



**FRANCHISE DISCLOSURE DOCUMENT**

**HOT CHIKN KITCHN LLC  
D/B/A HCK HOT CHICKEN**

**ISSUANCE DATE: MARCH 26, 2023**

## FRANCHISE DISCLOSURE DOCUMENT



### Hot Chikn Kitchn LLC

A Florida limited liability company

PO Box 3566

Sarasota, FL 34230

(941) 257-3663

franchise@eatHCK.com

www.eatHCK.com

HCK Hot Chicken restaurants feature Nashville-style hot chicken tenders and sandwiches with made-to-order spices and related food and drink items in a fun, fast-casual restaurant format (“Restaurant(s)” or “HCK Hot Chicken Restaurant(s)”) and non-traditional restaurant locations. We offer area development franchises (“Area Development Franchise(s)”) for the rights to open multiple Restaurants in a designated area. Area developers sign individual franchise agreements for each Restaurant. We primarily offer Area Development Franchises, but we may offer single Restaurant franchises in certain situations, such as non-traditional restaurants.

The total investment necessary to begin operation of a single HCK Hot Chicken Restaurant (including non-traditional Restaurants) franchised business is between \$192,00 and \$618,500. This includes \$65,000 that must be paid to the franchisor or its affiliate(s).

The total investment necessary to begin operations as an Area Developer under a development agreement depends on the number of Restaurants we grant you the right to open. The total investment necessary to begin operations under a development agreement for the right to open between three (3) and ten (10) Restaurants ranges from \$251,000 and \$828,500. This includes \$124,000 to \$275,000 that must be paid to us or our affiliates upon execution of the development agreement and the franchise agreement for your first Restaurant.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosure in different formats, contact our Franchise Development Department at PO Box 3566, Sarasota, FL 34230, or by phone at (941) 257-3663.

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

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

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

Issuance Date: March 26, 2023



## How to Use This Franchise Disclosure Document

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

| QUESTION                                                                                 | WHERE TO FIND INFORMATION                                                                                                                                                                                                                                  |
|------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>How much can I earn?</b>                                                              | Item 19 may give you information about outlet sales, costs, profits, or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit G. |
| <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 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 HCK Hot Chicken franchisee?</b>                                | Item 20 or Exhibit G 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:

**Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Florida. 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 Florida than in your own state.

**Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

**Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

**Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support you.

**Unregistered Trademark.** The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.

**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.

**THE STATE OF MICHIGAN REQUIRES US TO INCLUDE THE FOLLOWING NOTICE IN  
THE DISCLOSURE DOCUMENT:**

**The State of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you.**

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that 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.
- (c) 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.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials that 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 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
  - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

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

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

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

**The fact 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 Department of Attorney General, State of Michigan, 670 Williams Building, Lansing, Michigan 48913, Telephone (517) 373-7117.

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

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## EXHIBITS

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APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES REGARDING THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT OR STATE SPECIFIC AMENDMENTS TO THE FRANCHISE AGREEMENT. THESE ADDITIONAL DISCLOSURES OR STATE SPECIFIC AMENDMENTS, IF ANY, APPEAR IN THE STATE ADDENDA IN EXHIBIT H.

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

To simplify the language in this Franchise Disclosure Document, “we,” “us” or “HCK” means Hot Chikn Kitchn LLC, the franchisor. “You” means the individual, corporation, partnership, limited liability company, or other entity who buys the franchise. If the franchisee will operate through a corporation, partnership, limited liability company or other entity, “you” also includes the franchisee’s owners or partners.

**The Franchisor and its Affiliates**

We are a Florida limited liability company organized on November 12, 2021. Our principal business address is 650 Golden Gate Point, #401, Sarasota, FL 34236. We conduct business under our corporate name and the trade name “HCK Hot Chicken.” We began offering franchises (“Franchise(s)”) under the trade name “Hot Chikn Kitchn” in December 2021. In March 2023, we began using the trade name “HCK Hot Chicken.” We have not previously operated or offered franchises in any other line of business. We have no predecessor or parent entities.

Our affiliate, MAS2, LLC (“HCK Affiliate One”), has operated a Restaurant since November 2020. We have a second affiliate, SB610 LLC (“HCK Affiliate Two”), which opened an HCK restaurant in May 2022. We have a third affiliate, Water’s End Brewery, LLC (“HCK Affiliate 3”), which opened an HCK restaurant in December 2022. We do not have any affiliates that offer franchises in any line of business or provide products or services to our franchisees. Our franchise system is based on HCK Affiliate One’s business model. Collectively, we refer to the affiliate-owned Restaurants as the “Company-Owned Outlets” in this Disclosure Document.

The principal business address of our agent for service of process in Florida is 650 Golden Gate Point, #401, Sarasota, FL 34236. Our agents for service of process for other states are identified by state in Exhibit A. If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

Other than those listed above, we do not have any other parents, predecessors, or affiliates.

**The Franchise Offered**

Single Unit Offering

HCK Hot Chicken Restaurants serve Nashville-style hot chicken tenders and sandwiches with made- to-order spices. The Restaurants are generally located in retail strip malls, dense urban areas, regional shopping centers and entertainment and travel centers. The Restaurants will have both carryout and eat-in customers and will offer online ordering. With few exceptions, the Restaurants will be open year-round, closing only on selected holidays. In certain locations we may authorize you to offer beer and wine.

HCK Hot Chicken Restaurants operate from an approved retail location (“Premises”) under our system, which includes, among other things, distinctive recipes, preparation techniques, product specifications, signs, trade secrets and other confidential information, architectural designs, trade dress, layout plans, uniforms, equipment specifications, inventory, and marketing techniques (“System”).

Multi-Unit Offering

HCK Hot Chicken area developers (“Area Developer(s)”) obtain the right to build a mutually agreed upon number of HCK Hot Chicken Restaurants in a specified development area (“Development Area”) in accordance with a specified development schedule (“Development Schedule”). The Development Area will

be established based on the consumer demographics of the area, the geographical area, city, county, and other boundaries. Area Developers must sign our area development agreement attached to this Franchise Disclosure Document as Exhibit D (“Area Development Agreement”). Area Developers must also sign a franchise agreement for the first HCK Hot Chicken Restaurant at the same time as the Area Development Agreement.

While we primarily offer Area Development Franchises and individual Franchises to our Area Developers, we may, under certain circumstances, such as non-traditional location venues, offer single Restaurant Franchises. Area Developers and franchisees will sign a separate franchise agreement for each Restaurant on the then-current form used by us at the time, which may contain materially different terms than the current Franchise Agreement included with this Franchise Disclosure Document. You must enter into each additional franchise agreement while we are still offering franchises. Our standard franchise agreement is attached to this Franchise Disclosure Document as Exhibit C (“Franchise Agreement”).

Unless otherwise stated, any reference in this Franchise Disclosure Document to “you” or “franchisee” includes you both as an Area Developer under an Area Development Agreement and as a franchisee under a Franchise Agreement.

### Non-Traditional Venues

If your HCK Hot Chicken Restaurant is located in a “Non-Traditional Venue,” it will be referred to as a “Non-Traditional Restaurant.” A “Non-Traditional Venue” is a facility operated under the HCK Hot Chicken trademarks located within another primary business or in conjunction with other businesses or at institutional settings, including toll roads, train stations, amusement parks, and all properties controlled by the amusement park, travel stations, hotels and motels, ships, ports, piers, casinos, stadiums, airports, theatres, big box retailers, building supply stores, warehouse club stores, colleges and universities, schools, hospitals, military and other governmental facilities, office or in-plant food service facilities, shopping mall food courts operated by a master concessionaire, grocery stores, outlet malls, supermarkets and convenience stores, and any site for which the lessor, owner or operator shall have indicated its intent to prefer or limit the operation of its food service facilities to a master concessionaire or contract food service provider. If you sign a Franchise Agreement for a Non-Traditional Restaurant, you must sign (in addition to our standard Franchise Agreement) the addendum attached in Exhibit I (“Non-Traditional Location Addendum”). Non-Traditional Restaurants may share their premises with other businesses, within a host facility, and may provide limited menu items and limited or no delivery. Typically, you will sign a lease with the host facility.

A “Traditional Restaurant” is a business premise that exists primarily as a Restaurant, at a venue other than a Non-Traditional Venue; however, a Traditional Restaurant may also have other types of HCK approved co-branded businesses located in it. In these circumstances the Restaurant is the primary business. A Traditional Restaurant may also have a drive-thru and pickup window. Unless otherwise stated, Non-Traditional Restaurants and Traditional Restaurants are referred to collectively with “Restaurants” and “HCK Hot Chicken Restaurants” in this Franchise Disclosure Document.

### Area Representative Offering

Currently we do not offer, but may in the future offer, area representative rights to certain individuals and companies through a separate Franchise Disclosure Document as a separate line of business. An “Area Representative” acts as our representative within a defined geographic area to solicit prospective franchises and to provide support before, during and after a franchisee begins operations. If your Restaurant is in an area with an Area Representative, they will assist us in providing certain support functions to you. Area Representatives are not management service organizations and will not provide any administrative staff and services to you.

