 20\_\_ to that certain Area Development Agreement dated \_\_\_\_\_, 20\_\_ (“**Agreement**”) by and between Chip Partners, LLC, a Utah limited liability company (“**Chip**”), and \_\_\_\_\_ (“**Developer**”). Notwithstanding any provisions in the Agreement, Chip and Developer hereby agree to the following:

1. **Release.** Minnesota Rule 2860.4400D prohibits Chip from requiring Developer to consent to a general release. The Agreement is modified accordingly, to the extent required by Minnesota law.
2. **Dispute Resolution.** Section 10.a. is amended, to the extent required under Minnesota law, to comply with Minn. Statutes, Sec. 80C.21 and Minn. Rule Part 2860.4400J, which may prohibit Chip from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring Developer to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Agreement can abrogate or reduce (1) any of Developer’s rights as provided for in Minnesota Statutes, Chapter 80C, or (2) Developer’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
3. **Notice.** With respect to the franchises governed by Minnesota law, Chip will comply with Minnesota Statute Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that Developer be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the Agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
4. **Indemnification for Use of Trademark.** Chip will protect Developer’s rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify Developer from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers it unfair not to protect Franchisee’s right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
5. **Limitation of Claims.** With respect to the franchises governed by Minnesota law, any limitations of claims must comply with Minnesota Statutes Section 80C.17, Subd. 5.
6. **Injunctive Relief.** Developer cannot consent to Chip obtaining injunctive relief. Chip may seek injunctive relief. See Minn. Rule 2860.4400J. Also, a court will determine if a bond is required.

**IN WITNESS WHEREOF**, the parties have executed this Amendment to be effective as of the date set forth above:

**FRANCHISOR:**

Chip Partners, LLC

\_\_\_\_\_

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

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

**DEVELOPER:**

\_\_\_\_\_

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

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

**VIRGINIA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
CHIP PARTNERS, LLC**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Disclosure Document for Chip Partners, LLC for use in the Commonwealth of Virginia shall be amended as follows:

The following statements are added to Item 17.h:

Under 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 ground for default or termination stated in the franchise agreement or development 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.

**WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
CHIP PARTNERS, LLC**

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, shall prevail.
2. A release or waiver of rights executed by you shall not include rights under the Washington Franchise Investment Protection Act 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 may not be enforceable.
3. Transfer fees are collectable to the extent that they reflect our reasonable estimated or actual costs in effecting a transfer.
4. The state of Washington has a statute, RCW 19.100.180 which 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.
5. 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.
6. 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.
7. 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.



**WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT  
CHIP PARTNERS, LLC**

This Amendment (“**Amendment**”) is effective as of \_\_\_\_\_, 20\_\_ to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (“**Agreement**”) by and between Chip Partners, LLC, a Utah limited liability company (“**Chip**”), and \_\_\_\_\_ (“**Franchisee**”). Notwithstanding any provisions in the Agreement, Chip and Franchisee hereby agree to the following:

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, shall prevail.
2. A release or waiver of rights executed by Franchisee shall not include rights under the Washington Franchise Investment Protection Act 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 may not be enforceable.
3. Transfer fees are collectable to the extent that they reflect Chip’s reasonable estimated or actual costs in effecting a transfer.
4. The state of Washington has a statute, RCW 19.100.180 which may supersede the Agreement in Franchisee’s relationship with Chip including the areas of termination and renewal of the franchise. There may also be court decisions which may supersede the Agreement in Franchisee’s relationship with Chip including the areas of termination and renewal of the franchise.
5. 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.
6. 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.
7. 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.

**IN WITNESS WHEREOF**, the parties have executed this Amendment to be effective as of the date set forth above:

**FRANCHISOR:**

Chip Partners, LLC

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

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

**FRANCHISEE:**

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

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

**WASHINGTON ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT  
CHIP PARTNERS, LLC**

This Amendment (“**Amendment**”) is effective as of \_\_\_\_\_, 20\_\_ to that certain Area Development Agreement dated \_\_\_\_\_, 20\_\_ (“**Agreement**”) by and between Chip Partners, LLC a Utah limited liability company (“**Chip**”), and \_\_\_\_\_ (“**Developer**”). Notwithstanding any provisions in the Agreement, Chip and Developer hereby agree to the following:

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, shall prevail.
2. A release or waiver of rights executed by Developer shall not include rights under the Washington Franchise Investment Protection Act 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 may not be enforceable.
3. Transfer fees are collectable to the extent that they reflect Chip’s reasonable estimated or actual costs in effecting a transfer.
4. The state of Washington has a statute, RCW 19.100.180 which may supersede the Agreement in Developer’s relationship with Chip including the areas of termination and renewal of the franchise. There may also be court decisions which may supersede the Agreement in Developer’s relationship with Chip including the areas of termination and renewal of the franchise.
5. 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.
6. 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.
7. 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.

