



## FRANCHISE DISCLOSURE DOCUMENT

### Cupbop Franchise, LLC

a Utah limited liability company  
12184 South Business Park Drive, Suite C  
Draper, UT 84020  
(801) 916-8968  
[admin@cupboptruck.com](mailto:admin@cupboptruck.com) / [www.cupbop.com](http://www.cupbop.com)

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[www.cupbop.com](http://www.cupbop.com)

Cupbop Franchise, LLC franchises the right to operate a Cupbop® restaurant, offering Korean style barbeque rice cups, salads, chicken wings, potstickers and other food and beverage products.

The total investment necessary to begin operation of a Cupbop® restaurant franchise is ~~\$296,200 to~~ 296,400- ~~\$663,400~~ 664,400. This includes \$41,250 to \$42,000 that must be paid to the franchisor or its affiliates.

The franchisor may also, in its sole discretion, grant the right to develop multiple Cupbop restaurants under an Area Development Agreement. If you are granted the right to develop multiple restaurants, the total investment necessary to obtain such rights depends on how many restaurants you agree to develop. You must pay the initial franchise fee to the franchisor according to the following schedule: \$40,000 for the first restaurant and \$30,000 for each additional restaurant thereafter. You must pay the entire initial franchise fee for each restaurant upon execution of the Area Development Agreement. You must open at least two restaurants to enter into an Area Development Agreement. The total investment payable to the franchisor or its affiliates for rights to begin development of five to twenty Cupbop restaurants is from \$160,000 to \$610,000.

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 to you. To discuss the availability of disclosures in different formats, contact Dok Kwon at 12184 South Business Park Drive, Suite C, Draper, UT 84020, [dok@cupboptruck.com](mailto:dok@cupboptruck.com), or (801) 916-8968.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, 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: ~~April 5, 2023, as amended September 8, 2023~~ March 26, 2025

## HOW TO USE THIS FRANCHISE DISCLOSURE DOCUMENT

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

QUESTION	WHERE TO FIND INFORMATION
<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 F.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit B includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Cupbop 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 Cupbop franchisee?</b>	Item 20 or Exhibit F 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 mediation, arbitration and/or litigation only in Utah. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Utah than in your own state.
2. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territory rights you are granted, termination of your franchise, and loss of your investment.
3. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

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

### CUPBOP FRANCHISE, 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, 7th Floor, Lansing, MI 48933 or by telephone at (517) 373-7117.

## TABLE OF CONTENTS

ITEM 1: THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES.....	<u>1</u>
ITEM 2: BUSINESS EXPERIENCE .....	<u>3</u>
ITEM 3: LITIGATION.....	<u>43</u>
ITEM 4: BANKRUPTCY .....	<u>4</u>
ITEM 5: INITIAL FEES.....	<u>4</u>
ITEM 6: OTHER FEES .....	<u>54</u>
ITEM 7: ESTIMATED INITIAL INVESTMENT.....	<u>10</u>
ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES .....	<u>1514</u>
ITEM 9: FRANCHISEE'S OBLIGATIONS .....	<u>1716</u>
ITEM 10: FINANCING.....	<u>2019</u>
ITEM 11: FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING .....	<u>2019</u>
ITEM 12: TERRITORY .....	<u>2625</u>
ITEM 13: TRADEMARKS .....	<u>2826</u>
ITEM 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION .....	<u>2928</u>
ITEM 15: OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS.....	<u>3028</u>
ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL .....	<u>3029</u>
ITEM 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION.....	<u>3129</u>
ITEM 18: PUBLIC FIGURES.....	<u>3635</u>
ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS.....	<u>3635</u>
ITEM 20: OUTLETS AND FRANCHISEE INFORMATION.....	<u>3938</u>
ITEM 21: FINANCIAL STATEMENTS .....	<u>4241</u>
ITEM 22: CONTRACTS.....	<u>4241</u>
ITEM 23: RECEIPTS .....	<u>4342</u>

## EXHIBITS

- A. List of State Administrators/Agents for Service of Process
- B. Financial Statements
- C. Franchise Agreement
- D. Area Development Agreement
- E. Operations Manual – Table of Contents
- F. Current and Former Franchisee List
- G. State Specific Addenda
- H. State Effective Dates
- I. Receipt Page

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

To simplify this franchise disclosure document (this “Disclosure Document”), “we” and similar words mean Cupbop Franchise, LLC, a Utah limited liability, the franchisor. “You” and similar words mean the person or persons, including a corporate or other legal entity, who buys franchise rights. If “you” are a corporation, partnership, limited liability company, or other entity, “you” includes all owners of at least five percent of the equity interest in the entity and all such owners must sign a Guaranty of Obligations, meaning that all of the Franchise Agreement provisions will apply to them. Unless otherwise defined herein, all capitalized terms shall have the meaning ascribed to them in the Franchise Agreement.

### **Franchisor, Predecessors, Parent and Affiliates**

We are a Utah limited liability company formed on November 14, 2014. We conduct business under the name Cupbop® and began offering franchises in March 2017. We do not operate Cupbop® restaurants or conduct any business other than offering Cupbop® franchises. We do not offer franchises in any other line of business. Our affiliated entities do, however, operate Cupbop® restaurants. We do not conduct business or offer franchises under any other name. Our principal business address is 12184 South Business Park Drive, Suite C, Draper, UT 84020.

As part of an internal corporate restructuring, Cupbop Franchising, Inc. a Utah corporation was converted to a limited liability company, Cupbop Franchise, LLC in December 2016. At the time of the conversion, Cupbop Franchising, Inc. did not have any assets or business activities.

Cupbop Co., a Utah corporation, whose principal business address is the same as ours is a parent. Pursuant to a corporate restructuring in January 2021, we became a wholly owned subsidiary of Cupbop Co. Prior to that time Cupbop Co. was an affiliate. In May 2013 Cupbop Co. began operating food trucks and in May 2016 Cupbop Co. opened its first storefront restaurant through a wholly owned affiliate. Cupbop Co., itself or through its affiliates, operates Cupbop® restaurants. Cupbop Co. has operated Cupbop® restaurants in non-traditional locations such as food courts, arenas, and stadiums since March 2014. We license the right to use the Cupbop® trademark, system, and other intellectual property used in the operation of a Cupbop restaurant from Cupbop Co. pursuant to a license agreement dated December 15, 2020 (the “License Agreement”). The License Agreement allows us to sublicense these rights to our franchisees. Cupbop Co. also supplies certain required products to our franchise system.

Gold Light Holdings, LLC, a Utah limited liability company, whose principal business address is 55 North University Ave., #142, Provo, Utah 84601, is also a parent.

MAK Holdings LLC, a Nevada limited liability company, whose principal business address is 202 South Minnesota St, Carson City, Nevada 89703, is also a parent.

No parent or affiliate has offered franchises in this or any other line of business.

Except as described above, we have no other parents, predecessors or affiliates that are required to be disclosed in this Item.

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

Our agent for service of process in Utah, the state of our incorporation, is Corporate Agent Services, LLC at 36 South State Street, Suite 1900, Salt Lake City, Utah 84111. Please see Exhibit A to this Disclosure Document for a list of the names and addresses of our agents for service of process in various other states.

### **The Business We Offer**

We grant franchises the right to operate a restaurant using the Cupbop® name and marks (“Restaurant”).

Cupbop Restaurants are typically located in strip shopping centers or free-standing locations and provide carry-out, off-premises indoor event catering, and on-premises dining services. You will be required to sign the Franchise Agreement attached to this Disclosure Document as Exhibit C for a Restaurant. (“Franchise Agreement”)

Cupbop Restaurants sell Korean style barbeque rice cups, salads, chicken wings, potstickers, and other permitted food and beverage products prepared according to specific recipes and procedures using high quality ingredients, including specially-formulated and specially-produced proprietary sauces and marinades. We reserve the right to change our menu at any time and require that all Restaurants are operated according to our system and standards.

We may also grant area developer rights to qualified franchisees to develop multiple Restaurants 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 Restaurants directly or through approved controlled affiliates. Under an Area Development Agreement, you commit to developing a specific number of Restaurants, according to a specified schedule (the “Development Schedule”), in a specified geographic area (the “Development Area”). The size and configuration of the Development Area and the number of Restaurants you will be required to open are listed on the Development Schedule. The Development Area will be determined based on local market conditions, demographics, and the number of Restaurants you agree to develop. The Area Development Agreement does not grant you the right to open a Restaurant 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 Restaurant at its identified premises for each Restaurant that is developed pursuant to the Area Development Agreement. You must execute a Franchise Agreement for your first Restaurant at the same time you execute the Area Development Agreement. For each subsequent Restaurant 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 C to this Disclosure Document, when we accept your proposed site for such Restaurant. The Area Development Agreement is included as Exhibit D to this Disclosure Document.

### **Market and Competition**

You will compete with other full-service, fast casual, fast food restaurants, as well as specialty and grocery stores that offer food and food related products. These restaurants and businesses may be associated with national or regional chains or be local independent businesses. The market for our type of food products and services is generally developed and very competitive.

## Applicable Regulations

The restaurant industry is heavily regulated and you must comply with those laws specifically applicable to the restaurant business, including laws pertaining to food service, food handling and safety, food labeling, sanitation, and weights and measurements, if applicable. There are generally licensing and permitting requirements applicable to storefront and special event restaurant services. You should also be aware of federal, state, and local employment laws and regulations, specifically including minimum age and wage requirements. In addition, you may be required to obtain restaurant, business, occupational, food handling, and other miscellaneous licenses. Some states also have laws regarding who may secure these licenses. You should investigate these laws further and consult with your own advisors and the government agencies for information on how these laws apply to you. Local law requirements vary by location.

## **ITEM 2: BUSINESS EXPERIENCE**

**Junghun Song: Chief Executive Officer.** Mr. Song has been the Chief Executive Officer of our parent Cupbop Co. since May 2013 when he founded Cupbop and our Chief Executive Officer since our inception in November 2014.

**Dok Kwon: Chief Operating Officer.** Mr. Kwon has been our and our parent Cupbop Co.'s Chief Operating Officer since June 2019 and oversees the operations processes, procedures and growth of Cupbop. ~~Previously, Mr. Kwon was an Investment Analyst for Citadel LLC in New York, New York from March 2015 to March 2019.~~

**Yeiri Kim: Marketing Director.** Ms. Kim has been the Marketing Director of our parent Cupbop Co. since May 2013 and our Marketing Director since our inception in November 2014. Ms. Kim is responsible for planning and operating Cupbop's corporate-level and social media marketing.

**Mike Penn: Director of Operations Vice President - Franchise.** Mr. Penn has been our Vice President – Franchise since October 2023. ~~Prior to his role as Vice President – Franchise, Mr. Penn was the Director of Operations of Cupbop since from October 2020, overseeing Cupbop's Operations, Development, Construction, and Training teams to October 2023.~~ Prior to joining Cupbop, Mr. Penn served as the Director of Operations for a ~~Marco's~~ Marco's Pizza franchise group from April 2019 to October 2020. ~~From August 2016 to December 2018 Mr. Penn was the Vice President of Operations and Construction at SubZero Ice Cream and Genesis Ice Cream, Utah based ice cream companies.~~

**Kevin Santiago: Director.** Mr. Santiago has been a director of ours and our parent Cupbop Co., since January 2021 and the managing partner of our parent Gold Light Holdings, LLC since January 2018. Previously, Mr. Santiago was a board member at Sodalicious, a flavored soda and cookie shop based in Utah with stores in Utah, Arizona, and Nevada, from March 2015 to May 2020.

**Jeff Mendez: Director.** Mr. Mendez has been a director of ours and our parent Cupbop Co., since January 2021 and the Co-Founder and Co-Owner of our parent Gold Light Holdings, LLC since January 2018. Mr. Mendez has also been the General Partner and Founder of Roots Management Group, a manufactured housing investment group and asset management platform, since February 2017. Previously, Mr. Mendez held various positions at Vivint including Vice President of Sales from February 2015 to present.

**Yong Min Kim: Director.** Mr. Kim has been a director of ours and our parent Cupbop Co. since March 2023. Mr. Kim has served as the President and CEO of Nutricost from March 2012 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**

You will pay a \$40,000 lump sum initial franchise fee for the rights to own and operate a Restaurant. If you are a current franchisee and are in full compliance under all Cupbop® Franchise Agreements and are purchasing your second or additional Restaurant, the initial franchise fee is reduced to \$30,000.

The initial franchise fee is due and payable upon execution of the Franchise Agreement. It represents payment to us for the right to use our unique business system and trademarks in the development and operation of your Restaurants. The initial fee also covers the cost of initial training that we may provide to you before you open your business.

You must purchase from our affiliate, Cupbop Co., certain opening inventory and supplies, the cost of which ranges from \$1,250 to \$2,000.

These fees are fully earned upon payment and are not refundable under any circumstances.

Area Development Fee

We may offer you the right, in our sole discretion, to develop multiple Cupbop® Restaurants pursuant to an Area Development Agreement upon payment of a development fee. The development fee you must pay is determined by the number of Restaurants you agree to develop according to the following schedule: the initial fee of \$40,000 for the first Restaurant, plus \$30,000 for each additional Restaurant. The development fee is equal to the initial franchise fee the total number of Restaurants you agree to develop. You will not be required to pay any additional initial franchise fee when you execute the Franchise Agreement for the Restaurants developed pursuant to the Area Development Agreement. The development fee is fully earned upon payment and is not refundable.

**ITEM 6: OTHER FEES**

<b>(1) Type of Fee</b>	<b>(2) Amount</b>	<b>(3) Due Date</b>	<b>(4) Remarks</b>
Royalty Fee	6% of monthly Gross Sales	10 <sup>th</sup> day of each month to include sales for the previous calendar month	See Note 1
Advertising Fund	Up to 4.5% of monthly Gross Sales, currently 2%	10 <sup>th</sup> day of each month to include sales for the	See Note 2 and Item 11, Advertising Fund

<b>(1) Type of Fee</b>	<b>(2) Amount</b>	<b>(3) Due Date</b>	<b>(4) Remarks</b>
		previous calendar month	
Cooperative Advertising Program	Up to 2% of Gross Sales, currently not assessed	As required by the Cooperative to which the Restaurant belongs.	See Item 11, Cooperative Advertising Program
Additional, new, or repeat Initial Training Attendees	Our then-current initial training fee, up to \$4,000 per person. Currently \$1,500 per person (or \$2,000 for an expelled trainee re-attending)	Prior to beginning of training	See Note 3
Additional Training or Assistance	Our then-current applicable daily rate, up to \$800 per person per day. Currently \$400 per person per day for services we provide at our training location and \$600 per person per day plus expenses for training at your Restaurant.	Prior to beginning of training	Additional training may include refresher training we require and additional assistance or training you request.
Successor Franchise	\$10,000	Upon execution of a franchise agreement for successor franchise	
Transfer Fee	\$10,000, subject to state law	Before completion of transfer	See Note 4
Product and Service Purchases	Cost for products and services actually ordered by you for use at your Restaurant.	As incurred	See Note 5 and Item 8
Testing	Costs of Testing (amount of which depends on circumstances, including supplier's location, testing required, and item involved)	When billed	Covers the costs of testing new products or inspecting new suppliers you propose

<b>(1) Type of Fee</b>	<b>(2) Amount</b>	<b>(3) Due Date</b>	<b>(4) Remarks</b>
Relocation	Our then-current relocation fee, currently \$10,000	As incurred	Due if you wish to relocate your Restaurant.
Computer Systems, Maintenance, and Support	Not currently assessed	As incurred	See Note 6
Annual Franchisee Meeting	Our then-current fee for attendance at the annual meeting, up to \$2,500	When billed	See Note 7
Regional Advisory Council	Council Assessments	When billed	We have right to enforce payments, which may vary among councils
Audit	Costs incurred related to the inspection or audit	15-days after receiving our report	See Note 8
Interest	Lesser of 18% per annum or the highest amount allowed by law, whichever is less	When billed	Charged on all overdue amounts
Non-Compliance	\$500 per occurrence and an additional \$500 per day in which the deviation continues	When billed	See Note 9
Unauthorized Advertising Fee	\$1,000 per occurrence	When billed	Due if you use unapproved advertising or marketing materials
Late Fee	10% of the past due amount	When billed	Due for each late payment
Management Fee	\$500 per person per day plus our direct out-of-pocket costs and expenses	When billed	See Note 10
Indemnification	Based upon the claims and circumstances	As incurred	See Note 11
Liquidated Damages	Varies depending on the length of time remaining in the term of your	Within 15 days after our termination or your termination without	See Note 12

<b>(1) Type of Fee</b>	<b>(2) Amount</b>	<b>(3) Due Date</b>	<b>(4) Remarks</b>
	Franchise Agreement at the time of termination. See Note 12.	cause of the Franchise Agreement.	
Customer Complaint Reimbursement	Out-of-pocket cost reimbursement	As incurred	You must reimburse us if we resolve a customer complaint because you do not do so; amount depends on extent of your non-compliance
Insurance Reimbursement	Out-of-pocket cost reimbursement	As incurred	You must reimburse us if we obtain insurance for you because you fail to obtain or maintain required coverage (your failure is a Franchise Agreement default)
Tax Reimbursement	Out-of-pocket cost reimbursement	As incurred	See Note 13
De-identification	Out-of-pocket cost reimbursement for the amounts we spend to de-identify your Restaurant	As billed	See Note 14
Attorneys' Fees and Costs	Our reasonable attorneys' fees and costs incurred	As incurred	If we are the prevailing party in any action related to the enforcement of the franchise agreement, you must pay our reasonable attorneys' fees and costs for such action.

**Notes to the Tables:**

All fees are imposed and collected by us and are payable only to us. We may vary the frequency and method of payment. The royalty fees are non-refundable. All other fees are refundable at our discretion in instances where we deem a refund is appropriate. Fees are uniformly imposed.

1. “Gross Sales” means all revenue that you derive from operating the Restaurant, including, but not limited to, all amounts that you receive at or away from the Restaurant and all catering and delivery charges not included in the price of Cupbop® menu items, and all amounts from selling or issuing gift cards, whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions, and also includes all of your proceeds from business interruption insurance, but (1) excludes all federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority, and (2) is reduced by the amount of any documented refunds, credits, and discounts the Restaurant in good faith gives to customers (if those amounts originally were included in calculating Gross Sales). Notwithstanding the foregoing, you must participate in any gift or loyalty program designated by us and to implement such changes as we designated related to such program(s). At such time as a system-wide gift card program is instituted, Gross Sales will exclude all revenue you derive from selling or issuing gift cards but will include revenue you derive from selling products and services to customers who use those cards for payment.

If you do not timely report your Restaurant’s Gross Sales, we may debit your account for 120% of the last royalty and advertising fund contribution we debited together with the late fee and interest. If the amounts we debit are less than the amounts you actually owe us, we will debit your account for the remaining balance on the day we specify. If the amounts we debit exceed the amounts you actually owe us, we will credit the excess against the amounts due the following month.

Before your Restaurant opens for business, you must sign and deliver forms we require authorizing us to debit your business checking account automatically for the royalty, advertising fund contributions, and other amounts due under the Franchise Agreement and for your purchases of products, and other items from us and/or our affiliates. We may auto-debit all fees and payments you owe us and our affiliates using the account you specify. We will debit the account for these amounts on their due dates. Funds must be available in the account for withdrawal. We may require payment other than by automatic debit, and you must comply with our payment instructions.

2. The fund may pay for preparing video, audio, written materials, or other related advertising materials, including but not limited to, developing, implementing, and maintaining an electronic commerce website and related strategies. The fund may also, at our discretion, use advertising, promotion, and marketing agencies and other advisors to provide assistance with marketing activities. The fund will advertise locally, regionally and/or nationally, as we determine.
3. Initial training is provided for two (2) people at no additional cost. We may charge you for initial training of more than two (2) people, for training newly-hired personnel, and for retraining people in our initial training program.
4. The transfer fee is \$10,000 to transfer a Restaurant. You must meet all conditions required of our franchisees for us to approve a transfer. There is no transfer fee if the transferee is an entity you control.
5. You must buy certain required products and services from us and our affiliates for use in your Restaurant. We and our affiliates will make a profit on such products or services. Prices depend on the item/service involved.

6. We do not now provide these services but may charge you for them if we do. This fee would cover computer system support and ongoing development and software upgrades we might provide in the future.
7. We may charge you a fee to attend the annual franchisee convention. This fee is intended to help cover our conference costs and may increase if our costs increase. In addition to the fee we charge, you are responsible for all other costs related to your attendance, including your travel and living expenses.
8. You must pay the costs of the audit or inspection only if you fail to furnish us with reports, financial statements, tax returns, or schedules, to retain and have available required records, or if the audit results show an understatement of Gross Sales of more than 3%.
9. You must pay us a non-compliance fee of \$500 for each occurrence if you deviate from our operational requirements and or System Standards and an additional \$500 per day for each additional day the deviation is not cured to compensate us for administrative and management costs, not for our damages related to your non-compliance.
10. The management fee is due when we or a third party appointed by us manage your Restaurant after you or your Managing Owner's death or disability or upon your default and failure to cure such default under your Franchise Agreement, termination of your Franchise Agreement or abandonment of your Restaurant, as applicable. A "Managing Owner" is a shareholder, member, or partner, depending on your entity type, responsible for overseeing and supervising operation of the Restaurant.
11. You must indemnify and hold harmless us and our affiliates if we are held liable for claims related to the unauthorized use of our Marks, a violation of applicable law, the operation of your restaurant, or a breach of the Franchise Agreement.
12. If we terminate the Franchise Agreement with cause or you terminate the Franchise Agreement without cause, you will pay us liquidated damages. These liquidated damages compensate us for the loss of the Royalty and are not meant to cover other damages to which we might be entitled due to your actions or inaction. Liquidated damages must be paid within 30 days after termination and are calculated by taking the sum of accrued Royalties during the immediately preceding 24 full calendar months, plus any applicable taxes assessed on such payment. If the remaining term on the Franchise Agreement is less than 24 months, the number of previous months Royalties is reduced to the number of months remaining in the term of the Franchise Agreement.
13. You must reimburse us for any taxes we must pay to any state taxing authority on account of either your operation or your payments to us. The amount paid to us must include a gross up in an amount necessary to provide us with the after-tax benefit had such additional tax liability not been imposed on the payment to us.
14. After termination, if you fail to de-identify the Restaurant as required under the Franchise Agreement, you must reimburse us for any costs we incur in doing so.

**ITEM 7: ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>Type of expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Initial Franchise Fee <i>(Note 1)</i>	\$40,000	Lump sum	Upon Execution of Franchise Agreement	Us
Training Expenses while Attending Initial Training <i>(Note 2)</i>	\$1,000 - \$5,000	As agreed	When training is conducted	Travel, airlines, hotels, car rental companies, Cupbop Co., etc.
Real Estate/Rent <i>(Note 3)</i>	\$5,000 - \$15,000	As agreed with landlord	When incurred	Landlord
Leasehold Improvements, Furniture, Fixtures and Equipment <i>(Note 4)</i>	\$180,000 - \$475,000	As agreed with contractors	As incurred	Contractors
Grand Opening Advertising <i>(Note 5)</i>	\$10,000	As incurred	As incurred	Vendors
Opening Inventory/Supplies <i>(Note 6)</i>	\$13,000 - \$15,000	As agreed with vendors	As incurred	Vendors, Cupbop Co.
Point of Sale System <i>(Note 7)</i>	\$2,500 - \$5,000	As agreed with vendors	As incurred	Vendors
<u>Accounting Software Package</u> <i>(Note 7)</i>	<u>\$200 – \$1,000</u>	<u>As agreed with vendors</u>	<u>As incurred</u>	<u>Vendors or Us</u>
Office Equipment and Supplies <i>(Note 8)</i>	\$3,000 - \$5,000	As agreed with vendors	As incurred	Vendors
Signage <i>(Note 9)</i>	\$10,000 - \$16,000	As agreed with vendors	As incurred	Vendors
Utility Deposits and Payments <i>(Note 10)</i>	\$1,500 - \$6,500	As agreed	As incurred	Landlord, Utility Companies and Vendors
Business Licenses and	\$500 - \$1,500	As agreed	As incurred	City, County,

Type of expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Permits for city, state and regulatory agencies (Note 11)				State or other regulatory body
Insurance (Note 12)	\$400 - \$600	As agreed with vendors	As agreed with vendors	Vendors
Dues and Subscriptions (Note 13)	\$300 - \$800	As agreed	As incurred	Vendors and Agencies
Professional Fees (Note 14)	\$2,000 - \$5,000	As agreed	As incurred	Attorneys, Advisors, Accountants
Additional Funds – 3 Months (Note 15)	\$27,000 - \$63,000	As incurred	Variable	Various Vendors, Utilities, Employees, etc.
TOTAL	<del>\$296,200</del> - <del>\$663,400</del> <u>296,400</u> <u>664,400</u>			

**Notes:**

We have based the estimates provided in the tables above upon our experience in establishing and operating Cupbop® company-owned Restaurants. However, we do not guarantee that your costs will not be higher than above. Actual costs will vary for each franchisee depending on a number of factors, including national and local market conditions and real estate costs. You should review these figures carefully with a business adviser before making any decision to enter into a Franchise Agreement.

The amounts payable to us are nonrefundable unless otherwise stated. Whether refunds are available for other amounts not paid to us depends upon your agreement with the relevant supplier or other third party, as the case may be.

- \$40,000 is the standard initial franchise fee for a new Cupbop® Restaurant. The initial fee for your second or additional Restaurant is reduced to \$30,000. The initial fees are fully earned upon payment and are not refundable under any circumstances.
- You or your Managing Owner or General Manager, as applicable, must attend our 14-day initial training program. The fee for 2 individuals to attend initial training is covered by the initial franchise fee. You agree to cover all costs and expenses related to attending initial training including, but not limited to, car rental, gas, airline tickets, meals, hotel room, entertainment, salaries, and employment expenses.
- You will need approximately 1,200 to 2,000 total square feet to operate a Cupbop® Restaurant. Real estate costs vary from place to place, and you will have a wide range of choices in selecting premises for your Restaurant. Typical locations are strip malls or free-standing buildings. We recommend that you consult with your real estate broker to develop an estimate of your costs. These

payments vary widely from lease to lease. You will make rental payments to the landlord. You will need to cover the cost of your security deposits for your lease (if any), as your landlord may require.

4. These estimates include construction costs (labor and material) for typical tenant improvements and remodeling to prepare a site for your Restaurant. Leasehold improvements vary greatly depending on the location you select (and we approve) for your Cupbop® Restaurant. A few of the factors that determine the costs of leasehold improvements include: (i) whether the space has previously been used as for similar purposes or is a new building, (ii) how much the landlord will contribute to the leasehold improvements and (iii) your ability to locate and retain cost-effective contractors. These estimates do not include lease costs. You must also purchase the furniture, fixtures, and equipment we require. We may designate certain required suppliers, or you may purchase equipment from a vendor of your choice as we designate. However, all equipment must meet our specifications as updated from time to time.
5. You are required to spend a minimum of \$10,000 in grand opening advertising for your Restaurant within 90 to 120 days of opening. You are currently also required to spend 0.5% of your Gross Sales on local advertising. We may require that you spend up to 1% of your Gross Sales on local advertising. All advertising must be approved by us.
6. This estimate includes the initial costs of food, drinks, paper, menus, uniforms for employees, and additional other supplies required to operate according to our system. The costs will vary depending upon your inventory levels and storage space.
7. You are required to use our specified point-of-sale system for your Restaurant. Fees for continued use of our specified system are currently included in your credit card processing fees. You must also obtain and use our designated accounting software, currently Quickbooks Online, from our designated vendor. The current annual cost for this software is \$200, but may change at any time as designated by the vendor. You must have this in place no later than 60 days prior to opening.
8. You must purchase the necessary office equipment and supplies for the operation of your business, including items such as a back office computer, telephone, copy/fax/scanner, office furniture, and disposable office supplies (paper, pens, etc.).
9. You are required to purchase our specified signage, which includes signage on the fascia of the building and any available street signs, pylon signs, and directional signs.
10. You may be required to pay a security or other deposit for utility or related services, including telephone, gas, and electricity services. These 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.
11. You must maintain certain business and related licenses in order to operate your Restaurant. You should check with local authorities or consult with an advisor or attorney to verify that you have obtained all necessary permits and licenses. The amount for licenses and permits can vary significantly based on location and you should verify the required amounts with the applicable authorities.
12. You are required to maintain certain types and amounts of insurance related to the operation of your Restaurant. Insurance costs depend on the type of policy, the limits, the type and values of any assets covered, revenues, employees, type and size of the physical space, location, and other related factors. You should check with your insurance agent regarding any additional coverage you may

want to purchase above that which we required. We may change the required coverage upon notice to you.

13. You must pay all dues and subscriptions associated with various administrative services such as bookkeeping, payroll processing, accounts payable and receivables functions, file sharing, and e-mail hosting.
14. You may find it necessary to retain an attorney to review the real estate lease, the franchise documents, or to assist in forming a corporation, partnership, limited liability company, or other entity. You may also retain an accountant or advisor for advice in establishing and operating your franchise and filing necessary tax forms and returns.
15. We have based the estimates provided in the tables above upon our experience in establishing and operating Cupbop® company-owned Restaurants. These miscellaneous start-up costs are our best estimate of such costs as your initial working capital, employee payroll (including training your initial staff), rent, utilities, ongoing inventory and supplies, and unexpected expenses. You may have additional expenses. Your actual costs will depend on your management skill, the prevailing wage rate, local variables, your experience and business acumen, your sales figures during the three-month period, your ability to follow the Cupbop® system, and local market and economic conditions.

**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)	\$160,000 - \$610,000	Lump Sum	Upon signing Area Development Agreement	Us
<b>Totals</b>	\$160,000 - \$610,000			

The amounts payable to us are nonrefundable.

1. Your development fee will vary, depending on the number of Restaurants you agree to develop under your Area Development Agreement. The development fee you must pay is determined by the number of Restaurants you agree to develop according to the following schedule: \$40,000 as the initial fee for the first Restaurant, plus \$30,000 for each additional Restaurant. The development fee is equal to the initial franchise fee for each Restaurant 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 Restaurants developed pursuant to the Area Development Agreement. The typical number of Stores that we anticipate in any given Area Development Agreement is between five to twenty. As an example, if you agree to open five Restaurants, your development fee would be \$160,000. The number of Restaurants that we anticipate granting under a single Area Development

Agreement is subject to our sole discretion depending on location and specific market conditions, including but not limited to, population density, demographics, competition, and number of current Cupbop Restaurants in the desired area.

You will incur costs for each Restaurant 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 Restaurant.

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

To maintain quality and uniformity among all Cupbop® Restaurants, you must at all times offer and sell only approved menu items that meet the specifications and standards we designate in our operations manual and through other communications with you. You are required to obtain products from us, our affiliates, or from sources we approve or according to our specifications, as outlined below.

##### **Required Purchases and Suppliers**

You are required to purchase our proprietary, specially-formulated and produced sauces and marinades (which are used in numerous of our menu items that you will be required to offer), proteins, and branded paper products (including bowls and cups) from Cupbop Co. Other food and non-food products branded and/or packaged exclusively for use in Cupbop® Restaurants must be purchased from us, our affiliates or approved third party suppliers. We restrict these items' sources 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, control use of the Marks by third parties, and monitor the manufacturing, packaging, processing, and sale of these items. Other than our parent, Cupbop Co., none of our officers own an interest in any supplier.

We reserve the right to require that you purchase from us, our affiliates or other third party approved suppliers other food and beverage products not prepared using our proprietary products or not branded or packaged exclusively for us as well as all required furniture, fixtures, and equipment, including our computer and point-of-sale system. We have the right to limit the suppliers with whom you deal. We or our affiliates may receive revenue from these purchases and may profit from the sale and distribution of items sold to you.

We reserve the right to add or remove approved suppliers for any item that you are required to purchase, including our proprietary items. 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: (1) an ability to meet our standards and specifications, (2) possess adequate quality control and the capacity to supply our franchisees' needs promptly and reliably, and (3) 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 the franchisee 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' written notice to you.

### **Purchases According to Our Specifications**

You must purchase only soft goods, small wares, utensils, cleaning supplies, novelty items and other miscellaneous and designated items that we require from any supplier who 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, accuracy, preparation, installation, application, delivery, performance, design and appearance and may be modified upon written notice to you. In some instances, you must purchase items that comply with our reasonable subjective determination of whether they meet the standards and comport with the Cupbop® image. 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.

In addition, you must obtain and maintain, at your own expense, the insurance coverage we periodically require and satisfy other insurance-related obligations.

Restaurants must currently maintain special form property coverage insurance for the Restaurant's build-out and contents for full replacement cost value and comprehensive general liability, including products and completed operations broad form contractual liability, personal and advertising injury, and premises medical and fire damage legal liability. For each Cupbop Restaurant, you must obtain General Liability Insurance with limits of at least \$2 million per occurrence and an aggregate of \$2 million per location (a \$1 million umbrella may be used to satisfy the \$2 million occurrence). This policy must include an additional insured endorsement naming us as an additional insured as well as a waiver of subrogation in favor of Cupbop Franchise, LLC and its affiliates. You must have business interruption insurance on Actual Loss Sustained Basis or Loss of Income Basis for up to 12 months. Workers' compensation and employer's liability insurance must be obtained to satisfy state law. Employer's liability limit must be obtained with limits of at least \$1 million. The premiums for the required coverages depend on the insurance carrier's charges, terms of payment, and your history.

Despite the above, we may change the required insurance coverage, including the terms, conditions, and coverage amounts, at any time and for any or no reason.

### **Development of the Restaurant**

You are responsible for developing the Restaurant. The site for a Restaurant and any applicable lease must be approved by us and must include any required terms in our lease addendum. We will give you mandatory and suggested specifications and layouts for the Restaurant, including requirements for exterior design, dimensions, image, interior layout, décor, furniture, fixtures, equipment, and color scheme. These specifications might not reflect the requirements of any federal, state, or local law, code, or regulation, including those arising under the Americans with Disabilities Act or similar rules governing public accommodations for disabled persons. You are responsible to make any plans or specifications you are provided comply with any applicable laws or regulations. You must select a general contractor for the buildout of your Restaurant. However, we reserve the rights to approve or deny the use of any contractor. We must approve all final plans before construction begins and you are responsible for the oversight of all work to ensure compliance. You must maintain appropriate insurance coverage during the course of any construction.

## Revenue From Franchisee Purchases

Our total revenue for the year ended December 31, ~~2022~~2024, was \$1,407,785~~2,027,743~~. We did not have any revenue from the sale of products to our franchisees for the year ended December 31, ~~2022~~2024. For the year ended December 31, ~~2022~~2024, our affiliate, Cupbop Co. had revenue of \$21,885~~36,920~~ from the sale of products to our franchisees.

Based on our experience with our franchisees, we estimate that your purchases or leases of products and services in accordance with our specifications ~~or from approved or required sources~~ will represent approximately 22 to 40% of your total purchases in connection with establishing your business and approximately 22 to 33% of your total purchases in connection with operating your business in the future.

We do not currently receive any rebates or other payments from suppliers related to franchisee purchases, although we reserve the right to do so in the future. We do not have any purchasing or distribution cooperatives or negotiate purchase ~~agreements~~agreements with approved suppliers of the benefit of franchisees as of the issuance date of this Disclosure Document but may do so in the future. We do not provide material benefits to franchisees based on their purchase of particular products or services.