## Market and Competition

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

## Industry-Specific Laws

Many states and local jurisdictions have enacted laws, rules, regulations and ordinances that may apply to the operation of your HCK Hot Chicken Restaurant, including those that: (a) establish general standards, specifications and requirements for the construction, design and maintenance of your Restaurant; (b) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements; employee practices concerning the storage, handling, and preparation of food; restrictions on smoking and exposure to tobacco smoke or other carcinogens or reproductive toxicants and saccharin; availability of and requirements for public accommodations, including restrooms; (c) set standards pertaining to employee health and safety; (d) set standards and requirements for fire safety and general emergency preparedness; (e) govern the use of vending machines; (f) regulate the proper use, storage and disposal of waste, insecticides and other hazardous materials; (g) establish general requirements or restrictions on menu guidelines and on advertising containing false or misleading claims or health and nutrient claims on menus or otherwise, such as “low calorie” or “fat free;” and (h) establish requirements concerning withholdings and employee reporting of taxes on tips. You will need to obtain a liquor license for the operation of the Restaurant if you request the ability to serve beer and wine on premises, and we approve your request. You need to be familiar with the procedures, difficulty and cost associated with obtaining a license to sell liquor, the restrictions placed on the manner in which liquor may be sold, and the potential liability imposed by dram shop laws involving injuries, directly and indirectly, related to the sale of liquor and its consumption.

Many local or state jurisdictions require food service permits for those preparing, handling, and serving food to the public. You and your employees may be required to pass a test or other certification process to obtain these permits. There may also be local ordinances and regulations governing food storage, preparation and serving.

Commencing in December 2019 and continuing through the issuance of this Disclosure Document, the COVID- 19 virus began spreading throughout the world including the first outbreak in the US in February 2020. COVID-19 has and continues to significantly disrupt local, regional, and global economies and businesses. Because of the operating restrictions, limitations on group gatherings, forced closures, and other consequences of the outbreak, there is the possibility of significant disruptions in customer demand, the supply chain for products and services, employee availability, and other aspects of operating your franchised business. The situation could also affect operating costs in a material way. You also must comply with all applicable laws, rules and orders of any government authority concerning the outbreak and your response.

You alone are responsible for investigating, understanding, and complying with all applicable laws, regulations and requirements that apply to you and your HCK Hot Chicken Franchise, despite any advice or information that we may give you. You should consult with a legal advisor about whether these and/or other requirements apply to your HCK Hot Chicken Restaurant. Failure to comply with laws and regulations is a material breach of the Franchise Agreement.

## **ITEM 2.**

### **BUSINESS EXPERIENCE**

#### **Michael Sarago - CEO & Co-Founder**

Michael Sarago has been our CEO and Founder since November 2021, and has served as the CEO of our affiliate, MAS2 LLC, since November 2020. Mr. Sarago has been the Managing Member of our affiliate, SB610 LLC, since November 2021. From 2014 to present, Mr. Sarago has also served as Managing Member of Sarago Group Holdings LLC, a restaurant holding company. Mr. Sarago serves in all his current capacities from Woodbridge, Virginia.

#### **Anthony Sarago - Chief Operating Officer & Co-Founder**

Anthony Sarago serves as our COO and Co-Founder and has been in that role since November 2021. Anthony is the Co-Founder and serves as COO of our affiliate, MAS2 LLC, since November 2020. Mr. Sarago worked as an analyst for YRCI in Fairfax, Virginia from May 2018 to February 2021. Prior to that, Mr. Sarago attended East Carolina University from August 2016 to June 2018. Mr. Sarago serves in all his current capacities from Woodbridge, Virginia.

#### **Chef Frederic Gilmore - Chief Culinary Officer**

Frederic Gilmore has been our CCO since November 2021, and CCO of our affiliate, MAS2 LLC, since November 2020. Since October 2009, Mr. Gilmore has been enlisted in the United States Navy, and is currently a Chief Culinary Specialist working as a Household/Estate Manager and Personal Chef for 3 and 4-Star General Officers in the Armed Forces in the Capitol Region. From June 2019 to October 2020 Chef Frederic Gilmore was a Catering Chef at The White House. From October 2016 to March 2020 Frederic Gilmore was the lead trainer and Captain of the United States Navy Culinary Arts Competition Team. Mr. Gilmore serves in all his current capacities from Woodbridge, Virginia

#### **Dave Wood - Chief Strategic Officer**

Dave Wood has been our CSO since November 2021. Since March 2018, Mr. Wood has served as the CEO of Mahana Fresh LLC. Since March 2017, Mr. Wood has served as CEO of Great Food and Friends LLC. Since November 2012, Mr. Wood has served as an advisor to Jersey Mike's Team Washington LLC, Zinga Franchise Group LLC, and other non-franchise businesses in which he or his family have investments. Mr. Wood serves in all his current capacities from Sarasota, Florida.

#### **Dave Baer - Training and Operations Consultant**

Dave Baer has served our Training and Operations Consultant since November 2021. Since November 2019, Mr. Baer has served as the COO of Mahana Fresh LLC. From March 2017 to November 2019, Mr. Baer was Chief Operating Officer of Great Food and Friends LLC. From March 2018 to November 2019, Mr. Baer was also President of Great Food and Friends LLC. Mr. Baer serves in all his current capacities from Manassas, Virginia.

## **ITEM 3.**

### **LITIGATION**

No litigation is required to be disclosed in this Item.

## **ITEM 4.**

### **BANKRUPTCY**

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

## **ITEM 5. INITIAL FEES**

### **Franchise Agreement**

The “Initial Franchise Fee” for a HCK Hot Chicken Restaurant, whether a Traditional Restaurant or a Non-Traditional Restaurant, is \$40,000. The Initial Franchise Fee is payment for certain pre-opening assistance that we provide to allow you to open your HCK Hot Chicken Restaurant, and also offsets some of our franchisee recruitment expenses. The Initial Franchise Fee is uniform and, unless you are signing a Franchise Agreement under an Area Development Agreement, payable when you sign each Franchise Agreement (see Area Development Agreement section below for Initial Franchise Fee payment schedule for Restaurants opened under an Area Development Agreement). The Initial Franchise Fee is non-refundable for Traditional Restaurants and may be partially refundable for Non-Traditional Restaurants, as described below.

### **Area Development Agreement**

In addition to the full Initial Franchise Fee for the first Restaurant to be developed, Area Developers must pay a development fee (“Development Fee”) as described in the table below:

| <b>Restaurants in Development Pack</b> | <b>Development Fee</b> |
|----------------------------------------|------------------------|
| 3 Restaurants                          | \$99,000               |
| 5 Restaurants                          | \$150,000              |
| 10 Restaurants                         | \$250,000              |

If you enter into an Area Development Agreement, you must execute our current form of Franchise Agreement for the first Restaurant we grant you the right to open within your Development Area concurrently with the Development Agreement. You will be required to pay the complete Development Fee for the number of Restaurants you agree to open upon signing the Franchise Agreement and Development Agreement. For example, if you commit to develop three Restaurants under a Development Agreement, you will pay us \$99,000 at the time you sign the agreements. The Development Fee is uniformly calculated, payable when you sign your Area Development Agreement and is non-refundable under any circumstances, even if you fail to open any HCK Hot Chicken Restaurants.

### **Grand Opening Marketing Spend**

You must pay us \$20,000 to conduct a grand opening advertising campaign on your behalf for each Restaurant you open (the “Grand Opening Marketing Spend”). The Grand Opening Marketing Spend is due upon invoice which will be sent approximately 60 days prior to your anticipated grand opening date, is uniform to all franchisees and is nonrefundable upon payment.

### **On-Site Training Fee**

For each Restaurant that you open, you must pay us an “On-Site Training Fee” of \$5,000. The On-Site Training fee is due upon invoice which will be sent approximately 60 days prior to your anticipated grand opening date, is uniform to all franchisees and is nonrefundable upon payment.

### **Non-Traditional Restaurant**

If you sign a Non-Traditional Location Addendum, either you or we may terminate the Franchise Agreement if, within 90 days of the effective date of the Franchise Agreement, you are denied the necessary governmental permits for the location of your Non-Traditional Restaurant and you submit to us documentation evidencing the denial. Upon termination, we will refund the Initial Franchise Fee, less any

direct out-of-pocket expenses we incurred, including fees paid to brokers or our internal sales staff related to your purchase of the franchise rights. Any refund will be subject to your signing of a general release in the form we provide. A sample “General Release Agreement” is attached to this Disclosure Document in Exhibit I. In our prior fiscal year, we did not issue any refunds of Initial Franchise Fees.

Except as otherwise described above, these fees are uniform to all franchisee and are nonrefundable upon payment.