**IN WITNESS WHEREOF**, the parties have executed this Amendment to be effective as of the date set forth above:

**FRANCHISOR:**

Chip Partners, LLC

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

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

**DEVELOPER:**

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

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

## EXHIBIT H

### STATE EFFECTIVE DATES

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

California	Pending
Illinois	Pending
Indiana	Pending
Maryland	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 I**  
**RECEIPT**

## RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Chip Partners, LLC (“Chip”) offers you a franchise, Chip must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Chip or an affiliate in connection with the proposed franchise sale. Under Michigan law, if applicable, this period may be 10 business days, which could be longer than 14 calendar days. In addition, under New York law, if applicable, Chip must provide this Disclosure Document to you at the earlier of your first personal meeting to discuss the franchise or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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

The franchisor is Chip Partners, LLC located at 4752 West California Avenue Salt Lake City, UT 84104. Its telephone number is (385) 429-4012.

Chip’s franchise sellers involved in this offering and selling the franchise to you are listed below (with address and telephone number) or will be provided to you separately before you sign a franchise agreement.

Sean Wilson, (385) 429-4012

Sarah Wilson, (385) 429-4012

Neal Courtney (385) 429-4012

Chip authorizes the respective state agencies identified on Exhibit A to receive service of process for Chip in the particular state.

I have received a Disclosure Document with an issuance date of March 28, 2023 that included the following Exhibits:

A. List of State Administrators and Agents for Service of Process	E. Franchisee List
B. Franchise Agreement (and Exhibits)	F. Financial Statements
C. Area Development Agreement (and Exhibits)	G. State Specific Addenda
D. Brand Standards Manual – Table of Contents	H. State Effective Dates
	I. Receipt

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
(Print Name of Prospective Franchisee)

You should return one copy of the signed receipt either by signing, dating, and mailing it to Chip at 4752 West California Avenue, Salt Lake City, UT 84104, or by emailing a copy of the signed receipt to [franchising@chipcookies.co](mailto:franchising@chipcookies.co). You may keep the second copy for your records.

## RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Chip Partners, LLC (“Chip”) offers you a franchise, Chip must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Chip or an affiliate in connection with the proposed franchise sale. Under Michigan law, if applicable, this period may be 10 business days, which could be longer than 14 calendar days. In addition, under New York law, if applicable, Chip must provide this Disclosure Document to you at the earlier of your first personal meeting to discuss the franchise or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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

The franchisor is Chip Partners, LLC located at 4752 West California Avenue Salt Lake City, UT 84104. Its telephone number is (385) 429-4012.

Chip’s franchise sellers involved in this offering and selling the franchise to you are listed below (with address and telephone number) or will be provided to you separately before you sign a franchise agreement.

Sean Wilson, (385) 429-4012      Sarah Wilson, (385) 429-4012      Neal Courtney (385) 429-4012

Chip authorizes the respective state agencies identified on Exhibit A to receive service of process for Chip in the particular state.

I have received a Disclosure Document with an issuance date of March 28, 2023 that included the following Exhibits:

A. List of State Administrators and Agents for Service of Process	E. Franchisee List
B. Franchise Agreement (and Exhibits)	F. Financial Statements
C. Area Development Agreement (and Exhibits)	G. State Specific Addenda
D. Brand Standards Manual – Table of Contents	H. State Effective Dates
	I. Receipt

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
(Print Name of Prospective Franchisee)

You should return one copy of the signed receipt either by signing, dating, and mailing it to Chip at 4752 West California Avenue, Salt Lake City, UT 84104, or by emailing a copy of the signed receipt to [franchising@chipcookies.co](mailto:franchising@chipcookies.co). You may keep the second copy for your records.