## ITEM 9: FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Franchise Agreement Section 2A and 2B of Franchise Agreement  Area Development Agreement Section 3B	7, 11, and 12
b. Pre-opening purchases/leases	Franchise Agreement Section 2D and 2E  Area Development Agreement Not Applicable	5, 7, 8, and 11
c. Site development and other pre-opening requirements	Franchise Agreement Section 2C  Area Development Agreement Section 3	7 and 11
d. Initial and ongoing training	Franchise Agreement Section 5  Area Development Agreement Not Applicable	7 and 11

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
e. Opening	Franchise Agreement Section 2F Area Development Agreement 3C	5, 6, 7, and 11
f. Fees	Franchise Agreement Section 2A, 3, 5A, 5B, 9C, 10, 11B, 13C, 13D, 14A, and 15C Area Development Agreement Section 4	5, 6, and 7
g. Compliance with standards and policies/operating manual	Franchise Agreement Section 9 Area Development Agreement Not Applicable	8 and 11
h. Trademarks and proprietary information	Franchise Agreement Section 6 and 7 Area Development Agreement Section 6	13 and 14
i. Restrictions on products/services offered	Franchise Agreement Section 9A Area Development Agreement Not Applicable	8, 11, 12, and 16
j. Warranty and customer service requirements	Franchise Agreement Section 9A Area Development Agreement Not Applicable	6
k. Territorial development and sales quotas	Franchise Agreement Not Applicable Area Development Agreement Section 1E, 2 and 3 of Area Development Agreement	12
l. Ongoing product/service purchases	Franchise Agreement Section 9A Area Development Agreement Not Applicable	6 and 8
m. Maintenance, appearance and remodeling requirements	Franchise Agreement Section 9A and 9B Area Development Agreement Not Applicable	11 and 17

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
n. Insurance	Franchise Agreement Section 9A Area Development Agreement Not Applicable	6, 7, 8, and 11
o. Advertising	Franchise Agreement Section 10 Area Development Agreement Not Applicable	7 and 11
p. Indemnification	Franchise Agreement Section 17 Area Development Agreement Not Applicable	6
q. Owner's participation/management/staffing	Franchise Agreement Section 4 and 5 Area Development Agreement Not Applicable	11 and 15
r. Records and reports	Franchise Agreement Section 11 Area Development Agreement Section 5	6
s. Inspections and audits	Franchise Agreement Section 12 Area Development Agreement Not Applicable	6 and 11
t. Transfer	Franchise Agreement Section 13 Area Development Agreement Section 10B	17
u. Renewal	Franchise Agreement Section 14 Area Development Agreement Section 1B	17
v. Post-termination obligations	Franchise Agreement Section 16 Area Development Agreement Section 8	17
w. Non-competition covenants	Franchise Agreement Section 8 Area Development Agreement Not Applicable	17

Obligation	Section in Agreement	Disclosure Document Item
x. Dispute resolution	Franchise Agreement Section 18  Area Development Agreement Section 10A	17

### **ITEM 10: FINANCING**

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

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

**Except as otherwise defined below, we are not required to provide any assistance to you.**

#### **Pre-Opening Assistance**

Before you open your Restaurant, we will:

1. Provide you with site selection criteria for your premises. We will accept or reject a proposed location within 30 days after receiving our required information and will determine a catering or delivery areas for your Restaurant. (Franchise Agreement Sections 2A and 2B).
2. Approve the lease for your premises. (Franchise Agreement Section 2B).
3. If you enter into a Area Development Agreement, designate a specific number of Restaurants you must open within a territory and timeframe. (Area Development Agreement Sections 1, 2, and 3).
4. Give you our required and suggested specifications and layouts for Cupbop® Restaurants. (Franchise Agreement Section 2C).
5. Provide you with the food products, specification and suppliers required to operate the Restaurant. (Franchise Agreement Section 2D, 2E, and 9A).
6. Give you access to our Brand Standards Manual. (Franchise Agreement Section 5C).
7. Provide you guidelines regarding your grand opening advertising program. (Franchise Agreement Section 10A).
8. Train you, your General Manager and other managers you send to our training program. (Franchise Agreement Section 5A).

#### **Post-Opening Assistance**

During the operation of your Restaurant, we will:

1. Send one of our representatives to assist with operation during an initial period after opening. The

amount of assistance you receive is based upon the number of Restaurants you operate. ~~For your first Restaurant, you~~ You will receive 24 hours of our representative's time for your first Restaurant, 16 hours of the representative's time if the Restaurant is your second Cupbop Restaurant, and eight hours of the representative's time if the Restaurant is your third or subsequent Restaurant. (Franchise Agreement Section 5A).

2. Provide advice based upon your operations, reports, evaluations, and inspections. We may also provide recommendations to you on standards, specifications, and operating procedures; purchasing food items, other products, and items for use with the Restaurant; advertising and marketing programs; and administrative procedures through our Brand Standards Manual, other manuals, communications or written or verbal materials. (Franchise Agreement Section 5B).
3. Provide, at your request, additional training, guidance, or assistance. (Franchise Agreement Section 5B).
4. Continue to provide you access to and provide updates to the Brand Standards Manual and System Standards, as we may modify from time to time. (Franchise Agreement Sections 5B, 5C, 5D, and 9).
5. Allow you to use Confidential Information and our Marks. (Franchise Agreement Sections 6 and 7; Area Development Agreement Section 6).
6. Offer ongoing training and refresher courses, as we deem appropriate. (Franchise Agreement Section 5B).
7. Maintain and administer an advertising fund for advertising, marketing, and public relations programs we deem appropriate. (Franchise Agreement Section 10C).

### **Site Selection and Time to Open**

We estimate that it will be 6-9 months from the time that you sign the Franchise Agreement before you open the Restaurant. You must find an acceptable site within 120 days of signing the Franchise Agreement. If no acceptable site is located and agreed upon within such period, we may terminate the Franchise Agreement. We do not generally own or lease the premises to you. We must approve the site selected by you. The factors we consider in approving a site include demographic characteristics; traffic patterns; parking; character of neighborhood; competition from and proximity to other businesses; other commercial characteristics; and size, appearance, and other physical characteristics. Once you have a site the specific time for opening depends on the site's condition, the construction schedule, equipment, and supplies needed, time of training and requirements to comply with local laws, which may delay opening for up to 4 or 6 months. You may not open the Restaurant until (1) we approve of the opening and notify you of such in writing; (2) you pay all fees to us and suppliers, including the initial franchise fee; (3) you successfully complete all required training; and (4) you provide us with all required insurance policies. You must open the Restaurant within 16 months of signing the Franchise Agreement or we may terminate the Franchise Agreement.

We will provide you approved suppliers and specifications for certain equipment, signs, fixtures, opening inventory and supplies to be used in operation of your Restaurant, but we do not directly provide such items to you nor do we deliver or install these items.

We will provide recommendations and consult with you regarding the prices to be charged at your Restaurant, but you are responsible for establishing the actual prices you charge.

### **Advertising**

You may use your own advertising materials after we have approved them in writing, provided that you may not obtain or use a domain name, or develop and operate its own website, social media website, mobile application, or other similar application in connection with your Cupbop Restaurant, including, but not limited to, TikTok, Facebook, Yelp, Twitter, Instagram, Pinterest and YouTube that in any way references Cupbop without our prior written approval, which may be withheld by us for any or no reason. We may, at our option, provide pre-designed ads/marketing material for your Restaurant, however we have no obligation to spend any amount on advertising in the area in which you are located.

Restaurants are currently required to spend a minimum of 0.5% of your monthly Gross Sales on local advertising. We may require you to spend up to 1% of your monthly Gross Sales on local advertising.

Restaurants must pay to us a monthly advertising fund contribution of up to 4.5% of your Restaurant's Gross Revenues. Currently, you are required to pay 2% of your Restaurant's Gross Revenues. We will notify you of any changes to the percentage you must pay to the advertising fund. Cupbop® Restaurants owned by us or an affiliate pay into the advertising fund at the same rate as franchisees. All other Cupbop® Restaurants owned by us or an affiliate outside of Utah contribute advertising fees on the same basis as similarly situated Restaurants operated by franchisees. You must pay marketing fees monthly by pre-authorized electronic bank transfer, at the same time that you pay Royalties.

We will administer the advertising fund contributions we collect and direct all advertising programs financed by the advertising fees, and have the right to determine the creative concepts, materials, and endorsements used and the geographic, market, and media placement and allocation. We will account for the advertising fund contributions separately from our other funds, although we are not required to establish a separate bank account for those fees. We have the right to use the advertising fund contributions to defray the salaries, administrative costs, and overhead we and an affiliate may incur in activities related to our advertising programs, including conducting market research, preparing advertising, promotion and marketing materials, and collecting and accounting for the contributions. On your prior written request, we will make available to you an annual statement of amounts collected and costs incurred for the advertising fund. No independent audit is required with this statement or the advertising fund contributions we collect. We do not use the advertising fund contributions to solicit new franchise sales.

We generally attempt to expend all advertising fund contributions we collect during the year in which the contributions are received, however, any amounts collected but not spent in the fiscal year in which they were accrued will be carried forward to the following fiscal year. We may spend in any fiscal year an amount greater or less than the aggregate advertising fund contributions collected in that year and we may make loans on behalf of the advertising fund bearing reasonable interest to cover any deficits in the amount of advertising fund contributions collected, and cause future collections to be applied first, at our discretion, to any outstanding loans we have made on behalf of advertising programs.

Although we will endeavor to utilize the advertising fund to develop advertising and marketing materials and programs and to place advertising that will benefit all Cupbop® Restaurants, we cannot ensure you that our expenditure of the advertising fund in or affecting any geographic area will be proportionate or equivalent to the contributions paid to us by Cupbop® Restaurants operating in that geographic area or that any specific Cupbop® Restaurant will benefit directly or in proportion to the advertising fund contributions

it pays to us from the development of advertising and marketing materials or the placement of advertising. We are not obligated to conduct any advertising programs for the franchised system.

In ~~2022~~2024, we spent ~~3031~~% on marketing production, ~~3229~~% on marketing placement, and ~~3840~~% on administrative expenses. You may receive an accounting of the marketing fee, including how the funds were raised and spent, by submitting a written request to us.

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. If a local or regional advertising cooperative is formed or organized for the market that includes your Restaurant, we have the right to require you to participate in and contribute to the advertising cooperative an amount of up to 2% of your Gross Sales, which is in addition to your advertising fees and local advertising requirements. All Restaurants will contribute at the same rate. Each Restaurant located within an advertising cooperative, including any Restaurant owned by us or an affiliate, will be a member of the advertising cooperative and have one vote per Restaurant. The members of each advertising cooperative and their elected officers will be responsible for all administration of the advertising cooperative. Each advertising cooperative will engage the services of a professional advertising agency, public relations firm, or similar service that meets our approval and has expertise in their market. Each advertising cooperative must have an independent accountant prepare quarterly and annual financial statements, which will be made available to us and all Restaurant franchisees in the advertising cooperative. We have the right to require local and regional advertising cooperatives to be formed, changed, dissolved, or merged.

In no event will the cumulative amount any Restaurant is required to pay in local advertising, advertising fund fees, and cooperative advertising fees exceed 6.5% of Gross Sales.

#### Franchise Advisory Councils

There are currently no franchisee advertising councils advising us on advertising policies, however, we have the power to form, change, or dissolve such councils.

#### **Computer System Requirements**

We require that you purchase or lease a computer, software, point-of-sale system, printers, and other computer-related accessories and peripheral equipment that provides us the information necessary to audit and confirm your Gross Sales and other information that we are allowed to review pursuant to the Franchise Agreement. We also require that you have high-speed internet access in your Restaurant so we will have independent access to information contained in your point-of-sale system. There are no limits on our ability to access your data in your point-of-sale or computer systems. Currently, you may use any internet service provider that allows you to access the internet. You may not use any unapproved computer software or security access codes. You must give us all security access codes. The cost to purchase the POS and computer system ranges from \$2,500 to \$5,000 depending on the size, layout, and other features of your location. The annual cost to maintain, update and support the point-of-sale and computer system ranges between \$7,200 to \$12,000.

You must also obtain and use our designated accounting software, currently Quickbooks Online, from our designated vendor. The current annual cost for this software is \$200, but may change at any time as designated by the vendor. You must have this in place no later than 60 days prior to opening

You must upgrade or update your system to meet our standards and specifications, as contained in our operating manual, which may be changed from time to time, including without limitation, by changing the required point-of-sale system. We are not obligated in any way to provide ongoing maintenance, repairs, upgrades, or updates to the point-of-sale hardware or software system that you utilize. You are responsible for all costs in any way related to ongoing maintenance, repairs, upgrades, or updates to your point-of-sale hardware or software system.

### **Operations Manual**

The table of contents of our operations manual is found in Exhibit E to this Disclosure Document. There are 108 total pages in the operations manual.

### **Training Program**

Before the Restaurant opens for business, you or your Managing Owner, your General Manager, if required because your Managing Owner will not be involved in the Restaurant's on-site, day-to-day operation must successfully complete our initial training program before the Restaurant opens for business. Other than this initial training program and any future ongoing training identified below, there are no additional required training programs.

We will provide initial training for no additional fee for 2 people. 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 2 people, currently \$1,500 per person. 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.

Initial training is a 14-day program at our designated training facility and/or at an operating Cupbop® Restaurant. If you or the required attendees do not successfully complete the initial training, we may terminate the Franchise Agreement. Training will occur after you sign the Franchise Agreement and while you are developing the Restaurant, approximately 10 to 12 weeks before the anticipated opening date of the Restaurant. The initial training program is held as needed for new franchisees.

We may require you to replace any General Manager or manager who we believe is not qualified or suitable to hold that position, or you may replace any General Manager. You must pay for any replacement to complete the initial training program within 90 days of the departure of the previous General Manager. In addition to our then-current training fee, you must pay all travel and living expenses for such attendees.

Gina Silveira is responsible for our training program and will provide training on the day-to-day operation of the business. Ms. Silveira has three months of experience with Cupbop and 13 years of experience in the restaurant industry. JongBin Lim is also involved in the providing the training program related to the menu items. Mr. Lim has over 21 years of experience in the restaurant industry and 34 years of experience with Cupbop. We may use other instructors to provide training on specific subjects. All instructors who help participate in providing training have a minimum of 1 years and up to 10 years or more of experience in the restaurant business and with Cupbop.

## TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Orientation, History and Culture of Cupbop, Customer Service Procedures, Korean Culture (Give to Receive), Mission Statement, Work Ethic, 4 Core Values	1.5	0	Our Office in Draper, Utah
Documents (Permits, Business License, Inspections), Payroll, Royalty/Advertising Fund, Payment, Leadership	3	0	Our Office in Draper, Utah
Fee, Roundup/Event Schedules and Calendar, Special Event Tax, Tax-exemptions, Event Reports, Marketing (SNS, event schedules, posters, flyers, supplies, LSM), Accounting System, HR	4	0	Our Office in Draper, Utah
Point-of-sale, 3 <sup>rd</sup> Party Delivery, Incentive Program, Manager's Packet (employee management), Store Inspections, F&B Vendors, Approved Music, Equipment Suppliers	5	5	Our Office in Draper, Utah and/or Cupbop store locations
Sauce/Portion Guide, Allergen Information, Nutrition Facts, Food Safety, Recipes, Food Management, Store Maintenance, Customer Service, Training Videos	5	10	Our Office in Draper, Utah and/or Cupbop store locations
Opening: Preparation Procedures, Cooking, Inventory, Employee Management On-site, Cleaning	1	40	Our Office in Draper, Utah and/or Cupbop store locations
Closing: Procedures, Food/Service/Specialty Order, Inventory, Food Storage	1	40	Our Office in Draper, Utah and/or Cupbop store locations
<b>TOTAL</b>	<b>20.5</b>	<b>95</b>	

### **Ongoing Training**

You, your Managing Owner, any General Manager and/or other previously trained and experienced managers and other employees must attend and complete to our satisfaction any training courses we periodically choose to provide at the times and locations we designate. We may charge reasonable registration or similar fees for these courses.

## **ITEM 12: TERRITORY**

You will select, with our approval, a specific location at which you will operate your Restaurant.

You will not receive an exclusive territory under the Franchise Agreement. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We may establish other franchised or company owned locations that may compete with your location.

Beginning in your second year of operation, Restaurants must maintain 50% of the trailing twelve months sales average of all of our national restaurants for the term of the Franchise Agreement. Failure to comply with this minimum requirement over a 2-year period will be considered a default under your Franchise Agreement, and we will have the option, in our sole discretion, to terminate your Franchise Agreement.

Restaurants are granted a protected territory around their authorized location. The size and scope of the protected territory will vary based on the characteristics of the authorized location, including the population density around the location and no minimum territory is guaranteed. We will not during the term of the Franchise Agreement establish or operate, nor will we license or franchise to another the right to establish or operate a Restaurant in your protected area. Restaurants are allowed to provide catering services in the protected territory as well as any immediately adjacent area, approved in advance in writing by us, that is not a part of another franchisee's protected territory and provided that the services can reasonably be provided from the Restaurant. Restaurants may not provide any service outside of the protected territory without prior written approval from us prior to providing such service.

Your protected territory does not give you any rights to customers within the protected territory, including with respect to orders placed online for delivery, whether through us or a designated and approved third-party delivery service provider. Online orders placed by customers within your protected territory may be fulfilled by us, our affiliates or another franchisee, as we or such approved third-party delivery service provider determine. Except as set forth above, you may only offer the Cupbop products and services at your authorized location and may not use any other channel of distribution.

We utilize available demographic information such as area income figures, traffic patterns, population density, competition, zoning, parking, zip codes, site profiles etc. in helping you select a site and determining whether to grant approval for any proposed site and determining the catering or delivery areas for your Restaurant.

We must approve any plans to relocate your Restaurant. Our approval may be conditioned upon the new site meeting our then-current specifications for new Restaurants, payment of our then-current relocation fee and reimbursing our reasonable costs incurred with such relocation, you signing a general release, and you de-identifying the current premises.

We expressly reserve all rights right to develop, operate or franchise other Cupbop® Restaurants at any location we deem appropriate outside of your protected territory and to sell any products in any channel of distribution, including, without limitation, internet, catalog, wholesale, department stores, supermarkets, gift shops, telemarketing sales, mail order sales, direct sales, special functions, and similar channels or at any non-traditional venue, including without limitation, sports arenas and stadiums, convenience stores, airports, hospitals, universities, military bases, department stores, corporate campuses or locations where the owner or manager sets financial or experiential standards for operators for which you do not qualify ("Non-Traditional Venues") both inside and outside your protected territory under the Cupbop name and

Marks or any other name or trademarks without compensation to you. Neither we nor any affiliate currently has any plan to operate or franchise any business under any other trademark that offers similar services but reserve the right to do so in the future. Unless you enter into an area development agreement, you are not given any options, rights of first refusal or any other similar right to acquire additional franchises.

Area Development

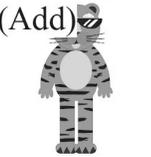
If you qualify, you may be granted the right to develop and operate multiple Cupbop® Restaurants within a specific development area designated prior to entering into a Area Development Agreement. We will agree upon the specific number of Restaurants and the timeline for opening each Restaurant. The size of the development area is determined based on the number of Cupbop® Restaurants you agree to operate and demographic information such as area income figures, traffic patterns, population density, competition, zoning, parking, zip codes, site profiles, etc. We will approve the location and territory for each Restaurant to be opened pursuant to the Area Development Agreement according to our then-current standards of site approval and territories. We will not establish or operate or grant other franchisees the right to establish or operate other Cupbop® Restaurants in the development area you are granted over the term of the Area Development Agreement. However, we or our affiliates may establish Non-Traditional Venues and sell through other channels of distribution in your development area. You may not operate or establish a Cupbop® Restaurant outside of the development area you are granted. We may terminate the Area Development Agreement if you fail to meet the development schedule outlined in the addendum but may not otherwise alter your development area during the term of the Area Development Agreement.

**ITEM 13: TRADEMARKS**

We grant you the right to use the name “Cupbop.” You may also use other marks which we develop or prescribe to identify your business and its services and products. By mark or trademark, we mean trade names, trademarks, service marks, and logos used to identify your business, its services and its products.

Cupbop Co. owns, and we have the right to allow you to use pursuant to the License Agreement, the rights to the following registration with the U.S. Patent and Trademark Office (USPTO):

<u>Mark</u>	<u>Registration/Application Number</u>	<u>Registration/Application Date</u>
cupbop	4757198	June 16, 2015
	5289813	September 19, 2017
KOREAN BBQ IN A CUP	6720588	May 3, 2022
SHHH... JUST EAT!	90699546	June 21, 2022
	90699530	July 19, 2022

<u>Mark</u>	<u>Registration/Application Number</u>	<u>Registration/Application Date</u>
	90699535	September 27, 2022
(Add) 	<u>7471375</u>	<u>August 13, 2024</u>
<u>HOYA</u>	<u>98524277</u>	<u>April 29, 2024</u>
(Add) 	<u>98524293</u>	<u>April 29, 2024</u>
(Add) 	<u>98524298</u>	<u>April 29, 2024</u>

There are no currently effective agreements that significantly limit our rights to use or license the trademarks as set forth herein and necessary for the operation of your Restaurant. Cupbop Co. has filed all required affidavits and intends to renew all marks. You must follow our rules when you use these trademarks. You cannot use a name or mark as part of a corporate or other entity name or with modifying words, designs or symbols except for those which we license to you. You may not use our trademarks in the sale of an unauthorized product or service or in a manner not authorized by us in writing.

There are no currently effective material determinations of the USPTO, the trademark trial and appeal board, the trademark administrator of any state, nation or any court, or any pending infringement, opposition or cancellation or any pending material litigation in any court involving the principal trademarks.

Your right to use our trademarks 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. Your unauthorized use of our marks will constitute a breach of the Franchise Agreement and an infringement of our rights in the marks. Your use of our marks and any goodwill established by your use will benefit us exclusively. The Franchise Agreement does not confer any goodwill or other interests in our marks on you other than the right to operate your franchise in compliance with the Franchise Agreement. All provisions of the Franchise Agreement applicable to our marks will apply to any additional proprietary trade and service marks and commercial symbols that we authorize for use by you in the future.

We have the right to require you to modify or discontinue use of any of our marks or use one or more additional or substitute trade or service marks 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 the mark or use one or more additional or substitute trade or service marks within a reasonable time after notice from us.

You agree to promptly notify us of any suspected infringements, imitations, or suspected unauthorized use of the marks, or any challenges to the validity, our ownership of, right to use and license others to use, or to your use of, the marks. We or Cupbop Co. have the sole right to institute, defend, direct, and control any judicial, arbitration, and administrative proceedings and actions involving the marks, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the marks. We have the right to defend you against any third-party claim, suit, or demand arising out of your use of the marks at our sole cost. If we undertake the defense or prosecution of any judicial, arbitration, or administrative proceedings or actions affecting the marks, you are required to cooperate with us in these proceedings or actions and you agree to all documents and to do those acts and things as may, in our opinion, be necessary to comply with this requirement, including being named as a nominal party in these proceedings or actions. We will indemnify you for any reasonable damages or expenses incurred by you, due to any judicial, arbitration, or administrative proceedings or actions involving the marks.

To our knowledge, there are no superior prior rights or infringing uses which could materially affect your use of any of our marks in any state.

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

No patents or copyrights presently are material to the franchise. We claim copyrights in the Brand Standards Manual, System Standards, specifications, marketing materials, training materials, and related items you may use in operating the Restaurant. Although we have not as yet filed an application for copyright registration for the Brand Standards Manual, we may file such an application. The operations manuals are proprietary and contain a substantial portion of our proprietary information distributed to you.

We own Confidential Information (as defined in the Franchise Agreement) and claim copyrights in such Confidential Information, including, but not limited to, trade secrets. This Confidential Information is our proprietary material. Other than the right to use the Confidential Information as outlined in the Franchise Agreement, you will not acquire any interest in or right to use any Confidential Information. We may use and authorize other Cupbop® Restaurants to use the Confidential Information.

You must also promptly tell us when you learn about unauthorized use of our copyrighted, proprietary, or Confidential Information. We may but are not obligated to take any action but will respond to this information as we think appropriate. You must sign any instruments and documents or provide other assistance as we may determine necessary or advisable to protect and maintain our interest in any proceeding, copyright or proprietary or Confidential Information.

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

Pursuant to the Franchise Agreement, you, if you are an individual, or, if you are an entity, a Managing Owner and/or General Manager (as defined below) approved by us must personally supervise and participate in the franchised business. In addition, each such individual is required to complete the training program. Each location of the business must be directly supervised “on-premises” by you, your Managing Owner or a General Manager who has successfully completed our training program and has been approved by us.

If you appoint a “General Manager” to manage the Restaurant on-site on a day-to-day basis. We must approve your proposed General Manager, but the General Manager does not need to have an equity interest in the franchised business.

All owners in your entity that own at least 5% of your outstanding ownership interests must sign a guaranty.

The General Manager, other owners, onsite managers other than the General Manager and/or training attendees may be required to sign a confidentiality agreement in a form determined by us.

You may replace the General Manager as you deem appropriate, although a replacement General Manager must complete to our satisfaction our training requirements within 90 days after departure of the previous General Manager, and you must identify for us and we first must approve any new or replacement General Manager.

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

You must offer and sell all items and perform all services we require for Cupbop® Restaurants. You may only offer those goods and services that we authorize and designate. You must prepare all menu items in strict compliance with our methods, specifications, recipes, and operational requirements as set forth in our System Standards, Brand Standards Manual, or otherwise and must follow all System Standards related to the operation of a Cupbop® Restaurant.

We reserve the right to add new services or products that you may be required to offer and sell at any time, and any new changes will become and remain part of our System Standards. We may set prices as part of our System Standards in the Brands Standards Manuals. We own all improvements or changes to our system whether we or you develop them, and we have the right to adopt and perfect such improvements or changes without compensating you. If we modify the system, you must adopt and use the modifications as if they were part of the System Standards at the time you signed the Franchise Agreement.

**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	1D of Franchise Agreement  1B of Area Development Agreement	10 years from the date that your Cupbop® Restaurant opens for business.  Term ends on the opening date of the last Cupbop Restaurant covered by the Development Schedule or on the last day listed on the Development Schedule.

<b>Provision</b>	<b>Section in Franchise or Other Agreement</b>	<b>Summary</b>
b. Renewal or extension of the term	14 of Franchise Agreement  1B of Area Development Agreement	10 years from expiration of prior term.  Developer shall have no right to renew or extend the Term or the rights herein granted.
c. Requirements for franchisee to renew or extend	14 of Franchise Agreement        Not applicable to the Area Development Agreement	You must provide notice to us no more than 220 days and no less than 180 days before your agreement expires; maintain possession of your premises; remodel according to our current standards; pay a successor franchise fee; and sign a new agreement that may be materially different from your current franchise agreement.
d. Termination by franchisee	15A of Franchise Agreement     Not applicable to the Area Development Agreement	You may terminate only if we breach the Franchise Agreement and fail to cure after notice from you or as allowed under state law.
e. Termination by franchisor without cause	15B of Franchise Agreement   Not applicable to Area Development Agreement	We may not terminate the Franchise Agreement without cause.
f. Termination by franchisor with cause	15B of Franchise Agreement   7 of the Area Development Agreement	We may terminate the Franchise Agreement for cause if you breach the agreement.  We can terminate the Area Development Agreement if you are in default.
g. "Cause" defined-- Curable defaults	15B of Franchise Agreement	You have 3 days to cure health, safety, or sanitation law violations; 10 days to cure monetary defaults and failure to maintain the required insurance; 30 days to cure monetary defaults to certain third parties; operational and other defaults that are curable; and 90



Provision	Section in Franchise or Other Agreement	Summary
		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; and any default under another agreement with us or our affiliates that permits us or our affiliates to terminate such agreement..
i. Franchisee’s obligations on termination/non-renewal	16 of Franchise Agreement  8 of Area Development Agreement	You must pay all outstanding amounts; de-identify your premises; assign telephone numbers; return confidential information; and possibly pay liquidated damages.  Cease exercising development rights; cease to represent yourself as a <del>Crispy Cones</del> <u>Cupbop</u> 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 franchisor	13A of Franchise Agreement  10B of Area Development Agreement	There are no restrictions on our right to assign the Franchise Agreement.  There are no restrictions on our right to assign the Franchise Agreement.
k. “Transfer” by franchisee – defined	13B of Franchise Agreement  10B of Area Development Agreement	Includes transfer of Franchise Agreement, sale of assets and ownership changes in you or your owners.  Includes assignment, sale or transfer of any interest in Area Development Agreement.
l. Franchisor approval of transfer by franchisee	13C of Franchise Agreement  10B of Area Development	You may not transfer without our prior written consent, which will not be unreasonably withheld. Any Area Development Agreement may not be assigned without prior written consent by Cupbop to any proposed transfer.  We have the right to approve all

Provision	Section in Franchise or Other Agreement	Summary
	Agreement	transfers, in our sole discretion.
m. Conditions for franchisor approval of transfer	13C of Franchise Agreement  10B of Area Development Agreement	You must be in full compliance under the Franchise Agreement; provide us the terms of the transfer in writing; pay us the transfer fee; and execute (along with all your owners) a release to us and our affiliates. The transferee must assume all your obligations; sign our then-current franchise agreement; pay for, attend and complete all required training; and sign a document acknowledging receipt of the FDD.  We have the right to approve all transfers, in our sole discretion.
n. Franchisor's right of first refusal to acquire franchisee's business	13E of Franchise Agreement;  Not applicable under Area Development Agreement	We have a right of first refusal to match any offer you receive for your assets or an ownership interest in you.
o. Franchisor's option to purchase franchisee's business	16E of Franchise Agreement  Not applicable under Area Development Agreement	We may purchase or sublease the Restaurant, including the premises, <del>and/or truck</del> at fair market value upon termination or expiration of the Franchise Agreement.
p. Death or disability of franchisee	13D of Franchise Agreement  Not applicable to the Area Development Agreement	The franchise may continue provided that, within a reasonable time (not to exceed 180 days) after death, a new representative is appointed that meets our standards. The franchise may also be transferred pursuant to the transfer restrictions.
q. Non-competition covenants during the term of the franchise	8 of Franchise Agreement  Not Applicable to the Area	You may not divert business, own an interest in, or perform services for a competing business or interfere with our or our franchisee's employees.

Provision	Section in Franchise or Other Agreement	Summary
	Development Agreement	
r. Non-competition covenants after the franchise is terminated or expires	16D of Franchise Agreement  Not Applicable to the Area Development Agreement	You may not have direct or indirect ownership in or perform services for a competitive business for 2 years at the premises or within 20 miles of any other Cupbop® Restaurant; whether existing, operating, or under construction as of the date the Franchise Agreement expires or is terminated.
s. Modification of the agreement	20J of Franchise Agreement  10C of the Area Development Agreement	Subject to our right to modify the system and operations manual, any modification must be by signed written agreement of both parties.  Modifications of the Area Development Agreement must be in writing and signed by both parties.
t. Integration/ merger clause	20N of the Franchise Agreement  11 of the Area Development Agreement	Only the terms of the Franchise Agreement are enforceable and any representations outside of this Disclosure Document and the Franchise Agreement are not enforceable.  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	18D of the Franchise Agreement  10A of the Area Development Agreement	The parties should attempt to mediate all disputes in Salt Lake County, Utah before a single mediator prior to submitting a dispute to arbitration, subject to applicable state law.  All disputes must be settled by binding arbitration in Salt Lake County, Utah, subject to applicable state law.

Provision	Section in Franchise or Other Agreement	Summary
v. Choice of forum	18B of the Franchise Agreement  10A of the Area Development Agreement	Subject to the arbitration requirement, litigation must take place in Salt Lake County, Utah, subject to applicable state law.  Subject to the arbitration requirement, litigation must take place in Salt Lake County, Utah, subject to applicable state law.
w. Choice of law	18A of the Franchise Agreement  10A of the Area Development Agreement	Utah law applies, subject to applicable state law.  Utah law applies, subject to applicable state law.

**ITEM 18: PUBLIC FIGURES**

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

**ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS**

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

The following tables present unaudited historical information about the revenues and certain expenses of certain Cupbop ~~franchise~~ operations for the calendar year ~~2022~~2024. The Gross Revenue ranges used in the tables were selected to ensure an equal number of ~~franchisees~~restaurants were in each group range across all franchise and company-owned restaurants, as shown in Table ~~1~~3. To allow for comparison between the ~~franchisee~~company-owned numbers presented in Table 1 and the ~~company-owned~~franchisee numbers presented in Table 2, the same ranges were used ~~for each~~.

**TABLE 1**  
**Franchises Operating for More than a Year**  
**Company-Owned Restaurants**

The numbers in ~~Tables Table 1.A. and 1.B. below~~ represent data for calendar year ~~2022~~ of all ~~9~~ of the ~~Cupbop franchised locations~~2024 for the 26 company-owned Restaurants and in the United States that have been operating for at least one full calendar year as of December 31, 2022. The 10 franchised locations operating for less than2024. It does not include two company-owned Restaurants that have not

operated for one full calendar year and also does not include one company-owned Restaurant that operates at Utah Valley University on a seasonal and limited hours basis during certain months based on Utah Valley University’s academic calendar.

Five of the 926 (or 55.5%) franchisees (38.4%) Restaurants represented in the table below actually attained or surpassed the average gross revenues. Four of the 9 (or 44.4%) franchisees revenue of the table and 13 of 26 (or 50.0%) Restaurants represented in the table below actually attained or surpassed the average net profits/median gross revenue.

Table 1-A:

<u>Gross Revenue</u>	<u># of Stores</u>	<u>Average Avg Gross Revenue</u>	<u>Median Gross Revenue</u>	<u>High Gross Revenue</u>	<u>Low Gross Revenue</u>
Greater than \$1.0M	37	\$1,099,795	\$1,035,730	\$1,256,405	\$1,007,251
\$750K-925K	37	1,112,921	1,040,690	1,585,417	926,046
\$600K-725K-		\$844,498	\$830,844	\$910,732	\$791,918
\$1M-925K	37	804,118	783,687	885,524	729,126
\$600K-725K	6	\$ 667,435	\$ 665,948	\$ 723,350	\$ 612,422
Less than \$600K	36	\$501,062	\$528,372	\$558,263	\$416,551
\$600K-600K		536,699	546,570	575,285	458,400
<b>Total</b>	<b>926</b>	<b>794,003</b>	<b>731,325</b>	<b>1,585,417</b>	<b>458,400</b>

**TABLE 2**  
**Franchise Restaurants**

The numbers in Table 2 represents data for calendar year 2024 of all 24 of the franchise Restaurants in the United States that have been operating for at least one full calendar year as of December 31, 2024 and that were in operation as of December 31, 2024. The six franchised locations operating for less than one full calendar year and the three franchised locations that closed before December 31, 2024 are not included.

Thirteen of 24 (or 54.2%) Restaurants represented in the table below actually attained or surpassed the average gross revenue and 12 of 24 (or 50.0%) Restaurants represented in the table below actually attained or surpassed the median gross revenue.

Table 1-B:

<u>Gross Revenue</u>	<u># of Stores</u>	<u>Average Net Profit Avg Gross Revenue</u>	<u>Median Net Profit Gross Revenue</u>	<u>High Net Gross Revenue Profit</u>	<u>Low Net Profit Gross Revenue</u>	<u>Net Profit %</u>
Greater than \$1.0M	36	\$211,820	\$228,857	\$230,757	\$175,847	19.3%
\$885K		940,911	917,963	1,142,310	832,590	

<del>\$600k-725K-</del> <del>\$1M885K</del>	<del>36</del>	<del>\$84,502</del> <u>738,251</u>	<del>\$52,654</del> <u>738,543</u>	<del>\$164,807</del> <u>818,983</u>	<del>\$52,654</del> <u>676,993</u>	<del>10.0%</del>
		\$ 552,70	\$ 555,0	\$ 661,52		
<del>\$550K-725K</del>	<del>6</del>	<del>7</del>	<del>49</del>	<del>8</del>	<del>\$ 452,409</del>	
<del>Less than</del> <del>\$600k550K</del>	<del>36</del>	<del>\$(6,645)</del> <u>400,962</u>	<del>\$34,000</del> <u>408,782</u>	<del>\$38,331</del> <u>434,138</u>	<del>\$(92,265)</del> <u>347,132</u>	<del>(1.3)%</del>
<del>Total</del>	<del>924</del>	<del>\$96,559</del> <u>658,208</u>	<del>\$74,606</del> <u>669,260</u>	<del>\$230,757</del> <u>1,142,310</u>	<del>\$(92,265)</del> <u>347,132</u>	<del>11.8%</del>

**TABLE 23**  
**Company-Owned Locations All Cubop Restaurants**

Tables 2.A. and 2.B. present unaudited information about the revenues, profits, and certain expenses of all 20 Cubop company-owned outlets for the calendar year 2022.

The numbers in Table 3 represents data for calendar year 2024 of all of the company-owned Restaurants and franchise Restaurants in the United States as reported above. The six franchise locations and two company-owned locations operating for less than one full calendar year and the 3 franchised locations that closed before December 31, 2024 are not included. As noted in Table 1, the company-owned location at Utah Valley University is also not included.

Nine of the 20 (or 45%) company-owned outlets Twenty-four of 50 (or 48.0%) Restaurants represented in the table below actually attained or surpassed the average gross revenues. Eleven of the 20 (or 55%) company-owned outlets revenue and 25 of 50 (or 50.0%) Restaurants represented in the table below actually attained or surpassed the average net profits. median gross revenue.