## ITEM 6. OTHER FEES

| Type of Fee<br>(Note 1)                                   | Amount                                                                            | Due Date                           | Remarks                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------|-----------------------------------------------------------------------------------|------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Continuing Royalty<br>(Note 2)                            | 6% of Gross Sales                                                                 | Due on Wednesday of each week      | The “Continuing Royalty” is based on “Gross Sales” during the previous week. Payments are made via an electronic funds transfer (“EFT”). Your Continuing Royalty is an ongoing payment that allows you to use the marks and the intellectual property of the System and pays for our ongoing support and assistance.                                                                                                                         |
| Brand Fund Contribution<br>(Note 2)                       | Currently 2% of weekly Gross Sales (may be increased to 4% of weekly Gross Sales) | Same as Continuing Royalty         | You must contribute 2% of your Gross Sales to our system-wide “Brand Fund” for our use in developing and building the HCK Hot Chicken brand (“Brand Fund Contribution”). We reserve the right to increase this fee to 4% once we have 50 Restaurants in operation.                                                                                                                                                                           |
| Local Advertising, Marketing, and Promotional Expenditure | 1% of Gross Sales                                                                 |                                    | In addition to the Brand Fund Contributions, you must spend a minimum of 1% per month on local advertising and promotion implemented in a format and using materials and designs approved by us.                                                                                                                                                                                                                                             |
| Local and Regional Advertising Cooperatives<br>(Note 3)   | Established by cooperative members, up to 2% of monthly Gross Sales.              | Established by cooperative members | We currently do not have a cooperative but reserve the right to require one to be established in the future. Item 11 contains more information about advertising cooperatives.                                                                                                                                                                                                                                                               |
| Site Review and Evaluation Fee                            | Actual costs                                                                      | As incurred                        | We typically review up to three sites for each Restaurant at no charge. We may charge you this fee, in our sole discretion, if you are required to submit more than three sites.                                                                                                                                                                                                                                                             |
| Insurance                                                 | Reimbursement of our costs, plus a 20% administration charge                      | On demand                          | If you fail to obtain insurance, we may obtain insurance for you, and you must reimburse us for the cost of insurance obtained plus 20% of the premium for an administrative cost of obtaining the insurance.                                                                                                                                                                                                                                |
| Additional Training or Assistance<br>(Note 4)             | Then-current charge (currently \$500 to \$1,000 per week per person)              | Prior to beginning of training     | We provide initial training at no charge for up to three people so long as they all attend the same training session. We may charge you for training additional persons, replacement personnel, newly hired personnel, refresher training courses, advanced training courses, and additional or special assistance or training you need or request. The fee amount will depend on the training required and experience level of the trainer. |

| Type of Fee<br>(Note 1)                            | Amount                                                                                                                                                                                                                                                                                                                                                     | Due Date                                                                                 | Remarks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| HCK Hot Chicken Certification Training<br>(Note 5) | No charge for initial certifications; our then-current fees for additional certifications or re-certifications (currently \$2,500 per person plus expenses for newly hired managers or certifications for your fourth and subsequent Restaurant, and \$1,000 per person if you have a certified training store and we come to your Restaurant for testing) | Prior to beginning of training                                                           | We will provide one certification at no charge for the training manager, and restaurant manager. While we do not charge for the certifications, you must pay the On-Site Training Fee described in Item 5 for each Restaurant you open. See Note 5 for more information.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Rescheduling Expenses                              | Actual costs                                                                                                                                                                                                                                                                                                                                               | As incurred                                                                              | You must reimburse us for costs and expenses incurred if pre-opening training and review is delayed or accelerated by more than two days.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Technology Fee<br>(Note 6)                         | Then-current fee (currently \$500 per month), plus any account setup fees charged by our approved suppliers that we incur on your behalf.                                                                                                                                                                                                                  | First Wednesday of each month with Continuing Royalty                                    | This fee covers certain technologies used in the operation of your HCK Hot Chicken Restaurant, including lease of the hardware and the software license (“Technology Fee”). We reserve the right to upgrade, modify, or add new software. You will pay the set-up fee and begin paying the Technology Fee the first Wednesday after your HCK Hot Chicken Restaurant opens. You will be responsible for any increase in fees that result from an upgrade, modification, or any additional software or from increases from third party vendors. In addition to the monthly Technology Fee, you will be responsible for any “per transaction” fee charged by third-party vendors for mobile application or online ordering. We may increase the Technology Fee upon 30 days’ written notice. |
| Registration for Annual Convention                 | Between \$500 and \$1,000 per attendee                                                                                                                                                                                                                                                                                                                     | Payable 30 days after written notice to you, unless otherwise specified by us in writing | We may charge a per person attendance fee for our annual convention at which attendance is mandatory by you, or your operating principal or other principal acceptable to us. This fee is due even if you do not attend the annual convention.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Food Safety or Other Inspection                    | Cost of inspection and our reasonable travel/living expenses in conducting the inspection (if any)                                                                                                                                                                                                                                                         | As incurred                                                                              | We may conduct a food safety audit or other inspection of your HCK Hot Chicken Restaurant. You will pay us directly upon invoicing. This fee is uniformly imposed and is not refundable under any circumstances.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Food Safety or Other Inspection Field Revisit      | Cost of inspection plus \$850 for the first offense and \$2,500 for any additional offense                                                                                                                                                                                                                                                                 | Before re-inspection                                                                     | If you fail a food safety audit or other inspection, we will require you to undergo an additional audit or inspection. You will pay us directly upon invoicing. This fee is uniformly imposed and is not refundable under any circumstances.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Supplier and Product Evaluation Fee                | Costs of inspection                                                                                                                                                                                                                                                                                                                                        | As incurred                                                                              | We may charge a fee if we inspect a new product, service or proposed supplier nominated by you.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

| Type of Fee<br>(Note 1)               | Amount                                                                                                                                        | Due Date                                                                                                 | Remarks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Unauthorized Advertising Fee          | \$500 per occurrence                                                                                                                          | Upon demand                                                                                              | This fee is payable to the Brand Fund, if you use unauthorized advertising in violation of the terms of the Franchise Agreement.                                                                                                                                                                                                                                                                                                                                                                    |
| Customer Issue Resolution             | Reasonable costs we incur for responding to a customer complaint.                                                                             | On invoice                                                                                               | Payable if a customer of your HCK Hot Chicken Restaurant contacts us with a complaint and we provide a gift card, refund, or other value to the customer as part of our addressing the issue.                                                                                                                                                                                                                                                                                                       |
| Payment Service Fee                   | Up to 4% of total charge                                                                                                                      | As incurred                                                                                              | If payment is made to us or our affiliate by credit card for any fee required, we may charge a service charge of up to 4% of the total charge.                                                                                                                                                                                                                                                                                                                                                      |
| Late Fee                              | \$100 per occurrence, plus the lesser of the daily equivalent of 12% per year simple interest or the highest rate allowed by law ("Interest") | As incurred                                                                                              | Payable if any payment due to us or our affiliates is not made by the due date. Interest accrues from the original due date until payment is received in full.                                                                                                                                                                                                                                                                                                                                      |
| Non-Sufficient Funds Fee              | The lesser of \$100 per occurrence, or the highest amount allowed by law                                                                      | As incurred                                                                                              | Payable if any check or EFT payment is not successful due to insufficient funds, stop payment, or any similar event.                                                                                                                                                                                                                                                                                                                                                                                |
| Failure to Submit Required Report Fee | \$100 per occurrence and \$100 per week                                                                                                       | Your bank account will be debited for failure to submit any requested report within five days of request | Payable if you fail to submit any required report or financial statement when due. Fines collected are paid to the Brand Fund. You will continue to incur this fee until you submit the required report.                                                                                                                                                                                                                                                                                            |
| Audit Expenses                        | Cost of audit and inspection, any understated amounts, plus Interest, and any related accounting and legal expenses                           | On demand                                                                                                | You will be required to pay this if an audit reveals that you understated your weekly Gross Sales by more than 2% or you fail to submit required reports.                                                                                                                                                                                                                                                                                                                                           |
| Management Fee                        | Our costs and expenses plus a 20% administration charge                                                                                       | As incurred                                                                                              | Payable if we or our affiliates manage the HCK Hot Chicken Restaurant because you are in breach of the Franchise Agreement.                                                                                                                                                                                                                                                                                                                                                                         |
| Professional Fees and Expenses        | Will vary under circumstances                                                                                                                 | As incurred                                                                                              | You must reimburse us for any legal, accounting, or other professional fees that we incur as a result of any breach or termination of your Franchise Agreement. You must reimburse us if we are required to incur any expenses in enforcing our rights against you under the Franchise Agreement, or for any costs or fees we incur for any transfer that is not completed. You will also be required to pay any professional fees that we incur for certain transfers as discussed in this Item 6. |
| Indemnification                       | Will vary under circumstances                                                                                                                 | As incurred                                                                                              | You must indemnify and reimburse us for any expenses or losses, including professional fees that we or our representatives incur related in any way to your HCK Hot Chicken Restaurant or Franchise.                                                                                                                                                                                                                                                                                                |
| Renewal Fee                           | The greater of 50% of our then-current initial franchise fee, or \$20,000                                                                     | At the time you sign the new franchise agreement                                                         | Payable if you qualify to renew your Franchise Agreement and choose to enter into a successor franchise agreement.                                                                                                                                                                                                                                                                                                                                                                                  |

| Type of Fee<br>(Note 1)                                    | Amount                                                                            | Due Date                                                                                                                                | Remarks                                                                                                                                                                                                                                                                                                                               |
|------------------------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Relocation Fee                                             | \$5,000                                                                           | As incurred                                                                                                                             | Payable if we permit you to relocate your HCK Hot Chicken Restaurant.                                                                                                                                                                                                                                                                 |
| Transfer Fee<br>(Note 7)                                   | 50% of our then-current initial franchise fee per Restaurant                      | \$1,000 non-refundable deposit at time of transfer application submittal, and the remaining balance of fee at time of approved transfer | Payable when you transfer your Franchise or upon any "Assignment" as defined in the Franchise Agreement. Unless we approve otherwise, in our sole discretion, you will not be able to transfer single Restaurants or franchise agreements for unopened Restaurants under the Area Development Agreement as explained in Note 7 below. |
| Transfer to Entity                                         | Our actual internal and third-party costs in reviewing the requested transfer.    | Upon demand                                                                                                                             | If you are transferring the Franchise Agreement to an entity that you control, you will not be required to pay a transfer fee, but you must pay our actual costs.                                                                                                                                                                     |
| Liquidated Damages (Note 8)                                | Will vary under the circumstances                                                 | Within 15 days after termination of the Franchise Agreement                                                                             | Due only if we terminate the Franchise Agreement before the end of the term because of your violation of any of the terms of the non-competition provisions.                                                                                                                                                                          |
| Broker Fees                                                | Our actual cost of the brokerage commissions, finder's fees, or similar charges   | As incurred                                                                                                                             | If you transfer your HCK Hot Chicken Restaurant Business to a third party or purchaser, you must reimburse all of our actual costs for commissions, finder's fees and similar charges.                                                                                                                                                |
| Securities Offering Fee (Area Development Franchises Only) | Our reasonable costs and expenses associated with reviewing the proposed offering | Due when you ask us to review a proposed securities offering                                                                            | If you plan to offer securities by private offering, you must obtain our approval. You must submit all documents we reasonably request and pay this fee.                                                                                                                                                                              |

#### Notes:

1. **Fees.** All fees paid to us, or our affiliates, are uniform and not refundable under any circumstances once paid. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers. We currently require you to pay fees and other amounts due to us or our affiliates via EFT or other similar means. You are required to complete the EFT authorization (in the form attached to this Franchise Disclosure Document in Exhibit I). You are also required to complete the credit card authorization (in the form attached to this Franchise Disclosure Document in Exhibit I), which allows us to charge your credit card for any past due amounts in the event an EFT payment is unsuccessful. We can require an alternative payment method or payment frequency for any fees or amounts owed to us or our affiliates under the Franchise Agreement. If you enter into an Area Development Agreement to operate multiple HCK Hot Chicken Restaurants, the fees indicated in the chart above are the fees charged and/or incurred for each HCK Hot Chicken Restaurant. All fees are current as of the Issuance Date of this Franchise Disclosure Document. Certain fees that we have indicated may increase over the term of the Franchise Agreement.

2. **Gross Sales.** "Gross Sales" includes all revenues received or receivable by you as payment, whether in cash or for credit or barter, or other means of exchange (and, if for credit or barter, whether or not payment is received), on account of any and all goods, merchandise, services, or products sold in or from your Restaurant, or which are promoted or sold under any of the trademarks or by using the System. Gross Sales includes all proceeds from any business interruption insurance. Gross Sales excludes: (i) sales taxes, value added or other tax, excise or duty charged to customers, based on sales at or from your Restaurant; (ii) tips, gratuities or service charges paid directly by customers to your employees or paid to you and promptly turned over to your employees in lieu of direct tips or gratuities; and (iii) proceeds from isolated sales of equipment and trade fixtures that are not part of your products and services offered for resale at your Restaurant nor having any material effect upon the ongoing operation of your Restaurant. For items sold using coupons or other discounts (which we must approve), Gross Sales also excludes the amount

discounted from the purchase price of such item and from sales of prepaid gift cards and certificates, but franchisees must pay Continuing Royalties and Brand Fund Contributions on sales from the redemption of gift cards and/or certificates at their Restaurant(s).

3. Local and Regional Advertising Cooperatives. We reserve the right to establish a local or regional advertising cooperative. If a local or regional advertising cooperative is established, contribution amounts to the local or regional advertising cooperative will be established by the cooperative members up to 2% of Gross Sales. We anticipate that each HCK Hot Chicken franchisee will have one vote for each HCK Hot Chicken Restaurant operated by the member in the designated market. No local or regional advertising cooperatives have been established as of the Issuance Date of this Franchise Disclosure Document.

4. Training. We provide our initial training program for up to three management persons, including one Operating Principal (if you are an entity), and one Director of Operations provided they attend initial training at the same time.

5. HCK Hot Chicken Certification Training. We currently offer two types of HCK Hot Chicken certifications: (1) training manager (“TM”); and (2) restaurant manager (“RM”). TM certified individuals are able to provide HCK Hot Chicken initial training to Restaurant managers and assistant managers. The certified RM is you or your, if you are an entity, “Operating Principal” (See Item 15). We will not charge for the certification of your first TM, or your RM. You are required to pay our then-current fees and expenses for additional certifications, re-certifications, or multiple certification attempts. All certifications are subject to our capacity and scheduling requirements. You are required to have at least one RM and, for so long as you have the obligation to open one or more Restaurants, one TM, on staff when you own three or more Restaurants (whether directly or through your affiliate(s)). While we do not charge for the certification, you must pay the On-Site Training Fee described in Item 5 for each Restaurant you open. See Note 5 for more information.

6. Technology Fee. We will provide you with certain technical services in exchange for your monthly Technology Fee, which may change from time to time based on changes to the technical services we provide and/or our costs to provide these services. The current Technology Fee is \$500 per month per Restaurant. We reserve the right to create proprietary software or technology that must be used by HCK Hot Chicken franchisees, in which case we may require that you enter into a license agreement with us and pay us reasonable initial and ongoing licensing, support and maintenance fees. We can change the software and technology that must be used by our franchisees at any time, which may result in changes to the Technology Fee. In addition to your monthly Technology Fee, certain approved or required suppliers may charge a fee for initial account setup for technology services. You must pay this fee directly to these vendors or reimburse us for these account setup fees if we incur them on your behalf. Currently, we require that you utilize software provided by third party suppliers. You are required to pay these suppliers for the use of the software.

7. Transfer Fee. Because our primary focus is to work with Area Developers that own multiple Restaurants, we place a restriction on the number of Restaurants that you are able to transfer to preserve this model. If you own (directly or indirectly through affiliates) three or fewer Restaurants, any Assignment must include the rights for all Restaurants, and if you own more than three Restaurants, any Assignment must include at least fifty percent (50%) of the rights for the Restaurants. We also do not allow Area Developers to transfer their rights to open Restaurants under the Area Development Agreement.

8. Liquidated Damages. Liquidated damages are determined by multiplying the combined monthly average of Continuing Royalties and Brand Fund Contributions (without regard to any fee waivers or other reductions) that are owed by you to us, beginning with the date you open your HCK Hot Chicken Restaurant through the date of early termination, multiplied by the lesser of: 36; or (ii) the number of months remaining in the term of the Franchise Agreement, except that liquidated damages will not, under any circumstances, be less than \$30,000.

**ITEM 7.**  
**ESTIMATED INITIAL INVESTMENT**

**A. YOUR ESTIMATED INITIAL INVESTMENT - FRANCHISE AGREEMENT**

| Type of Expenditure                                               | Amount           |                  | Method of Payment | When Due                         | To Whom Payment Is to be Made     |
|-------------------------------------------------------------------|------------------|------------------|-------------------|----------------------------------|-----------------------------------|
|                                                                   | Low Estimate     | High Estimate    |                   |                                  |                                   |
| Initial Franchise Fee <sup>1</sup>                                | \$40,000         | \$40,000         | Lump Sum          | Upon signing Franchise Agreement | Us                                |
| Travel/Living Expenses for Training <sup>2</sup>                  | \$2,500          | \$6,000          | As incurred       | As incurred                      | Various vendors                   |
| Real estate/rent and deposit <sup>3</sup>                         | \$5,000          | \$20,000         | As incurred       | As incurred                      | Landlord                          |
| Leasehold Improvements <sup>4</sup>                               | \$30,000         | \$240,000        | As incurred       | As incurred                      | Various providers                 |
| Buildout Management <sup>5</sup>                                  | \$0              | \$15,000         | As incurred       | As incurred                      | An approved vendor                |
| Equipment and Small Wares <sup>6</sup>                            | \$30,000         | \$120,000        | As incurred       | As incurred                      | Various suppliers                 |
| Mill Works and Furniture <sup>7</sup>                             | \$8,000          | \$42,000         | As incurred       | As incurred                      | Various suppliers                 |
| Signage <sup>8</sup>                                              | \$5,000          | \$20,000         | As incurred       | As incurred                      | Vendor                            |
| Computer System <sup>9</sup>                                      | \$5,000          | \$7,000          | As incurred       | As incurred                      | Designated vendor                 |
| Office Supplies <sup>10</sup>                                     | \$500            | \$2,000          | As incurred       | As incurred                      | Various suppliers                 |
| Licenses and Permits (not including liquor license) <sup>11</sup> | \$1,000          | \$5,000          | As incurred       | As incurred                      | Licensing and permit authorities  |
| Legal and Accounting <sup>12</sup>                                | \$1,000          | \$5,000          | As incurred       | As incurred                      | Attorney, Accountant              |
| Dues and Subscriptions <sup>13</sup>                              | \$500            | \$1,000          | As incurred       | As incurred                      | Various vendors                   |
| Utility Deposits <sup>14</sup>                                    | \$0              | \$2,500          | As incurred       | As incurred                      | Utility companies                 |
| Insurance <sup>15</sup>                                           | \$2,500          | \$8,000          | As incurred       | As incurred                      | Insurance company                 |
| Initial Inventory <sup>16</sup>                                   | \$6,000          | \$10,000         | As incurred       | As incurred                      | Designated and approved suppliers |
| Grand Opening Marketing Spend <sup>17</sup>                       | \$20,000         | \$20,000         | As incurred       | As incurred                      | Us                                |
| On-Site Training Fee <sup>18</sup>                                | \$5,000          | \$5,000          | As incurred       | As incurred                      | Us                                |
| Additional Funds - 3 months <sup>19</sup>                         | \$30,000         | \$50,000         | As incurred       | As incurred                      | Various vendors                   |
| <b>Total<sup>20</sup></b>                                         | <b>\$192,000</b> | <b>\$618,500</b> |                   |                                  |                                   |

**Notes:**

Generally. All fees paid to us, or our affiliates, are uniform and not refundable under any circumstances once paid. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers.