Table 2.A.3

<b>Gross Revenue</b>	<b># of Stores</b>	<b>Average Avg Gross Revenue</b>	<b>Median Gross Revenue</b>	<b>High Gross Revenue</b>	<b>Low Gross Revenue</b>
Greater than <del>\$1.0M885K</del>	<del>9</del> <u>13</u>	<del>\$1,432,552</del> <u>1,042,333</u>	<del>\$1,454,888</del> <u>961,307</u>	<del>\$1,846,827</del> <u>1,585,417</u>	<del>\$1,035,151</del> <u>885,524</u>
<del>\$600k700K-</del> <del>\$1.0M885K</del>	<del>9</del> <u>12</u>	<del>\$811,467</del> <u>775,819</u>	<del>\$817,449</del> <u>775,256</u>	<del>\$963,020</del> <u>849,197</u>	<del>\$640,074</del> <u>723,350</u>
<del>Less than</del> <del>\$600550K-700K</del>	<del>2</del> <u>13</u>	<del>\$550,986</del> <u>631,223</u>	<del>\$550,986</del> <u>639,790</u>	<del>\$554,225</del> <u>697,151</u>	<del>\$547,747</del> <u>555,360</u>
<del>Total Less than</del> <del>\$550K</del>	<del>20</del> <u>12</u>	<del>\$1,095,961</del> <u>447,918</u>	<del>\$999,086</del> <u>443,273</u>	<del>\$1,846,827</del> <u>537,780</u>	<del>\$547,747</del> <u>347,132</u>

Table 2.B.

<b>Gross Revenue</b>	<b># of Stores</b>	<b>Average Net Profit</b>	<b>Median Net Profit</b>	<b>High Net Profit</b>	<b>Low Net Profit</b>	<b>Net Profit %</b>
----------------------	--------------------	---------------------------	--------------------------	------------------------	-----------------------	---------------------

Greater than \$1.0M	9	-\$324,181	-\$279,446	-\$544,233	-\$123,478	22.6%
\$600k-\$1.0M	9	-\$86,472	-\$88,661	-\$200,303	-\$ (132,695)	10.7%
Less than \$600	<u>250</u>	-\$ (140,939)	<u>\$ (140,939)</u>	<u>\$997</u>	<u>\$ (282,875)</u>	<u>(25.6)%</u>
<b>Total</b>	20	-\$182,585	-\$195,675	-\$544,233	-\$ (282,875)	16.7%
			<u><b>728,821</b></u>	<u><b>710,250</b></u>	<u><b>1,585,417</b></u>	<u><b>347,132</b></u>

Because the company-owned locations did not pay Royalties or into the Advertising and Development Fund, an expense of 8% of Gross Revenues is built in for comparison purposes. Company owned locations otherwise incurred expenses for advertising and other supplies in amounts no less than that required of franchisees.

### Item 19 Notes

(1) **Expenses.** As used in Item 19, “**Expenses**” means the actual cost for products (customer refunds, cash discounts, charges for damaged products and other waste, as well as drop charges, packaging and shipping charges, certain supplies and other goods), labor and employee costs, marketing and advertising (radio, print, television ad other advertising media as well as fliers, point of sale advertising, etc.), cost of utilities (water, gas, disposal, HVAC, telephone, etc.), franchise fees (royalties, ad fund, etc.), bank charges, computer equipment, rental fees, fines, rental costs, postage, property, insurance, uniforms, employee recruitment, and other costs not hereinafter excluded. Expenses does not include compensation paid in cash distributions, or salary taken by the owner(s) of each Cupbop franchise, debt payments, interest, amortization, depreciation, taxes, and other extraordinary owner expenses.

(2) **Gross Revenues.** As used in Item 19, “**Gross Revenues**” means that aggregate amount of all sales of Cupbop services and products made and rendered in connection with the operation of a Cupbop franchise ~~Restaurant~~, excluding all federal, state, or municipal sales or use taxes collected from customers and paid to the appropriate taxing authority.

(3) **Net Profit.** As used in Item 19, “**Net Profit**” means Gross Revenues minus Expenses as such terms are defined and described herein.

(4) **Percentage of Net Profit.** As used in Item 19, “**Percentage of Net Profit**” means the Net Profit divided by Gross Revenues.

**Some outlets have sold or earned this amount. Your individual results may differ. There is no assurance that you’ll sell or earn as much.**

Written substantiation for ~~this~~the financial performance representation will be made available to you upon reasonable request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We do not make any financial performance 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 Franchisor's management by contacting Dok Kwon, 12184 South Business Park Drive, Suite C, Draper, Utah 84020, (801) 916-8968, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20: OUTLETS AND FRANCHISEE INFORMATION**

**TABLE 1**

SYSTEM-WIDE RESTAURANT SUMMARY FOR (FISCAL) YEARS ~~2020 TO~~ 2022 TO 2024

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	<del>2020</del> <u>2022</u>	<u>29</u>	<u>519</u>	<u>+3+10</u>
	<del>2021</del> <u>2023</u>	<u>519</u>	<u>927</u>	<u>+4+8</u>
	<del>2022</del> <u>2024</u>	<u>927</u>	<u>1930</u>	<u>+10+3</u>
Company Owned (Notes 1 & 2)	<del>2020</del> <u>2022</u>	<u>1020</u>	<u>1226</u>	<u>+2+6</u>
	<del>2021</del> <u>2023</u>	<u>1226</u>	<u>2027</u>	<u>+8+1</u>
	<del>2022</del> <u>2024</u>	<u>2027</u>	<u>2529</u>	<u>+5+2</u>
<b>Total Outlets</b>	<del>2020</del> <u>2022</u>	<u>1229</u>	<u>1745</u>	<u>+5+16</u>
	<del>2021</del> <u>2023</u>	<u>1744</u>	<u>2954</u>	<u>+12+9</u>
	<del>2022</del> <u>2024</u>	<u>2954</u>	<u>4459</u>	<u>+15+5</u>

**TABLE 2**

TRANSFERS OF RESTAURANTS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR (FISCAL) YEARS ~~2020 TO~~ 2022 TO 2024

State	Year	Number of Transfers
<b>Total</b>	<del>2020</del> <u>2022</u>	0
	<del>2021</del> <u>2023</u>	0
	<del>2022</del> <u>2024</u>	0

**TABLE 3**

STATUS OF FRANCHISE RESTAURANTS FOR (FISCAL) YEARS ~~2020 TO 2022~~ 2024

State	Year	Outlets at Start of Year	Outlets at Start of Year Opened	Outlets Opened	Terminations	Non-Renewals	Re-acquired by franchisor	Ceased operations other reasons	Outlets at End of Year
Arizona	<u>2022</u>	<u>20202</u>	<u>04</u>	0	0	0	0	0	<u>06</u>
	<u>2023</u>	<u>20216</u>	<u>02</u>	2	0	0	0	0	<u>28</u>
	<u>2024</u>	<u>20228</u>	2	4	0	0	0	0	<u>610</u>
Idaho	<u>2022</u>	<u>20205</u>	2	2	0	0	0	0	<u>47</u>
	<u>2023</u>	<u>20217</u>	<u>40</u>	1	0	0	0	0	<u>57</u>
	<u>2024</u>	<u>20227</u>	<u>52</u>	2	0	0	0	0	<u>79</u>
Nevada	<u>2022</u>	<u>20202</u>	<u>03</u>	1	0	0	0	0	<u>15</u>
	<u>2023</u>	<u>20215</u>	<u>10</u>	1	0	0	0	0	<u>25</u>
	<u>2024</u>	<u>20225</u>	<u>20</u>	3	0	0	0	<u>03</u>	<u>52</u>
Utah Okla homa	<u>2022</u>	<u>20200</u>	0	0	0	0	0	0	0
	<u>2023</u>	<u>0</u>	<u>3</u>	0	0	0	0	0	<u>3</u>
	<u>2024</u>	<u>3</u>	<u>0</u>	0	0	0	0	0	<u>3</u>
Texas	<u>2022</u>	<u>20210</u>	0	0	0	0	0	0	0
	<u>2023</u>	<u>0</u>	<u>2</u>	0	0	0	0	0	<u>2</u>
	<u>2024</u>	<u>2</u>	<u>0</u>	0	0	0	0	0	<u>2</u>
Utah	<u>2022</u>	<u>20220</u>	<u>01</u>	1	0	0	0	0	1
Total	<u>2023</u>	<u>20201</u>	<u>21</u>	3	0	0	0	0	<u>52</u>
	<u>2024</u>	<u>20212</u>	<u>52</u>	4	0	0	0	0	<u>94</u>
Total	<u>2022</u>	<u>20229</u>	<u>910</u>	<u>10</u>	0	0	0	0	19
	<u>2023</u>	<u>19</u>	<u>8</u>	0	0	0	0	0	<u>27</u>
	<u>2024</u>	<u>27</u>	<u>6</u>	0	0	0	0	<u>3</u>	<u>30</u>

**TABLE 4**

STATUS OF COMPANY-OWNED RESTAURANTS FOR (FISCAL) YEARS ~~2020 TO 2022~~ 2024

State	Year	Outlets at Start of Year	Outlets Opened	Outlets re-acquired from franchisees	Outlets closed	Outlets sold to franchisees	Outlets at End of Year
Colorado	<u>20202022</u>	<u>03</u>	0	0	0	0	<u>03</u>
	<u>20212023</u>	<u>03</u>	<u>30</u>	0	0	0	3

State	Year	Outlets at Start of Year	Outlets Opened	Outlets re-acquired from franchisees	Outlets closed	Outlets sold to franchisees	Outlets at End of Year
	<del>2022</del> 2024	3	0	0	0	0	3
Oklahoma	<del>2020</del> 2022	0	<u>0</u>	0	0	0	<u>0</u>
	<del>2021</del> 2023	<u>0</u>	0	0	0	<u>0</u>	0
	<del>2022</del> 2024	0	<u>1</u>	0	0	0	<u>1</u>
Utah	<del>2020</del> 2022	<u>1</u> 17	<u>2</u> 4	0	0	0	<u>1</u> 2 <u>1</u>
	<del>2021</del> 2023	<u>1</u> 2 <u>1</u>	<u>5</u> 3	0	0	0	<u>1</u> 7 <u>2</u> 4
	<del>2022</del> 2024	<u>1</u> 7 <u>2</u> 4	<u>4</u> 2	0	0	0	<u>2</u> 1 <u>2</u> 6
Totals <sup>1</sup>	<del>2020</del> 2022	<u>1</u> 0 <u>2</u> 0	<u>2</u> 6	0	0	0	<u>1</u> 2 <u>2</u> 6
	<del>2021</del> 2023	<u>1</u> 2 <u>2</u> 6	<u>8</u> 3	0	0	<u>0</u> 2	<u>2</u> 0 <u>2</u> 7
	<del>2022</del> 2024	<u>2</u> 0 <u>2</u> 7	<u>5</u> 2	0	0	0	<u>2</u> 5 <u>2</u> 9

**TABLE 5**

PROJECTED OPENINGS OF RESTAURANTS AS OF  
DECEMBER 31, ~~2022~~2024 (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
<del>Colorado</del> Alaska	0	0	<u>0</u> 1
<del>Idaho</del> Arizona	<u>1</u> 0	<u>1</u> 0	<u>0</u> 2
<del>Oklahoma</del> Califor nia	<u>1</u> 0	<u>3</u> 1	<u>0</u> 1
<del>Utah</del> Colorado	0	<u>2</u> 0	<u>3</u> 1
<del>Texas</del> Idaho	<u>2</u> 0	<u>4</u> 1	<u>1</u> 0
<del>Nevada</del> Montana	<u>1</u> 0	1	0
<del>Arizona</del> New Mexico	<u>3</u> 0	<u>4</u> 0	<u>0</u> 1
<del>North Carolina</del>	<u>0</u>	<u>0</u>	<u>1</u>
<del>Texas</del>	<u>0</u>	<u>2</u>	<u>2</u>
<b>Total</b>	<u>8</u> 0	<u>1</u> 5 <u>5</u>	<u>4</u> 9

**Notes to the Tables:**

1. ~~Although we formally began offering franchises in March 2017, prior to this time Cupbop Co. allowed individuals as minority owners to operate Cupbop branded locations. Pursuant to a corporate restructure of Cupbop related entities in January 2021, Cupbop Co. Cupbop Co., our parent, is either the sole or majority owner of each location in these tables, and they are listed as company-owned outlets for purposes of these tables.~~

2. In addition to the restaurant locations identified in these tables, Cupbop Co. also operates Cupbop concessions at Vivint Smart Home Arena, Rice-Eccles Stadium, and LaVell Edwards Stadium. Cupbop may open and operate concessions at other locations within your territory. Rights to operate these types of concessions are not granted under any franchise agreement and are specifically reserved by us.

The names and contact information of our current franchisees are listed on Exhibit F.

~~No~~ Three franchisees 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 name and contact information for any such franchisees would be included in Exhibit F. No franchisee has failed to communicate with us within 10 weeks of the date of this Disclosure Document. If you buy a Cupbop Restaurant, your contact information may be disclosed to other buyers when you leave the franchise system.

In the past three years, franchisees have been required to sign agreements that include confidentiality clauses. In some instances, franchisees will sign provisions restricting their ability to speak openly about their experience with the Cupbop franchise system. You may wish to speak with current or former franchisees but be aware that not all of those franchisees will be able to communicate with you.

We have not created, sponsored, or endorsed any franchisee associations. There are no franchisee associations that have asked to be disclosed in our Disclosure Document.

## **ITEM 21: FINANCIAL STATEMENTS**

Attached to this Disclosure Document as Exhibit B are our audited financial statements as of December 31, ~~2020~~2022 and December 31, ~~2021~~2023, and December 31, ~~2022~~ and unaudited financial statements through October 31, ~~2023~~2024. Our fiscal year end is December 31.

## **ITEM 22: CONTRACTS**

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

Exhibit C – Franchise Agreement

- Exhibit A – Protected Territory and Authorized Premises
- Exhibit B – Acknowledgement of Opening
- Exhibit C – Entity Ownership Addendum
- Exhibit D – Lease Addendum
- Exhibit E – Direct Payment Authorization
- Exhibit F – General Release Agreement
- Exhibit G – Non-Disclosure and Non-Competition Agreement

Exhibit H – Guaranty

Exhibit D – Area Development Agreement

Exhibit A – Development Area and Development Schedule

Exhibit B – Entity Information and Ownership Addendum

By signing the Franchise Agreement, you will acknowledge certain facts pertaining to the offer of this franchise. The acknowledgements are listed in Section 23 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.

#### **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 Cupbop Franchise, LLC, Attn: Dok Kwon, at 12184 South Business Park Drive, Suite C, Draper, UT 84020, or by emailing a copy of the signed receipt to [dok@cupboptruck.com](mailto:dok@cupboptruck.com).

## EXHIBIT A

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

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states).

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
California	Commissioner 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 Franchise Bureau	500 South Second Street Springfield, IL 62701 (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 Section	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 280 St. Paul, MN 55101 (651) 539-1500
New York (State Administrator)	NYS Department of Law Investor Protection Bureau	28 Liberty Street 21 <sup>st</sup> floor New York, NY 10005 (212) 416-8222

<b>STATE</b>	<b>STATE ADMINISTRATOR/AGENT</b>	<b>ADDRESS</b>
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
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
<u>Washington</u> ( <u>State Administrator</u> )	<u>Department of Financial</u> <u>Institutions</u> <u>Securities Division</u>	<u>Securities Division</u> <u>Department of Financial Institutions</u> <u>PO Box 41200</u> <u>Olympia, WA 98504-1200</u>
Washington ( <u>Agent</u> )	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**  
**FINANCIAL STATEMENTS**

~~UNAUDITED FINANCIAL STATEMENTS AS OF OCTOBER 31, 2023~~

~~THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.~~

**AUDITOR'S CONSENT**

(Modified graphics)<sub>id</sub>

250 E. 200 S., Suite 1200 Cupbop Franchise, LLC Financial Statements  
 Salt Lake City, UT 84111 As of/Through October 31, 2023  
 P 801.531.9100 | F 801.531.9147  
 forvismazars.us



**Income Statement**

Revenues	1,637,182
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Operating Expenses	<b>Auditor's Consent</b>
Selling, general and administrative	911,879
Depreciation	0

We agree to the inclusion in the Franchise Disclosure Document issued by Cupbop Franchise, LLC (Franchisor) on March 26, 2025, as it may be amended, of our reports dated March 24, 2025 and May 31, 2024, on our audit of the financial statements of Cupbop Franchise, LLC as of December 31, 2024, 2023 and 2022, and for the periods ended.

Forvis Mazars, LLP	(38,797)
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<b>Salt Lake City, Utah</b>	<b>686,506</b>
March 26, 2025	

**Balance Sheet**

Current Assets	
Cash	6,572
Accounts Receivable	186,433
Accounts Receivable - related party	1,473,810
<b>Total current assets</b>	<b>1,666,815</b>

Property, Plant and Equipment, at Cost	
Furniture and equipment	17,637
Website development	17,642
Accumulated depreciation	(19,585)
<b>Total PP&amp;E</b>	<b>15,694</b>

<b>Total Assets</b>	<b>1,682,509</b>
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Current Liabilities	
Accounts Payable	214,331
Accounts Payable - related party	-
Contracted liabilities, current portion	20,000
<b>Total current liabilities</b>	<b>234,331</b>

Contract liabilities	293,333
<b>Total Liabilities</b>	<b>527,664</b>

Forvis Mazars, LLP is an independent member of Forvis Mazars Global Limited

Members Equity	1,154,845
<b>Total Liabilities &amp; Members Equity</b>	<b>1,682,509</b>

(Deleted graphics)

<b>Cash Flows</b>	
Net Income	686,506
Depreciation	-
Accounts Receivable	142,504
Accounts Receivable - related party	(1,122,230)
Accounts Payable	213,581
Accounts Payable - related party	(272)
<b>Cash from Operations</b>	<b>(79,911)</b>
PP&E	(595)
<b>Cash from Investing</b>	<b>(595)</b>
Contracted liabilities, current portion	-
Contract liabilities	39,271
Distributions	-
<b>Cash from Financing</b>	<b>39,271</b>
<b>Net change in cash</b>	<b>(41,235)</b>
<b>Beg Cash</b>	<b>47,807</b>
<b>End Cash</b>	<b>6,572</b>
Tie Out	-

**AUDITED FINANCIAL STATEMENTS**



# (Modified graphics)

Cupbop Franchise, LLC  
Contents  
December 31, 2024 and 2023

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Independent Auditor's Report .....	1
<b>Cupbop</b> Financial Statements <b>Franchise, LLC</b>	
Balance Sheet .....	3
Statements of Income .....	4
Statements of Member's Equity .....	5
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7

## Independent Auditor's Report and Financial Statements

December 31, 2022 and 2021

(Modified graphics)

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Cupbop Franchise, LLC  
December 31, 2022 and 2021



Contents

Independent Auditor's Report

Independent Auditor's Report..... 1

Member and Management  
Cupbop Franchise, LLC

Financial Statements

Opinion Sheets..... 3

We have audited the financial statements of Cupbop Franchise, LLC (the Company), a wholly-owned subsidiary of Cupbop Co., which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of income, changes in member's equity, and cash flows for the years then ended, and the related notes to the financial statements. .... 5

Statements of Member Equity  
Statements of Cash Flows..... 6

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. .... 7

**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 the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

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

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

Forvis Mazars, LLP is an independent member of Forvis Mazars Global Limited

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Member and Management  
Cupbop Franchise, LLC

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

P 801.534.9310 • **Auditor's Responsibilities for the Audit of the Financial Statements**

forvis.com

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. 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 of a reasonable user based on the financial statements.

Cupbop Franchise, LLC

In conducting this audit in accordance with GAAS, we:

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

### Opinion

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. We have audited the financial statements of Cupbop Franchise, LLC (the Company) (a wholly-owned subsidiary of Cupbop Co.), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income, changes in members' equity, and cash flows for the years then ended, and the related notes to 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 a company's internal control.

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

We conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern. Our responsibilities under those standards are further described in the Auditor's

Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. matters that we identified during the audit.

### Responsibilities of Management for the Financial Statements

Forvis Mazars, LLP

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

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

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# (Modified graphics)

Cupbop Franchise, LLC  
 December 31, 2024 and 2023

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

	2024	2023
<b>Objectives</b> 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 does not provide absolute assurance that the financial statements will always be free from 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 of a reasonable user based on the financial statements.		
<b>Total Current Assets</b>	500,760	345,247
<b>Property, Plant and Equipment, at Cost</b>		
Furniture and equipment	17,042	17,637
Website development	35,642	17,642
In accordance with GAAS, we:	<u>(29,415)</u>	<u>(25,351)</u>

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

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

**Total Assets** \$ 657,855 \$ 1,248,761

### LIABILITIES AND MEMBER'S EQUITY

<b>Current Liabilities</b>		
Accounts payable and accrued expenses	20,218	38,841
Accounts payable - related party	11,432	10,550
Contract liabilities, current portion	<u>37,600</u>	<u>31,250</u>
<b>Total Current Liabilities</b>	<u>69,250</u>	<u>80,641</u>
<b>Contract liabilities</b>	<u>581,354</u>	<u>277,813</u>
<b>Total Liabilities</b>	<u>650,604</u>	<u>358,454</u>
<b>Member's Equity</b>	<u>21,352</u>	<u>892,301</u>

**Total Liabilities and Member's Equity** \$ 657,855 \$ 1,248,761

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 29, 2023

See Notes to Financial Statements

2

(Modified graphics)

Cupbop Franchise, LLC  
 Statements of Income  
 Years Ended December 31, 2024 and 2023

Cupbop Franchise, LLC

Balance Sheets

December 31, 2022 and 2021

	2024	2023
<b>Revenue</b>	<b>\$ 2,027,743</b>	<b>\$ 1,861,859</b>
<b>Operating Expenses</b>	<b>2022</b>	<b>2021</b>
Selling, general and administrative	\$ 992,734	\$ 1,069,133
Depreciation expense	4,064	5,767
Accounts receivable	228,937	229,626
Accounts receivable - related party	351,580	206,790
<b>Total Operating Expenses</b>	<b>1,577,315</b>	<b>1,511,316</b>
<b>Income from Operations</b>	<b>450,428</b>	<b>350,543</b>
<b>Other Expenses</b>	<b>(5,287)</b>	<b>(5,000)</b>
<b>Net Income</b>	<b>\$ 1,025,653</b>	<b>\$ 781,283</b>
	15,099	23,340
<b>Total assets</b>	<b>\$ 743,423</b>	<b>\$ 676,948</b>
<b>Liabilities and Members' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 750	\$ 442
Accounts payable - related party	272	39,839
Contract liabilities, current portion	20,000	10,000
<b>Total current liabilities</b>	<b>21,022</b>	<b>50,281</b>
<b>Contract liabilities</b>	<b>254,062</b>	<b>79,271</b>
<b>Total liabilities</b>	<b>275,084</b>	<b>129,552</b>
<b>Members' Equity</b>	<b>468,339</b>	<b>547,396</b>
<b>Total liabilities and members' equity</b>	<b>\$ 743,423</b>	<b>\$ 676,948</b>

See Notes to Financial Statements  
 See Notes to Financial Statements

(Modified graphics)

Cupbop Franchise, LLC  
**Statements of Member's Equity**  
 Years Ended December 31, 2024 and 2023

Years Ended December 31, 2022 and 2021

	<u>2024</u>	<u>2023</u>
	2022	2021
<b>Balance, Beginning of Year</b>	<b>\$ 882,301</b>	<b>\$ 468,338</b>
Revenues	\$ 1,407,785	\$ 794,901
Net income	1,025,858	781,293
Distributions	(1,896,607)	(357,331)
Operating Expenses		
Selling, general and administrative	526,368	360,365
Depreciation expense	(342,411)	(94,070)
<b>Balance, End of Year</b>	<b>\$ 21,352</b>	<b>\$ 802,301</b>
Total operating expenses	534,609	369,435
Income from Operations	873,176	425,466
Other Income (Expense)	(418)	671
Net Income	<u>\$ 872,758</u>	<u>\$ 426,137</u>

See Notes to Financial Statements  
 See Notes to Financial Statements

4 5

(Modified graphics)

Cupbop Franchise, LLC  
**Statements of Cash Flows**  
 Years Ended December 31, 2024 and 2023  
 Cupbop Franchise, LLC  
**Statements of Members' Equity**  
 Years Ended December 31, 2022 and 2021

	<u>2024</u>	<u>2023</u>
	2022	2021
<b>Operating Activities</b>		
Net income	\$ 1,025,058	\$ 781,293
Change, Beginning of Year	547,396	121,259
Items not requiring cash		
Depreciation	4,064	5,787
Net income	872,758	428,137
Changes in		
Distributions	(951,815)	(244)
Accounts receivable	82,880	(541,006)
Accounts receivable - related party	758,760	347,396
Balance, End of Year	\$ 468,339	\$ (541,006)
Other current assets	(8,319)	-
Accounts payable and accrued expenses	(10,622)	36,091
Accounts payable - related party	874	10,284
Contract liabilities	289,791	35,001
<b>Net Cash Provided by Operating Activities</b>	<u>2,148,098</u>	<u>327,188</u>
<b>Investing Activity</b>		
Purchase of property and equipment	(17,405)	(598)
<b>Net Cash Used in Investing Activity</b>	<u>(17,405)</u>	<u>(598)</u>
<b>Financing Activity</b>		
Distributions paid	(1,896,807)	(357,331)
<b>Net Cash Used In Financing Activity</b>	<u>(1,896,807)</u>	<u>(357,331)</u>
<b>Change in Cash</b>	234,084	(30,741)
Cash, Beginning of Year	17,068	47,807
<b>Cash, End of Year</b>	<u>\$ 251,150</u>	<u>\$ 17,068</u>

See Notes to Financial Statements  
 See Notes to Financial Statements

6  
 5

(Modified graphics)

Cupbop Franchise, LLC  
 Notes to Financial Statements  
 December 31, 2024 and 2023  
 Cupbop Franchise, LLC  
 Statements of Cash Flows  
 Years Ended December 31, 2022 and 2021

	2022	2021
<b>Note 1. Nature of Operations and Summary of Significant Accounting Policies</b>		
<b>Nature of Operations</b>		
Operating Activities		
Net income	\$ 872,758	\$ 426,137
Cupbop Franchise, LLC (the Company) was organized on November 14, 2014 under the laws of the state of Utah as a Utah corporation. Effective December 31, 2016, the Company converted to an LLC.		
Depreciation	8,241	9,070
The Company is a franchise company for the Cupbop Company. The Company grants franchisees the right to operate a physical storefront location and/or a mobile food truck, using the Cupbop name and marks.		
Accounts receivable - related party	(144,790)	(206,790)
Other current assets	-	1,271
Accounts payable	308	442
Accounts payable - related party	(39,367)	(15,218)
Contract liabilities	8479	28,854
Net cash provided by operating activities	776,429	124,062
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.		
Financial estimates is pervasive throughout these financial statements. Key estimates made in the accompanying financial statements include, among others, allowances for credit losses related to doubtful accounts receivable. The current economic environment has increased the degree of uncertainty inherent in these estimates and assumptions.		
Net cash used in financing activities	(951,815)	-
<b>Accounts Receivable</b>	(175,386)	124,062
Accounts receivable are stated at the amount billed to customers plus any accrued and unpaid interest. The Company maintains an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions.		
Cash, End of Year	\$ 47,807	\$ 223,193
Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 120 days are considered delinquent. Interest continues to accrue on delinquent accounts until the account is past due more than one year, at which time interest accrual ceases and does not resume until the account is no longer classified as delinquent. Credit loss expense related to delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. No credit loss expense was incurred during the years ended December 31, 2024 or 2023.		
<b>Contract Liabilities</b>		
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.		
<b>Property and Equipment</b>		
Property and equipment acquisitions are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are charged to expense on the straight-line basis over the estimated useful life of each asset.		
The estimated useful lives for each major depreciable classification of property and equipment are as follows:		
Website development	3 years	
Furniture and fixtures	3 years	

See Notes to Financial Statements

6<sup>7</sup>

# (Modified graphics)

## Notes to Financial Statements Cupbop Franchise, LLC

December 31, 2024 and 2023

Notes to Financial Statements  
December 31, 2022 and 2021

### Long-Lived Asset Impairment

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**  
The Company's operations and summary of significant accounting policies are described in the accompanying financial statements. Long-lived assets are tested for impairment when events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

Cupbop Franchise, LLC (the Company) was organized on November 14, 2014 under the laws of the state of Utah as a Utah corporation. Effective December 31, 2016, the Company converted to an LLC. No asset impairment was recognized during the years ended December 31, 2024 or 2023.

The Company is a franchise company for the Cupbop Company. The Company grants franchisees the right to operate a physical storefront location and/or a mobile food truck, using the Cupbop brand and name. The Company has one class of member's equity and is a wholly-owned subsidiary of Cupbop Co.

### Revenue Recognition

Revenue is recognized when control of the promised goods or services is transferred to the Company's customer, preparation of financial statements is complete, and the amount of revenue can be measured reliably. The use of estimates is necessary throughout these financial statements. Key estimates made in the accompanying financial statements include, among others, allowances for doubtful accounts receivable. The current economic environment has increased the degree of uncertainty inherent in these estimates and assumptions.

Revenue is recognized when control of the promised goods or services is transferred to the Company's customer, preparation of financial statements is complete, and the amount of revenue can be measured reliably. The use of estimates is necessary throughout these financial statements. Key estimates made in the accompanying financial statements include, among others, allowances for doubtful accounts receivable. The current economic environment has increased the degree of uncertainty inherent in these estimates and assumptions.

When an individual franchise is sold, the Company agrees to provide certain services to the franchisee such as training. The Company recognizes initial franchise fees as revenue when substantially all initial services required by the franchise agreement are performed, which is generally upon opening of a store. Continuing fees are recognized as revenue when a renewal agreement becomes effective.

Accounts receivable are stated at the amount billed to customers plus any accrued and unpaid

See Note 3 for details on the Company's policy for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions.

### Income Taxes

The Company's member has 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 member for inclusion in their respective tax return and no provision for federal and state income taxes is included in these financial statements. The account is no longer classified as delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

The Company has elected to pay state income taxes at the entity level on behalf of its member via the applicable state-level biennial tax (PTET) regime, in Utah. For financial statement purposes, the state PTET payments are accounted for as a distribution to its member. However, for federal income tax purposes, the payments are treated as the Company's liability to its member. The taxable income allocated to the member for reporting on their federal income tax returns. For the years ended December 31, 2024 and 2023, \$70,245 and \$42,132, respectively, are included in distributions for state PTET payments paid. Deferred franchise fee revenues on the balance sheets.

The Company monitors any changes in the tax laws and regulations of its jurisdiction that may impact its PTET elections and payments on behalf of its member. Any changes in tax laws and regulations that may impact the Company's tax position are evaluated and considered in determining the appropriate accounting treatment for PTET payments in the financial statements.

# (Modified graphics)

## Advertising Property and Equipment

The Company expenses advertising costs as incurred. Advertising expenses totaled \$285,153 and \$378,598 for the years ended December 31, 2024 and 2023, respectively, and are included in selling, general and administrative expenses. The Company recorded marketing income of approximately \$818,000 and \$733,000 during 2024 and 2023, which was 41% and 39% of total revenues, respectively.

## Concentrations of Risk

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Property and equipment	3 years
Furniture and fixtures	3 years

For the years ended December 31, 2024 and 2023, the majority of the Company's accounts receivable are from one customer.

## Long-lived Asset Impairment

The Company tests the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is not recoverable, an impairment loss is recognized. The Company has accounts receivable from its parent company, Cupbop Franchise, LLC, totaling \$1,338,826 and \$892,598 as of December 31, 2024 and 2023, respectively, are due on demand and non-interest bearing. In addition, in a prior year, certain expenses of the Company were paid for by its parent company. These related-party advances, totaling \$11,430 and \$10,556 as of December 31, 2024 and 2023, respectively, are non-interest bearing and are considered due on demand. No asset impairment was recognized during the years ended December 31, 2022 or 2021.

## Revenue Recognition

### Note 3. Revenue from Contracts with Customers

Revenue is 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 depending on the nature of the goods or services provided. The Company's revenue is primarily derived from the sale of franchise licenses to franchisees. The Company, through its parent company, executes franchise agreements that set the terms of its arrangement with each franchisee. 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

compliance with the terms of the franchise agreement. The Company's revenue is primarily derived from the sale of franchise licenses to franchisees. The Company, through its parent company, executes franchise agreements that set the terms of its arrangement with each franchisee. 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

The Company's revenue is primarily derived from the sale of franchise licenses to franchisees. The Company, through its parent company, executes franchise agreements that set the terms of its arrangement with each franchisee. 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

The Company's revenue is primarily derived from the sale of franchise licenses to franchisees. The Company, through its parent company, executes franchise agreements that set the terms of its arrangement with each franchisee. 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

See Note 3 for additional information about the Company's revenue. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring distinct goods or providing services to customers.

# (Modified graphics)

Cupbop Franchise, LLC  
 Notes to Financial Statements  
 December 31, 2024 and 2023

## Notes to Financial Statements December 31, 2022 and 2021

As a franchisor, the Company's principal business is to sell franchises and to receive royalty fees. Franchise rights may be granted through a franchise agreement that sets out the terms of the arrangement 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 fees paid upon opening of a franchise. The Company recognizes revenue when performance obligations are satisfied or when the Company's income is fixed, which limits its liability for future provisions of initial and continuing fees, interest, and other income for loss of the franchise, with the remaining portion being recognized over the life of the contract.

Federal and state income taxes are included in these financial statements. For franchisees, income taxes are included in these financial statements in exchange for upfront franchise fees, which primarily relate to pre-opening training and other services, are individually distinct from the ongoing advertising provided to their franchisees. As a result, these pre-opening fees are recognized upon the franchise opening, and completion of the related training. The pre-opening fees that are recognized upon the franchise opening are generally approximately 50% of the initial franchise fee and 50% on any subsequent store openings. The remaining portion of the upfront franchise fees are recognized as revenue over the expected life of the franchise agreement, which is generally years of a franchise location's operation. Revenues from selling the goods and services that are not pre-earned revenue into income at the time the location closes. Revenues for these upfront franchise fees are recognized on a straight-line basis, which is consistent with the franchisee's contribution to the intellectual property.

Revenues from continuing fees, including royalties and upfront franchise fees, are presented within franchise revenues in the statements of income. The Company receives a monthly royalty fee equal to 6% of the franchisee's monthly gross sales. Franchisees have agreed to pay the royalty fee based on the financial records maintained in the books and records of the franchisee. The Company's expectation is that the variable consideration criteria where there is a sales-based or usage-based royalty. Under this exception, the Company recognizes revenues based on the sales-based or usage-based royalty. The Company's accounts receivable from franchisees are from one customer.

### Contract Balances

The following table provides information about the Company's receivables and contract liabilities from contracts with customers. Related party transactions:

	2024	2023
Accounts receivable, beginning of year	\$ 328,937	\$ 328,937
Accounts receivable, end of year	\$ 31,580	\$ 206,790
Contract liabilities, beginning of year	\$ 309,063	\$ 274,062
Contract liabilities, end of year	\$ 66,044	\$ 309,063

The Company has accounts receivable due from its parent company related to marketing revenues earned by the Company for which the cash was received by the parent company. These accounts receivable, totaling \$31,580 and \$206,790 as of December 31, 2022 and 2021, respectively, are due on demand and non-interest bearing.

Contract liabilities, beginning of year \$ 309,063 \$ 274,062

Contract liabilities, end of year \$ 66,044 \$ 309,063

In addition, in each year, certain expenses of the Company were paid by its parent company. These related-party advances, totaling \$272 and \$39,829 as of December 31, 2022 and 2021, respectively, are non-interest bearing and are considered due on demand.

### 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 opening 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. A portion of initial franchise fees are recognized upon the opening of a franchise location (or store) and as certain pre-opening services are performed, with the remainder being recognized over the life of the contract. The remaining unamortized balance of the initial franchise fees is included within contract liabilities on the accompanying balance sheets.

# (Modified graphics)

## Accounting Policies and Practical Expedients Elected

The Company has elected a 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.

The Company is applying the following five-step model:  
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.