1. Initial Franchise Fee. The Initial Franchise Fee for one HCK Hot Chicken Franchise is \$40,000. The Initial Franchise Fee is paid upon execution of the Franchise Agreement and is non-refundable. See Item 5 and Table B to this Item 7 for additional information regarding the Initial Franchise Fee when you sign an Area Development Agreement to develop multiple HCK Hot Chicken Restaurants.

2. Travel and Living Expenses While Training. We provide the initial training program tuition-free for up to three (3) of your representatives, however, you are required to pay the expenses that you will incur for travel, food, and lodging during the initial training program. The costs you incur will vary depending upon factors such as distance traveled, mode of transportation, travel preferences (such as air travel or ground transportation), nature of accommodations, per diem expenses actually incurred, and the number of persons who attend training. The low end of this estimate assumes that one (1) person will be attending initial training at our corporate offices in Woodbridge, Virginia, and that you will not need to purchase a flight to attend, while the high end assumes that a total of three (3) individuals will attend the initial training and will be required to purchase a flight to/from that training in order to attend.

3. Real Estate/Rent and Deposit. A HCK Hot Chicken is estimated to require about 1,400 to 1,800 square feet of space. Rent depends on geographic location, size, local rental rates, businesses in the area, site profile, and other factors and could be considerably higher in large metropolitan areas than in more suburban or small-town areas. Restaurants can be located in strip shopping centers, shopping malls, free-standing units, and other venues in downtown commercial areas and in residential areas. We anticipate that you will rent the Restaurant's premises. It is possible, however, that you will choose to buy, rather than rent, real estate on which a building suitable for the Restaurant already is constructed or could be constructed. Real estate costs depend on location, size, visibility, economic conditions, accessibility, competitive market conditions, and the type of ownership interest you are buying. The low estimate assumes you are able to negotiate a period of rent abatement for the initial portion of your lease term and will only be required to make a security deposit upon execution of the lease for your Restaurant. Your ability to obtain a rent abatement will depend upon negotiating power and other prevailing market factors in the area in which you locate your Restaurant.

4. Leasehold Improvements. Leasehold improvement costs, including floor covering, wall treatment, counters, ceilings, painting, window coverings, electrical, carpentry, and similar work. Architect's and contractor's fees are included in this range and will depend on various factors, including: (i) the site's condition, location, and size; (ii) the demand for the site among prospective lessees; (iii) the site's previous use; the build-out required to conform the site for your Restaurant; and (iv) any construction or other allowances the landlord grants. The lower figures provided here under "Leasehold Improvements" assume that you remodel an existing building that has previously been utilized as a restaurant, or operate a Not-Traditional Location which features a smaller kitchen area than Traditional Restaurants, and doesn't require substantial buildout of dining room areas. Construction of a new building on a pad site or otherwise likely would require a greater initial investment, the amount of which would depend on market conditions.

Your actual costs will depend on, among other factors, the Restaurant location and type, the size of the Restaurant, the condition of the premises being remodeled, national and local economic factors, the local costs of material and labor, and the amount of tenant improvement allowances that you are able to obtain, if any. In certain major metropolitan markets such as Boston, Chicago, New York, Los Angeles, San Francisco, Seattle, and Washington, D.C., costs may be higher due to local market rates for materials and labor.

5. Buildout Management. You must use a supplier that we designate or have approved in writing to act as the construction management firm to assist you in managing the build out of your Restaurant. Additionally, we reserve the right to act as the construction management firm for the buildout of your Restaurant. If we exercise this right, we may use additional vendors to assist us with the buildout. You will pay us this fee at the time of lease signing for your location (or, at site approval by us if you own the proposed location).

6. Equipment and Small Wares. These amounts include specific specialized equipment used in the preparation of all of our menu items that you may be required to purchase only from a designated or approved supplier. These amounts also include refrigerators, freezers, and other equipment, such as office equipment and furniture, and telephone system. The low estimate assumes you are able to purchase used equipment and other items that meet our standards and specifications.

7. Mill Works and Furniture. These amounts include purchases of furniture which you may be required to purchase only from a designated or approved supplier. Certain items of millwork such as cabinets and built-in tables and counter tops are also included in this amount.
8. Signage. This estimate includes the cost for one inside sign and one outside sign.
9. Computer System. This estimate includes the amount for the required “Computer System.” Currently, the Computer System is comprised of: (a) a computer (laptop) of any brand capable of operating the required software for use by the management of the Restaurant, an all-in- one printer/scanner/copier, and firewall with all necessary software required to run the approved POS system, which shall include two POS terminals, two cash drawers, two receipt printers,two scanners, a remote printer, one kitchen display system, and; (b) required software suite that the then- current POS system requires and charge a monthly subscription access; and (c) an installation and service package, an annual 24/7 help desk support package, an annual hardware maintenance package, and various hosted solutions required by our merchant services provider.
10. Office Supplies. These amounts include your purchase of miscellaneous office supplies for use in the operation of your Restaurant such as printer paper, ink, writing utensils, and organizational supplies.
11. Licenses and Permits. You must obtain business licenses as dictated by state and local regulations. While we may provide guidance on these matters, you acknowledge that researching and obtaining business licenses in accordance with any law and regulation is solely your responsibility.
- Upon your request and with our written approval, you may obtain a beer and wine license and serve these alcoholic beverages at your Restaurant. Because we do not require you to obtain a beer and wine license, we do not estimate the costs for these licenses in this Item 7. The cost of liquor licenses can vary widely based upon the location of your Restaurant. In some states, liquor licenses may only be available by way of purchase from an existing license holder, which may significantly increase your costs. You are encouraged to consult with an attorney or business advisor with knowledge of liquor licensing laws and permit availability in your market prior to signing your Franchise Agreement if you intend to offer beer and wine at your Restaurant.
12. Legal and Accounting. This estimate includes the cost of professional fees that you may incur in establishing your business. Such expenses may include fees payable to attorneys, accountants, and finance originators that you will need to use for the review of this Disclosure Document and its Exhibits, as well as for entity formation and lease negotiation.
13. Dues and Subscriptions. This estimate is for the costs for joining a local chamber of commerce or similar civic organizations in the area in which your Restaurant operates.
14. Utility Deposits. This estimate includes the costs of deposits for utility services at your Restaurant, which may be paid directly to utility providers or your landlord. The low-end estimate of \$0 takes into account instances where the cost of utilities is included in the rent amount for the store location and utilities deposits are waived based on your credit history.
15. Insurance. This estimate is for your insurance premium deposit and your first three months of insurance coverage, which may be paid prior to opening. You will need to check with your insurance carrier for actual premium quotes and costs, as well as for the actual amount of the deposit. The cost of coverage will vary based upon the area in which your business will be located, your experience with the insurance carrier, the loss experience of the carrier, the amount of the deductibles and of coverage, and other factors beyond our control. You should also check with your insurance agent or broker regarding any additional insurance that you may wish to carry above our required minimums.

16. **Initial Inventory.** This estimate includes the initial supply of inventory of food and beverage products, paper products, cleaning supplies, printing supplies, uniforms, promotional material and other supplies.

17. **Grand Opening Marketing Spend.** You must pay us \$20,000 to conduct a grand opening advertising campaign on your behalf. You can expend any additional amounts that you wish on a grand opening advertising campaign, and we recommend that you do so. We will require you to pay \$20,000 to us for the Grand Opening Marketing Spend upon invoice to be delivered approximately 60 days prior to your anticipated opening date.

18. **On-Site Training Fee.** For each Restaurant that you open, you must pay us an “On-Site Training Fee” of \$5,000. The On-Site Training fee is due upon invoice which will be sent approximately 60 days prior to your anticipated grand opening date, is uniform to all franchisees and is nonrefundable upon payment.

19. **Additional Funds – 3 Months.** This item estimates the additional operating capital that you may need during the initial period (first three months) of operation of your Restaurant (other than the items identified separately in the table). These expenses include items such as payroll costs, Technology Fees, Local Marketing Spending Requirement amounts, and other amounts that you may need as working capital during the initial phase of operations for your Restaurant. We relied on the business experience of our owners and directors in opening the Company-Owned Outlet and other restaurant concepts in compiling this estimate.

20. **TOTAL.** We relied on the experience of our franchisees, and the business experience of our owners and directors and publicly available industry data in compiling these estimates. We strongly recommend that you use these categories and estimates as a guide to develop your own business plan and budget and investigate specific costs in your area. Your actual costs in each category and your actual total costs may be higher or lower than the costs estimated in this chart. You should independently investigate the costs of opening a quick service restaurant in the geographic area in which you intend to open a Restaurant. You should also review the figures carefully with a business advisor before making any decision to purchase the franchise. We do not currently offer financing directly or indirectly for any part of the initial investment, although we reserve the right to do so in the future. The availability and terms of financing depend on many factors, including: the availability of financing, generally; your creditworthiness and collateral; and the lending policies of financial institutions from which you request a loan.

## B. YOUR ESTIMATED INITIAL INVESTMENT – AREA DEVELOPMENT AGREEMENT

| Type of Expenditure                                              | Amount                      |                               | Method of Payment | When Due                           | To Whom Payment Is Made |
|------------------------------------------------------------------|-----------------------------|-------------------------------|-------------------|------------------------------------|-------------------------|
|                                                                  | Low Estimate                | High Estimate                 |                   |                                    |                         |
| Development Fee <sup>(1)</sup>                                   | \$99,000<br>(3 Restaurants) | \$250,000<br>(10 Restaurants) | Lump Sum          | Upon signing Development Agreement | Us                      |
| Estimated Initial Investment for First Restaurant <sup>(2)</sup> | \$152,000                   | \$578,500                     | As incurred       | As incurred                        | Us and third parties    |
| <b>TOTALS<sup>(3)</sup></b>                                      | <b>\$251,000</b>            | <b>\$828,500</b>              |                   |                                    |                         |

### Notes:

1. **Development Fee.** Upon signing the Area Development Agreement and Franchise Agreement for your first Restaurant, you must pay us a Development Fee. All fees and payments are non-refundable, unless otherwise stated or permitted by the payee. The Development Fee varies based on the number of Restaurants you commit to develop. The low estimate is based on a commitment to develop three (3) Restaurants and the high estimate is based on a commitment to develop ten (10) Restaurants. We may

permit you to enter into a Development Agreement to develop more than ten (10) Restaurants if we determine that you are operationally and financially capable of doing so. The Development Fee is due upon execution of your Development Agreement and is not refundable. The Development Fee will be credited towards the initial Franchise Fee for each Restaurant developed under the Development Agreement and you must pay us the balance of the Initial Franchise Fee upon signing a Franchise Agreement for each additional Restaurant in your Development Schedule. See Item 5.

2. Estimated Initial Investment for First Restaurant. For each Restaurant that you develop under a Development Agreement, you will execute a Franchise Agreement and incur the initial investment expenses for the development of a single Restaurant as described in the first table of this Item 7. This estimate is based on the expenses described in the first table of this Item 7. The estimate does not include the Initial Franchise Fee or Development Fee for your first Restaurant we grant you the right to develop under your Area Development Agreement.

3. Total. We do not provide financing to franchisees either directly or indirectly in connection with their initial investment requirements.

## **ITEM 8.**

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

You must operate your HCK Hot Chicken Restaurant according to our System and specifications. This includes purchasing or leasing all products, services, supplies, fixtures, equipment, inventory, computer hardware and software, and real estate related to establishing and operating the HCK Hot Chicken Franchise under our specifications, which may include purchasing these items from: (i) our designees; (ii) approved suppliers; and/or (iii) us or our affiliates. You must not deviate from these methods, standards, and specifications without our prior written consent, or otherwise operate in any manner which reflects adversely on our marks or the System.

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

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

We utilize proprietary food products and recipes (“Proprietary Products”) and may continue to develop and own proprietary recipes. In order to protect their trade secrets and to monitor the manufacture, packaging, processing, and sale of Proprietary Products, we or our affiliates may: (i) manufacture, supply, and sell Proprietary Products to HCK Hot Chicken franchisees; and/or (ii) disclose the formula for methods and preparation of the Proprietary Products to a limited number of suppliers, including one or more of our affiliates, who we authorize to manufacture these Proprietary Products to our precise specifications and sell these products to HCK Hot Chicken franchisees. You must purchase the Proprietary Products we or our affiliates develop from time to time, for secret recipes or formulas, and purchase them only from us or a third party who we have approved to prepare and sell the products. Certain products such as plates, cups, boxes, and containers bearing the trademarks must be purchased by you from certain suppliers approved by us who are authorized to manufacture these products bearing our trademarks.

We may designate certain non-proprietary products, such as condiments, merchandise, beverages, raw materials, fixtures, furnishings, equipment, uniforms, supplies, paper goods, services, menus, packaging, forms, computer hardware, software, modems and peripheral equipment and other products, supplies, services, and equipment, other than Proprietary Products, which you may or must use and/or offer and sell

at your Restaurant (“Non-Proprietary Products”). You may use, offer, or sell only those Non-Proprietary Products that we expressly authorize.

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

Your Restaurant must be constructed, equipped, and improved in compliance with our approved current design criteria. You must use our designated architect. You may employ general contractors you desire, so long as they meet our approval. All plans and modifications to the Premises must be submitted to us for our review and acceptance before you start construction. You must hire our designated architects for construction document review. Unless we notify you in writing that the plans and modifications are accepted, they will be deemed rejected.

You must use the computer hardware and software, including the point-of-sale system that we periodically designate to operate your HCK Hot Chicken Franchise. You must obtain the computer hardware, software, systems, maintenance and support services, and other related services that meet our specifications from the suppliers we specify. You must use our designated merchant services provider for debit and credit cards. You must use our designated supplier for installation, support and hosting of the computer system and software. You will be required to use our designated supplier for our Restaurant reporting system. If you are developing a Non-Traditional Restaurant, you are not required to purchase or lease such systems from our designated supplier. However, you must install and maintain a cash register terminal and configure such computer cash register system to accurately record every sale or transaction, and otherwise comply with our computer system requirements. We will install an application on your POS system that allows us to view and download your sales and product mix information.

You must purchase the insurance coverage that we require for your HCK Hot Chicken Franchise. You currently must have the following insurance coverage: (1) commercial general liability insurance with limits of at least \$1 million per occurrence, at least \$2 million aggregate, and at least \$1 million per person, with \$5,000 per person medical benefits, and a maximum deductible of \$5,000; (2) all risks coverage insurance on all furniture, fixtures, equipment, inventory, supplies and other property used in the operation of the HCK Hot Chicken Franchise (including flood and/or earthquake coverage where there are known risks) for full replacement value; (3) business interruption insurance to cover 12 months of Franchisee’s loss of revenue and ongoing expenses and to cover any amounts owing to the Franchisor under the Franchise Agreement (including, in the case of a casualty loss, the Continuing Royalty, Brand Fund Contributions, and other fees and payments the Franchisor would have received had the casualty loss not occurred) or any other agreement between the Franchisee and the Franchisor or its Affiliates, in the amount specified by the Franchisor in the Brand Standards Manual or otherwise in writing for a minimum period of time as designated by the Franchisor; and (4) workers’ compensation insurance consistent with applicable law. The insurance policies must be purchased from a supplier rated A+ or better by A.M. Best & Company, Inc., or meeting other criteria we may periodically establish.

We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage at any time. All insurance policies must name us and any affiliates we designate as additional insured parties and provide for 30 days prior written notice to us of a policy’s material modification, cancellation, or expiration. You must furnish us with a copy of your certificate of insurance within ten days after the policy is issued or renewed.

If you operate a Non-Traditional Restaurant, and if we request, you must ensure that the general business liability and any other required insurance policies and coverage identified above cover all common areas within the host facility. If you operate other restaurants or businesses within the host facility, in addition to your Non-Traditional Restaurant, you must obtain and maintain comprehensive business liability insurance and an umbrella insurance policy collectively covering all of your businesses.

We will provide you with a list of our designated and approved suppliers in our Brand Standards Manual. If you want to use or sell a product or service that we have not yet evaluated, or if you want to purchase or lease a product or service from a supplier or provider that we have not yet approved (for products and services that require supplier approval), you must notify us and submit to us the information, specifications, and samples we request. We will use commercially reasonable efforts to notify you within 30 days after receiving all requested information and materials whether you are authorized to purchase or lease the product or service from that supplier or provider. We reserve the right to charge a fee to evaluate the proposed product, service, or supplier. We apply the following general criteria in approving a proposed supplier: (1) ability to purchase the product in bulk; (2) quality of services; (3) production and delivery capability; (4) proximity to HCK Hot Chicken Franchises to ensure timely deliveries of the product or services; (5) the dependability of the supplier; and (6) other factors. The supplier may also be required to sign a supplier agreement with us. We may periodically re-inspect approved suppliers' facilities and products and we reserve the right to revoke our approval of any supplier, product, or service that does not continue to meet our specifications. We will send written notice of any revocation of an approved supplier, product, or service. We do not provide material benefits to you based solely on your use of designated or approved sources. Neither we nor our affiliate are currently approved suppliers of any goods or services provided to franchisees. None of our officers own equity in an approved supplier.

We estimate that approximately 70 to 95% of purchases required to open your HCK Hot Chicken Restaurant and 70 to 95% of purchases required to operate your HCK Hot Chicken Restaurant will be from us or from other approved suppliers and under our specifications. We and our affiliates may receive rebates from some suppliers based on your purchase of products and services.

We may enter into a supplier agreement with a beverage supplier, our point-of-sale supplier, an equipment supplier, a distribution agreement with a food supplier, and into purchase agreements for many of our proprietary food and paper supplies to help manage costs effectively throughout the year. Otherwise, we do not currently plan to negotiate purchase agreements with suppliers or establish purchasing or distribution cooperatives, and we do not at this time receive rebates, credits, or marketing allowances on any agreements, but we reserve the right to do so in the future. Some of our suppliers may in the future pay us sponsorship fees to attend the annual convention, rebates, credits, or marketing allowances. We are free to use these funds as we determine in our sole discretion. As of the issuance date of this Disclosure Document, neither we nor our affiliates have derived any revenues from required franchisee purchases or leases.

## **Advertising**

We must approve all advertising before first publication or use. Our advertising requirements are discussed more fully in Item 11 of this Disclosure Document.

## **Music and Music Selection.**

You must play only the music and music selections that we approve. You must install the equipment necessary to receive and play approved music.