- Determination of the transaction price;

### Note 4. Subsequent Events

- Allocation of the transaction price to the performance obligations in the contract; and

Subsequent events have been evaluated through March 24, 2025, which is the date the financial statements were available to be issued. 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 may be granted through a franchise agreement that sets out the terms of the arrangement 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 fees paid upon opening of a franchise. The Company recognizes revenue when performance obligations under the terms of contracts with its customers are satisfied, which 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.

For the franchise fees, the Company determined that the services they provide in exchange for upfront franchise fees, which primarily relate to pre-opening training and other services, are individually distinct from the ongoing services they provide to their franchisees. As a result, these pre-opening fees are recognized upon the franchise opening, and completion of the related training. The pre-opening fees that are recognized upon the franchise opening are generally approximately 50% of the initial franchise fee and 50% on any subsequent store openings. The remaining portion of the upfront franchise fees are recognized as revenue over the expected life of the franchise agreement, which is generally 10 years. If a franchise location closes before this estimated 10-year life, the Company recognizes the remaining unearned revenue into income at the time the location closes. Revenues for these upfront franchise fees are recognized on a straight-line basis, which is consistent with the franchisee's right to use and benefit from the intellectual property.

Revenues from continuing fees, including royalties and upfront franchise fees, are presented within franchise revenues in the statements of income. The Company receives a monthly royalty fee equal to 6% of the franchisees monthly gross sales by the 10th day of each month for the preceding month. These royalty payments are considered to be variable consideration; however, the Company relies on a narrow exception to the variable consideration criteria where there is a sales-based or usage-based royalty. Under this exception, the Company recognizes revenue for sales-based royalty revenue on a monthly basis based on sales reports by their franchisees.

(Modified graphics)

## Cupbop Franchise, LLC

### Notes to Financial Statements

December 31, 2022 and 2021

#### 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:

	2022	2021
Accounts receivable, beginning of period	\$ 223,625	\$ 78,921
Accounts receivable, end of period	\$ 328,937	\$ 223,625
Contract liabilities, beginning of period	\$ 89,271	\$ 35,417
Contract liabilities, end of period	\$ 274,062	\$ 89,271

#### Significant Judgments

The Company determined the satisfaction of initial franchising fees to be partially completed upon the franchisee's receipt of support and 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.

#### Accounting Policies and Practical Expedients Elected

##### December 31, 2023 and 2022

The Company 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.

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 4: Subsequent Events

Subsequent events have been evaluated through March 29, 2023, which is the date the financial statements were available to be issued.

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## **Cupbop Franchise, LLC**

Independent Auditor's Report and Financial Statements

December 31, 2021 and 2020





# (Modified graphics)

Members and Management  
Cupbop Franchise, 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 of a reasonable person relying on the financial statements.

In performing an audit in accordance with GAAS, we:

### Financial Statements

- Exercise professional judgment and maintain professional skepticism throughout the audit. Balance Sheets..... 3
- 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. Statements of Income..... 4
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed. Statements of Cash Flows..... 6
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

**FORVIS,LLP**

Salt Lake City, Utah  
May 31, 2024

# (Modified graphics)

**Cupbop Franchise, LLC**  
**Balance Sheets**  
**December 31, 2023 and 2022**  
**CPAs & Advisors**

250 E. 200 S., Suite 1200 | Salt Lake City, UT 84111-2472  
 801.531.9100 | Fax 801.531.9147 | bkd.com

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 17,088	\$ 47,807
Accounts receivable	<u>329,181</u>	<u>328,937</u>
Total current assets	<u>346,247</u>	<u>376,744</u>
<b>Property, Plant and Equipment, at Cost</b>		
Furniture and equipment	17,637	17,042
Website development	17,042	17,042
Accumulated depreciation	<u>(25,351)</u>	<u>(19,585)</u>
<b>Total assets</b>	<u>\$ 692,898</u>	<u>\$ 692,898</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 38,841	\$ 750
Accounts payable - related party	10,558	272
Contract liabilities, current portion	<u>31,250</u>	<u>20,000</u>
Total current liabilities	<u>80,649</u>	<u>21,022</u>
<b>Members' Equity</b>		
Members' equity	<u>612,249</u>	<u>671,876</u>
<b>Total liabilities and members' equity</b>	<u>\$ 692,898</u>	<u>\$ 692,898</u>

**Independent Auditor's Report**

We have audited the financial statements of Cupbop Franchise, LLC, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income, members' equity, and cash flows for the years then ended, 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 Cupbop Franchise, LLC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Cupbop Franchise, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Cupbop Franchise, LLC's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

See Notes to Financial Statements



# (Modified graphics)

## Statements of Income Years Ended December 31, 2023 and 2022

Members and Management Cupbop Franchise, LLC	2023	2022
<b>Revenue</b>	\$ 1,859	\$ 1,407,785

**Opinion:** We are required 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 if 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 judgment made by a reasonable user based on the financial statements.

Other Expenses	2023	2022
Other expenses	(5,066)	(418)
<b>Total other expenses</b>	<b>(5,066)</b>	<b>(418)</b>

**Net Income**

- 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 Cupbop Franchise, 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 Cupbop Franchise, 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.

**BKD, LLP**

Salt Lake City, Utah  
March 23, 2022

See Notes to Financial Statements

# (Modified graphics)

## Statements of Members' Equity Years Ended December 31, 2023, and 2022 Cupbop Franchise, LLC

Balance Sheets			
	December 31, 2021 and 2020	2023	2022
<b>Balance, Beginning of Year</b>		\$ 468,339	\$ 547,396
<b>Assets</b>			
Net income		780,193	200,758
Distributions		(357,331)	(951,815)
<b>Current Assets</b>			
Cash	\$	223,193	\$ 99,131
Accounts receivable	\$	230,625	\$ 78,931
Accounts receivable - related party		206,790	-
Prepaid expenses		-	1,271
Total current assets		653,608	179,323
<b>Property, Plant and Equipment, at Cost</b>			
Furniture and equipment		17,042	17,042
Website development		17,642	17,642
Accumulated depreciation		(11,344)	(2,274)
Total assets		\$ 676,948	\$ 211,733
<b>Liabilities and Members' Equity</b>			
<b>Current Liabilities</b>			
Accounts payable	\$	442	\$ -
Accounts payable - related party		39,839	55,057
Contract liabilities, current portion		10,000	3,750
Total current liabilities		50,281	58,807
Contract liabilities		79,271	31,667
Total liabilities		129,552	90,474
<b>Members' Equity</b>		547,396	121,259
Total liabilities and members' equity		\$ 676,948	\$ 211,733

See Notes to Financial Statements  
See Notes to Financial Statements

5  
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**Cupbop Franchise, LLC**  
Statements of Income  
Years Ended December 31, 2021 and 2020

	2021	2020
Revenues	\$ 794,901	\$ 317,209
Operating Expenses		
Selling, general and administrative	360,365	167,309
Depreciation expense	9,070	2,274
Total operating expenses	369,435	169,583
Income from Operations	425,466	147,626
Other Income	671	2,000
Net Income	<u>\$ 426,137</u>	<u>\$ 149,626</u>

See Notes to Financial Statements

4

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**Cupbop Franchise, LLC**  
Statements of Members' Equity  
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Balance, Beginning of Year	\$ 121,259	\$ 17,120
Net income	426,137	149,626
Distributions	<u>-</u>	<u>(45,487)</u>
Balance, End of Year	<u>\$ 547,396</u>	<u>\$ 121,259</u>

*See Notes to Financial Statements*

5

(Modified graphics)

Statements of Cash Flows  
 Years Ended December 31, 2023, and 2022  
**Cupbop Franchise, LLC**

Statements of Cash Flows		2021	2022
Years Ended December 31, 2021 and 2020		2021	2022
<b>Operating Activities</b>			
Net income		\$ 787,293	\$ 872,758
Operating Activities			
Items not requiring cash			
Depreciation		\$ 436,127	\$ 149,626
Changes in			
Accounts receivable		(244)	(103,312)
Accounts receivable - related party		(541,006)	(144,790)
Accounts payable		36,091	(34,588)
Accounts payable - related party		10,284	308
Contract liabilities		35,001	(39,567)
Contract liabilities		(1,271)	(1,271)
Accounts payable		442	(6,000)
Accounts payable - related party		(15,218)	(38)
Net cash provided by operating activities		<u>327,188</u>	<u>778,429</u>
<b>Investing Activity</b>			
Net cash provided by operating activities		124,062	133,178
Purchase of property and equipment		(596)	-
Net cash used in investing activity		<u>(596)</u>	<u>(32,034)</u>
<b>Financing Activity</b>			
Net cash used in investing activities		-	(32,034)
Distributions paid		(357,331)	(951,815)
Net cash used in financing activity		<u>(357,331)</u>	<u>(983,849)</u>
<b>Change in Cash</b>		<u>(30,741)</u>	<u>(175,998)</u>
<b>Cash, Beginning of Year</b>		<u>47,907</u>	<u>223,193</u>
<b>Cash, End of Year</b>		<u>\$ 17,166</u>	<u>\$ 47,195</u>

See Notes to Financial Statements  
 See Notes to Financial Statements

6



# (Modified graphics)

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

### Nature of Operations

Cupbop Franchise, LLC (the Company) was organized on November 14, 2014 under the laws of the state of Utah as a Utah corporation. Effective December 31, 2016, the Company converted to an LLC under the laws of the state of Utah as a Utah corporation. Effective December 31, 2016, the Company converted to an LLC.

The Company is a franchise company for the Cupbop Company. The Company grants franchisees the right to operate a physical storefront location and/or a mobile food truck, using the Cupbop name and marks.

### 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

The use of estimates is pervasive throughout these financial statements. Key estimates made in the accompanying financial statements include, among others, allowances for credit losses related to doubtful accounts receivable. The current economic environment has increased the degree of uncertainty inherent in these estimates and assumptions.

The use of estimates is pervasive throughout these financial statements. Key estimates made in the accompanying financial statements include, among others, allowances for doubtful accounts receivable. The current economic environment has increased the degree of uncertainty inherent in these estimates and assumptions.

### Accounts Receivable

Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 120 days are considered delinquent. Interest continues to accrue on delinquent accounts until the account is past due more than one year, at which time interest accrual ceases and does not resume until the account is past due more than one year, at which time interest accrual ceases and does not resume until the account is no longer classified as delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 120 days are considered delinquent. Interest continues to accrue on delinquent accounts until the account is past due more than one year, at which time interest accrual ceases and does not resume until the account is no longer classified as delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

### 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.

### Property and Equipment

Property and equipment acquisitions are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are charged to expense on the straight-line basis over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Website development	3 years
Furniture and fixtures	3 years

# (Modified graphics)

Notes to Financial Statements  
December 31, 2023 and 2022

## Cupbop Franchise, LLC

### Notes to Financial Statements

#### Long-Lived Asset Impairment December 31, 2021 and 2020

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized. Depreciation and amortization are charged to expense on the straight-line basis over the estimated useful life of each asset.

No asset impairment was recognized during the years ended December 31, 2023 or 2022.

The estimated useful lives for each major depreciable classification of property and equipment are

#### Revenue Recognition

Revenue is 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 conditions of the customer contract. The Company executes franchise agreements that set the terms of its arrangement with each franchisee. 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.

#### Long-Lived Asset Impairment

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

When an individual franchise is sold, the Company agrees to provide certain services to the franchisee such as training. The Company recognizes initial franchise fees as revenue when substantially all initial services required by the franchise agreement are performed, which is generally upon opening of a store. Continuing fees are recognized as earned. The Company recognizes renewal fees as income when a renewal agreement becomes effective.

No asset impairment was recognized during the years ended December 31, 2021 or 2020.

#### Revenue Recognition

See Note 3 for additional information about the Company's revenue.

Revenue is 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

The Company has elected to have the Corporation's income and conditions of liability, incorporation under provisions of the Internal Revenue Code. The Corporation's taxable income or loss is reported on the individual member's tax return. The franchise agreement requires the franchisee to pay annual, 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 has elected to pay state income taxes at the entity level on behalf of its member via the applicable state's pass-through entity tax (PTET) regime in Utah. For financial statement purposes, the state PTET payments are accounted for as a distribution to its member. However, for federal income tax purposes, the payments are deducted on the Company's federal return, which reduces the taxable income allocated to the member for reporting on their federal income tax returns. For the years ended December 31, 2023 and 2022, \$42,132 and \$0, respectively, are included in distributions for state PTET payments paid.

When an individual franchise is sold, the Company agrees to provide certain services to the franchisee such as training. The Company recognizes initial franchise fees as revenue when substantially all initial services required by the franchise agreement are performed, which is generally upon opening of a store. Continuing fees are recognized as earned. The Company recognizes renewal fees as income when a renewal agreement becomes effective.

The Company monitors any changes in the tax laws and regulations of its jurisdiction that may impact its PTET elections and payments on behalf of its member. Any changes in tax laws and regulations that may impact the Company's tax position are evaluated and considered in determining the appropriate accounting treatment for PTET payments in the financial statements.

See Note 3 for additional information about the Company's revenue.

#### Advertising

The Company expenses advertising costs as incurred. Advertising expenses totaled \$378,598 and \$306,387 for the years ended December 31, 2023 and 2022, respectively, and are included in selling, general and administrative expenses.

# (Modified graphics)

## Notes to Financial Statements

### December 31, 2023 and 2022 **Cupbop Franchise, LLC**

#### Notes to Financial Statements

#### Concentrations of Risk

December 31, 2021 and 2020

The Company's financial instruments that may be exposed to concentrations of credit risk consist primarily of trade accounts receivable. Credit losses, if any, have been provided for in the financial statements and are based on historical evidence and management's expectations.

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.

#### Change in Accounting Principle

Effective January 1, 2023, the Company adopted ASU 2016-13, *Financial Instrument – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments* related to the impairment of financial instruments. This guidance requires the Company to use a new expected credit loss (ECL) model, which requires the Company to estimate the expected credit losses over the life of the financial instrument at the time of initial recognition. The ECL model is applicable to financial assets measured at amortized cost, including trade receivables. It also applies to off-balance-sheet credit exposures and net investments in leases recognized by a lessor in transition.

This adoption had no material effect on the financial statements.

The Company's financial instruments that may be exposed to concentrations of credit risk consist primarily of trade accounts receivable. Credit losses, if any, have been provided for in the financial statements and are based on historical evidence and management's expectations.

#### Note 2. Related-Party Transactions

For the years ended December 31, 2021 and 2020, the majority of the Company's accounts receivable are due from its parent company. These receivables, totaling \$862,580 and \$351,000, respectively, are due on demand and non-interest bearing.

In addition, in a prior year, certain expenses of the Company were paid for by its parent company. These related-party advances, totaling \$10,556 and \$272 as of December 31, 2023 and 2022, respectively, are non-interest bearing. The Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheets as both a right-of-use asset and a liability. The standard has two types of leases for financial reporting purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and non-lease components in an arrangement. The Company is evaluating the effect the standard will have on its financial statements, but is required to adopt this new standard for the year ended December 31, 2022.

#### Note 3. Revenue from Contracts with Customers

The Company derives its revenues principally from one main source: franchise fees and royalties. The Company determines the amount of revenue to be recognized in each revenue stream through the application of the following five-step model:

#### Performance Obligations

The Company determines 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.

# (Modified graphics)

Notes to Financial Statements  
December 31, 2023 and 2022

## Cupbop Franchise, LLC

Notes to Financial Statements

December 31, 2021 and 2020

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

### Note 2: Related-party Transactions

As a franchisor, the Company's principal business is to sell franchises and to receive royalty fees. Franchise rights may be granted through a franchise agreement that sets out the terms of the arrangement 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 fees paid upon opening of a franchise. The Company recognizes revenue when performance obligations under the terms of contracts with its customers are satisfied, which 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.

In addition, in a prior year, certain expenses of the Company were paid for by its parent company. These related party advances, totaling \$39,839 and \$35,057 as of December 31, 2021 and 2020, respectively, are non-interest bearing and are considered due on demand.

For the franchise fees, the Company determined that the services they provide in exchange for upfront franchise fees, which primarily relate to pre-opening training and other services, are individually distinct from the ongoing services they provide to their franchisees. As a result, these pre-opening fees are recognized upon the franchise opening, and completion of the related training. The pre-opening fees that are recognized upon the franchise opening are generally approximately 50% of the initial franchise fee and 50% on any subsequent store openings. The remaining portion of the upfront franchise fees are recognized as revenue over the expected life of the franchise agreement, which is generally 20 years.

Note 3: Revenue from contracts with customers  
The Company recognizes the remaining fees and revenue into the time at the date the location is opened. Revenues for these fees are recorded in an amortized building book, which is consistent with the franchisee's right to use and benefit from the intellectual property within contract liabilities on the accompanying balance sheets.

Revenues from continuing fees, including royalties and upfront franchise fees, are presented within franchise revenues in the statements of income. The Company receives a monthly royalty fee equal to 6% of the franchisee's monthly gross sales by the 10th day of each month for the preceding month. These royalty payments are considered to be variable consideration; however, the Company relies on a narrow exception to the variable consideration criteria where there is a sales-based or usage-based royalty. Under this exception, the Company recognizes revenue for sales-based royalty revenue on a monthly basis based on sales reports by their franchisees.

- Identification of the contract, or contracts with the customer;

### Contract Balances

The following table identifies the performance obligations in the contracts with customers as of December 31, 2023 and 2022:

- Determination of the transaction price;

- Allocation of the transaction price to the performance obligations in the contract, and

	2023	2022
Accounts receivable, beginning of year	\$ 328,037	\$ 328,025
Accounts receivable, end of year	\$ 328,181	\$ 328,037
Contract liabilities, beginning of year	\$ 274,062	\$ 89,271
Contract liabilities, end of year	\$ 309,063	\$ 274,062

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 may be granted through a franchise agreement that sets out the terms of the arrangement 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

### 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 used for building support by the company to assist the customer, with the remaining portion being recognized over the life of the contract.

10

10



# (Modified graphics)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

## Cupbop Franchise, LLC

### Notes to Financial Statements

December 31, 2021 and 2020

#### Accounting Policies and Practical Expedients Elected

The Company 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, the initial determination of the portfolio's gross accounting revenue will be materially different from the result of applying the standard to the individual contracts.

The Company is also applying the portfolio approach to the franchise opening, and generally approximates the initial amount of franchise fees and 50% from any other portion, 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. Franchise fees are recognized as revenue over the expected life of the franchise agreement, which is generally 10 years. If a franchise location closes before this estimated 10-year life, the Company recognizes the remaining unearned revenue into income at the time the location closes. Revenues for these upfront franchise fees are recognized on a straight-line basis, which is consistent with the franchisee's right to use and benefit from the intellectual property.

#### Note 4. Subsequent Events

Subsequent events have been evaluated through May 31, 2024, which is the date the financial statements were available to be issued.

Revenues from continuing fees, including royalties and upfront franchise fees, are presented within franchise revenues in the statements of income. The Company receives a monthly royalty fee equal to 6% of the franchisees monthly gross sales by the 10th day of each month for the preceding month. These royalty payments are considered to be variable consideration; however, the Company relies on a narrow exception to the variable consideration criteria where there is a sales-based or usage-based royalty. Under this exception, the Company recognizes revenue for sales-based royalty revenue on a monthly basis based on sales reports by their franchisees.

#### Contract Balances

The following table provides information about the Company's receivables and contract liabilities from contracts with customers as of December 31, 2021 and 2020:

	2021	2020
Accounts receivable, beginning of period	\$ 78,921	\$ 44,383
Accounts receivable, end of period	\$ 223,625	\$ 78,921
Contract liabilities, beginning of period	\$ 35,417	\$ 12,292
Contract liabilities, end of period	\$ 89,271	\$ 35,417

#### 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.



(Deleted graphics)

**Cupbop Franchise, LLC**

Notes to Financial Statements

December 31, 2021 and 2020

*Accounting Policies and Practical Expedients Elected*

The Company 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.

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 4: Subsequent Events**

Subsequent events have been evaluated through March 23, 2022, which is the date the financial statements were available to be issued.

**EXHIBIT C**  
**FRANCHISE AGREEMENT**



®

**FRANCHISE AGREEMENT**

Between

**CUPBOP FRANCHISE, LLC**

a Utah limited liability company

and

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

Date of Franchise Agreement

\_\_\_\_\_

## FRANCHISE AGREEMENT

This Franchise Agreement (“Agreement”) is made and entered into this \_\_\_\_ day of \_\_\_\_\_ 20\_\_ (the “Effective Date”), by and between Cupbop Franchise, LLC, a Utah limited liability company, with its principal business address at 12184 South Business Park Drive, Suite C, Draper, UT 84020 (“Cupbop”), and \_\_\_\_\_, a(n) \_\_\_\_\_, with its principal business address at \_\_\_\_\_ (“Franchisee”). Cupbop and Franchisee are sometimes referred to herein individually as a “Party” and collectively as the “Parties.”

### RECITALS

WHEREAS, Cupbop and its affiliates have developed (and continue to develop and modify) a system for the operation of restaurants offering a menu of high quality traditional and modern Korean barbecue, Korean and other Asian cuisine, and other permitted food and beverage products. Most menu items are prepared according to Cupbop’s specified recipes, standards, and procedures and use high quality ingredients, including its specially-formulated and specially-produced proprietary sauces, marinades, and other food products. Other food products and non-food products that are branded and/or packaged exclusively for its system and franchisees must be offered for sale. Restaurants operate under the “Cupbop®” name and other trademarks (“Cupbop Restaurants”) and have distinctive business formats, methods, procedures, signs, designs, layouts, standards, and specifications, all of which Cupbop may improve, further develop, or otherwise modify from time to time. Franchisee is granted the right to operate a physical storefront location under this Agreement.

WHEREAS, Cupbop and its affiliates currently use, promote, and license certain trademarks, service marks, and other commercial symbols in operating Cupbop Restaurants, which have gained and will continue to gain public acceptance and goodwill, and may create, use, and license new trademarks, service marks, and commercial symbols for Cupbop Restaurants (collectively, the “Marks”). Cupbop uses and sublicenses the Marks with the permission of its affiliate, Cupbop Co., the owner of the Marks.

WHEREAS, Cupbop grants to persons who meet its qualifications, and are willing to undertake the investment and effort, a franchise to operate a Cupbop Restaurant offering the Menu Items and services Cupbop requires and using the mandatory business formats, methods, procedures, signs, designs, layouts, standards, specifications, operating procedures, rules and Marks (collectively, the “System Standards”).

WHEREAS, as a Cupbop franchisee, Franchisee must comply with this Agreement and all System Standards that Cupbop periodically prescribes for Cupbop Restaurants in order to maintain the high and consistent quality that is critical to attracting and keeping customers.

WHEREAS, Franchisee has applied for a franchise to operate a Cupbop Restaurant.

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

#### 1. FRANCHISE RIGHTS.

##### a. GRANT OF FRANCHISE.

Subject to the terms of this Agreement, Cupbop grants to Franchisee, and Franchisee hereby accepts, the non-exclusive right and license to operate a Cupbop Restaurant (the

“Restaurant”) using the System Standards (the “Franchise”). Throughout the Term, Franchisee agrees to operate the Franchise in compliance with this Agreement and the System Standards as they may be changes, improved, and further developed from time to time by Cupbop. Franchisee further agrees at all times to faithfully, honestly, and diligently perform its obligations under this Agreement and to use its best efforts to promote the Restaurant.

b. PREMISES AND PROTECTED TERRITORY.

The Restaurant may be operated only at the location approved and authorized by Cupbop (the “Premises”). Franchisee will be granted a geographic territory wherein it may provide catering services (the “Protected Territory”). The Premises and Protected Territory will be set forth on Exhibit A. If Franchisee has not selected a site as of the Effective Date, Franchisee must complete Exhibit A upon selection of the Premises. During the term of this Agreement and provided Franchisee is in compliance with the terms and conditions of this Agreement, Cupbop will not (i) modify the Protected Territory without Franchisee’s written permission, or (ii) locate either a company-owned or franchised Cupbop business within the Protected Territory. Franchisee may provide catering services in areas adjacent to the Protected Territory, provided that such services are not within the protected territory of another Cupbop franchisee, and the catering services may reasonably be provided from the Premises, provided that Franchisee may not provide any service outside of the Protected Territory without prior written approval from Cupbop prior to providing such service, which approval may be granted or denied in its sole discretion. Notwithstanding the above, Franchisee expressly acknowledges that all Cupbop restaurants, regardless of whether owned by Cupbop or a third party, may solicit and sell products to customers regardless of their geographic location, including customers located in the Protected Territory. The Protected Territory does not grant Franchisee any rights to Customers within its Protected Territory, including without limitation, with respect to orders placed online for delivery, whether through Cupbop or through a designated and approved third-party delivery service provider. Franchisee acknowledges and agrees that such online orders placed by customers within its Protected Territory may be fulfilled by Cupbop, its affiliates or another franchisee, as determined by Cupbop or any third-party delivery service provider, in their discretion.

c. RIGHTS RESERVED.

Franchisee acknowledges that the Franchise is nonexclusive, that, other than the Protected Territory rights granted above, Franchisee has no territorial protection whatsoever, and that Cupbop and its affiliates retain the right at all times during the Term to engage in any and all activities that Cupbop or its affiliates deem appropriate, wherever and whenever Cupbop or its affiliates desire, and whether or not such activities compete with the Restaurant, including, without limitation, the right to:

- i. establish and operate, and allow others to establish and operate, Cupbop Restaurants at any location and in any area, other than in the Protected Territory;
- ii. establish and operate, and allow others to establish and operate, Cupbop Restaurants at non-traditional venues, including, but not limited to, an airport, sports stadium or arena, university, hospital, military base, department store, hotel, or corporate campus, at any location, including within the Protected Territory;
- iii. sell and distribute itself, and/or to license others to sell and distribute, through alternate distribution channels (including, but not limited to, the Internet), within

or outside the Protected Territory under the Marks or any other trademarks or service marks products and/or services that are identical or similar to, and/or competitive with, those that Cupbop Restaurants customarily sell; and

- iv. to engage in all other activities that are not expressly prohibited by this Agreement.

d. TERM.

Unless earlier terminated as provided herein, the term of this Agreement commences on the Effective Date and continues for a period ten (10) years from the first day the Restaurant is open for business (the “Term”). Upon opening, Franchisee will execute an acknowledgement stating the opening date of the Restaurant substantially in form of the acknowledgment attached hereto as Exhibit B and expiration of the Term will be based upon the date set forth in this acknowledgment. If Franchisee fails to execute such an acknowledgment after reasonable request by Cupbop, Cupbop may fix the date of opening upon notice to Franchisee based upon Cupbop’s reasonable determination of the opening date based upon its records and communications with Franchisee.

e. MINIMUM SALES REQUIREMENT.

Beginning one year after the Effective Date, the Restaurant must maintain at least fifty percent (50%) of the trailing twelve months sales average of all United States Cupbop restaurants for the Term of the Franchise Agreement. If the Restaurant falls below this minimum requirement over any two-year period during the Term of this Agreement, Franchisee will be considered a default under the Franchise Agreement and Cupbop may terminate the Agreement pursuant to Section 15(b).

f. MODIFICATION OF SYSTEM.

Cupbop has the right to develop, operate, and change the System Standards in any manner that is not specifically prohibited by this Agreement. Whenever Cupbop has reserved in this Agreement a right to take or to withhold an action, or to grant or decline to grant Franchisee the right to take or omit an action, Cupbop may, except as otherwise specifically provided in this Agreement, make its decision or exercise its rights based on information readily available to Cupbop and its judgment of what is in its best interests, Cupbop Restaurant franchisees or franchise system at the time its decision is made, without regard to whether it could have made other reasonable or even arguably preferable alternative decisions or whether its decision promotes its financial or other individual interest.

Because complete and detailed uniformity under many varying conditions might not be possible or practical, Franchisee acknowledges that Cupbop specifically reserves the right and privilege, as it deems best, to vary System Standards for, and to provide different levels of service to, any franchisee based upon the peculiarities of any condition or factors that Cupbop considers important to that franchisee’s successful operation. Franchisee has no right to require Cupbop to grant Franchisee a similar variation or accommodation or to provide the same level of service.

## **2. SITE SELECTION, LEASE OF PREMISES, AND DEVELOPMENT AND OPENING OF RESTAURANT.**

### **a. SITE SELECTION.**

If Franchisee has not secured a site for the Premises as of the Effective Date, then within one hundred twenty (120) ~~days after~~ days after the Effective Date Franchisee agrees to purchase, or sign a lease for, a suitable site for the Restaurant. Franchisee agrees to obtain Cupbop's written acceptance of the Restaurant's proposed site before signing any lease, sublease, or other document for the site. Cupbop will use reasonable efforts to help analyze the market area, to help determine site feasibility, and to assist in designating the location, although Cupbop will not conduct site selection activities for Franchisee. It is Franchisee's responsibility to locate a site for the Premises that satisfies Cupbop's site selection criteria. Cupbop will not unreasonably withhold its acceptance of a site that meets its criteria for demographic characteristics; traffic patterns; parking; character of neighborhood; competition from and proximity to other businesses; other commercial characteristics; and size, appearance, and other physical characteristics.

Franchisee agrees to send Cupbop a description of the proposed site, including a summary of the items listed above, along with a letter of intent or other evidence confirming the prospects for obtaining the proposed site. Cupbop will accept or reject the proposed site within thirty (30) business days after receiving the written proposal. After a site is secured, Cupbop will insert the address on Exhibit A and Franchisee will sign the Exhibit. Franchisee may operate the Restaurant only at the Premises, although Franchisee may cater products prepared at the Premises to customers located within the Protected Territory if it complies with the System Standards for catering services.

If no site is found by Franchisee and accepted by Cupbop within one hundred twenty (120) days after the Effective Date, then, upon written notice from either Party, this Agreement will be terminated.

### **b. LEASE OF PREMISES.**

All leases for the Premises of the Restaurant must be approved by Cupbop prior to the signing of any lease and must include the lease addendum attached hereto as Exhibit D. Cupbop has the right to accept or reject the terms of any lease or sublease for the Premises (the "Lease") before Franchisee signs it. Franchisee must provide Cupbop a copy of the signed, approved lease within fifteen (15) days of its execution.

### **c. DEVELOPMENT.**

Franchisee is responsible for developing the Restaurant. Cupbop will give Franchisee mandatory and suggested specifications and layouts for a Cupbop Restaurant, including requirements for exterior design (including façade, parking lot, sidewalks, and landscaping), dimensions, image, interior design and layout, decor, fixtures, equipment, signs, furnishings, and color scheme. These plans might not reflect the requirements of any federal, state, or local law, code, or regulation, including those arising under the Americans with Disabilities Act (the "ADA") or similar rules governing public accommodations for disabled persons. Franchisee must prepare a site survey and all required construction plans and specifications to suit the Premises and to make sure these plans and specifications comply with its requirements, the ADA and similar rules, other applicable ordinances, building codes, permit requirements, and Lease requirements and

restrictions. Cupbop own the plans and all adaptations of the plans for the Restaurant. The Restaurant's layout and design are in its sole judgment.

Franchisee agrees to send Cupbop construction plans and specifications for review before it begins constructing the Restaurant and all revised or "as built" plans and specifications during construction. Because Cupbop's review is limited to ensuring compliance with its design and layout requirements, Cupbop's review might not assess compliance with federal, state, or local laws and regulations, including the ADA, as compliance with these laws is Franchisee's responsibility. Cupbop may inspect the Premises while Franchisee is developing the Restaurant. Franchisee is solely responsible for the performance of architects, contractors, and subcontractors Franchisee hires to develop and maintain the Restaurant and for ensuring that sufficient insurance coverage is in place during the construction process.

Franchisee ~~agree~~agrees to do the following, at its expense, to develop the Restaurant at the Premises: (1) secure all financing required to develop and operate the Restaurant; (2) obtain all required building, utility, sign, health, sanitation, business, and other permits and licenses; (3) construct all required improvements to the Premises and decorate the Restaurant according to approved plans and specifications; (4) obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating, and installation services; (5) purchase or lease, and install, all required fixtures, furniture, equipment (including required or recommended computer, facsimile, and point-of-sale information system and video security system), furnishings, and signs for the Restaurant; (6) purchase an opening inventory of required and authorized products, materials, and supplies (as set forth in the Brand Standards Manual) to begin operating the Restaurant; and (7) take all other action necessary to open the Restaurant at the Premises to the public.

d. FURNITURE, FIXTURES AND EQUIPMENT.

Franchisee agrees to use in operating the Restaurant only furniture, fixtures, equipment, and signs that Cupbop designates or approves for Cupbop Restaurants as meeting its specifications and standards for quality, design, appearance, function, and performance as further set forth in the Brand Standards Manual. Franchisee may not install or otherwise operate at the Premises any unauthorized vending, lotto, or similar machines. Franchisee agrees to place or display at the Premises (interior and exterior), and on any permitted catering vehicles, only the signs, emblems, lettering, logos, and display materials that Cupbop approves from time to time. Franchisee agrees to purchase or lease approved brands, types, or models of furniture, fixtures, equipment, and signs only from suppliers Cupbop designates or approves (which may include or be limited to Cupbop and/or its affiliates).

e. COMPUTER SYSTEM.

Franchisee agrees to obtain and use the computer hardware and/or software Cupbop specifies, including a point-of-sale system, accounting system, dedicated telephone and power lines, printers, and other computer-related accessories and peripheral equipment (the "Computer System"). Cupbop may modify specifications for and components of the Computer System. Franchisee also agrees to maintain a functioning e-mail address. Cupbop's modification of specifications for the Computer System, and/or other technological developments or events, might require Franchisee to purchase, lease and/or license new or modified computer hardware and/or software and to obtain service and support for the Computer System. Within sixty (60) days after Franchisee receives notice from Cupbop, Franchisee agrees to obtain, at Franchisee's sole cost and expense, the Computer System components Cupbop designate and ensure that the Computer

System, as modified, is functioning properly. Franchisee may not use any unapproved computer software. Franchisee must give Cupbop all security access codes and otherwise permit twenty-four (24) hours per day, seven (7) days per week electronic communications between Franchisee and Cupbop to allow Cupbop access to the Computer System.

Franchisee agrees that Cupbop and/or its affiliates may condition any license of proprietary software to Franchisee, or Franchisee's use of technology that Cupbop or its affiliates develop or maintain, on Franchisee's signing the software license agreement or similar document that Cupbop or its affiliates prescribe to regulate Franchisee's use of, and the Parties' respective rights and responsibilities with respect to, the software or technology. Cupbop and its affiliates may charge Franchisee up-front and ongoing weekly or monthly fees for any proprietary software or technology that Cupbop or its affiliates license to Franchisee and for other maintenance and support services provided during this Agreement's term.

Franchisee has sole and complete responsibility for: (1) the acquisition, operation, maintenance, and upgrading of the Computer System; (2) the manner in which the Computer System interfaces with Cupbop's and any third party's computer system; and (3) any and all consequences if the Computer System is not properly operated, maintained, and upgraded.

f. OPENING.

Franchisee agrees not to open the Restaurant for business to the public until: (1) it has paid the initial franchise fee and other amounts then due to Cupbop and key suppliers; (2) Cupbop notifies it in writing that the Restaurant meets its standards and specifications (although its acceptance is not a representation or warranty, express or implied, that the Restaurant complies with any engineering, licensing, environmental, labor, health, building, fire, sanitation, occupational, landlord's, insurance, safety, tax, governmental, or other statutes, rules, regulations, requirements, or recommendations nor a waiver of Cupbop's right to require continuing compliance with its requirements, standards, and policies); (3) Franchisee (or the Managing Owner), the General Manager (if required because the Managing Owner is not involved in the Restaurant's on-site, day-to-day operation), and its other employees complete training to Cupbop's satisfaction; and (4) Franchisee gives Cupbop copies of certificates for all required insurance policies.

Franchisee agrees to comply with these conditions and to open the Restaurant for business (i) within sixteen (16) months after the Effective Date, or (ii) on or before the date the Lease specifies, or (iii) on or before the date required to remain in compliance with an area development agreement between the Parties, if any, whichever is earlier. Cupbop may terminate this Agreement if Franchisee fails to open the Restaurant for business within the required timeframe. If Franchisee opens the Restaurant for business before Cupbop notifies Franchisee in writing that the Restaurant meets its standards and specifications, Cupbop may terminate this Agreement under Section 15(B).

g. RELOCATION.

Franchisee may not relocate the Restaurant to a new site without its prior written consent, which Cupbop may grant or deny as it determines in its sole discretion. Cupbop may condition its approval of the relocation request on (1) the new site and its lease being acceptable to Cupbop, (2) Franchisee paying Cupbop a reasonable relocation fee (as set forth in the Brand Standards Manual), (3) Franchisee reimbursing the costs Cupbop incurs during the relocation process, including those required to help Franchisee construct and develop the Restaurant at the new site in full compliance with the System Standards, (4) Franchisee confirming that this Agreement

remains in effect and governs the operation of the Restaurant at the new site with no change in the term or, at its option, signing Cupbop's then current form of franchise agreement to govern the operation of the Restaurant at the new site for a new franchise term, (5) Franchisee signing a general release, in a form satisfactory to Cupbop, of any and all claims against Cupbop and its owners, affiliates, officers, directors, employees, and agents (except for Cupbop's indemnification obligations under Section 17 below), (6) Franchisee continuing to operate the Restaurant at the Premises until Cupbop authorizes its closure, and (7) Franchisee taking, within the timeframe Cupbop specifies and at its own expense, all action Cupbop requires to de-brand and de-identify the Restaurant's former Premises so that it no longer is associated or identified in any manner (in its opinion) with Cupbop, including the action specified in Section 16(B)(4) below.

### 3. **FEES.**

#### a. **INITIAL FRANCHISE FEE.**

Franchisee agrees to pay Cupbop a nonrecurring and, except as specifically provided in this Agreement, nonrefundable initial franchise fee of Forty Thousand Dollars (\$40,000). This fee is due, and fully earned by Cupbop, when Franchisee signs this Agreement. The initial franchise fee is not in exchange for any particular products, services, or assistance but instead is solely in consideration of Cupbop's signing this Agreement.

#### b. **ROYALTY FEE.**

Franchisee agrees to pay Cupbop, in the manner provided below (or as the Brand Standards Manual otherwise prescribes), a monthly Royalty Fee (the "Royalty") equal to six percent (6%) of the Restaurant's Gross Sales (as defined below). As used in this Agreement, the term "Gross Sales" means all revenue that Franchisee derives from operating the Restaurant, including, but not limited to, all amounts that Franchisee receives at or away from the Restaurant and all catering and delivery charges not included in the price of Cupbop menu items, and all amounts from selling or issuing gift cards, whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions, and also includes all proceeds from business interruption insurance, but (1) excludes all federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority, and (2) is reduced by the amount of any documented refunds, credits, and discounts the Restaurant in good faith gives to customers (if those amounts originally were included in calculating Gross Sales). Notwithstanding the foregoing, Franchisee agrees to participate in any gift or loyalty program designated by Cupbop and to implement such changes as Cupbop designates related to such programs(s). At such time as a system-wide gift card program is instituted, Gross Sales will exclude all revenue derived from selling or issuing gift cards but will include revenue derived from selling products and services to customers who use those cards for payment.

#### c. **PAYMENT.**

Before the Restaurant opens, Franchisee agrees to sign and deliver to Cupbop the documents Cupbop requires to authorize Cupbop to debit its business checking account automatically, including without limitation the form set forth on Exhibit E, for the Royalty Fund contributions (defined below), and other amounts due under this Agreement and for its purchases of required food products, branded items and food products and other items from Cupbop and/or its affiliates. Cupbop may auto-debit all fees and payments Franchisee owes Cupbop and its affiliates. Cupbop will debit Franchisee's account for these amounts on their due dates. Franchisee agrees to maintain, at all times during the term of this Agreement, a balance in Franchisee's

account at its bank or financial institution sufficient to allow the appropriate amount to be debited from Franchisee's account for payment of all fees and payments.

On or before the 10<sup>th</sup> day of each month, Franchisee agrees to send Cupbop on a form Cupbop approves (or as Cupbop otherwise directs) a signed statement of the Restaurant's Gross Sales and monthly inventory for the preceding calendar month. Each monthly statement of Gross Sales must be accompanied by the Royalty due for that month.

If Franchisee fails to report the Restaurant's Gross Sales, Cupbop may debit Franchisee's account for one hundred twenty percent (120%) of the last Royalty and Fund contribution that Cupbop debited (together with the late fee noted in Subsection 3(D) below). If the amounts Cupbop debits from Franchisee's account are less than the amounts Franchisee actually owes Cupbop (once it has determined the Restaurant's actual Gross Sales), Cupbop will debit Franchisee's account for the balance on the day Cupbop specifies. If the amounts Cupbop debits exceed the amounts Franchisee actually owes, Cupbop will credit the excess against the amounts due during the following month.

Cupbop may apply any payments received from Franchisee to any of Franchisee's past due indebtedness to Cupbop or its affiliates. Cupbop may set off any amounts Franchisee or its owners owe Cupbop or its affiliates against any amounts Cupbop or its affiliates owe Franchisee or its owners. Franchisee may not withhold payment of any amounts Franchisee owes Cupbop or its affiliates due to Cupbop's alleged nonperformance of any of its obligations under this Agreement. Cupbop may require Franchisee to pay any amounts due to Cupbop or its affiliates under this Agreement (or otherwise) other than by automatic debit (*e.g.*, by check) whenever Cupbop deems appropriate, and Franchisee agrees to comply with its payment instructions.

Franchisee agrees that it will not withhold payment of any amounts owed to Cupbop or its affiliates on the grounds of Cupbop's alleged nonperformance of any of its obligations under this Agreement or for any other reason, and Franchisee specifically waives any right it may have at law or in equity to offset any funds it may owe Cupbop or its affiliates or to fail or refuse to perform any of its obligations under this Agreement.

d. LATE FEES AND INTEREST.

Franchisee agrees to pay Cupbop a late fee for each required payment not made on or before its original due date and for each payment not honored by its financial institution. This late fee will equal ten percent (10%) of the original amount due but not paid on time. The late fee is not interest or a penalty but compensates Cupbop for increased administrative and management costs due to the late payment. In addition, all past due amounts that owed to Cupbop for any reason will bear interest accruing as of their original due date at one and eighteen percent (18%) per annum or the highest commercial contract interest rate the law allows, whichever is less. Franchisee also must reimburse Cupbop's bank charges for Franchisee's dishonored payments. Cupbop may debit Franchisee's bank account automatically for late fees and interest. Franchisee acknowledges that this Subsection is not Cupbop's agreement to accept any payments after they are due or its commitment to extend credit to, or otherwise finance Franchisee's operation of, the Restaurant.

e. TAXES.

In addition to any sales, use, excise, privilege, or other transaction taxes that Cupbop is required or permitted by law to collect from Franchisee for the sale, lease, or other provision of

goods or services under this Agreement, Franchisee agrees to pay Cupbop an amount equal to all federal, state, local, and foreign (i) sales, use, excise, privilege, occupation, or any other transactional taxes, and (ii) any other taxes or similar exactions no matter how designated (excluding only taxes imposed on Cupbop for the privilege of conducting business and calculated with respect to its net income, capital, net worth, gross receipts, or some other basis or combination thereof, but not excluding any gross receipts taxes imposed on Cupbop for Franchisee's payments intended to reimburse Cupbop for expenditures incurred for Franchisee's benefit and on its behalf) that are imposed on Cupbop or required to be withheld by Franchisee in connection with the receipt or accrual of service fees, royalties, or any other amounts payable by Franchisee to Cupbop under this Agreement. Any additional required payment pursuant to the preceding sentence must be made in an amount necessary to provide Cupbop with after-tax receipts (taking into account any additional payments required under this Agreement) equal to the same amounts Cupbop would have received under the provisions of this Agreement had such additional tax liability or withholding not been imposed or required.

#### **4. PARTICIPATION IN THE BUSINESS**

If Franchisee is signing this Agreement as an individual or sole proprietor, Franchisee is responsible for overseeing and supervising operation of the Restaurant on a day-to-day basis. If Franchisee is an Entity (as defined in Section 22), Franchisee must appoint and maintain throughout this Agreement's term a shareholder, member, or partner, depending on the Entity, to be its "Managing Owner," responsible for overseeing and supervising operation of the Restaurant. The Managing Owner as of the Effective Date is identified in Exhibit C. If the Managing Owner is not involved in the Restaurant's on-site, day-to-day operation, Franchisee also must hire a general manager approved by Cupbop to manage the Restaurant on-site on a day-to-day basis, who reports to the Managing Owner and who has successfully completed Cupbop's initial training program (the, "General Manager"). Franchisee may replace the General Manager as it deems appropriate, although a replacement General Manager must complete to Cupbop's satisfaction its training requirements within ninety (90) days after the previous General Manager's departure, and Franchisee must identify and Cupbop must approve any new or replacement General Manager. If the Managing Owner transfers his or her ownership interest in Franchisee (with Cupbop's approval) during this Agreement's term, Franchisee agrees to appoint a new Managing Owner, and to have that new Managing Owner complete Cupbop's required training program, within ninety (90) days after the original Managing Owner's departure.

#### **5. TRAINING AND ASSISTANCE.**

##### **a. INITIAL TRAINING.**

Before the Restaurant opens for business, Cupbop will train Franchisee or the Managing Owner and the General Manager if required because the Managing Owner will not be involved in the Restaurant's on-site, day-to-day operation. Franchisee's on-site managers which may include general managers and assistant managers on the material aspects of operating a Cupbop Restaurant may also attend initial training, if desired, for an additional fee as set forth below. Franchisee or the Managing Owner and, if applicable, the General Manager also must successfully complete Cupbop's initial training program, including learning how to complete Cupbop's systems and procedures and make all of its recipes.

Cupbop will provide initial training program for no additional fee for two (2) people. There generally are no limits on the number of people whom Franchisee may send to initial training program, however, Franchisee must pay Cupbop's then current training charge for each additional person after the first two (2) people. Franchisee also agrees to pay all travel and living expenses

that all attendees incur, including its employees' wages and workers' compensation insurance, while they attend any applicable training.

Franchisee (or the Managing Owner) and any General Manager must complete to Cupbop's satisfaction the initial training program in order to become certified.

If this is Franchisee's second or subsequent Cupbop Restaurant, any fully-trained Managing Owner or General Manager need not attend the initial training program. However, the Restaurant must comply with the same minimum managerial requirements specified above at all times.

If Cupbop determines that Franchisee, or the Managing Owner if the Managing Owner is to be involved in the Restaurant's on-site, day-to-day operation, cannot complete initial training to Cupbop's satisfaction, Cupbop may terminate this Agreement. Franchisee agrees to replace any General Manager or manager who Cupbop believes is not qualified or suitable to hold that position and to pay Cupbop's then current fee for training a replacement General Manager or manager.

If Franchisee (or the Managing Owner) or the General Manager do not feel sufficiently trained in the operation of a Cupbop Restaurant, Franchisee (or the Managing Owner) or the General Manager may request additional or repeat training at the end of the initial training and pay Cupbop's then current per diem charges. The Parties will jointly determine the duration of this additional training.

If Franchisee hires or appoint new General Manager during this Agreement's term, the new General Manager must complete to Cupbop's satisfaction its then current initial training within ninety (90) days after the departure of the previous General Manager. Cupbop may charge reasonable fees for training a new General Manager and new managers. Franchisee agrees to pay all travel and living expenses that Franchisee (or the Managing Owner), the General Manager, and its employees incur during all training courses and programs.

When the Restaurant is ready to open for business, Cupbop will, at its cost, send one of Cupbop's representatives to the Restaurant to assist during its initial opening period. Franchisee will receive twenty-four (24) hours of the representative's time if the Restaurant is Franchisee's first Cupbop Restaurant, sixteen (16) hours of the representative's time if the Restaurant is Franchisee's second Cupbop Restaurant, and eight (8) hours of the representative's time if the Restaurant is Franchisee's third or subsequent Cupbop Restaurant. If Franchisee requests (and Cupbop agrees to provide), or Cupbop believes Franchisee needs, additional or special guidance, assistance, or training during this opening phase, Franchisee agrees to pay Cupbop's then applicable charges, including its personnel's per diem charges and travel and living expenses.

b. ONGOING TRAINING.

Cupbop may require Franchisee (or the Managing Owner), any General Manager and/or other previously trained and experienced managers and other employees to attend and complete to its satisfaction any training courses Cupbop periodically chooses to provide during this Agreement's term at the times and locations Cupbop designates. Cupbop may charge reasonable fees for these courses, and Franchisee agrees to pay all costs and expenses incurred in attending. Franchisee understands and ~~agrees~~agrees that any specific ongoing training or advice Cupbop provides does not create an obligation (whether by course of dealing or otherwise) to continue to provide such specific training or advice, all of which Cupbop may discontinue and modify from time to time.

c. GENERAL RECOMMENDATIONS.

Cupbop may advise Franchisee from time to time regarding the Restaurant's operation based on Franchisee's reports or Cupbop's evaluations and inspections and may provide recommendations to Franchisee with respect to: (1) standards, specifications, and operating procedures and methods that Cupbop Restaurants use; (2) purchasing required and authorized furniture, fixtures, equipment and signs, required food items, branded products and food items, and other food and non-food items and arranging for their distribution to Franchisee; (3) advertising and marketing materials and programs; and (4) administrative, bookkeeping, accounting, and inventory control procedures.

Cupbop may provide recommendations to Franchisee in Cupbop's confidential operations and brand standards manual ("Brand Standards Manual") and other manuals in bulletins or other written materials; by electronic media; by telephone consultation; and/or at Cupbop's office or the Restaurant. If Franchisee requests (and Cupbop agrees to provide), or Cupbop believes Franchisee needs, additional or special guidance, assistance, or training, Franchisee agrees to pay Cupbop's then applicable charges, including Cupbop's personnel per diem charges and travel and living expenses. An "Intranet" means an internal network Cupbop may design and administer for the Cupbop franchise system through which members may, in compliance with Cupbop's terms of use and other System Standards, communicate with each other and through which Cupbop may circulate updates to the Brand Standards Manual, and other Confidential Information. Cupbop has no obligation to implement or to maintain the Intranet indefinitely and, if instituted, may discontinue it at any time without liability to Franchisee.

d. BRAND STANDARDS MANUAL.

Cupbop will make available to Franchisee the Brand Standards Manual, which may include audio, video, digital links, computer software, other electronic media and/or written materials. The Brand Standards Manual contains System Standards and information on Franchisee's other obligations under this Agreement. Cupbop may modify the Brand Standards Manual periodically to reflect changes in System Standards. If there is a dispute over its contents, Cupbop's master copy of the Brand Standards Manual controls. Franchisee agrees that the Brand Standards Manual's contents are confidential and that Franchisee will not disclose the Brand Standards Manual to any person other than Restaurant employees who need to know its contents to perform their duties. Franchisee may not at any time copy, duplicate, record, or otherwise reproduce any part of the Brand Standards Manual (except as Cupbop allows for training and operating purposes).

e. DELEGATION OF PERFORMANCE.

Cupbop has the right to delegate the performance of any portion or all of Cupbop's obligations under this Agreement to third-party designees, whether these designees are its affiliates, agents, or independent contractors with whom Cupbop contracts to perform these obligations. If Cupbop does so, such third-party designees will be obligated to perform the delegated functions for Franchisee in compliance with this Agreement.

## 6. MARKS.

### a. OWNERSHIP AND GOODWILL OF MARKS.

Cupbop Co. has licensed the Marks to Cupbop to use in franchising, developing, and operating Cupbop Restaurants. Franchisee's right to use the Marks is derived only from this Agreement and limited to the operation of the Restaurant according to this Agreement and all System Standards Cupbop prescribes. Franchisee's unauthorized use of the Marks is a breach of this Agreement and infringes Cupbop's and Cupbop Co.'s rights in the Marks. Franchisee acknowledges and agrees that its use of the Marks and any goodwill established by that use are exclusively for Cupbop's and Cupbop Co.'s benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon Franchisee (other than the right to operate the Restaurant under this Agreement). All provisions of this Agreement relating to the Marks apply to any additional proprietary trade and service marks Cupbop authorizes Franchisee to use. Franchisee may not at any time during or after the Term contest or assist any other person in contesting the validity, or Cupbop's and Cupbop Co.'s ownership, of the Marks.

### b. LIMITATIONS ON FRANCHISEE'S USE OF MARKS.

Franchisee agrees to use the Marks as the Restaurant's sole identification, except that Franchisee agrees to identify itself as its independent owner and operator in the manner Cupbop prescribes. Franchisee may not use any Mark (1) as part of any corporate or legal business name, (2) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos Cupbop has licensed to Franchisee), (3) in providing or selling any unauthorized services or products, (4) as part of any domain name, homepage, electronic address, social media address or otherwise in connection with a Website, or (5) in any other manner that Cupbop has not expressly authorized in writing. If Cupbop discovers an unauthorized use of the Marks, Franchisee must destroy all offending items reflecting such unauthorized use at its cost.

Franchisee may not use any Mark in advertising the transfer, sale, or other disposition of the Restaurant or an ownership interest in Franchisee without Cupbop's prior written consent, which Cupbop will not unreasonably withhold. Franchisee agrees to display the Marks prominently as Cupbop prescribes at the Restaurant and on vehicles, uniforms, forms, advertising, supplies, and other materials Cupbop designates. Franchisee agrees to give the notices of trade and service mark registrations Cupbop specifies and to obtain any fictitious or assumed name registrations required under applicable law.

### c. NOTIFICATION OF INFRINGEMENTS AND CLAIMS.

Franchisee agrees to notify Cupbop immediately of any apparent infringement or challenge to Franchisee's use of any Mark, or of any person's claim of any rights in any Mark or any confusingly similar trademark, and not to communicate with any person other than Cupbop, Cupbop Co., and Cupbop's attorneys, and Franchisee's attorneys, regarding any infringement, challenge, or claim. Cupbop and Cupbop Co. may take the action they deem appropriate (including no action) and control exclusively any litigation, U.S. Patent and Trademark Office proceeding, or other administrative proceeding concerning any Mark. Franchisee agrees to sign any documents and take any other reasonable action that, in the opinion of Cupbop's and Cupbop Co.'s attorneys, are necessary or advisable to protect and maintain Cupbop's and Cupbop Co.'s interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain Cupbop's and Cupbop Co.'s interests in the Marks. Cupbop or Cupbop Co. will reimburse any such costs for taking requested action.

d. DISCONTINUANCE OF USE OF MARKS.

If it becomes advisable at any time in Cupbop's opinion for Cupbop, Cupbop Co. and/or Franchisee to modify, discontinue using and/or replace any Mark and/or to use one or more additional, substitute, or replacement trade or service marks together with or in lieu of any previously designated Mark, Franchisee agrees to comply with Cupbop's directions within a reasonable time after receiving notice. Cupbop and Cupbop Co. need not reimburse Franchisee's direct expenses of changing the Restaurant's signs, any loss of revenue due to any modified or discontinued Mark, or Franchisee's expenses of promoting a modified or substitute trademark or service mark.

Our rights in this Subsection apply to any and all of the Marks (and any portion of any Mark) that this Agreement authorizes Franchisee to use. Cupbop may exercise these rights at any time and for any reason, business or otherwise. Franchisee acknowledges both Cupbop's right to take this action and Franchisee's obligation to comply with Cupbop's directions.

e. INDEMNIFICATION FOR USE OF MARKS.

Cupbop agrees to reimburse Franchisee for all damages and expenses it incurs or for which Franchisee is liable in any proceeding disputing ~~Franchisee's~~ Franchisee's authorized use of any Mark under this Agreement provided such use is in full compliance with this Agreement, the Brand Standards Manual, and System Standards communicated to Franchisee and Franchisee has timely notified Cupbop of, and comply with Cupbop's directions in responding to, the proceeding. At Cupbop's option, Cupbop and/or Cupbop Co. may defend and control the defense of any proceeding arising from Franchisee's use of any Mark under this Agreement.

**7. CONFIDENTIAL INFORMATION.**

Cupbop and Cupbop Co. possess (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 Cupbop Restaurants, including, without limitation, trade secrets; site selection criteria; recipes; training and operations materials and manuals; methods, formats, specifications, standards, systems, procedures, food preparation techniques, sales and marketing techniques, knowledge, and experience used in developing and operating Cupbop Restaurants; marketing and advertising programs and materials for Cupbop Restaurants; knowledge of specifications for and suppliers of furniture, fixtures, equipment and signs, required food products, branded items and food products, and other products and supplies; any computer software or similar technology that is proprietary to Cupbop, Cupbop Co., or the franchise 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 Cupbop Restaurants other than the Restaurant; graphic designs and related intellectual property; and all password-protected portions of Cupbop's franchise system's Website, intranets, and extranets and the information they contain (including the email addresses of Cupbop's franchisees), if applicable; all other intellectual property and information that by its nature should be considered confidential or proprietary.

Franchisee acknowledges and agrees that Franchisee will not acquire any interest in Confidential Information, other than the right to use it as Cupbop specifies in operating the Restaurant during the Term, and that Confidential Information is proprietary, includes Cupbop's and Cupbop Co.'s trade secrets, and is disclosed to Franchisee only on the condition that Franchisee agrees, and Franchisee hereby does agree, that it: (1) will not use Confidential Information in any other business or capacity; (2) will keep confidential each item deemed to be a part of Confidential Information, both during and after the Term (afterward for

as long as the item is not ~~publically~~publicly known); (3) will not make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form; (4) will adopt and implement reasonable procedures to prevent unauthorized use or disclosure of Confidential Information, including, without limitation, restricting its disclosure to Restaurant personnel and others and using non-disclosure and non-competition agreements with those having access to Confidential Information. Cupbop has the right to regulate the form of agreements Franchisee uses and to be a third party beneficiary of those agreements with independent enforcement rights. Franchisee must keep copies of those agreements and send them to Cupbop upon request; and (5) will not divulge any policy or operational document, whether created by Cupbop or by or for Franchisee and regardless of the format in which maintained, to any person not bound by the confidentiality obligations in this Agreement without Cupbop's prior written permission.

Confidential Information does not include information, knowledge, or know-how that Franchisee can demonstrate lawfully came to its attention before Cupbop provided it to Franchisee directly or indirectly; that, at the time Cupbop disclosed it to Franchisee, already had lawfully become generally known through publication or communication by others without violating an obligation to Cupbop or Cupbop Co.; or that, after Cupbop discloses it to Franchisee, lawfully becomes generally known in the food-service industry through publication or communication by others without violating an obligation to Cupbop or Cupbop Co. A party claiming an exclusion under this paragraph has the burden to prove that such exclusion applies.

All ideas, concepts, techniques, or materials relating to a Cupbop Restaurant, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, must be promptly disclosed to Cupbop and will be deemed to be Cupbop's and Cupbop Co.'s sole and exclusive property, part of the Franchise System, and works made-for-hire for Cupbop and Cupbop Co. To the extent that any item does not qualify as a "*work made-for-hire*" for Cupbop and Cupbop Co., by this paragraph Franchisee assigns ownership of that item, and all related rights to that item, to Cupbop and Cupbop Co. and agree to take whatever action (including signing assignment or other documents) Cupbop requests to evidence Cupbop's and Cupbop Co.'s ownership or to help Cupbop and Cupbop Co. obtain intellectual property rights in the item.

## **8. EXCLUSIVE RELATIONSHIP.**

Franchisee acknowledges that Cupbop has granted the Franchise in consideration of and reliance upon Franchisee's agreement to deal exclusively with Cupbop. Franchisee therefore agree that, during this Agreement's term, neither it, any of its owners, nor any of its or its owners' spouses will:

- a. have any direct or indirect controlling interest as an owner – whether of record, beneficially, or otherwise – in a Competing Business, wherever located or operating;
- b. have any direct or indirect non-controlling interest as an owner – whether of record, beneficially, or otherwise – in a Competing Business, wherever located or operating (except that equity ownership of less than two percent (2%) of a Competing Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this Subsection);
- c. perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competing Business, wherever located or operating;
- d. recruit as a partner or investor/owner, or hire as an employee, any person then employed, or who was employed within the immediately preceding twelve (12) months, by

Cupbop, any of Cupbop's affiliates, or a franchisee or who is still bound (even if it has been more than 12 months) by a restrictive covenant in an agreement with Cupbop, any of Cupbop's affiliates, or a franchisee without obtaining the existing or former employer's prior written permission and giving Cupbop a copy. To the extent allowable under applicable law, Franchisee agrees to restrict its own employees, as a condition of their employment with Franchisee, from becoming a partner of or investor/owner with, or working for, another Cupbop franchisee for at least twelve (12) months after they leave Franchisee's employment and to advise them that other Cupbop franchisees are contractually prohibited by Cupbop from recruiting them as partners or investors/owners, or from hiring them, for at least twelve (12) months after they leave Franchisee's employment (regardless of the reason for their departure). If any of Cupbop's affiliates or franchisees is the affected employer under this Subsection due to Franchisee's actions, that affiliate or franchisee will be a third party beneficiary of this provision with an independent right to enforce it against Franchisee. If Franchisee engages in these prohibited activities, Cupbop may elect to terminate this Agreement under Section 15(B);

e. divert or attempt to divert any actual or potential business or customer of the Restaurant to a Competing Business; or

f. engage in any other activity that might injure the goodwill of the Marks and Franchise System.

The term "Competing Business" means (i) a business offering products or services the same as or substantially similar to a Cupbop Restaurant in any capacity, territory or location, including without limitation any restaurant offering traditional and/or modern Korean barbecue, and Korean and other Asian cuisine; or (ii) any business whose gross sales total more than 10% in any of the following products: rice cups, salads, chicken wings, potstickers, and other Asian food and beverage, or other business offering products or services competitive to those of Cupbop.

Franchisee agrees to obtain similar covenants from the personnel Cupbop specifies, including officers, directors, managers (including General Managers), and employees attending Cupbop's training program or having access to Confidential Information. Cupbop has the right to regulate the form of agreement that Franchisee uses and to be a third party beneficiary of that agreement with independent enforcement rights. Franchisee must keep copies of those agreements and send them to Cupbop upon request.

## **9. SYSTEM STANDARDS.**

### **a. COMPLIANCE WITH SYSTEM STANDARDS.**

Franchisee acknowledges and agrees that operating and maintaining the Restaurant according to System Standards are essential to preserve the goodwill of the Marks and all Cupbop Restaurants. Therefore, Franchisee agrees at all times to operate and maintain the Restaurant according to all of the System Standards, as Cupbop periodically issues, modify, and supplement them, even if Franchisee believes that a System Standard, as originally issued or subsequently modified, is not in the franchise system's or the Restaurant's best interests. Franchisee acknowledges that the modifications to the System Standards may obligate Franchisee to invest additional capital in the Restaurant and to incur higher operating costs. Although Cupbop retains the right to establish and periodically modify System Standards that Franchisee has agreed to maintain, Franchisee retains the right to control, and responsibility for, the day-to-day management and operation of the Restaurant and implementing and maintaining System Standards at the Restaurant.

System Standards may regulate all aspects of operating the Restaurant, including, but not limited to, the design, development, equipment, operations, procedures, products, pricing, suppliers, insurance requirements, operating days and hours, dress and appearance of personnel, advertising and any other aspect of operating a Cupbop Restaurant.

Franchisee must purchase certain designated food and beverage products, equipment, logoed items and other items and supplies from sources designated or approved by Cupbop or that meet Cupbop's required specifications. Cupbop will provide Franchisee with a list of suppliers and specifications for approved and required food and beverage products, equipment, supplies and materials. If no specific supplier is required, Franchisee may obtain any required items from any source carrying them provided that Cupbop's specifications are met. If no specific Supplier or specifications are provided, Franchisee may obtain an item from any source. Cupbop hereby advises Franchisee that it or its affiliates make a profit on Franchisee's purchase of items from Cupbop or Cupbop's approved suppliers, including consideration from suppliers and/or manufacturers in respect to sales of goods, products or services to Franchisee or other Cupbop Restaurants. Franchisee agrees that Cupbop or its affiliates are entitled to such profits and/or consideration.

Franchisee may offer for sale only those products that Cupbop approves from time to time for Franchisee to sell at the Restaurant. In the future, Cupbop has the right to change or add to the products that Franchisee is authorized to offer at the Restaurant. Cupbop will notify Franchisee of such changes or additions. Although the products sold at Cupbop Restaurants may vary from location to location, Franchisee may only sell those products that Cupbop authorizes Franchisee to sell from the Restaurant.

Franchisee must promptly respond to all customer complaints as outlined in the Brand Standards Manual. If Cupbop resolves a complaint due to Franchisee's failure to properly or timely do so, Franchisee agrees to pay Cupbop for its out of pocket costs for responding and resolving any such complaint.

Franchisee shall at all times during the entire term of this Agreement and at its own expense keep in force, by advance payment or payments the minimum insurance policies Cupbop designates in the Brand Standards Manual, which minimums may be adjusted from time to time. These policies shall insure both Franchisee and Cupbop and its officers, directors, members, and managers and Cupbop's and their nominees as additional insureds against any liability which may accrue by reason of the ownership, maintenance or operation of the Restaurant. ~~Said~~Such policies shall stipulate that prior to cancellation, termination or modification, Cupbop shall receive a thirty (30) day written notice of such event. If Franchisee fails to maintain the minimum insurance policies Cupbop designates, in addition to any right to terminate this agreement, Cupbop may obtain such insurance on Franchisee's behalf and Franchisee ~~agree~~agrees to reimburse Cupbop for the cost of doing so.

Franchisee agrees to participate in any online ordering program for takeout or delivery, whether provided by Cupbop or one or more third parties designated by it. Franchisee agrees to use all required software or other equipment Cupbop or any such third party require as necessary to provide the services as designated and as may be updated, supplemented or changed. Any such software or equipment will be purchased by Franchisee at its own cost. Franchisee understands and acknowledges that any third party providers may also charge fees or commissions for their services and Franchisee agrees to pay all such costs or fees.

If Cupbop adopts a coupon, gift, loyalty, or other discount program, Franchisee will be required to implement and pay for the program at the Restaurant, such implementation may include access to a bank account, established by Franchisee, for charges made at other Cupbop Restaurants.

Franchisee agrees that System Standards Cupbop prescribes in the Brand Standards Manual or otherwise communicate to Franchisee in writing or another tangible form (for example, via email, intranet, extranet, or Website), are part of this Agreement as if fully set forth within its text. All references to this Agreement include all System Standards as periodically modified.

b. MODIFICATION OF SYSTEM STANDARDS.

Cupbop periodically may modify System Standards, which may accommodate regional or local variations, and these modifications may obligate Franchisee to invest additional capital in the Restaurant and/or incur higher operating costs. Franchisee agrees to implement any changes in System Standards within the time period Cupbop requests, whether they involve refurbishing or remodeling the Premises or any other aspect of the Restaurant, buying new furniture, fixtures, equipment and signs, adding new Menu Items and services, or otherwise modifying the nature of Franchisee's operations, as if they were part of this Agreement as of the Effective Date.

c. NON-COMPLIANCE FEE.

Franchisee acknowledges the importance of operating the Restaurant in full compliance with this Agreement and the System Standards set forth in the Brand Standards Manual or otherwise communicated to Franchisee. Franchisee further ~~acknowledges~~acknowledges that its deviation from any contractual requirement, including any System Standard, is a violation of this Agreement and will require Cupbop to incur additional administrative and management costs to address the violation. Franchisee agrees to pay Cupbop Five Hundred Dollars (\$500) for each deviation from a contractual requirement, including any System Standard and an additional Five Hundred Dollars (\$500) for each additional day that the deviation continues (the "Non-Compliance Fee"). The Non-Compliance Fee is deemed by Cupbop and Franchisee to be a reasonable estimate of Cupbop's administrative and management costs. Cupbop may debit Franchisee's account for Non-Compliance Fees, or set off monies otherwise due and payable to Franchisee, to cover the payment of Non-Compliance Fees. Non-Compliance Fees are due and payable to Cupbop within five (5) days after Cupbop notifies Franchisee that it is charging the Non-Compliance Fee due to Franchisee's violation. Cupbop needs not give Franchisee an opportunity to cure before charging the Non-Compliance Fee. Charging the Non-Compliance Fee does not preclude Cupbop from seeking other relief available to it under applicable law, including but not limited to, putting Franchisee in default and terminating this Agreement under Section 15(B), or exercising any of Cupbop's other rights under this Agreement.

**10. MARKETING.**

a. GRAND OPENING ADVERTISING.

Franchisee must spend at least Ten Thousand Dollars (\$10,000) to advertise and promote the Restaurant during its first ninety (90) to one hundred twenty (120) days of operation. Franchisee will comply with Cupbop's guidelines for any grand opening advertising program Franchisee chooses to conduct.

b. LOCAL ADVERTISING.

Franchisee agrees to spend, beginning one hundred twenty (120) days after Franchisee opens the Restaurant, at least one-half percent (0.5%) of the Restaurant's monthly Gross Sales to advertise and promote the Restaurant locally (including sampling and special promotions). Cupbop reserves the right, in Cupbop's sole discretion, to increase the minimum amount Franchisee is required to spend on local advertising to one percent (1%) upon written notice to Franchisee. At Cupbop's request, Franchisee agrees to send Cupbop within thirty (30) days after the end of each month, in the manner Cupbop prescribes, an accounting of its expenditures for local advertising and promotion during the preceding month with receipts showing those expenditures.

Franchisee's local advertising must be pre-approved by Cupbop and all promotions must follow Cupbop's guidelines. Franchisee may not use any advertising, promotional, or marketing materials that Cupbop has not approved or have disapproved. If Franchisee does so, then in addition to Cupbop's other rights and remedies under this Agreement, Franchisee must pay Cupbop a One Thousand Dollar (\$1,000) fee for each violation due upon receiving Cupbop's invoice. This fee compensates Cupbop for, among other things, additional expenses that Cupbop will incur due to Franchisee's breach of this restriction. Cupbop reserves the right to seek additional damages for any harm to the Cupbop name or brand. Franchisee may not develop, maintain, or authorize any Website, social media account or user-generated content that mentions or describes Franchisee or the Restaurant or displays any of the Marks. Franchisee agrees that its advertising, promotion, and marketing will be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that Cupbop prescribes from time to time.

c. ADVERTISING FUND.

Recognizing the value of advertising and marketing to the goodwill and public image of Cupbop Restaurants, Cupbop may in the future establish an Advertising and Development Fund (the "Fund") for the advertising, marketing, and public relations programs and materials and the brand building and protection activities Cupbop deems appropriate to enhance the Cupbop brand. If the Fund is established, Franchisee agrees to contribute to the Fund the monthly amounts that Cupbop prescribes from time to time, not to exceed four and one-half percent (4.5%) of the Restaurant's Gross Sales, payable at the same time and in the same manner as the Royalty. Cupbop Restaurants that Cupbop, Cupbop Co., or their affiliates own will contribute to the Fund on the same percentage basis as franchisees.

Cupbop has the right to collect ~~for~~and deposit into the Fund any advertising, marketing, or similar allowances paid to Cupbop by suppliers who deal with Cupbop Restaurants and with whom Cupbop agrees to ~~se~~ deposit these allowances. These payments are different from those that are not designated by suppliers to be used exclusively for advertising or similar purposes and that Cupbop and its affiliates therefore may use for any purposes they deem appropriate.

Cupbop will direct all programs that the Fund finances, with sole control over the creative concepts, graphics, materials, communications media, and endorsements used and their geographic, market, and media placement and allocation. The Fund may pay for preparing and producing video, audio, and written materials and electronic media (including conducting on-line Internet and mobile advertising and marketing); developing, implementing, and maintaining an electronic commerce Website and/or related strategies; administering national, regional, and multi-regional marketing and advertising programs, including, without limitation, purchasing

trade journal, direct mail, and other media advertising, and using advertising, promotion, and marketing agencies and other advisors to provide assistance; and supporting public relations, market research, and other advertising, promotion, and marketing activities.

The Fund periodically may give Franchisee samples of advertising, marketing, and promotional formats and materials at no cost. Cupbop may sell Franchisee multiple copies of these materials at Cupbop's direct cost of producing them, plus any related shipping, handling, and storage charges.

Cupbop will account for the Fund separately from its other monies and not use the Fund for any of Cupbop's general operating expenses. However, Cupbop may use the Fund to pay (1) the reasonable salaries and benefits of personnel who manage and administer the Fund and work on Fund business/activities; (2) the Fund's other administrative costs; (3) travel expenses of personnel while they are on Fund business; (4) meeting costs; (5) overhead relating to Fund business; and (6) other expenses that Cupbop incurs in activities reasonably related to administering or directing the Fund and its programs and collecting and accounting for Fund contributions, including, without limitation, taxes Cupbop must pay on Fund contributions Cupbop receives, conducting market research, public relations, and preparing advertising, promotion, and marketing materials.