## **“Virtual Kitchen” Authorized Products**

We may permit you to offer additional products under marks that we have licensed from third parties as a “ghost kitchen” or “virtual kitchen” (“Virtual Kitchen Products”) but we are under no obligation to do so. Virtual Kitchen Products are food products which are marketed under a name other than the “HCK Hot Chicken” Marks and are prepared at your Restaurant and made available for delivery to customers through third-party delivery services such as DoorDash, UberEats, GrubHub, and similar service providers. You may not offer Virtual Kitchen Products without our prior written approval. We may revoke our approval of any Virtual Kitchen Products at any time, even if we have previously granted you approval. If we permit you to offer Virtual Kitchen Products, revenue generated from the sale of Virtual Kitchen Products will be included in the definition of “Gross Sales” under your Franchise Agreement.

## 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                          | Sections 5.1, 5.2 and 5.3 of Franchise Agreement; Section 2 of Non-Traditional Location Addendum; Section 6.1 of Area Development Agreement | Items 8 & 11             |
| b. Pre-opening purchases/leases                                  | Section 5.3 of Franchise Agreement                                                                                                          | Items 8 & 11             |
| c. Site development and other pre-opening requirements           | Section 5.4 of Franchise Agreement; Section 6.1 & 6.2 of Area Development Agreement                                                         | Items 7 & 11             |
| d. Initial and ongoing training                                  | Section 6 of Franchise Agreement; Section 4 of Non-Traditional Location Addendum                                                            | Item 11                  |
| e. Opening                                                       | Section 5.4.5 of Franchise Agreement                                                                                                        | Item 11                  |
| f. Fees                                                          | Section 4 of Franchise Agreement; Section 14 of Non-Traditional Location Addendum; Section 5 of Area Development Agreement                  | Items 5, 6 & 7           |
| g. Compliance with standards and policies/Brand Standards Manual | Section 7 of Franchise Agreement; Sections 3, 5, 6, 7, 8, 9, 10, 11, 12 and 13 of Non-Traditional Location Addendum                         | Item 11                  |
| h. Trademarks and proprietary information                        | Section 11 of Franchise Agreement                                                                                                           | Items 13 & 14            |
| i. Restrictions on products/services offered                     | Sections 7.6, 9.1, 9.2, 9.3 and 9.4 of Franchise Agreement                                                                                  | Items 8 & 16             |
| j. Warranty and customer service requirements                    | Sections 7 and 9.7 of Franchise Agreement                                                                                                   | Item 11                  |
| k. Territorial development and sales quotas                      | Section 2 of Area Development Agreement                                                                                                     | Item 12                  |
| l. Ongoing product/service purchases                             | Sections 9.1, 9.2, 9.3 and 9.4 of Franchise Agreement; Section 1 of Non-Traditional Location Addendum                                       | Item 8 & 16              |
| m. Maintenance, appearance, and remodeling requirements          | Section 5.5 of Franchise Agreement                                                                                                          | Item 11                  |
| n. Insurance                                                     | Section 16 of Franchise Agreement; Section 18 of the Non-Traditional Location Addendum                                                      | Items 6 & 8              |
| o. Advertising                                                   | Section 8 of Franchise Agreement; Section 14 of Non-Traditional Location Addendum                                                           | Items 6 & 11             |

| <b>Obligation</b>                            | <b>Section In Agreement</b>                                                                                                | <b>Disclosure Document Item</b> |
|----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|---------------------------------|
| p. Indemnification                           | Sections 13.2.4, 13.3.4, 17.1 and 17.2 of Franchise Agreement; Sections 7.3.3, 11.1 and 11.2 of Area Development Agreement | Item 6                          |
| q. Owner's participation/management/staffing | Section 7.2 of Franchise Agreement                                                                                         | Items 11& 15                    |
| r. Records/reports                           | Sections 10.1 and 10.4 of Franchise Agreement; Section 15 of Non- Traditional Location Addendum                            | Item 6                          |
| s. Inspections/audits                        | Sections 10.2 and 10.3 of Franchise Agreement; Section 16 of Non- Traditional Location Addendum                            | Items 6 & 11                    |
| t. Transfer                                  | Sections 13.2, 13.3 and 13.4 of Franchise Agreement; Section 7.3 of Area Development Agreement                             | Item 17                         |
| u. Renewal                                   | Sections 3.2, 3.3 and 3.4 of Franchise Agreement                                                                           | Item 17                         |
| v. Post-termination obligations              | Section 15 of Franchise Agreement; Sections 4.5 and 8.2 of Area Development Agreement                                      | Item 17                         |
| w. Non-competition covenants                 | Section 12.1, 12.2, 12.3 and 12.4 of Franchise Agreement; Sections 8.1 and 8.2 of Area Development Agreement               | Item 17                         |
| x. Dispute resolution                        | Section 18 of Franchise Agreement; Section 10 of Area Development Agreement                                                | Item 17                         |
| y. Guaranty                                  | Section 13.3.3, 13.4(h), and Attachment C of Franchise Agreement, Section 7.2.2(h) of Area Development Agreement           | Item 15                         |

## **ITEM 10. FINANCING**

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

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

**Except as listed below, HCK is not required to provide you with any assistance.**

### **Pre-Opening Obligations**

Before you open your HCK Hot Chicken Restaurant, we (or our designee) will provide the following assistance and services to you:

#### Brand Standards Manual

We will provide you with access to the Brand Standards Manual, which is approximately 90 pages. The table of contents for the Brand Standards Manual is attached to this Franchise Disclosure Document as Exhibit E (Franchise Agreement, Section 7.4). We may require you to sign a confidentiality agreement before giving you access to the Brand Standards Manual.

## Site Selection Assistance

You are solely responsible for selecting the site of your Restaurant, which will be subject to our review and acceptance. We do not locate sites for you. We do not generally own the premises and lease it to you. Although we will consult with you on your site and require your site be subject to our final acceptance, you have the ultimate responsibility in choosing, obtaining, and developing the site for your Restaurant. We do not guarantee the suitability or success of the accepted site (Franchise Agreement, Section 5.2).

## Site Review

We must accept the site before you enter into a lease. For Restaurant openings other than your first Restaurant under an Area Development Agreement, you must sign the Franchise Agreement upon the earlier of the acceptance of the site of the Restaurant or 180 days before your development obligation date. In evaluating a proposed site, we consider such factors as general location and neighborhood, traffic patterns, parking, size, layout, and other physical characteristics. Before leasing or purchasing the site for your Restaurant, you must submit to us, in the form we specify, a description of the site, with other information and materials we may reasonably require. Upon receiving the information regarding a proposed site, we will review the information and either accept or reject the proposed site. Other factors we may consider in selecting or accepting sites include the architectural features of buildings, visibility, parking, co-tenants, patio availability and traffic drivers. If we do not accept your proposed site within 14 days after your submission (or 14 days after you provide any supplemental information we request), the site will be deemed rejected (Franchise Agreement, Section 5.1). If you do not locate a site that is acceptable to us within 90 days of signing the Franchise Agreement or find acceptable sites and open the Restaurants by the deadlines in your Area Development Agreement, we may terminate the agreements.

If you operate a Non-Traditional Restaurant, we approve the site and the host facility before you sign the Franchise Agreement and any applicable addendum (Non-Traditional Location Addendum, Section 2).

## Lease Review

We will review your lease agreement for the Restaurant to ensure that its terms contain our required provisions and otherwise meet our minimum standards. If we accept the proposed lease, we will notify you of our acceptance of the lease (Franchise Agreement, Sections 5.1.2 and 5.3.1). Your lease must address certain issues, including: (a) not obligating us in any manner; (b) no terms inconsistent with your Franchise Agreement; (c) no non-competition covenant that restricts us; (d) granting us rights to assume your rights to the Premises of the Restaurant upon termination or non-renewal under the lease; (e) prohibiting competing restaurants in the same center; (f) construction according to our standards; and (g) Premises de-identification upon expiration or termination.

If you operate a Non-Traditional Restaurant, we will review and approve or disapprove the lease for your Restaurant.

## Territory

Once you have an accepted site for your Restaurant, we will designate a territory. If you sign an Area Development Agreement, we will designate the Development Area before you sign the Area Development Agreement.

If you operate a Non-Traditional Restaurant, you may not receive a territory, depending on the type of location the Restaurant is to be located in.

### Site Design Assistance

We will provide a copy of our basic specifications for the design and layout of the Premises of your Restaurant. You are responsible for the costs of preparing architectural, engineering and construction drawings and site plans, which you must submit to us for our review and approval before you begin construction of your Restaurant. You are responsible for the costs of construction and remodeling (Franchise Agreement, Section 5.4). We do not assist you in conforming the premises to local ordinances and building codes, obtaining permits, or constructing, remodeling, or decorating your premises. You will be responsible for completing these services.

### Equipment and Supplies

We will provide a list of approved vendors and specifications for equipment and other supplies for your Restaurant. We provide assistance in reviewing quotes if necessary. You must purchase, install, maintain in sufficient supply, and use, only fixtures, furnishings, equipment, signs, and supplies that conform to the standards and specifications described in the Brand Standards Manual or otherwise in writing (Franchise Agreement, Sections 7.4.1 and 9).

### Training

We provide an initial training program described below (Franchise Agreement, Sections 6.1 and 6.2; Non-Traditional Location Addendum, Section 4). We will not provide general business or operations training to your employees or independent contractors; however, we may provide limited training on the HCK Hot Chicken System and brand standards to your key employees. You will be responsible for training your employees and independent contractors, including any training on the day-to-day operations of the Restaurant. You will be responsible for hiring, training, directing, scheduling, and supervising your employees and independent contractors in the day-to-day operations of the Restaurant. We do not provide you with any assistance in hiring employees or training them.