Although the Fund is not a trust, Cupbop will hold all Fund contributions for the benefit of the contributors and use contributions only for the purposes described in this Subsection. Cupbop does not owe any fiduciary obligation to Franchisee for administering the Fund or any other reason. The Fund may spend in any fiscal year more or less than the total Fund contributions in that year, borrow from Cupbop or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. Cupbop will use all interest earned on Fund contributions to pay costs before using the Fund's other assets.

Cupbop will prepare an annual, unaudited statement of Fund collections and expenses and give Franchisee a copy of the statement upon written request. Cupbop may (but are not required to) have the Fund audited, at the Fund's expense, by an independent certified public accountant Cupbop selects. Cupbop may incorporate the Fund or operate it through a separate entity whenever Cupbop deems appropriate. The successor entity will have all of the rights and duties specified in this Subsection.

Cupbop intends that the Fund be used to maximize recognition of the Marks, enhance system protection of the Marks, and increase patronage of Cupbop Restaurants. Although Cupbop will try to use the Fund to develop advertising and marketing materials and programs, and to place advertising and marketing, that will benefit all Cupbop Restaurants, Cupbop need not ensure that Fund expenditures in or affecting any geographic area are proportionate or equivalent to Fund contributions by Cupbop Restaurants operating in that geographic area or that any Cupbop Restaurant benefits directly or in proportion to its Fund contributions from the development of advertising and marketing materials or the placement of advertising and marketing. The Fund will not be used principally to develop materials and programs to solicit franchisees. However, media, materials, and programs (including the Franchise System Website) prepared using Fund contributions may describe Cupbop's franchise program, reference the availability of franchises and related information, and process franchise leads.

Cupbop has the right, but no obligation, to use collection agents and institute legal proceedings at the Fund's expense to collect Fund contributions. Cupbop also may forgive, waive, settle, and compromise all claims by or against the Fund. Except as expressly provided in this

Subsection, Cupbop assumes no direct or indirect liability or obligation to Franchisee for collecting amounts due to, maintaining, directing, or administering the Fund.

Cupbop may at any time defer, increase (up to the allowed limit), or reduce contributions to the Fund and, upon thirty (30) days' prior written notice to Franchisee, reduce or suspend Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Fund. If Cupbop terminates the Fund, it will at its option spend all remaining Fund monies on permitted activities or distribute all unspent monies to Cupbop's franchisees, and to Cupbop and its affiliates, in proportion to their respective Fund contributions during the preceding twelve (12) month period.

d. COOPERATIVE ADVERTISING PROGRAMS.

Cupbop has the right, in its sole discretion, to designate geographic areas for purposes of establishing local or regional advertising "Cooperatives." If the Restaurant is within the territory of an existing Cooperative at the time Franchisee is open for business, Franchisee will immediately become a member of such Cooperative. Each member will be entitled to one vote for each Restaurant owned in the geographic area. If a Cooperative applicable to the Restaurant is established during the term of this Agreement, Franchisee will become a member no later than thirty (30) days after the date Cupbop approves the Cooperative to commence operation. In no event will Franchisee be required to be a member of more than one Cooperative for the Restaurant. The following provisions will apply to each Cooperative:

Each Cooperative will be organized and governed by operating procedures and will commence operations on a date approved in advance by Cupbop in writing. No changes in the bylaws or other governing documents of a Cooperative will be made without Cupbop's prior written consent. Cupbop has the power to form, change, or dissolve the Cooperative.

Each Cooperative will be organized for the exclusive purpose of administering regional advertising programs and developing, subject to Cupbop's approval, promotional materials for use by the members in local advertising. Cupbop has the right to require Franchisee to contribute to the Cooperative an amount up to two percent (2%) of Gross Sales monthly, which is in addition to any Fund fees and local advertising fees. If a Cooperative is instituted, Cupbop will notify Franchisee from time to time of the amount Franchisee must pay and the timing of the payment.

No advertising or promotional plans or materials may be used by a Cooperative or furnished to its members without Cupbop's prior written approval.

Cupbop, at its sole discretion, may grant to any franchisee an exemption for any length of time from the requirement of membership in a Cooperative, and/or from the obligation to contribute thereto (including a reduction, deferral, or waiver of such contribution), upon a written request stating sufficient reasons to support such exemption. Cupbop's decision concerning any request for exemption will be final. Cupbop may require, at its discretion, the exempt franchisee to spend on local advertising the amount that otherwise would have been contributed to the Cooperative.

e. MAXIMUM ADVERTISING FEES.

In no event will the amount Franchisee is required to spend on local advertising, Fund fees and advertising cooperative fees exceed six and one-half percent (6.5%) of Gross Sales.

f. ADVISORY COUNCIL.

Franchisee agrees to participate actively in any Cupbop National or Regional Advisory Franchisee Council (“Council”) that Cupbop designates. A Council’s purpose includes exchanging ideas and problem-solving methods, advising Cupbop on expenditures for advertising, and coordinating franchisee efforts. Franchisee agrees to pay all assessments that the Council levies, and Cupbop may enforce this obligation on the Council’s behalf. Amounts and expenditures periodically may vary due to variations in Council participation and costs, as determined by a particular Council and approved by Cupbop. Cupbop may form a national Council at any time or a regional Council when more than one (1) franchisee operates a Cupbop Restaurant in any given region, the boundaries of which Cupbop may determine.

**11. RECORDS, REPORTS, AND AUDITS.**

a. REPORTING AND FINANCIAL STATEMENTS.

~~Franchisee agrees to establish and maintain at its own expense a use Cupbop’s required bookkeeping, and accounting, and recordkeeping system conforming to the requirements and formats Cupbop prescribes from time to time. Cupbop may require Franchisee to use a Computer System to maintain certain sales data and other information systems, relating, without limitation, to the use and retention of sales checks, cash register tapes, purchase orders, invoices, payroll records, check stubs, sales tax records and returns, cash receipts, disbursement journals and general ledgers, as may be specified in the Confidential Operations Manual, and all data must be input at least monthly. Franchisee is solely responsible for the cost of such bookkeeping or accounting systems. Currently, the required system is QuickBooks Online.~~ Franchisee agrees to give Cupbop in the manner and format that Cupbop prescribes from time to time:

- i. on or before the 10<sup>th</sup> day of each month, a report on the Restaurant’s Gross Sales during the preceding calendar month;
- ii. within twenty-eight (28) days after the end of each calendar month, the operating statements, profit and loss and other financial statements, statistical reports, and other information Cupbop requests regarding Franchisee and the Restaurant covering the previous months and, if requested, the fiscal year to date;
- iii. (i) an annual income statement and balance sheet covering the Restaurant’s entire fiscal year, due within twenty-eight (28) days after the end of the Restaurant’s fiscal year and (ii) a mid-year income statement and balance sheet covering the first half of the Restaurant’s fiscal year, due within twenty-eight (28) days after the halfway point of the Restaurant’s fiscal year; and
- iv. within ten (10) days after Cupbop’s request, exact copies of federal and state income tax returns, sales tax returns, purchase records, and any other forms, records, books, and other information Cupbop periodically requires relating to the Restaurant and the Franchisee.

Franchisee agrees to verify and sign each report and financial statement in the manner Cupbop prescribes. Cupbop may disclose data derived from these reports. Moreover, Cupbop may, as often as it deems appropriate (including on a daily basis), access the Computer System and retrieve all information relating to the Restaurant’s operation.

Franchisee agrees to preserve and maintain all records in a secure location at the Restaurant during this Agreement's term and for at least three (3) years afterward (including, but not limited to, sales checks, purchase orders, invoices, payroll records, customer lists, check stubs, sales tax records and returns, cash receipts and disbursement journals, and general ledgers).

b. AUDIT RIGHTS.

Cupbop may at any time during Franchisee's business hours or whenever Franchisee (or the Managing Owner or General Manager) or employees are at the Premises, and without prior notice to Franchisee, examine Franchisee's (if Franchisee are an Entity) and the Restaurant's business, bookkeeping, and accounting records, sales and income tax records and returns, and other records. Franchisee agrees to cooperate fully with Cupbop's representatives and independent accountants in any examination. If any examination discloses an understatement of the Restaurant's Gross Sales, Franchisee agrees to pay Cupbop, within fifteen (15) days after receiving the examination report, the Royalty and Fund contributions due on the amount of the understatement, plus Cupbop's late fee and interest on the understated amounts from the date originally due until the date of payment. Furthermore, if an examination is necessary due to the failure to furnish reports, supporting records, or other information as required, or to furnish these items on a timely basis, or if Cupbop's examination reveals a Royalty or Fund contribution understatement exceeding three percent (3%) of the amount that Franchisee actually reported to Cupbop for the period examined, Franchisee agrees to reimburse Cupbop for the costs of the examination, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board, and compensation of Cupbop's employees. These remedies are in addition to Cupbop's other remedies and rights under this Agreement and applicable law.

**12. INSPECTIONS.**

a. OUR RIGHT TO INSPECT THE RESTAURANT.

To determine whether Franchisee and the Restaurant are complying with this Agreement and all System Standards, Cupbop and its designated agents or representatives (including "mystery" or "secret" shoppers) may at all times and without prior notice to Franchisee:

- i. inspect the Restaurant and participate in its normal operations;
- ii. photograph the Restaurant and observe and video the Restaurant's operation for consecutive or intermittent periods Cupbop desires, including, but not limited to, through an Internet-accessible video monitoring system installed at the Restaurant to which Cupbop has continuous, unrestricted access;
- iii. remove samples of any products and supplies;
- iv. interview and interact with the Restaurant's personnel and customers; and
- v. inspect and copy any books, records, and documents relating to the Restaurant's operation.

Franchisee agrees to cooperate with Cupbop and its agents and representatives in any such activities. Cupbop may hire outside consultants and vendors to perform certain types of audits. If Cupbop exercises any of these rights, it will not interfere unreasonably with the Restaurant's

operation. Franchisee agrees to present to its customers the evaluation forms that Cupbop prescribes and to participate and/or request that customers to participate in any surveys performed by or for Cupbop.

### **13. TRANSFER.**

For purposes of clarity with respect to this Section and as used elsewhere in this Agreement the term “affiliate” means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling Franchisee or Cupbop; and the term “owner” means any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in Franchisee (or a transferee of this Agreement and the Restaurant or an ownership interest in Franchisee), including, without limitation, any person who has a direct or indirect interest in Franchisee (or a transferee), this Agreement, the Franchise, or the Restaurant and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets.

#### **a. TRANSFER BY CUPBOP.**

Cupbop may change its ownership or form and/or assign this Agreement and any other agreement to a third party without restriction. After Cupbop’s assignment of this Agreement to a third party who expressly assumes the obligations under this Agreement, Cupbop no longer will have any performance or other obligations under this Agreement. That assignment will constitute a release and novation with respect to this Agreement, and the new owner-assignee will be liable to Franchisee as if it had been an original party to this Agreement. Specifically and without limiting the foregoing, Franchisee agrees that Cupbop may sell its assets (including this Agreement), the Marks, or the Franchise System to a third party; offer its ownership interests privately or publicly; merge, acquire other business entities, or be acquired by another business entity; and/or undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring.

#### **b. TRANSFER BY FRANCHISEE.**

This Agreement is personal as to Franchisee, and is being entered into in reliance upon and in consideration of the qualifications and representations of Franchisee and its owners and officers. Therefore, neither this Agreement nor any of its rights or privileges, nor any shares or units in the ownership of Franchisee’s Entity if it be a corporation, partnership or limited liability company, shall be assigned, sold, transferred, or divided in any manner by Franchisee or anyone else unless Cupbop’s prior written approval is obtained. Franchisee will provide Cupbop with all documentation relating to any transfer. Such approval will not be unreasonably withheld, but may be conditioned as set forth in Section 13(c) below. The term “transfer” includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition of any interest in Franchisee, this Agreement, the Restaurant or substantially all of its assets or its owners, if such owners are legal entities, including by divorce, insolvency, or entity dissolution proceeding or otherwise by operation of law. The parties agree that in the event a court of competent jurisdiction orders Franchisee to transfer to Franchisee’s spouse or a third party all or any part of Franchisee’s interest in this Agreement and/or in any property related thereto, such an order will constitute a transfer of this Agreement and will cause the transferee to be subject to all of the terms and conditions concerning transfers set forth herein.

Notwithstanding the foregoing, if Franchisee is in full compliance with this Agreement, Franchisee may transfer this Agreement to an entity that conducts no business other than the Restaurant and, if applicable, other Cupbop Restaurants, in which Franchisee maintains

management control, and of which Franchisee owns and controls one hundred percent (100%) of the equity and voting power of all issued and outstanding ownership interests, provided that all of the Restaurant's assets are owned, and the Restaurant's business is conducted, only by that single corporation or limited liability company. The entity must expressly assume all of Franchisee's obligations under this Agreement and is subject to all of the limitations in this Section. Franchisee agrees to remain personally liable under this Agreement as if the transfer to the entity did not occur.

c. CONDITIONS FOR APPROVAL OF TRANSFER.

In determining the acceptability of the proposed transferee, Cupbop will consider, among other things, Cupbop's then-current standards for new franchisees, including the net worth, credit worthiness, background, training, personality, reputation, and business experience of the proposed transferee, the terms and conditions of the transfer and any circumstances that would make the transfer not in the best interests of Cupbop or the franchise system, including, but not limited to, the proposed purchase price. Cupbop may meet and candidly discuss all matters relating to the Restaurant with the potential transferee. In no case will Franchisee or a proposed transferee rely on Cupbop to review or evaluate any proposed transfer. Neither Cupbop nor its affiliates will be liable to Franchisee or the transferee or any other person or entity relating to the transfer and Franchisee agrees to indemnify and hold Cupbop harmless from any liability whatsoever relating thereto.

Prior to the effective date of any approved transfer and as a condition for Cupbop's approval of any transfer, Franchisee agrees as follows:

- i. Franchisee must be in full compliance with this Agreement and not be in default hereunder. All accounts payable and other monetary obligations to Cupbop or its affiliates must be paid in full. Franchisee must have submitted all required reports, financial statements and other documents.
- ii. The terms and conditions of the proposed transfer must be provided to Cupbop in writing.
- iii. All of Franchisee's obligations in connection with the Restaurant and this Agreement must be assumed by the transferee.
- iv. The transferee must sign the then-current form of the franchise agreement and fully upgrade the Restaurant to the level required of new franchisees.
- v. The transferee must pay for and complete the initial training program required of new franchisees. The cost of such training shall be at Cupbop's standard rate for training new managers, plus the cost of travel, food, and lodging for the trainers.
- vi. Franchisee must pay a transfer fee of Ten Thousand Dollars (\$10,000) to reimburse Cupbop for Cupbop's reasonable legal, accounting, and credit and investigation expenses and other costs.
- vii. Franchisee and each of its owners must execute a general release of all claims arising out of or relating to this Agreement, the Franchise, or the Parties' business relationship, releasing Cupbop and its affiliates attached, in the form substantially the same as the release attached hereto as Exhibit F.

- viii. The transferee shall sign a document stating that it has received a copy of the franchise disclosure documents at least fourteen (14) days prior to closing.
- ix. Franchisee's non-competition, indemnity and confidentiality obligations, the provisions relating to dispute resolutions will survive any transfer.

d. FRANCHISEE'S DEATH OR DISABILITY.

In the event of the death or incapacity of an individual franchisee or an owner of Franchisee, the heirs or personal representative shall have the right to continue the Franchise pursuant to this Agreement; provided that within a reasonable time (not more than one hundred and eighty (180) days) after such death or incapacity (or such longer period required by the laws of the state where the Restaurant is located) the heirs appoint a representative to act in behalf of the heirs in all matters pertaining to the Restaurant as provided for new managers and franchisees, including the requirements to have the representative trained and accepted by Cupbop in accordance with Cupbop's standards. The heirs or personal representatives, instead of operating the Restaurant themselves under the foregoing procedures may choose to transfer the Restaurant. If a decision to transfer is made, the transfer procedures explained above will apply. If Cupbop is required to run the Restaurant for a time due to Franchisee's or an owner's death, incapacity, unexcused absence or as otherwise allowed under this Agreement, Cupbop will charge a management fee of five hundred dollars (\$500) per person per day, plus Cupbop's costs of travel, food and lodging. In addition, Franchisee must continue to pay all royalties, advertising fees and other fees due under this Agreement.

e. OUR RIGHT OF FIRST REFUSAL.

Franchisee hereby grants to Cupbop a right of first refusal to purchase its assets, this Agreement, the Restaurant, or ownership in Franchisee's entity (collectively "Assets") on such terms and conditions specified in a bona fide written offer from a third party who would satisfy the criteria for approval as a transferee under this Section. Franchisee agrees to notify Cupbop in writing of the terms and conditions of the sale or other transfer, including Assets proposed to be transferred, the purchase price or other consideration, any creditor financing terms being extended by Franchisee, the date of the proposed transfer, and all other pertinent provisions of the proposed sale or transfer. In addition, a copy of any contract, agreement, memorandum of sale, deposit receipt, letter of intent and the like, must also be forwarded to Cupbop as soon as it is signed by Franchisee. Following receipt of all pertinent data and documents concerning the proposed transfer, including any additional data concerning the transaction requested by Cupbop, Cupbop shall have forty-five (45) days in which to advise Franchisee in writing of Cupbop's election to have the Assets transferred, assigned to Cupbop on the terms and conditions agreed to by the prospective transferee. Should Cupbop elect to purchase the Assets proposed to be transferred pursuant to Cupbop's right of first refusal, the Parties agree to cooperate to accomplish the transfer as set forth in the provisions submitted to Cupbop, provided that the date for the completion of the transfer can be extended at Cupbop's option for up to thirty (30) days beyond the date originally indicated for the completion of the transfer in order to allow the completion of the transaction in a manner more convenient to Cupbop. If Franchisee is an entity, then the above right of first refusal provisions shall apply to the sale, pledge, assignment, trade or transfer of forty percent (40%) or more of the shares of the corporation, or ownership or membership interests in the entity in one or a series of transactions.

If Cupbop does not elect to purchase the Assets proposed to be transferred, Franchisee may complete the proposed transfer on the terms and conditions set forth in Franchisee's notice to

Cupbop subject to Cupbop's right to approve the proposed transferee and the terms and conditions. However, if there are any material changes in the terms and conditions of the proposed transfer after Franchisee notifies Cupbop of the proposed transfer, including any changes in the terms and conditions occurring after Cupbop notifies Franchisee of Cupbop's election not to purchase the Assets pursuant to Cupbop's right of first refusal, and any of those changes are less favorable to Franchisee, Franchisee agrees to notify Cupbop of the changes in writing and Cupbop shall have an additional ten (10) days within which to elect to purchase the Assets proposed to be transferred on the revised terms and conditions. If the proposed sale or transfer is not sold to such third party within three (3) months after Cupbop elects not to purchase the Assets, Franchisee must re-offer Assets to Cupbop before it may sell to a third party. Cupbop has no obligation to purchase the Assets.

f. ACQUISITION.

If Cupbop receives an offer to acquire a majority of the Cupbop franchises outstanding or to purchase a majority of Cupbop's assets or stock, or to merge or go public or similar transactions, Cupbop has the option, but not the obligation, to purchase all of Franchisee's rights and interests in and under this Agreement and the Restaurant at fair market value payable on terms as reasonably negotiated. The purchase price will not include compensation for any renewal or successor term. Local goodwill will not be taken into account in determining the value. All goodwill belongs to Cupbop. If the purchase option is exercised, Franchisee will execute the general release in a form substantially similar to the release attached hereto as Exhibit F. Cupbop will close its purchase within sixty (60) days after Franchisee receives notice of intention to exercise its right or as soon thereafter as reasonably practical.

**14. EXPIRATION OF THIS AGREEMENT.**

a. SUCCESSOR FRANCHISE.

When this Agreement expires, Franchisee may acquire a successor franchise to operate the Restaurant as a Cupbop Restaurant for a term commencing immediately upon the expiration of this Agreement and expiring ten (10) years from that date, if:

- i. Franchisee (and each of its owners) have substantially complied with this Agreement during its term; and
- ii. Franchisee (and each of its owners) are, both on the date Franchisee gives Cupbop written notice of its election to acquire a successor franchise (as provided in Subsection 14(B) below) and on the date on which the term of the successor franchise is scheduled to commence, in full compliance with this Agreement and all System Standards; and
- iii. (a) Franchisee maintains possession of and agree (regardless of cost) to remodel and/or expand the Restaurant, add or replace improvements and equipment, furnishings and fixtures, and otherwise modify the Restaurant as Cupbop requires to comply with System Standards then applicable for new Cupbop Restaurants, or (b) at Franchisee's option, Franchisee secures a substitute premises that Cupbop approves and Franchisee develops those premises according to System Standards then applicable for Cupbop Restaurants,

- iv. Franchisee agrees to sign the franchise agreement and any ancillary agreements Cupbop then uses to grant franchises for Cupbop Restaurants (modified as necessary to reflect the fact that it is for a successor franchise), which may contain provisions that differ materially from any and all of those contained in this Agreement (and will grant no further successor franchise rights).
- v. Franchisee (and each of its owners) signs general releases, in a form satisfactory to Cupbop and substantially the same as attached hereto as Exhibit F, of any and all claims against Cupbop and its owners, affiliates, officers, directors, employees, agents, successors, and assigns.
- vi. Franchisee pays Cupbop a successor franchise fee equal to Ten Thousand Dollars (\$10,000).

Franchisee or its owners' failure to sign the agreements and releases under subparagraphs (4iv) and (5v) and to deliver them to Cupbop for acceptance and execution together with the successor franchise fee required under subparagraph (6vi) within thirty (30) days after their delivery to Franchisee will be considered an election not to acquire a successor franchise.

If Franchisee (and each of its owners) are not, both on the date it gives Cupbop written notice of its election to acquire a successor franchise and on the date on which the term of the successor franchise is scheduled to commence, in full compliance with this Agreement and all System Standards, Franchisee acknowledges that Cupbop needs not grant Franchisee a successor franchise, whether or not Cupbop had, or chose to exercise, the right to terminate this Agreement during its term under Subsection 15(B).

b. REQUIRED NOTICE.

Franchisee agrees to give Cupbop written notice of its election to acquire a successor franchise no more than two hundred twenty (220) days and no less than one hundred eighty (180) days before this Agreement expires. Cupbop agrees to give Franchisee written notice, not more than ninety (90) days after Cupbop receives Franchisee's notice, of its decision:

- i. to grant Franchisee a successor franchise;
- ii. to grant Franchisee a successor franchise on the condition that Franchisee corrects existing deficiencies of the Restaurant or in its operation of the Restaurant; or
- iii. not to grant Franchisee a successor franchise based on Cupbop's determination that Franchisee and its owners have not substantially complied with this Agreement during its term or were not in full compliance with this Agreement and all System Standards on the date Franchisee gave Cupbop written notice of its election to acquire a successor franchise.

Cupbop will not unreasonably withhold its consent to a successor franchise if the conditions specified in this Section 14 have been satisfied.

If applicable, Cupbop's notice to Franchisee will describe the remodeling, expansion, improvements and/or modifications required to bring the Restaurant into compliance with then applicable System Standards for new Cupbop Restaurants; and state the actions Franchisee must take to correct operating deficiencies and the time period in which Franchisee must correct these

deficiencies.

If Cupbop elects not to grant Franchisee a successor franchise, Cupbop's notice to Franchisee will describe the reasons for its decision. If Cupbop elect to grant Franchisee a successor franchise, Franchisee's right to acquire a successor franchise is subject to Franchisee's full compliance with all of the terms and conditions of this Agreement through the date of its expiration, in addition to Franchisee's compliance with the obligations described in Cupbop's notice.

If Cupbop's notice to Franchisee states that Franchisee must cure certain deficiencies of the Restaurant or its operation as a condition to its granting Franchisee a successor franchise, Cupbop will give Franchisee written notice of its decision not to grant Franchisee a successor franchise, based upon Franchisee's failure to cure those deficiencies, at least ninety (90) days before this Agreement expires. However, Cupbop need not give Franchisee this ninety (90) days' notice if Cupbop decides not to grant Franchisee a successor franchise due to its breach of this Agreement during the ninety (90) day period before it expires.

If Cupbop fails to give Franchisee notice of deficiencies in the Restaurant, or in the operation of the Restaurant, within ninety (90) days after it receives Franchisee's timely election to acquire a successor franchise (if Cupbop elects to grant Franchisee a successor franchise); or notice of its decision not to grant Franchisee a successor franchise at least ninety (90) days before this Agreement expires, if this notice is required, Cupbop may unilaterally extend this Agreement's term for the time period necessary to give Franchisee either reasonable time to correct deficiencies or the ninety (90) days' notice of Cupbop's refusal to grant a successor franchise. If Franchisee fails to notify Cupbop of its election to acquire a successor franchise within the prescribed time period, Cupbop need not grant Franchisee a successor franchise.

## **15. TERMINATION OF AGREEMENT.**

### **a. BY FRANCHISEE.**

If Franchisee and its owners are fully complying with this Agreement and Cupbop materially fails to comply with this Agreement and do not correct the failure within thirty (30) days after Franchisee delivers written notice of the material failure to Cupbop or, if Cupbop cannot correct the failure within ninety (90) days, does not give Franchisee within ninety (90) days after Franchisee's notice reasonable evidence of its effort to correct the failure within a reasonable time (which may extend beyond that ninety (90) days), Franchisee may terminate this Agreement effective an additional thirty (30) days after Franchisee delivers to Cupbop written notice of termination. However, if Cupbop sends Franchisee written notice during the cure period indicating either that (1) Cupbop does not agree that it has materially failed to comply with this Agreement or (2) Cupbop has fully corrected the failure, then Franchisee may not terminate this Agreement. Instead, if Franchisee disagrees with Cupbop's position and still wish to terminate this Agreement, Franchisee agrees to submit the dispute to arbitration in accordance with Subsection 18(D)(2) below.

This Agreement will remain in full force and effect during the arbitration proceeding (unless Cupbop terminates it under Subsection B below). If the arbitrators determine that Cupbop is materially failing to comply with this Agreement, or that it did not fully correct a material failure to comply, then Cupbop will have an additional thirty (30) days following the arbitrators' decision to correct the failure. If Cupbop fails to do so, then Franchisee may terminate this Agreement immediately.

Franchisee's termination of this Agreement other than according to this Subsection will be deemed a termination without cause and a breach of this Agreement.

b. BY CUPBOP.

Cupbop may terminate this Agreement, effective upon delivery of written notice of termination to Franchisee, if:

- i. Franchisee (or any of its owners) have made or make any material misrepresentation or omission in acquiring the Franchise or operating the Restaurant;
- ii. Franchisee does not locate, and sign a Lease or purchase document for, an acceptable site for the Premises within one hundred twenty (120) days after the Effective Date;
- iii. Franchisee does not open the Restaurant for business within the time period specified in Subsection 2(F) above, or Franchisee opens the Restaurant for business before Cupbop notifies Franchisee in writing that the Restaurant meets Cupbop's standards and specifications;
- iv. Franchisee (or the Managing Owner or General Manager, if the Managing Owner or General Manager is to be involved in the Restaurant's on-site, day-to-day operation) do not complete to Cupbop's satisfaction initial training;
- v. Franchisee (a) abandons the Restaurant, meaning that Franchisee has deserted or walked away from the Restaurant under circumstances leading Cupbop to conclude that Franchisee has no intent to return in the foreseeable future, regardless of the number of days that have passed since the apparent abandonment, or (b) fails actively to operate the Restaurant for three (3) or more consecutive business days, unless Franchisee closes the Restaurant for a purpose Cupbop approves or because of casualty or government order;
- vi. Franchisee surrenders or transfers control of the Restaurant's operation to a third party without Cupbop's prior written consent;
- vii. Franchisee (or any of its owners) are or have been convicted by a trial court of, or plead or have pleaded no contest to, a felony;
- viii. Franchisee fails to maintain the insurance Cupbop requires and do not correct the failure within ten (10) days after Cupbop delivers written notice of that failure to Franchisee;
- ix. Franchisee (or any of its owners) engage in any dishonest or unethical conduct that, in Cupbop's opinion, adversely affects the Restaurant's reputation or the goodwill associated with the Marks;
- x. Franchisee (or any of its owners or, if one or more of its owners is an Entity, the owner of a controlling interest in that Entity) make or attempt to make an unauthorized assignment of this Agreement, an ownership interest in Franchisee (or its owner), or the Restaurant;

- xi. Franchisee loses the right to occupy the Premises and fail (a) to begin immediately to look for a substitute site or (b) to locate a substitute site, and to begin operating the Restaurant from that substitute site, within ninety (90) days;
- xii. Franchisee (or any of its owners) knowingly make any unauthorized use or disclosure of any part of the Brand Standards Manual or any other Confidential Information;
- xiii. Franchisee violates any health, safety, or sanitation law, ordinance, or regulation, or operate the Restaurant in an unsafe manner, and do not begin to cure the violation immediately, and correct the violation within seventy-two (72) hours, after Franchisee receives notice from Cupbop or any other party;
- xiv. Franchisee fails to pay Cupbop (or its affiliates) any amounts due and do not correct the failure within ten (10) days after Cupbop delivers written notice of that failure to Franchisee;
- xv. Franchisee fail to pay when due any federal or state income, service, sales, or other taxes due on the Restaurant's operation, unless Franchisee is in good faith contesting Franchisee's liability for those taxes or have received an extension from the applicable government agency of the time within which to make such payments;
- xvi. Franchisee understate the Restaurant's Gross Sales three (3) times or more during this Agreement's term or by more than five percent (5%) on any one occasion;
- xvii. Franchisee (or any of its owners) (a) fail on three (3) or more separate occasions within any twelve (12) consecutive month period to comply with this Agreement; or (b) fail on two (2) or more separate occasions within any six (6) consecutive month period to comply with the same obligation under this Agreement;
- xviii. Franchisee makes an assignment for the benefit of creditors or admit in writing its insolvency or inability to pay its debts generally as they become due; Franchisee consents to the appointment of a receiver, trustee, or liquidator of all or the substantial part of its property; the Restaurant is attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant, or levy is vacated within thirty (30) days; or any order appointing a receiver, trustee, or liquidator of Franchisee or the Restaurant is not vacated within thirty (30) days following the order's entry;
- xix. Franchisee or any of its owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or Franchisee or any of its owners otherwise violate any such law, ordinance, or regulation;
- xx. Franchisee or any of its owners fail to pay any vendors to the Franchise System (other than Cupbop and its affiliates) any amounts due for its purchases from them, or fail to pay any amounts due to other franchisees, former franchisees, or their owners for purchasing the Restaurant and/or Franchise from them, and do not correct the failure within thirty (30) days after delivery of written notice of that failure, unless (a) Franchisee is in good faith contesting its liability for those amounts, (b) Franchisee notifies Cupbop in writing of the reason for its non-

payment, and (c) Cupbop agrees that Franchisee has a legitimate reason for the non-payment; or

- xxi. Franchisee (or any of its owners) fail to comply with any other provision of this Agreement or any System Standard and do not correct the failure within thirty (30) days after Cupbop delivers written notice of the failure to Franchisee.
- xxii. Franchisee fails to meet the minimum sales requirements set forth in Section 1(e).
- xxiii. Franchisee or any of its affiliates are in default under any agreement with Cupbop or its affiliates that permits Cupbop or its affiliates to terminate such agreement.

c. ASSUMPTION OF MANAGEMENT.

Cupbop has the right (but not the obligation), to enter the Premises and assume the Restaurant's management (or to appoint a third party to assume its management), if (1) if Franchisee abandons or fails actively to operate the Restaurant; (2) if Franchisee fails to comply with any provision of this Agreement, including any System Standard, and do not cure the failure within the time period Cupbop specifies in its notice to Franchisee, but only for as long as it takes Cupbop, using reasonable commercial efforts, to correct the failure that Franchisee failed to cure; or (3) if this Agreement expires or is terminated and Cupbop is deciding whether to exercise its option to purchase the Restaurant under Subsection 16(E) below. If Cupbop assumes the Restaurant's management (or appoint a third party to assume its management), Cupbop will operate the Restaurant for up to ninety (90) days.

If Cupbop (or a third party) assumes the Restaurant's management due to Franchisee's failure to comply with this Agreement as described above, Cupbop will periodically evaluate whether or not Franchisee, the Managing Owner, or an alternative approved manager is capable of resuming the Restaurant's operation and will periodically discuss the Restaurant's status with Franchisee. Franchisee agrees to pay Cupbop (in addition to the Royalty, Fund contributions, and other amounts due under this Agreement) Five Hundred Dollars (\$500) per person per day, plus Cupbop's (or the third party's) direct out-of-pocket costs and expenses, for up to ninety (90) days after Cupbop assumes management.

If Cupbop (or a third party) assumes the Restaurant's management due to Franchisee's abandonment of the business of the expiration or termination of this Agreement pending its decision to exercise its option to purchase, Cupbop (or the third party) may retain all, and need not pay Franchisee or otherwise account to Franchisee for any, Gross Sales generated while Cupbop (or the third party) manages the Restaurant.

If Cupbop (or a third party) assumes the Restaurant's management due to abandonment or Franchisee's failure to comply with this Agreement, its right to terminate this Agreement under Subsection 15(b) above will not be affected.

If Cupbop (or a third party) assumes the Restaurant's management, Franchisee acknowledges that Cupbop (or the third party) will have a duty to utilize only reasonable efforts and, provided Cupbop is not grossly negligent and do not commit an act of willful misconduct, will not be liable to Franchisee or its owners for any debts, losses, lost or reduced profits, or obligations the Restaurant incurs, or to any of its creditors for any supplies, products, or other assets or services the Restaurant purchases, while Cupbop (or the third party) manage it.

**16. RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THIS AGREEMENT.**

a. **PAYMENT OF AMOUNTS OWED TO CUPBOP.**

Within fifteen (15) days after this Agreement expires or is terminated, or on any later date that Cupbop determines the amounts due to Cupbop, Franchisee agrees to pay Cupbop the Royalties, Fund contributions, late fees, interest, and all other amounts owed to Cupbop (and its affiliates) which then are unpaid.

b. **MARKS.**

Upon termination or expiration of this Agreement:

- i. Franchisee may not directly or indirectly at any time or in any manner (except with other Cupbop Restaurants Franchisee owns and operates) identify itself in any business as a current or former Cupbop Restaurant or as one of Cupbop's current or former franchisees; use any Mark, any colorable imitation of a Mark, or other indicia of a Cupbop Restaurant in any manner or for any purpose; or use for any purpose any trade name, trade or service mark, or other commercial symbol that indicates or suggests a connection or association with Cupbop;
- ii. within fifteen (15) days, Franchisee agrees to take the action required to cancel all fictitious or assumed name or equivalent registrations relating to its use of any Mark;
- iii. if Cupbop does not have or do not exercise an option to purchase the Restaurant under Subsection E below, Franchisee agrees, at its own cost and without any payment from Cupbop for such items, to deliver to Cupbop, to make available to Cupbop for pick-up, or to destroy (at its option), in any case within twenty (20) days, all signs, sign-faces, sign-cabinets, marketing materials, menu-boards, forms, and other materials Cupbop requests containing any Mark or otherwise identifying or relating to a Cupbop Restaurant. If Franchisee fails to do so voluntarily when Cupbop requires, then Cupbop or its representatives may enter the Premises at its convenience and remove these items from the Restaurant without liability to Franchisee or third parties for trespass or any other claim. Franchisee must reimburse Cupbop's costs of doing so;
- iv. if Cupbop does not have or do not exercise an option to purchase the Restaurant under Subsection E below, Franchisee agrees within the timeframe Cupbop specifies, and at its sole expense, to distinguish the Premises clearly from its former appearance and from other Cupbop Restaurants in order to prevent public confusion and protect the Marks and the Cupbop brand. These closing steps and alterations include, but are not limited to, painting the walls, ceiling, and soffits white; removing the wall and floor tile and all bricks on wall; removing all lighting fixtures (such as track lighting, fluorescent wall washers, spot lights, and ceiling fans); and removing equipment, small wares, counter tops, and cabinets. If Franchisee fails to take the closing steps and make the alterations voluntarily when Cupbop requires, then Cupbop or its representatives may enter the Premises at its convenience and take this action without liability to Franchisee or third parties for trespass or any other claim. Franchisee must reimburse Cupbop's costs of de-

identifying the Restaurant and must comply with any conditions the landlord imposes to allow Franchisee or Cupbop to de-identify the Restaurant in accordance with this paragraph, including reimbursing the landlord for improvements to the Premises or making the space a “vanilla box”; and

- v. within fifteen (15) days, Franchisee agrees to notify the telephone company and all telephone directory publishers (both web-based and print) of the termination or expiration of Franchisee’s right to use any telephone, facsimile, or other numbers and telephone directory listings associated with any Mark; to authorize, and not to interfere with, the transfer of these numbers and directory listings to Cupbop or at its direction; and/or to instruct the telephone company to forward all calls made to Franchisee’s numbers to numbers Cupbop specifies. If Franchisee fails to do so, Cupbop may take whatever action and sign whatever documents Cupbop deems appropriate on Franchisee’s behalf to effect these events.

c. CONFIDENTIAL INFORMATION.

Immediately upon expiration or termination of this Agreement, Franchisee agrees to cease using any Confidential Information (including computer software or similar technology and digital passwords and identifications that Cupbop has licensed to Franchisee or that otherwise are proprietary to Cupbop or the franchise system) in any business or otherwise and return to Cupbop all copies of the Brand Standards Manual or any materials therein, and any other confidential materials to which Cupbop has provided Franchisee access.

d. COVENANT NOT TO COMPETE.

Upon the termination of this Agreement according to its terms and conditions, upon transfer of this Agreement, the Restaurant or the Franchise, or upon expiration of this Agreement, Franchisee and its owners agree that, for two (2) years beginning on the effective date of the termination, transfer or expiration or, in the case of any particular person restricted by this Subsection, beginning on the date on which that restricted person begins to comply with this Subsection, whichever is later, neither Franchisee nor any of its owners, as the restricted persons, will have any direct or indirect (*e.g.*, through a spouse, sibling, child, or parent) interest as an owner (whether of record, beneficially, or otherwise), investor, partner, director, officer, employee, consultant, representative, or agent in any Competitive Business (as defined in Section 8 above) located or operating (1) at the Premises; (2) within a twenty (20) mile radius of the Premises; (3) within twenty (20) miles of any other Cupbop Restaurant in operation or under construction; or (4) within twenty (20) miles of any other Cupbop Restaurant in operation or under construction on the later of the effective date of termination or expiration of this Agreement or the date on which all persons restricted by this Subsection begin to comply with this Subsection.

Franchisee shall cause all individuals with managerial responsibility for the Franchise 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 G and shall provide such agreement to Cupbop. 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 G 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 Cupbop if there is a violation of these noncompetitive covenants, and that injunctive relief is essential for the protection of Cupbop Franchisee therefore agrees that in case of any alleged breach or violation of this Section by it, Cupbop may seek injunctive relief without posting any bond or security, in addition to all other remedies that may be available to Cupbop in equity or law. Notwithstanding the above, Cupbop enforcing the covenants made in this Subsection will not deprive Franchisee or its owners of its personal goodwill or ability to earn a living.

e. OUR RIGHT TO PURCHASE RESTAURANT.

Upon Cupbop's termination of this Agreement according to its terms and conditions or expiration of this Agreement, Cupbop has the option, exercisable by giving Franchisee written notice before or within thirty (30) days after the date of termination or expiration, (1) to purchase the Restaurant and the fee simple interest in the Premises (if Franchisee or one of its affiliates owns the Premises), or (2) if Franchisee (or one of its affiliates) do not own the Premises or Cupbop chooses not to purchase Franchisee's (or its affiliate's) fee simple interest in the Premises, to purchase the Restaurant and exercise the rights under subparagraph (1) below. Cupbop has the unrestricted right to assign this option to purchase.

Cupbop is entitled to all customary warranties and representations in its asset purchase, including, without limitation, representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise.

- i. Right to Premises. If Franchisee leases the Premises from an unaffiliated lessor, or if Cupbop chooses not to purchase Franchisee's (or its affiliate's) fee simple interest in the Premises, Franchisee agrees (as applicable) at Cupbop's election:
  1. to assign its leasehold interest in the Premises to Cupbop;
  2. to enter into a sublease for the remainder of the Lease term on the same terms (including renewal options) as the Lease; or
  3. to lease the Premises to Cupbop for an initial ten (10) year term, with two five (5) year renewal terms (at Cupbop's option), on commercially reasonable terms.
- ii. Purchase Price. The purchase price for the Restaurant and, if applicable, the fee simple interest in the Premises will be their fair market value, provided that these items will not include any value for:
  1. the Franchise or any rights granted by this Agreement;
  2. goodwill attributable to the Marks, brand image, and other intellectual property; or
  3. participation in the network of Cupbop Restaurants.

Cupbop may exclude from the assets purchased any furniture, fixtures, equipment or other items that are not reasonably necessary (in function or quality) to the Restaurant's operation or

that Cupbop has not approved as meeting System Standards for Cupbop Restaurants, and the purchase price will reflect these exclusions.

- iii. Appraisal. If the Parties cannot agree on fair market value, fair market value will be determined by one (1) independent accredited appraiser upon whom the Parties agree who will conduct an appraisal and, in doing so, be bound by the criteria specified in subparagraph (2). The Parties agree to select the appraiser within fifteen (15) days after Cupbop notifies Franchisee that it wishes to exercise its purchase option (if the Parties have not agreed on fair market value before then). The Parties will share equally the appraiser's fees and expenses. The appraiser must complete its appraisal within thirty (30) days after its appointment. The purchase price will be the appraised value. If the Parties cannot agree on the appraiser, he or she will be chosen by the American Arbitration Association.
- iv. Closing. Cupbop (or its assignee) will pay the purchase price at the closing, which will take place not later than sixty (60) days after the purchase price is determined, although Cupbop (or its assignee) may decide after the purchase price is determined not to purchase the Restaurant and/or the fee simple interest in the Premises. Cupbop may set off against the purchase price, and reduce the purchase price by, any and all amounts Franchisee or its owners owe Cupbop or its affiliates. At the closing, Franchisee agrees to deliver instruments transferring to Cupbop (or its assignee):
  1. good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and other transfer taxes paid by Franchisee;
  2. all of the Restaurant's licenses and permits that may be assigned or transferred; and
  3. the fee simple or leasehold interest in the Premises and improvements or a lease assignment or lease or sublease, as applicable.

If Franchisee cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, Cupbop (or its assignee) and Franchisee will close the sale through an escrow or another process designed to facilitate the transaction's closing while open issues are addressed. Franchisee and its owners further agree to execute general releases, in a form satisfactory to Cupbop, of any and all claims against Cupbop and its owners, affiliates, officers, directors, employees, agents, successors, and assigns. If Cupbop exercises its rights under this Subsection, Franchisee and its owners agree that, for two (2) years beginning on the closing date, Franchisee and its owners will be bound by the non-competition covenant contained in Subsection 16(D) above.

f. LIQUIDATED DAMAGES.

Upon Cupbop's termination of this Agreement according to its terms and conditions or Franchisee's termination of this Agreement without cause, Franchisee agrees to pay Cupbop within thirty (30) days after the effective date of this Agreement's termination, in addition to the amounts owed under Subsection 16(A) above, liquidated damages equal to the sum of accrued Royalties during the immediately preceding twenty-four (24) full calendar months, plus any applicable taxes assessed on such payment. If the remaining term of this Agreement is less than

twenty-four (24) months, the number of previous months Royalties is reduced to the number of months remaining in the term of this Agreement. These liquidated damages are due because actual damages will be difficult or impossible to ascertain and are not a penalty. Cupbop, Franchisee, and each of their owners consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages. Payment of liquidated damages shall be in addition to Cupbop's other rights in this Agreement.

## **17. INDEMNIFICATION**

Franchisee agrees to indemnify and hold harmless Cupbop, its affiliates, and their respective owners, directors, officers, employees, agents, successors, and assignees (the "Indemnified Parties") against, and to reimburse any one or more of the Indemnified Parties for, all Losses (defined below) of every kind, including allegations of negligence by Cupbop and its affiliates and their officers, employees and agents, to the fullest extent permitted under applicable law arising out of or related to (a) the unauthorized use of the Marks; (b) a violation of applicable law; (c) the construction, renovation, upgrading, alteration, remodeling, repair, operation, ownership and use of the Restaurant; and (d) Franchisee's breach of this Agreement. Franchisee also agrees to defend the Indemnified Parties (unless an Indemnified Party chooses to defend at its expense as provided in the following paragraph) against any and all such claims, inquiries, actions, investigations, and proceedings, including those alleging the Indemnified Party's negligence, gross negligence, willful misconduct, and willful wrongful omissions. However, Franchisee has no obligation to indemnify or hold harmless an Indemnified Party for any Losses to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's gross negligence (as distinguished from just negligence), willful misconduct, or willful wrongful omissions.

For purposes of this indemnification and hold harmless obligation, "Losses" include all obligations, liabilities, damages (actual, consequential, or otherwise), and reasonable defense costs that any Indemnified Party incurs. Defense costs include, without limitation, accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced. Each Indemnified Party, with its own counsel and at Franchisee's expense, may defend and otherwise respond to and address any claim threatened or asserted or inquiry made, or action, investigation, or proceeding brought (instead of having Franchisee defend it with Franchisee's counsel, as provided in the preceding paragraph), and, in cooperation with Franchisee, agree to settlements or take any other remedial, corrective, or other actions, for all of which defense and response costs and other Losses Franchisee is solely responsible (except as provided in the last sentence of the preceding paragraph).

Franchisee's obligations in this Section will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against Franchisee under this Section. Franchisee agrees that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from Franchisee under this Section.

## **18. GOVERNING LAW, JURISDICTION, DISPUTE RESOLUTION.**

### **a. GOVERNING LAW.**

Except to the extent this Agreement or any particular dispute is governed by the United States Trademark Act, Federal Arbitration Act or other federal laws, this Agreement and any and

all disputes arising out of or related to this Agreement, directly or indirectly, shall be governed by and construed in accordance with the laws of the State of Utah, without regard to its conflict of laws principles. Any franchise law regulating the registration, disclosure or relations between a franchisor and franchisee which may be adopted in the future by the State of Utah shall not apply unless the jurisdictional requirements of such laws are met independently without reference to this Subsection.

b. CONSENT TO JURISDICTION.

Franchisee acknowledges and agrees that this Agreement is entered into in Salt Lake County, Utah and that, subject to any applicable arbitration requirement, any action brought by either party, arising out of or related to this Agreement, directly or indirectly, will be brought in the appropriate state or federal courts located in Salt Lake County, Utah. The parties hereby waive all defenses and questions of personal jurisdiction or venue for the purposes of carrying out this provision. The foregoing choice of jurisdiction and venue does not preclude bringing any action by the parties for the enforcement of any judgment or order obtained in any such jurisdiction, in any other appropriate jurisdiction.

c. WAIVER OF MULTIPLE DAMAGES AND JURY TRIAL.

EXCEPT FOR CUPBOP'S OBLIGATIONS TO INDEMNIFY FRANCHISEE OTHER FOR THIRD PARTY CLAIMS UNDER SUBSECTION 17, AND EXCEPT FOR PUNITIVE DAMAGES AVAILABLE TO EITHER PARTY UNDER FEDERAL LAW, CUPBOP AND FRANCHISEE (AND ITS OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, TREBLE, OR OTHER FORMS OF MULTIPLE DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN THE PARTIES, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

THE PARTIES IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY. THE PARTIES EACH ACKNOWLEDGE THAT THE PARTIES MAKE THIS WAIVER KNOWINGLY, VOLUNTARILY, WITHOUT DURESS, AND ONLY AFTER CONSIDERATION OF THIS WAIVER'S RAMIFICATIONS.

d. DISPUTE RESOLUTION.

- i. Mediation. The parties agree to attempt to resolve any and all disputes arising out of or related to this Agreement by non-binding mediation in Salt Lake County, Utah, conducted by a single mediator, before submitting any dispute to arbitration. Either party may commence the mediation process by providing to the other party written notice, pursuant to Section 20, setting forth the subject of the dispute, claim or controversy and the relief requested. Within ten (10) days after receipt of the foregoing notice, the other party will deliver a written response to the initiating party's notice. The initial mediation session will be held within ninety (90) days after the initial notice. The parties agree to share equally the costs and expenses of the medication, not including the expenses incurred for each party's own legal representation. The mediator will be agreed upon by the parties within thirty (30) days after the initial notice. If the parties do not or are not able to agree upon a

mediator within thirty (30) days after the initial notice, then Cupbop has the right to select the mediator.

The parties further acknowledge that mediation proceedings are settlement negotiations, and that, to the extent allowed under applicable law, all offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by any of the parties or their agents will be confidential and inadmissible in any arbitration, litigation or other legal proceeding involving the parties; provided, however, that evidence which is otherwise admissible or discoverable will not be rendered inadmissible or non-discoverable as a result of its use in the mediation.

- ii. Arbitration. Any and all disputes arising out of or related to this Agreement or the relationship of the parties will be settled by arbitration under the Federal Arbitration Act, as amended, in accordance with the commercial arbitration rules of the American Arbitration Association (“AAA”) before a single mediator agreed upon by the parties. Either party may demand to submit a claim to arbitration by sending written notice in accordance with Section 20. If the parties are unable to agree upon an arbitrator within thirty (30) days of receipt of such notice, the arbitrator will be selected by the AAA. The arbitration will take place in Salt Lake County, Utah. Any determination made will be final and binding on each and all parties and their successors and assigns. The judgment may be entered in any court of competent jurisdiction. The arbitrator has the right to award or include in the award any relief deemed proper that is consistent with the terms of this Agreement, including but not limited to awarding attorneys’ fees as set forth in Subsection 19(G). The arbitrator will have continuing jurisdiction to implement the decision. The parties consent to the arbitrator’s jurisdiction over them and agree that arbitration will be conducted on an individual basis, and not on a joint, collective, or class-wide basis. Notwithstanding the foregoing, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Subsection, then all parties agree that this arbitration clause will not apply to that dispute and that such dispute will be resolved in a judicial proceeding.
- iii. Injunctive Relief. Notwithstanding the arbitration clause in this Subsection, Cupbop may bring an action for injunctive relief in any court of competent jurisdiction to enforce Cupbop’s non-competition, trademark and/or proprietary rights in order to avoid irreparable harm to Cupbop.

## **19. 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 Cupbop a list of all such owners as of the Effective Date by completing Exhibit C and shall provide to Cupbop 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 Cupbop’s standard form Guaranty attached hereto as Exhibit H concurrently with the execution of this Agreement or at such time such owner becomes an owner of Franchisee. Cupbop may also require the spouse of any such owner to execute the Guaranty.

If Franchisee is in breach or default under this Agreement, Cupbop 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.

## **20. MISCELLANEOUS PROVISIONS.**

### **a. COMPLIANCE WITH LAWS.**

Franchisee will, at its expense, comply with all applicable laws, rules and regulations pertaining to the operations of the Restaurant, including any and all licensing and bonding requirements. If any government approval or permit is required for operation of any Restaurant, Franchisee is responsible for securing the same at its expense.

### **b. INDEPENDENT CONTRACTORS.**

The Parties understand and agree that this Agreement does not create a fiduciary relationship between Franchisee and Cupbop, that the Parties are and will be independent contractors, and that nothing in this Agreement is intended to make either Franchisee or Cupbop a general or special agent, joint venture, partner, or employee of the other for any purpose. Franchisee agrees to identify itself conspicuously in all dealings with customers, suppliers, public officials, Restaurant personnel, and others as the Restaurant's independent owner and operator under a franchise Cupbop has granted and to place notices of independent ownership on the forms, business cards, stationery, advertising, and other materials Cupbop requires from time to time.

The parties may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that the parties' relationship is other than franchisor and franchisee. Cupbop will not be obligated for any damages to any person or property directly or indirectly arising out of the Restaurant's operation or the business Franchisee conducts under this Agreement.

### **c. SURVIVAL .**

The parties' obligations and the provisions of this Agreement that expressly or by their nature survive this Agreement's expiration or termination will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

### **d. SEVERABILITY.**

Each article, section, paragraph, term and provision of this Agreement will be considered severable and if, for any reason, any provision of this Agreement is held to be invalid, contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which Cupbop is a party, that ruling will not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, and such other portions will

continue to be given full force and effect and bind the parties, although any portion held to be invalid will be deemed not to be a part of this Agreement from the date the time for appeal expires, if Franchisee is a party thereto, otherwise upon Franchisee's receipt of a notice of non-enforcement thereof from Cupbop.

e. WAIVER OF OBLIGATIONS.

Either Party may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice of waiver to the other or such other effective date stated in the notice of waiver. Any waiver granted by Cupbop will be without prejudice to any other rights Cupbop may have, will be subject to its continuing review and may be revoked by Cupbop at any time and for any reason upon delivery of ten (10) days' prior written notice.

Neither Party will be deemed to have waived or impaired any right, power or option reserved by this Agreement (including, without limitation, the right to demand exact compliance with every term, condition and covenant in this Agreement or to declare any breach to be a default and to terminate this Agreement prior to the expiration of its term) by virtue of (i) any custom or practice of the parties at variance with the terms of this Agreement; (ii) any failure, refusal or neglect of Cupbop or Franchisee to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations under this Agreement, including any waiver, forbearance, delay, failure or omission by Cupbop to exercise any right, power or option, whether of the same, similar or different nature, with respect to other Cupbop Restaurants or franchise agreements; or (iii) Cupbop's acceptance of any payments due from Franchisee after any breach of this Agreement.

f. FORCE MAJEURE.

Neither Party will be liable for loss or damage or deemed to be in breach of this Agreement if the failure to perform obligations results from transportation shortages; inadequate supplies of equipment, merchandise, supplies, labor, material or energy or the voluntary suspension of the right to acquire or use any of those items in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any governmental department or agency; compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state or municipal government or any governmental department or agency; acts of God; fires, strikes, embargoes, war or riot; or any other similar event or cause beyond the reasonable control of the party. Any delay resulting from any of these causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that these causes will not excuse payments of amounts owed at the time of the occurrence or payment of Royalties or Fund and Cooperative contributions due afterward.

g. COSTS AND 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 attorney's fees and other costs reasonably incurred in such action or arbitration proceeding.

h. RIGHTS OF PARTIES ARE CUMULATIVE.

The rights of the parties under this Agreement are cumulative, and Cupbop's or Franchisee's exercise or enforcement of any right or remedy under this Agreement will not preclude Cupbop's or Franchisee's exercise or enforcement of any other right or remedy that either Party is entitled by law to enforce.

i. BINDING EFFECT.

This Agreement is binding upon the Parties and their respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest.

j. AMENDMENTS.

Subject to Cupbop's right to modify the Brand Standards Manual, and System Standards, this Agreement may not be modified except by a written agreement signed by a duly-authorized officer of each Party.

k. LIMITATIONS OF CLAIMS.

EXCEPT FOR THE PARTIES' INDEMNIFICATION OBLIGATIONS UNDER SECTION 17 AND EXCEPT FOR CLAIMS ARISING FROM FRANCHISEE'S NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS FRANCHISEE OWES CUPBOP, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR CUPBOP'S RELATIONSHIP WITH FRANCHISEE WILL BE BARRED UNLESS A LEGAL PROCEEDING (IN THE REQUIRED OR PERMITTED FORUM) IS COMMENCED WITHIN TWO (2) YEARS FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIMS.

l. JOINT AND SEVERAL LIABILITY.

If two or more persons, corporations, limited liability companies, partnerships or other entities or any combination thereof, sign this Agreement, the liability of each shall be joint and several. All members of a general partnership and all members of any association or other unincorporated entity, which is part of Franchisee, are jointly and severally liable for Franchisee's performance hereunder.

m. CONSTRUCTION.

The section headings in this Agreement are for reference only and shall not be considered or referred to in resolving any interpretation of this Agreement. Words used herein, regardless of the number or gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires. The words "include" and "including" are meant to be illustrative and not exhaustive and are deemed to be read in all cases as "including, without limitation" and/or "including but not limited to." "Person" means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity. Unless otherwise specified, all references to a number of days shall mean calendar days and not business days.

Any policies that Cupbop adopts and implements from time to time to guide it in its decision-making are subject to change, are not a part of this Agreement, and are not binding on Cupbop. Except as expressly provided in this Agreement, nothing in this Agreement is intended or deemed to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

Except where this Agreement expressly obligates Cupbop reasonably to approve or not unreasonably to withhold its approval of any of Franchisee's actions or requests, Cupbop has the absolute right to refuse any request Franchisee make or to withhold Cupbop's approval of any of Franchisee's proposed, initiated, or completed actions that require Cupbop's approval. The headings of the sections and paragraphs are for convenience only and do not define, limit, or construe the contents of these sections or paragraphs.

n. ENTIRE AGREEMENT.

The preambles and exhibits are a part of this Agreement which, together with the System Standards contained in the Brand Standards Manual (which may be periodically modified, as provided in this Agreement), constitutes the entire agreement of the Parties, and subject to Section 24(A), there are no other oral or written understandings or agreements between the Parties, and no oral or written representations by Cupbop, relating to the subject matter of this Agreement, the franchise relationship, or the Restaurant (any understandings or agreements reached by the Parties, or any representations made by Cupbop, before this Agreement are superseded by this Agreement). Franchisee may not rely on any alleged oral or written understandings, agreements, or representations not contained in this Agreement. However, nothing in this Agreement or any related agreement is intended to disclaim any representations in Cupbop's Franchise Disclosure Document.

o. MULTIPLE COUNTERPARTS.

This Agreement may be executed in multiple copies, each of which will be deemed an original.

**21. NOTICES.**

All written notices, reports, and payments permitted or required to be delivered by this Agreement or the Brand Standards Manual will be deemed to be delivered (i) at the time delivered by hand; or (ii) upon confirmation of receipt if delivered by overnight courier or by certified or registered mail, return receipt requested.

Any notice must be sent to the following address:

If to us:

Cupbop Franchise, LLC  
Attn: Dok Kwon  
12184 South Business Park Drive, Suite C  
Draper, UT 84020

With a Copy to:

Kirton McConkie PC  
Attn: Daniel H. Purdie

Key Bank Tower  
36 South State Street, Suite 1900  
Salt Lake City, UT 84111

If to Franchisee:

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If Franchisee refuses or fails to accept any certified, registered or overnight delivery, acceptance shall be deemed to have occurred forty-eight (48) hours after rejection or failure to accept such notice. Either party may change this address for notice by giving thirty (30) days' prior notice to the other party by any of the means specified in this Section.

## **22. COMPLIANCE WITH ANTI-TERRORISM LAWS.**

Franchisee and its owners agree to comply, and to assist Cupbop to the fullest extent possible in Cupbop's efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, Franchisee and its owners certify, represent, and warrant that none of its property or interests is subject to being blocked under, and that Franchisee and its owners otherwise are not in violation of, any of the Anti-Terrorism Laws. "Anti-Terrorism Laws" mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by Franchisee or its owners, or any blocking of Franchisee or its owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement, as provided in Subsection 15(B) above.

## **23. ENTITY REPRESENTATIONS AND WARRANTIES.**

If Franchisee is at any time a corporation, limited liability company, or general, limited, or limited liability partnership (each, an "Entity"), Franchisee represents and warrants that:

- a. Franchisee has the authority to execute, deliver, and perform its obligations under this Agreement and all related agreements and are duly organized or formed and validly existing in good standing under the laws of the state of its incorporation or formation;
- b. Franchisee's organizational documents, operating agreement, or partnership agreement, as applicable, will recite that this Agreement restricts the issuance and transfer of any ownership interests in Franchisee, and all certificates and other documents representing ownership interests in Franchisee will bear a legend (the wording of which Cupbop may prescribe) referring to this Agreement's restrictions;
- c. Exhibit C to this Agreement completely and accurately describes all of Franchisee's owners and their interests in Franchisee as of the Effective Date;
- d. Each of Franchisee's owners during this Agreement's term will execute a Guaranty in a form substantially similar to that attached as Exhibit H undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between the Parties. Subject to Cupbop's rights and Franchisee's obligations under Section 13, Franchisee and

its owners agree to sign and deliver to Cupbop a revised Exhibit C to reflect any permitted changes to the ownership of the Franchisee and to supplement the existing or execute a new Guaranty as needed to reflect any such changes;

e. The Restaurant and other Cupbop Restaurants, if applicable, will be the only businesses Franchisee operates (although Franchisee's owners may have other, non-competitive business interests if they do not conflict with its obligations under this Agreement); and

f. Franchisee's legal business name does not use any Mark as part of the name or use any name that is the same as or similar to, or an acronym or abbreviation of, Cupbop's name (although Franchisee may register the "assumed name" or "doing business as" name "Cupbop" in the jurisdictions where Franchisee is formed and qualify to do business).

**24. ACKNOWLEDGMENTS.**

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:

i. Complete and detailed uniformity among Cupbop franchisees under varying conditions may be inadvisable, impractical, or impossible, and accordingly agrees that Cupbop, in its sole and absolute right, may modify or vary System Standards as to any franchisee or group of franchisees based on, for example, local sales potential, demographics, competition, business practices or other conditions. Franchisee further agrees that Cupbop will have no obligation to disclose or offer the same or similar variances to Franchisee. Franchisee is aware that other Cupbop franchisees may operate under different agreements, and, consequently, that Cupbop's obligations and rights as to those franchisees may differ materially in certain circumstances.

FRANCHISEE'S INITIALS: \_\_\_\_\_

ii. Franchisee has made no payment to Cupbop before the execution of this Agreement.

FRANCHISEE'S INITIALS: \_\_\_\_\_

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

FRANCHISEE'S INITIALS: \_\_\_\_\_

*[signatures follow on the next page]*

**IN WITNESS WHEREOF**, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date

**FRANCHISOR**

**CUPBOP FRANCHISE, LLC,**  
a Utah limited liability company

\_\_\_\_\_

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

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

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

**FRANCHISEE**

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

\_\_\_\_\_

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

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

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

**EXHIBIT A**

**PROTECTED TERRITORY AND AUTHORIZED PREMISES**

**Franchisor:** Cupbop Franchise, LLC

**Franchisee:**

1. Pursuant to Section 1(c) of the Franchise Agreement, Cupbop and Franchisee hereby acknowledge and agree that the below listed address is the Premises for the Restaurant to be opened pursuant to the Franchise Agreement.

**Premises:**

2. Pursuant to Section 1(c) of the Franchise Agreement, Cupbop 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**

CUPBOP FRANCHISE, LLC

**FRANCHISEE**

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

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

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

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

**EXHIBIT B**

**ACKNOWLEDGEMENT OF OPENING**

**Franchisor:** Cupbop Franchise, LLC

**Franchisee:**

**Authorized Location:**

Franchisee hereby acknowledges and agrees that the Restaurant at the Premises listed above opened for business on \_\_\_\_\_ (the “Opening Date”). Accordingly, the initial term of the Franchise Agreement shall expire ten (10) 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 Cupbop 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:

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

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

3. Managing Owner. Franchisee’s Managing Owner is \_\_\_\_\_.

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

**FRANCHISEE**

\_\_\_\_\_

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

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

## EXHIBIT D

### 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 Cupbop Franchise, LLC (hereinafter referred to as "Cupbop") and Tenant (the "Franchise Agreement"); and

WHEREAS, a condition to the approval of the Tenant's specific location by Cupbop is that the Lease for the Leased Premises designated for the operation of a Cupbop restaurant 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 Cupbop restaurant.
2. Landlord and Tenant grant to Cupbop the exclusive right, exercisable at the option of Cupbop, 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 Cupbop restaurant.

Cupbop must give written notice to Landlord of its intent to exercise this option within thirty (30) days after the event triggering the option. If Cupbop 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 Cupbop and assumed by Cupbop (or an entity to be formed and controlled by Cupbop, provided Cupbop guaranties the full performance of the Lease by such entity in such form as Landlord may reasonably require). If Cupbop does not give notice exercising its assignment option within the thirty (30) day period, Cupbop will be deemed to have forfeited its rights under this Section. Upon Cupbop'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 Cupbop takes assignment of the Lease pursuant to this Section, Cupbop 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 Cupbop that Cupbop has assumed the Lease, notwithstanding any claim to the contrary or contesting Cupbop’s right to assume the Lease by Tenant, and, as a condition of the assumption, Cupbop 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 Cupbop’s exercise of this assumption right.

3. If Cupbop takes assignment and assumption of the Lease and the Leased Premises, Cupbop may subsequently grant a franchise at the Leased Premises to another Cupbop franchisee and may assign the Lease to a new Cupbop franchisee, provided that Cupbop notifies the Landlord of such assignment, and Cupbop and the new franchisee execute an assignment and assumption of lease agreement in form acceptable to Landlord in its reasonable discretion. Cupbop 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 Cupbop 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 Cupbop 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 Cupbop trademarks, provided such modifications are made in accordance with the terms of the Lease; or
  - c. remove all Cupbop 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 Cupbop 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 Cupbop written notice of the Tenant default and Cupbop has had the time period after Cupbop’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, Cupbop does not assume and Landlord shall not hold it responsible for any liabilities of Tenant unless Cupbop assumes the Lease as provided in Section 2 herein. All notices directed to Cupbop shall be sent to:

Cupbop Franchise, LLC  
Attn: Dok Kwon  
12184 South Business Park Drive, Suite C  
Draper, UT 84020

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 Cupbop.
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 Cupbop’s interest in the Collateral pursuant to the terms of the Franchise Agreement, and Landlord shall give Cupbop 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:**

CUPBOP FRANCHISE, LLC

\_\_\_\_\_

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

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

**EXHIBIT E**

**DIRECT PAYMENT AUTHORIZATION**

\_\_\_\_\_ (“Franchisee”) hereby authorizes Cupbop Franchise, LLC (“Cupbop”) 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 CUPBOP PURSUANT TO THE NOTICE PROVISION IN ITS FRANCHISE AGREEMENT WITH CUPBOP. Franchisee shall provide Cupbop a voided check from the above-referenced account in conjunction with this authorization.

**FRANCHISEE**

\_\_\_\_\_

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

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

## EXHIBIT F

### 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 Cupbop Franchise, LLC, a Utah limited liability company, and its successors and assigns (“Cupbop”). Cupbop and Releasor are each sometimes referred to herein as a “Party” or collectively as the “Parties”.

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

WHEREAS, Franchisee has notified Cupbop of its desire to transfer or sell and assign an ownership interest in the Restaurant (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 Cupbop has consented to such transfer and agreed to enter into a successor franchise agreement; [or WHEREAS, Franchisee has notified Cupbop of its desire to renew] and

WHEREAS, as a condition to Cupbop’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 Cupbop’s consent to the transfer [Cupbop 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 Cupbop or any of the rights, claims or obligations being terminated, released or waived hereunder.
2. Release of Cupbop. 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 Cupbop, 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. A general release does not apply to claims arising under the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, or the rules adopted thereunder in accordance with RCW 19.100.220.

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: \_\_\_\_\_

**CUPBOP FRANCHISE, LLC**

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

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

## EXHIBIT G

### 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 Cupbop Franchise, 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 Cupbop® restaurant (the “Restaurant”); and (ii) use in the operation of the Restaurant the Company’s trade names, trademarks, and service marks and the Company’s unique system relating to the establishment and operation of Cupbop® restaurants (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 Restaurant 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 Restaurant 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 Restaurant (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 Cupbop restaurant; 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 Restaurant; 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 Restaurant 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 (i) offers products or services the same as or substantially similar to a Cupbop Restaurant in any capacity, territory or location, including without limitation any restaurant offering traditional and/or modern Korean barbecue, and Korean and other Asian cuisine; or (ii) whose gross sales total more than 10% in any of the following products: rice cups, salads, chicken wings, potstickers, and other Asian food and beverage, or other products or services competitive to those of Cupbop (collectively, a “Competing Business”). Individual also agrees that he/she will not undertake any action to divert business from the Restaurant or any other Cupbop Restaurant 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 Restaurant, 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 (2) years after the expiration or termination of Individual’s position with Franchisee for any reason: (1) at the Premises; (2) within a twenty (20) mile radius of the Premises; (3) within twenty (20) miles of any other Cupbop Restaurant in operation or under construction; or (4) within twenty (20) miles of any other Cupbop Restaurant in operation or under construction on the later of the effective date of termination or expiration of this Agreement or the date on which all persons restricted by this Section 7. Individual also agrees that he/she will not undertake any action to divert business from the Restaurant or any other Cupbop Restaurant 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 (2) 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 H

### GUARANTY

In consideration of, and as an inducement to, the execution of a Cupbop Franchise Agreement between Cupbop Franchise, LLC (“Cupbop”) 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 Cupbop, 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 Cupbop notwithstanding any extension, modification, or alteration of the Franchise Agreement, and notwithstanding any assignment of the Franchise Agreement, with or without Cupbop’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 Cupbop to proceed against any other person or to proceed against or exhaust any security held by Cupbop at any time or to pursue any right of action accruing to Cupbop under the Franchise Agreement. Cupbop 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 Cupbop, 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 Cupbop, or its successors or assigns, or the failure of Cupbop 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 Cupbop and shall be binding upon the Guarantors and each of their respective successors and assigns.

7. Until all obligations of Franchisee to Cupbop 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 Cupbop 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 Cupbop.

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 Cupbop, 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  
\_\_\_\_\_  
Print Name  
\_\_\_\_\_  
Address  
\_\_\_\_\_  
City, State, Zip  
\_\_\_\_\_  
Telephone

\_\_\_\_\_  
Individually  
\_\_\_\_\_  
Print Name  
\_\_\_\_\_  
Address  
\_\_\_\_\_  
City, State, Zip  
\_\_\_\_\_  
Telephone

**EXHIBIT D**  
**AREA DEVELOPMENT AGREEMENT**



®

**AREA DEVELOPMENT AGREEMENT**

Between

**CUPBOP FRANCHISE, LLC**

a Utah limited liability company

and

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

Date of Area Development Agreement

\_\_\_\_\_

## AREA DEVELOPMENT AGREEMENT

This Area Development Agreement (this “Agreement”) is entered into this \_\_\_ day of \_\_\_\_\_, 20\_\_ (the “Effective Date”) by and between CUPBOP FRANCHISE, LLC, a Utah limited liability company with its principal business address at 12184 S Business Park Drive, Suite C, Draper, UT 84020 (“Cupbop”), and \_\_\_\_\_, a \_\_\_\_\_, with its principal address at \_\_\_\_\_ (“Developer”). Developer and Cupbop may be referred to herein individually as a “Party” or collectively as the “Parties.”

WHEREAS, Cupbop is in the business of granting to qualified individuals or entities, franchises (each a “Franchise”) for the rights to operate Cupbop® branded restaurants (a “Cupbop Restaurant”) using Cupbop’s registered and unregistered trademarks, and other trademarks, trade names, service marks, trademarks, logos, emblems, and the like that Cupbop authorizes from time to time (the “Marks”) and its system for the operation of a Cupbop restaurant offering a menu of high quality traditional and modern Korean barbecue, Korean and other Asian cuisine and other food and beverage products authorized by Cupbop (the “System”).

WHEREAS, Cupbop has the right to grant each Franchise and license the Marks and the System pursuant to a license agreement with its parent, Cupbop Co. (“Parent”);

WHEREAS, Cupbop grants each Franchise solely pursuant to a written franchise agreement signed by both Parties (each a “Franchise Agreement”);

WHEREAS, Cupbop may also grant, in its sole discretion, the right to acquire multiple Franchises for the development and operation of Cupbop Restaurants 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 Cupbop 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:

### 1. **GRANT OF DEVELOPMENT RIGHTS; TERM**

a. **Development Rights.** Subject to the limitations set forth in this Agreement, Cupbop hereby grants to Developer the right, and Developer accepts and undertakes the obligation, to acquire Franchises and develop and operate multiple Cupbop Restaurants (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 Cupbop’s 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 Cupbop Restaurant 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. Developer must open and operate all Franchises granted under this Agreement within the Development Area. Provided that Developer is in full compliance with this Agreement, each Franchise Agreement, and all other agreements with Cupbop, Cupbop will not, during the Term, establish, operate, or license any other party to establish or operate a Cupbop Restaurant 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. Cupbop 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, Cupbop reserves the right to: (i) own and operate, and authorize others to own and operate Cupbop Restaurants outside the Development Area during and after the Term or within the Development Area after the Term; (ii) use its name, promote Cupbop Restaurant branded services, and sell Cupbop 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 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 Cupbop Restaurants that Cupbop or Cupbop 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 Cupbop Restaurants. Only Developer (and/or approved affiliated entities) may construct, develop, open, and operate Cupbop Restaurants pursuant to this Agreement. This Agreement also does not give Developer (or Developer's affiliated entities) any independent right to use Cupbop's Marks or other intellectual property. The right to use the Marks is granted only under a Franchise Agreement signed directly with Cupbop. 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 Cupbop and must have the authority to deal with Cupbop on Developer's behalf in all matters arising under or relating to this Agreement. Cupbop 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 Cupbop a Franchise Agreement for the first Cupbop Restaurant 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 Cupbop's then-current franchise disclosure document and the passage of the mandatory minimum waiting period, if applicable to Developer at such time, Developer must sign Cupbop'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 Cupbop Restaurants 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 Cupbop's approval to allow that new entity to operate the proposed Cupbop Restaurant.

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

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

d. Development Obligations. Cupbop will determine whether Developer has met the development obligations under this Agreement based on the number of Cupbop Restaurants 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 Cupbop Restaurants 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. 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. CUPBOP MAY ENFORCE THIS AGREEMENT STRICTLY.

4. FEES. In consideration of the rights granted in this Agreement, upon execution of this Agreement, Developer shall pay to Cupbop a non-refundable development fee based on the number of Cupbop Restaurants that Developer agrees to develop according to the following schedule: \$40,000 for the first Cupbop Restaurant plus \$30,000 for each additional Cupbop Restaurant (the "Development Fee"). Developer agrees to pay a Development Fee of \$ \_\_\_\_\_ for the right to operate \_\_\_\_\_ Cupbop Restaurants, as further set forth herein. This Development Fee is fully earned by Cupbop upon execution of this Agreement and is not refundable in part or in whole, even if Developer chooses not to ultimately develop the number of Cupbop Restaurants outlined in the Development Schedule. 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 Cupbop upon execution of each Franchise Agreement entered into to meet the Development Schedule.

## 5. REPORTING AND RECORD KEEPING

a. Business Plan. Upon request from Cupbop, Developer may be required to submit to Cupbop 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 Cupbop, 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 Cupbop to provide greater details in its later franchise disclosure documents should Cupbop ever opt to provide financial performance representations to future potential franchisees and/or area developers. Developer shall also submit to Cupbop such other financial and non-financial reports and information as Cupbop 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 Cupbop reasonably specifies.

c. Disclosure. Cupbop 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 Cupbop shall be entitled to disclose such information and that Cupbop shall have the right to determine the extent and manner in which such disclosure will be made. If Cupbop does not have the information necessary for the disclosure Cupbop determines it will make, Developer agrees to provide such information to Cupbop promptly upon its request.

## 6. CONFIDENTIAL INFORMATION

a. Confidential Information. All information that Cupbop 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 Cupbop'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 Cupbop in advance; and (iii) shall adopt and implement all procedures prescribed from time to time by Cupbop 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 Cupbop's sole property. Developer agrees to return to Cupbop 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 Cupbop'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 Cupbop may have at law or in equity, all of which are expressly reserved. The exercise by Cupbop 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 admits 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 Cupbop (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 Cupbop pursuant to this Agreement;

(4) is convicted by a trial court of or pleads no contest to a felony or other crime or offense or engages in conduct that reflects materially and unfavorably upon the operation and reputation of Cupbop 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 Agreement to any other agreement with Cupbop 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 to comply with any provision of any Franchise Agreement and does not cure such failures within the applicable cure period, if any; or

(8) receives written notice from Cupbop 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) fails to comply with any requirement in this Agreement not listed in Subsection 7(a) above prescribed by Cupbop within 30 days after notice is delivered to Developer;

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

(3) fails to make payments to Cupbop 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 Cupbop 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 Cupbop to terminate, or declare a default under, such other agreement shall be deemed to be a default of this Agreement, and Cupbop 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 Cupbop notice to Developer shall not preclude Cupbop 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 Cupbop Restaurants, 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 is permitted to use under any then-effective Franchise Agreements;

(4) Developer shall pay immediately all sums due to Cupbop 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 Cupbop 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 Cupbop's rights against Developer. Cupbop 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: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

With a copy to: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

In the case of Cupbop: Cupbop Franchise, LLC  
Attn: Dok Kwon  
12184 S Business Park Drive, Suite C  
Draper, UT 84020

With a copy to: Kirton McConkie PC  
Attn: Daniel H. Purdie  
Key Bank Tower  
36 South State Street, Suite 1900  
Salt Lake City, UT 84111

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.** Cupbop 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 Cupbop. 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 Cupbop 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 Cupbop is required to enjoin Developer's continued activities, Developer must reimburse Cupbop 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 Cupbop has relied on Developer's representations made prior to execution of this agreement. Notwithstanding the foregoing, noting in this Agreement is intended to disclaim any representation in the Franchise Disclosure Document.

*[Signature page to follow]*

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

**CUPBOP FRANCHISE, LLC**

**[DEVELOPER]**

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

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

(Signature)

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

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

(Please Print)

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:
  
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>Restaurant To Be Opened By (Date)</b>	<b>Minimum Cumulative Number of Cupbop Restaurants 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.

**CUPBOP FRANCHISE, LLC**

**[DEVELOPER]**

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

By: \_\_\_\_\_  
(Signature)

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

Name: \_\_\_\_\_  
(Please Print)

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

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

**EXHIBIT B**

**ENTITY INFORMATION AND OWNERSHIP ADDENDUM**

1. Entity Information. If Developer is an entity, Cupbop 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 Cupbop 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:

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

4. Change. Developer agrees to immediately notify Cupbop in writing of any change in the information contained in this Addendum and, at Cupbop'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.

**CUPBOP FRANCHISE, LLC**

**[DEVELOPER]**

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

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

(Signature)

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

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

(Please Print)

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

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

**EXHIBIT E**  
**OPERATIONS MANUAL TABLE OF CONTENTS**



## CONFIDENTIAL OPERATIONS MANUAL

Version (03-01-2023)

### TABLE OF CONTENTS

<b>CHAPTER 1: INTRODUCTION</b> .....	7
1. The Purpose of the Manual.....	7
2. How to Use this Manual.....	7
3. Cupbop Story.....	8
4. Cupbop Brand Philosophy.....	8
4.1. The Brand Mission .....	8
4.2. The Brand Values .....	8
<b>CHAPTER 2: THE FRANCHISE RELATIONSHIP</b> .....	9
1. The Franchisee/Franchisor Relationship.....	9
1.1. Independent Contractor .....	9
1.2. Independently Owned and Operated .....	9
1.3. You Are the CEO of Your Business .....	10
1.4. Joint Employment & Vicarious Liability .....	10
1.5. Prices & Price Fixing .....	10
2. Our Obligations .....	10
2.1. Pre-opening Assistance.....	10
2.2. Continuing Assistance .....	11
3. Your Obligations.....	11
3.1. Owner Participation in the Business.....	11
3.2. General.....	11
3.2.1. Cupbop Standards.....	11
3.2.2. Laws .....	11

3.2.3. Fees & Taxes .....	11
3.3. Site Selection and Lease Acquisition.....	11
3.4. Site Development.....	11
3.5. Pre-opening Purchases/Leases .....	12
3.6. Training .....	12
3.6.1. New Manager Training .....	12
3.6.2. Additional Training.....	12
3.7. Meeting Attendance .....	13
3.8. Use of Marks & Proprietary Information .....	13
3.9. Books, Records & Reports.....	14
3.9.1. Chart of Accounts.....	15
3.9.2. Accounting System.....	19
3.10. Audits and Inspections.....	19
3.11. Insurance Requirements .....	19
3.12. Ongoing Purchases from Corporate .....	19
3.13. Maintenance & Remodeling .....	19
3.14. Approved Products and Services .....	20
3.15. Approved Vendors .....	20
3.16. POS/Operations Systems .....	20
3.17. Variances From Standard.....	20
3.17.1. Requesting a Variance .....	20
3.17.2. Requesting New Products/Menu Items.....	20
4. Establishing Your Business Entity.....	21
4.1. Naming & Identification.....	23
4.1.1. Correct Use of the Name .....	24
4.1.2. Sample Business Names .....	24
4.2. Tax Identification Numbers.....	24
5. Transferring Your Franchise Agreement.....	25
5.1. Transfer Process.....	25
5.2. Change in Ownership .....	26

<b>CHAPTER 3: OPERATIONAL BRAND STANDARDS</b> .....	26
1. Overview .....	26
1.1. Objectivity and Measurement .....	26
1.2. Standards Audits .....	26
2. Store operations Standards .....	26
2.1. The 4 Zones .....	27
2.2. Minimum Hours of Operation.....	27
2.3. Holiday Hours.....	27
2.4. Standard Menu .....	27
2.5. Menu Board Standard .....	28
2.6. Recipes and Production Standards .....	28
2.7. Store Equipment & Requirements.....	28
2.8. Cleanliness & Expectations .....	29
2.9. Uniform Standards.....	29
2.10. Appearance Standards.....	30
3. Service Standards.....	31
3.1. Code of Ethics and conduct .....	31
3.2. Greeting .....	32
3.3. Telephone Greeting .....	33
3.4. Taking the Order.....	33
3.5. Completing the Order .....	33
3.6. Online Ordering/Pick-up .....	33
3.7 Customer Complaint Procedures .....	33
3.8 Customer Requests for Information .....	35
3.8.1 Nutritional Information.....	35
3.8.2 Allergen Information.....	35
3.8.3 Media Policy.....	35
3.9 Sensitive Subjects.....	35
4. Food Truck Operating Standards .....	36
4.1. Standard Cupbop Truck Blueprint.....	36

---

4.2. Food Truck Equipment Requirements .....	38
4.3. Customer service guide for our food truck.....	39
4.4. Daily Operating Procedures .....	40
4.5. Food Truck Menu .....	42
4.6. Truck Maintenance .....	42
4.7. Insurance Requirements .....	43
4.8. Food Truck Safety.....	43
<b>CHAPTER 4: STAFFING .....</b>	<b>43</b>
1. Overview and Disclaimer .....	43
2. Laws and Requirements.....	44
3. Job Descriptions .....	44
3.1. Elements of a Job Description.....	44
3.2. Manager .....	44
3.3. Assistant Manager, PICs and Shift Leaders.....	45
3.4. Staff Member .....	45
3.5. Certified Trainer.....	45
4. Hiring Resources & Tools .....	46
5. Effective Staffing .....	46
<b>CHAPTER 5: FOOD PRODUCTION .....</b>	<b>46</b>
1. Food Preparation and Recipes .....	46
2. Portion Management.....	46
3. Sauce Guide.....	46
<b>CHAPTER 6: OPERATION BEST PRACTICES.....</b>	<b>46</b>
1. Suggested Service Responsibilities .....	46
1.1. Management vs Leadership.....	46
1.2 Leaders.....	47
1.3. Crew Members Conduct & Work Rules .....	47
2. Special Needs.....	57
2.1. ADA Requirement .....	57
2.2. Service Animals .....	57

3. Daily Operating Routines .....	57
3.1. Opening Procedures.....	57
3.2. Shift Change .....	58
3.3. Closing Routines.....	58
3.4. Closing the POS .....	58
4. Cleaning and Sanitation .....	58
4.1 Grease Trap.....	58
5. Suggested Controls .....	58
5.1. Inventory Management .....	58
5.2 Daily Routines .....	58
5.3 Outside Services.....	58
6. Loyalty Program .....	58
6.1 Description of the Program.....	58
6.2 Accumulating and Redeeming Points .....	58
6.3 Cross Store Redemption .....	58
CHAPTER 7: ADMINISTRATION & PROFITABILITY .....	59
1. Overview .....	59
2. Sales .....	59
2.1. Calculating Customer Counts.....	59
2.2. Average Customer Check.....	59
3. Managing Food Costs.....	59
3.1. Ideal Costs .....	59
3.2. Receiving Best Practices.....	59
3.2.1. Storage & Inventory.....	59
3.2.2 Monthly Inventory .....	60
3.2.3 Annual Inventory .....	60
4. Managing the Numbers .....	60
4.1. POS Report Options .....	60
4.1.1. Daily Reports.....	60

4.1.2. Weekly Reports .....	60
4.1.3. Month/Period Reports .....	60
5. Risk Management.....	61
5.1. Food Safety.....	61
5.1.1 Health Regulations and Sanitation Standards .....	61
5.1.2 Food Handling and Safety Certification.....	61
5.2 General Health Considerations .....	61
5.3 Food Borne Illness .....	63
5.3.1 About Food Borne Illness .....	63
5.3.2 Food Borne Causes.....	63
5.3.3 Complaints .....	63
5.4 Cross Contamination.....	66
5.5 Material Safety Data Sheets.....	66
5.6 Health Department .....	66
5.7 Food Safety Hazards .....	67
5.7.1 Biological Hazards .....	67
5.7.2 Chemical Hazards .....	67
5.7.3 Physical Hazards .....	68
6. Workplace Safety .....	68
6.1 Spills and Water .....	68
6.2 Workplace Violence .....	68
6.3 Sexual Harassment.....	68
6.4 Severe Weather and Fire Safety.....	68
6.5 Gas Leak .....	69
6.6 Bomb Threat.....	70
6.7 Robbery or Assault .....	70
6.8 Emergency Care .....	70
6.9 Incident Reports.....	72
<b>Appendix.....</b>	<b>72</b>
1. Workers Compensation Information Samples.....	73

2. Additional Training Information .....	77
2.1. Sample New Hire Information .....	77
2.2. Cupbop Crew Member Training .....	81
a) Culture .....	84A
b) First Day .....	87
c) Second Day .....	90
d) Allergens/Nutrition .....	91
e) Third Day .....	95
f) Fourth Day .....	101
g) Qu POS .....	105

## EXHIBIT F

### CURRENT AND FORMER FRANCHISEE LIST

Owner	Franchisee	Address	State	Phone
<b>Kevin Santiago</b>	Gold Bowl, LLC	9410 W Hanna Ln A101 Glendale, AZ 85305	Arizona	801-953-5604
<b><u>Kevin Santiago</u></b>	<u>Gold Bowl, LLC</u>	<u>35 E Warner, Rd #101</u> <u>Gilbert, AZ 85296</u>	<u>Arizona</u>	<u>801-953-5604</u>
<b><u>Kevin Santiago</u></b>	<u>Gold Bowl, LLC</u>	<u>3470 South Kino Pkwy</u> <u>Suite 100</u> <u>Tucson, AZ 85713</u>	<u>Arizona</u>	<u>801-953-5604</u>
<b>Kevin Santiago</b>	Gold Bowl, LLC	1222 S <del>Crimson</del> <u>Crimson</u> Rd Suite 103 Mesa, AZ 85209	Arizona	801-953-5604
<b>Kevin Santiago</b>	Gold Bowl, LLC	4325 East Indian School <del>Road</del> <u>Rd</u> Suite 150 Phoenix, AZ 85018	Arizona	801-953-5604
<b>Kevin Santiago</b>	Gold Bowl, LLC	21001 North Tatum Blvd Suite 34-1130 Phoenix, AZ 85050	Arizona	801-953-5604
<b><u>Kevin Santiago</u></b>	<u>Gold Bowl, LLC</u>	<u>101 E Washington St</u> <u>Phoenix, AZ 85004</u>	<u>Arizona</u>	<u>801-953-5604</u>
<b>Kevin Santiago</b>	Gold Bowl, LLC	690 S Mill Ave Building C, Suite 121 Tempe, AZ 85281	Arizona	801-953-5604
<b><u>Kevin Santiago</u></b>	<u>Gold Bowl, LLC</u>	<u>4764 S Landing Way</u> <u>Tucson, AZ 85714</u>	<u>Arizona</u>	<u>801-953-5604</u>
<b>Kevin Santiago</b>	Gold Bowl, LLC	4811 E Grant Rd Tucson, AZ 85712	Arizona	801-953-5604
<b>Kevin Santiago</b>	Gold Bowl, LLC	298 North 8th Street Boise, ID 83702	Idaho	801-953-5604
<b>Kevin Santiago</b>	Gold Bowl, LLC	3460 South 25th East Idaho Falls, ID 83404	Idaho	801-953-5604
<b><u>Kevin Santiago</u></b>	<u>Gold Bowl, LLC</u>	<u>3106 E Amity Rd,</u> <u>Suite 130</u> <u>Meridian, ID 83642</u>	<u>Idaho</u>	<u>801-953-5604</u>
<b>Kevin Santiago</b>	Gold Bowl, LLC	1520 W. Chinden Blvd. #104	Idaho	801-953-5604

Owner	Franchisee	Address	State	Phone
		Meridian, ID 83646		
<b>Kevin Santiago</b>	Gold Bowl, LLC	3243 E Village Dr STE Suite 110 Meridian, ID 83646	Idaho	801-953-5604
<b>Kevin Santiago</b>	Gold Bowl, LLC	1471 Caldwell Blvd. Nampa, ID 83651	Idaho	801-953-5604
<b><u>Kevin Santiago</u></b>	<u>Gold Bowl, LLC</u>	<u>544 E Benton, St #103</u> <u>Pocatello, ID 83201</u>	<u>Idaho</u>	<u>801-953-5604</u>
<b>Kevin Santiago</b>	Gold Bowl, LLC	163 W Main St Suite 103 Rexburg, ID 83440	Idaho	801-953-5604
<b>Kevin Santiago</b>	Gold Bowl, LLC	06 Blue Lakes Blvd N Twin Falls, ID 83301	Idaho	801-953-5604
<b>Kevin Santiago</b>	Gold Bowl, LLC	7150 N Durango Dr Ste 120 Las Vegas, NV 89149	Nevada	801-953-5604
<b>Kevin Santiago</b>	Gold Bowl, LLC	<del>1100 S Fort Apache</del> <del>1975</del> <u>W Craig Rd Ste 101</u> Suite 150 <u>North Las Vegas, NV</u> <u>8911789032</u>	Nevada	801-953-5604
<b><u>Kevin</u></b> <b><u>SantiagoYong</u></b> <b><u>Min Kim</u></b>	<del>Gold Bowl</del> <u>Cupbop</u> <u>Oklahoma Moore,</u> LLC	<del>7175 W Lake Mead Blvd</del> <del>6125 Las Vegas, NV</del> <del>89128660 SW 19th St., Ste</del> <u>D</u> <u>Moore. OK 73160</u>	<del>Nevada</del> <u>Oklah</u> <u>oma</u>	<del>801-953-</del> <del>5604</del> <u>405-676-</u> <u>7494</u>
<b><u>Yong Min Kim</u></b>	<u>Cupbop Oklahoma</u> <u>Norman, LLC</u>	<u>757 Asp Ave,</u> <u>Norman, OK 73069</u>	<u>Oklahoma</u>	<u>405-504-0670</u>
<b><u>Yong Min Kim</u></b>	<u>Cupbop Oklahoma</u> <u>OKC, LLC</u>	<u>14220 N Pennsylvania Ave</u> <u>Ste 1</u> <u>Oklahoma City, OK 73134</u>	<u>Oklahoma</u>	<u>405-504-0638</u>
<b>Kevin Santiago</b>	Gold Bowl, LLC	4680 S Maryland Pkwy #300 Las Vegas, NV 8911912261 Eastlake Blvd., E501 El Paso, TX 79928	<del>Nevada</del> <u>Texas</u>	801-953-5604
<b>Kevin Santiago</b>	Gold Bowl, LLC	<del>1975 W Craig</del> <del>3565</del> <u>Zaragoza Rd Ste 101, C-</u> <u>301</u> North Las Vegas, NV 89032 <u>El Paso, TX 79938</u>	<del>Nevada</del> <u>Texas</u>	801-953-5604

<b>Owner</b>	<b>Franchisee</b>	<b>Address</b>	<b>State</b>	<b>Phone</b>
<b><u>Dok Kwon</u></b>	<u>CB Bountiful LLC</u>	<u>325 S 500 W Ste D, Bountiful, UT 84010</u>	<u>Utah</u>	<u>801-916-8968</u>
<b><u>Michael Penn</u></b>	<u>KoCa, LLC</u>	<u>1322 S Providence Center Dr Cedar City, UT 84721</u>	<u>Utah</u>	<u>435-254-7072</u>
<b>Dok Kwon</b>	Passive Capital LLC	1080 N Redwood Rd Bld 3 Suite A Saratoga Springs, UT 84045	Utah	801-916-8968
<b><u>Junghun Song</u></b>	<u>CB Spanish Fork, LLC</u>	<u>788 N 800 E Spanish Fork, UT 84660</u>	<u>Utah</u>	

~~No~~The following franchises were terminated/ceased operations during the most recently completed fiscal year.

As of December 31, 2022, the following franchisee had signed franchise agreements to open eight additional Cupbop Restaurants:

<b>Owner</b>	<b>Franchisee</b>	<b>Address</b>	<b><u>State</u></b>	<b>Phone</b>
<b>Kevin Santiago</b>	Gold Bowl, LLC	<del>55 N. University Avenue, Suite 142 Provo, UT 84601</del> <u>1100 S Fort Apache Rd Suite 150 Las Vegas, NV 89117</u>	<u>Nevada</u>	801-953-5604
<b><u>Kevin Santiago</u></b>	<u>Gold Bowl, LLC</u>	<u>7175 W Lake Mead Blvd b125 Las Vegas, NV 89128</u>	<u>Nevada</u>	<u>801-953-5604</u>
<b><u>Kevin Santiago</u></b>	<u>Gold Bowl, LLC</u>	<u>4680 S Maryland Pkwy #300 Las Vegas, NV 89119</u>	<u>Nevada</u>	<u>801-953-5604</u>

## EXHIBIT G

### ~~STATE SPECIFIC ADDENDA~~ STATE SPECIFIC ADDENDA

**CALIFORNIA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, AND AREA DEVELOPMENT AGREEMENT  
CUPBOP FRANCHISE, LLC**

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

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

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

The California Franchise Investment Law requires that a copy of all proposed agreements relating the sale of the franchise be delivered together with the franchise disclosure document. Section 31125 of the California Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of the Department of Financial Protection and Innovation before we ask you to consider a material modification to your franchise agreement.

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

1. No person identified in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A 78a *et seq.*, suspending or expelling such person from membership in such association or exchange.
2. California Business and Professions Code Sections 20000 through 20043 provide rights to you 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 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 Section 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.
6. The Franchise Agreement requires application of the laws of the State of Utah. This provision may not be enforceable under California law.

7. You must sign a general release if you 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).
8. 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.
9. The highest interest rate allowed by law in California is 10% annually.
10. The earnings claims figures in Item 19 do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your (franchised business). Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.
11. No statement, questionnaire, or acknowledgement 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.

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

**CUPBOP:**

Cupbop Franchise, LLC

\_\_\_\_\_

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

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

**FRANCHISEE:**

Name of Franchisee

\_\_\_\_\_

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

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

**ILLINOIS ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
CUPBOP FRANCHISE, LLC**

To the extent the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§705/1 – 705/44 applies, the terms of this Addendum apply.

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

1. Item 17.v. Choice of Forum is revised to state that any action will be brought in a state or federal court of general jurisdiction in Illinois.
2. Item 17.w. Choice of Law is revised to state that Illinois law shall apply.
3. The Illinois Franchise Disclosure Act governs the Franchise Agreement and Area Development Agreement.
4. 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.
5. Your rights upon termination or non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
6. 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  
CUPBOP FRANCHISE, LLC**

This Amendment (“**Amendment**”) is effective as of \_\_\_\_\_, 20\_\_ to that certain Cupbop Franchise Agreement dated \_\_\_\_\_, 20\_\_ (“**Agreement**”) by and between Cupbop Franchise, LLC, a Utah limited liability company (“Cupbop”), and \_\_\_\_\_ (“**Franchisee**”). Notwithstanding any provisions in the Agreement, Cupbop 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. **Forum.** Section 18B of the Agreement is amended to state that any action will be brought in a state or federal court of general jurisdiction in Illinois.
3. **Choice of Law.** Section 18A of the Agreement is amended to state that Illinois law shall apply.
4. **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:

**CUPBOP:**

Cupbop Franchise, LLC

\_\_\_\_\_

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

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

**FRANCHISEE:**

Name of Franchisee

\_\_\_\_\_

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

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

**ILLINOIS ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT  
CUPBOP FRANCHISE, LLC**

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

1. **Choice of Law; Forum.** Section 18 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 Franchisee 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.** Franchisee’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:

**CUPBOP:**

Cupbop Franchise, LLC

\_\_\_\_\_

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

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

**DEVELOPER:**

Name of Franchisee

\_\_\_\_\_

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

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

**MARYLAND ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
CUPBOP FRANCHISE, LLC**

To the extent the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14-201 – 14-233 applies, the terms of this Addendum apply.

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. You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
3. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
4. 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  
CUPBOP FRANCHISE, LLC**

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

**CUPBOP:**

**Cupbop Franchise, LLC**

\_\_\_\_\_

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

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

**FRANCHISEE:**

Name of Franchisee

\_\_\_\_\_

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

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

**MARYLAND ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT  
CUPBOP FRANCHISE, LLC**

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

**CUPBOP:**

Cupbop Franchise, LLC

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

**DEVELOPER:**

Name of Developer

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

**MINNESOTA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
CUPBOP FRANCHISE, LLC**

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

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.
7. NSF fees are governed by Minnesota Statute § 604.113, which puts a cap of \$30 on service charges.
8. Minnesota Rules 2860.4400(G) prohibits a franchisor from imposing on a franchisee by contract or rule, whether written or oral, any standard of conduct that is unreasonable.
9. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.



**MINNESOTA ADDENDUM TO THE FRANCHISE AGREEMENT  
CUPBOP FRANCHISE, LLC**

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

1. **Release.** Minnesota Rule 2860.4400D prohibits Cupbop 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 18 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 Cupbop 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, Cupbop 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.** Cupbop 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 Cupbop obtaining injunctive relief. Cupbop may seek injunctive relief. See Minn. Rule 2860.4400J. Also, a court will determine if a bond is required.
7. **NSF Fees.** NSF fees are governed by Minnesota Statute § 604.113, which puts a cap of \$30 on service charges.
8. **Standard of Conduct.** Minnesota Rules 2860.4400(G) prohibits a franchisor from imposing on a franchisee by contract or rule, whether written or oral, any standard of conduct that is unreasonable.
9. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf

of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

***[Signatures to follow]***

**IN WITNESS WHEREOF**, the Parties have executed this Addendum to be effective as of the date set forth above.

**CUPBOP:**

Cupbop Franchise, LLC

\_\_\_\_\_

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

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

**FRANCHISEE:**

Name of Franchisee

\_\_\_\_\_

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

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

**NEW YORK ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
CUPBOP FRANCHISE, LLC**

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

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

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is to be added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in **Item 2**, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has as an administrative, criminal or civil action pending that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

- D. No such party is subject to any currently effective injunctive or restrictive order or decree relating to the franchise, or under a federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.
3. The following is added to the end of the “Summary” sections of **Item 17(c)**, titled “**Requirements for franchisee to renew or extend**,” and **Item 17(m)**, “**Conditions for franchisor approval of transfer**”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of **Item 17(d)**, “**Termination by Franchisee**”, is amended to state the following:

You may terminate the Franchise Agreement and any ancillary agreements upon any other grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

**NORTH DAKOTA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
CUPBOP FRANCHISE, LLC**

To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-19-17 applies, the terms of this Addendum apply.

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

1. You must sign a general release if you renew or transfer your franchise. North Dakota law voids a waiver of certain rights under a general release.
2. The Franchise Agreement contains a liquidated damages clause and termination penalties. Under North Dakota law, certain liquidated damages clauses and termination penalties are unenforceable.
3. All covenants restricting competition are subject to NDCC Section 9-08-06.
4. The Franchise Agreement and Area Development Agreement require mediation and arbitration in the State of Utah. These provisions may not be enforceable under North Dakota law.
5. The Franchise Agreement and Area Development Agreement require you to consent to jurisdiction in the State of Utah. These provisions may not be enforceable under North Dakota law.
6. The Franchise Agreement and Area Development Agreement require application of the laws of the State of Utah. These provisions may not be enforceable under North Dakota law.
7. The Franchise Agreement and Area Development Agreement requires you to consent to a waiver of trial by jury. This provision may not be enforceable under North Dakota law.

**RHODE ISLAND ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
CUPBOP FRANCHISE, LLC**

To the extent the Rhode Island Franchise Investment Act, R.I. Gen. Law ch. 395 §§19-28.1-1 – 19-28.1-34 applies, the terms of this Addendum apply.

The following statement is added to Item 17:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

**VIRGINIA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
CUPBOP FRANCHISE, LLC**

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

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

Any provision in any of the contracts that you sign with us which provides for termination of the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. 101 et. seq.).

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.

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

**WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
CUPBOP FRANCHISE, LLC**

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** 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.~~
- ~~2.~~ 4. The state of Washington has a statute, **Franchisee Bill of Rights**, RCW 19.100.180 which may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions ~~which may~~ that supersede the franchise agreement ~~or related agreements concerning your relationship with the franchisor including the areas of termination and renewal of your franchise.~~ Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
- ~~3.~~ **5. Site of Arbitration, Mediation, and/or Litigation.** 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.
- ~~4.~~ **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.
14. ~~6.~~ **Noncompetition Covenants.** 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~~provision contained in the franchise agreement or elsewhere that ~~conflict~~conflicts with these limitations ~~are~~is void and unenforceable in Washington.

15. ~~7.~~ **Nonsolicitation Agreements.** 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.
16. **Questionnaires and Acknowledgments.** 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.
17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).
18. ~~8.~~ **Use of Advisory Regarding Franchise Brokers.** ~~The franchisor uses the services of franchise brokers to assist it in selling~~Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the~~If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by a the franchise broker about a franchise. Do your own investigation by contacting the franchisor’s current and former franchisees to ask them about their experience with the franchisor.~~



**WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT, ~~DISCLOSURE~~  
QUESTIONNAIRE, AND RELATED AGREEMENTS  
CUPBOP FRANCHISE, LLC**

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

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Agreement and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** 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 Cupbop’s reasonable estimated or actual costs in effecting a transfer.~~
- ~~2.~~ 4. The state of Washington has a statute, **Franchisee Bill of Rights**, RCW 19.100.180 which may supersede the Agreement in Franchisee’s provisions in the franchise agreement or related agreements concerning your relationship with Cupbop the franchisor, including in the areas of termination and renewal of the your franchise. There may also be court decisions which may that supersede the Agreement in Franchisee’s franchise agreement or related agreements concerning your relationship with Cupbop including the areas of termination and renewal of the franchise the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
- ~~3.~~ 5. **Site of Arbitration, Mediation, and/or Litigation.** 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.

4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. ~~6.~~ **Noncompetition Covenants.** 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~~provision contained in the franchise agreement or elsewhere that ~~conflict~~conflicts with these limitations ~~are~~is void and unenforceable in Washington.
15. ~~7.~~ **Nonsolicitation Agreements.** 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.
16. **Questionnaires and Acknowledgments.** 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.
17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).
18. ~~8.~~ **Use of Advisory Regarding Franchise Brokers.** ~~Cupbop uses the services of franchise brokers to assist it in selling~~Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents Cupbop~~the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the~~If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by a~~the franchise broker about a franchise. Do your own investigation by contacting Cupbop and former franchisees to ask them about their experience with Cupbop.~~

[Signatures on following page]

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

**CUPBOP:**

**Cupbop Franchise, LLC**

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

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

**DEVELOPER:**

Name of Developer

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

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

**WASHINGTON ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT,  
DISCLOSURE QUESTIONNAIRE, AND RELATED AGREEMENTS  
CUPBOP FRANCHISE, LLC**

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

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Area Development Agreement and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** 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 Cupbop’s reasonable estimated or actual costs in effecting a transfer.~~
- ~~2.~~ 4. The state of Washington has a statute, **Franchisee Bill of Rights**, RCW 19.100.180 which may supersede the Agreement in Developer’s provisions in the franchise agreement or related agreements concerning your relationship with Cupbop the franchisor, including in the areas of termination and renewal of the your franchise. There may also be court decisions which may that supersede the Agreement in Developer’s franchise agreement or related agreements concerning your relationship with Cupbop including the areas of termination and renewal of the franchise the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
- ~~3.~~ 5. **Site of Arbitration, Mediation, and/or Litigation.** 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.

4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. ~~6.~~ **Noncompetition Covenants.** 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~~provision contained in the franchise agreement or elsewhere that ~~conflict~~conflicts with these limitations ~~are~~is void and unenforceable in Washington.
15. ~~7.~~ **Nonsolicitation Agreements.** 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.
16. **Questionnaires and Acknowledgments.** 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.
17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).
18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

~~8. Cupbop uses the services of franchise brokers to assist it in selling franchises. A franchise broker represents Cupbop and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting Cupbop and former franchisees to ask them about their experience with Cupbop.~~

*[Signatures on following page]*

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

**CUPBOP:**

Cupbop Franchise, LLC

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

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

**DEVELOPER:**

Name of Developer

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

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

## EXHIBIT H

### STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document 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 document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	<del>June 1, 2023, as amended September 13, 2023</del> Pending
<del>Illinois</del> <u>Hawaii</u>	<del>June 16, 2023, as amended _____</del> September 13, 2023 Pending
<del>Indiana</del> <u>Illinois</u>	<del>April 7, 2023, as amended September 8, 2023</del> Pending
Maryland	Pending
Michigan	<del>April 7, 2023, as amended September 8, 2023</del> Pending
Minnesota	<del>December 28, 2023</del> Pending
<del>Rhode Island</del> <u>New York</u>	<del>May 15, 2023, as amended September 18, 2023</del> Pending
Virginia	<del>July 11, 2023, as amended September 14, 2023</del> Pending
Washington	Pending
Wisconsin	<del>April 7, 2023, as amended September 13,</del>

	<del>2023</del> Pending
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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 PAGE**

**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 Cupbop Franchise, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us in connection with the proposed franchise sale. Under New York and Wisconsin 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, Cupbop Franchise, LLC may be required to provide this Disclosure Document to you at your first personal meeting to discuss the franchise.

If Cupbop Franchise, LLC 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. Cupbop Franchise, LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for us in the particular state. Dok Kwon, 12184 South Business Park Drive, Suite C, Draper, UT 84020 is authorized as its agent for service of process Utah, the state of franchisor’s formation.

The franchisor is Cupbop Franchise, LLC, located at 12184 South Business Park Drive, Suite C, Draper, UT 84020. Its telephone number is (801) 916-8968.

Our 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.

<u>Dok Kwon</u>	<u>12184 South Business Park Drive, Suite C</u>	<u>Draper, UT 84020</u>	<u>(801) 916-8968</u>
<u>Neal Courtney Mike Penn</u>	<u>2497 Evening Star Dr, 12184 South Business Park Drive, Suite C</u>	<u>Holladay Draper, UT 8412484020</u>	<u>(801) 703- 6443916-8968</u>

I have received a Disclosure Document with an issuance date of ~~April 5, 2023, as amended September 8, 2023 that included~~ March 26, 2025 that includes the following Exhibits:

- A. State Agencies
- B. Financial Statements
- C. Franchise Agreement
- D. Area Development Agreement
- E. Operations Manual Table of Contents
- F. Current and Former Franchisee List
- G. State Specific Addenda
- H. State Effective Dates
- I. Receipt

Date: \_\_\_\_\_ Your name (please print): \_\_\_\_\_

Your signature: \_\_\_\_\_

You should return one copy of the signed receipt either by signing, dating, and mailing it to Cupbop Franchise, LLC at 12184 South Business Park Drive, Suite C, Draper, UT 84020, or by emailing a copy of the signed receipt to Cupbop Franchise, LLC at dok@cupboptruck.com. 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 Cupbop Franchise, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us in connection with the proposed franchise sale. Under New York and Wisconsin 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, Cupbop Franchise, LLC may be required to provide this Disclosure Document to you at your first personal meeting to discuss the franchise.

If Cupbop Franchise, LLC 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. Cupbop Franchise, LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for us in the particular state. Dok Kwon, 12184 South Business Park Drive, Suite C, Draper, UT 84020 is authorized as its agent for service of process Utah, the state of franchisor’s formation.

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<u>Neal Courtney Mike Penn</u>	<u>2497 Evening Star Dr, 12184 South Business Park Drive, Suite C</u>	<u>Holladay Draper, UT 84124 84020</u>	<u>(801) 703- 6443916-8968</u>

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- A. State Agencies
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You should return one copy of the signed receipt either by signing, dating, and mailing it to Cupbop Franchise, LLC at 12184 South Business Park Drive, Suite C, Draper, UT 84020, or by emailing a copy of

the signed receipt to Cupbop Franchise, LLC at [dok@cupboptruck.com](mailto:dok@cupboptruck.com). You may keep this copy for your records.