### Pre-Opening Inspection

We may visit your Restaurant to conduct a pre-opening inspection approximately two weeks before your Restaurant is scheduled to open. The Pre-Opening Inspection may be conducted virtually via video conference in our discretion. (Franchise Agreement, Section 5.4.3).

### Grand Opening Assistance

Shortly before and ending shortly after your Restaurant opens to the public, we will provide up to 40 hours per week over a period of up to two weeks of on-site training and grand opening assistance. (Franchise Agreement, Section 6.2).

We do not provide the above services to renewal franchisees and may not provide all of the above services to franchisees that purchase existing HCK Hot Chicken Restaurants.

### **Schedule for Opening**

We estimate the typical length of time between signing a Franchise Agreement and opening a HCK Hot Chicken Restaurant is between three and nine months, assuming that a location can be obtained and leased within one month after you sign the Franchise Agreement. You must open your HCK Hot Chicken Restaurant within one year after signing the Franchise Agreement. If you do not open your HCK Hot Chicken Restaurant within one year after signing the Franchise Agreement, we may terminate your Franchise Agreement. Some factors that may affect this timing are your ability to acquire a location through lease or purchase negotiations; your ability to secure any necessary financing; your ability to comply with local zoning and other ordinances; your ability to obtain any necessary permits and certifications; the timing

of the delivery of equipment, tools, and inventory; and the time to convert, renovate or build out your Restaurant.

### **Continuing Obligations**

During the operation of your HCK Hot Chicken Restaurant, we (or our designee) will provide the following assistance and services to you:

1. Inform you of mandatory specifications, standards, and procedures for the operation of your Franchise (Franchise Agreement, Section 7).
2. Upon reasonable request, provide advice regarding your HCK Hot Chicken Restaurant's operation based on reports or inspections. Advice will be given during our regular business hours and via written materials, electronic media, telephone, or other methods in our discretion (Franchise Agreement, Section 10; Non-Traditional Location Addendum, Section 15).
3. Approve or disapprove any advertising, direct mail, identification and promotional materials and programs you propose to use in connection with advertising (Franchise Agreement, Section 8.1).
4. Subject to our capacity and scheduling requirements, offer certification programs to you or your employees (Franchise Agreement, Section 6). There may be additional fees for certifications as discussed in Item 6.
5. Provide additional training to you for newly hired personnel regarding the HCK Hot Chicken brand and System guidelines, refresher training courses and additional training or assistance that, in our discretion, you need or request (Franchise Agreement, Section 6). If you request, and we agree to provide additional training, you will be required to pay additional fees for this training or assistance, including all travel expenses and wages of your employees. You must reimburse us for all transportation costs, food, lodging and similar costs incurred by us in connection with such training (Franchise Agreement, Section 6.3).
6. Allow you to continue to use confidential materials, including the Brand Standards Manual and the marks (Franchise Agreement, Sections 7 and 11).

### **Optional Assistance**

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

1. Modify, update, or change the System, including the adoption and use of new or modified trade names, trademarks, service marks or copyrighted materials, new products, new menu items, new equipment or new techniques.
2. Make periodic visits to the Restaurant for the purpose of assisting in all aspects of the operation and management of the Franchise, prepare written reports concerning these visits outlining any suggested changes or improvements in the operation of the Franchise, and detailing any problems in the operations that become evident as a result of any visit. If provided at your request, you must reimburse our expenses and pay our then-current training charges.
3. Maintain and administer a Brand Fund. We may dissolve the Brand Fund upon written notice (Franchise Agreement, Section 8.3; Non-Traditional Location Addendum, Section 14).
4. Hold periodic national or regional conferences to discuss business and operational issues affecting HCK Hot Chicken franchisees.

## **Advertising (Franchise Agreement, Section 8; Non-Traditional Location Addendum, Section 14)**

### **Brand Fund**

We require you to pay a Brand Fund Contribution, currently equal to two percent of your weekly Gross Sales to our Brand Fund (see Item 6). We reserve the right to increase or otherwise modify the Brand Fund Contribution to four percent when we have at least 50 operating Restaurants. We, or our affiliates, will direct all creative programs and control the creative concepts, materials and media used, media placement and allocation. We have complete discretion on how the Brand Fund will be utilized. We may use the Brand Fund for local, regional, or national marketing, advertising, sales promotion and promotional materials, new product development and testing, public and consumer relations, website development and search engine optimization, the development of technology for the System, secret shopper programs, and any other purpose to promote the HCK Hot Chicken brand. Non-Traditional Location Restaurants may not be eligible to participate in some of the Brand Fund programs. We are not obligated to spend any amount on advertising in the geographical area where you are or will be located. We do not guarantee that advertising expenditures from the Brand Fund will benefit you or any other franchisee directly, on a pro rata basis, or at all. We assume no fiduciary duty to you or other direct or indirect liability or obligation to collect amounts due to the Brand Fund or to maintain, direct or administer the Brand Fund.

The Brand Fund may be used for all costs of administering, directing, preparing, placing, and paying for national, regional, or local advertising to promote and enhance the image, identity or patronage of HCK Hot Chicken Restaurants owned by us and by franchisees. We may reimburse ourselves for the reasonable costs we and any outside vendors we utilize incur in the administration of the fund. We will not use the Brand Fund Contributions for advertising that is principally a solicitation for the sale of Franchises, but we reserve the right to include a notation in any advertisement indicating “Franchises Available” or similar phrasing or include information regarding acquiring a Franchise on or as a part of materials and items produced by or for the Brand Fund. The Brand Fund will be in a separate bank account, commercial account or savings account. The Brand Fund is not audited. We will provide an annual accounting when available for the Brand Fund that shows how the Brand Fund proceeds have been spent for the previous year upon written request.

Any unused funds in any calendar year will be applied to the following year’s funds, and we reserve the right to contribute or loan additional funds to the Brand Fund on any terms we deem reasonable.

Although we do not intend to do so, we may dissolve the Brand Fund at any point. If we decide to dissolve the Brand Fund, we will either spend or distribute pro rata any remaining funds before dissolution.

Each franchisee will be required to contribute to the Brand Fund, but certain franchisees may contribute on a different basis depending on when they signed their Franchise Agreement or where their Restaurant is located (such as Non-Traditional Venues). Company-owned will contribute to the Brand Fund on the same basis as franchisee Restaurants.

During the 2022 fiscal year the Brand Fund spent 52% of its income on the production of advertisements and other promotional material, 48% for media placement, and 0% for general and administrative expenses.

### **Grand Opening Advertising**

During the period that is four weeks before opening and through the first 90 days after opening, you must conduct a grand opening advertising program that we approve. Approximately 60 days prior to your anticipated grand opening date you must pay us the \$20,000 Grand Opening Marketing Spend to oversee and administer a grand opening plan on your behalf. You may expend additional amounts on grand opening advertising, and we expect you will do so.

## Local Advertising

In addition to the Brand Fund Contributions, you must spend one percent (1%) of your annual Gross Sales on local advertising each year (“Local Advertising Requirement”). If you fail to spend the Local Advertising Requirement, you will be required to pay the difference to the Brand Fund. You agree, at your sole cost and expense, to issue and offer such rebates, giveaways, and other promotions according to advertising programs established by us, and further agree to honor the rebates, giveaways, and other promotions issued by other HCK Hot Chicken franchisees under any such program, so long as such compliance does not contravene any applicable law, rule, or regulation. You will not create or issue any gift cards/certificates and will only sell gift cards/certificates that have been issued or sponsored by us and that are accepted at all HCK Hot Chicken Restaurants, and you will not issue coupons or discounts of any type except as approved by us.

## Cooperatives

You may be required to participate in any local or regional advertising cooperative for HCK Hot Chicken Restaurants that is established. The area of each local and regional advertising cooperative will be defined by us, based on our assessment of the area. Franchisees in each cooperative will contribute an amount to the cooperative of up to two percent (2%) of monthly Gross Sales for each Restaurant that the franchisee owns that exists within the cooperative’s area, which contribution may be applied toward the franchisee’s Local Advertising Requirement. Each Restaurant that we or our affiliate owns that exists within the cooperative’s area will contribute to the cooperative on the same basis as franchisees. Members of the cooperative will be responsible for administering the cooperative, including determining the amount of contributions from each member. We may require that each cooperative operate with governing documents, which will be available for review upon reasonable request from cooperative franchisees. Each cooperative must prepare annual unaudited financial statements, and such statements will be provided for review to each member of such cooperative. Cooperatives may not use advertising, marketing, or promotional plans or materials without our prior written consent. We reserve the right to form, change, dissolve, or merge any advertising cooperative formed in the future. If we elect to form such cooperatives, or if such cooperatives already exist near your territory, you will be required to participate in compliance with the provisions of the Brand Standards Manual, which we may periodically modify in our discretion.

## Marketing Resources, Pre-Approvals for Marketing Materials, and Internet Marketing

You must order sales and marketing materials from us or our designated suppliers. You must submit to us all advertising materials not prepared or previously approved by us, for our approval. If we do not approve your advertising materials within 15 days, the proposed advertising will be deemed disapproved (Franchise Agreement Section 8.1). If you use unauthorized advertising materials, you must pay a fee of \$500 per occurrence to the Brand Fund. Sources for advertising materials may include preparation in-house, as well as national and/or regional advertising agencies.

You may not independently market your HCK Hot Chicken Business through social media sites. Our online policies and procedures may change as technology and the Internet changes. Under our online policies and procedures, we may retain the sole right to market on the Internet, including all use of websites, domain names, advertising, and co-branding arrangements. You may not independently market on the Internet, or use any domain name, address, locator, link, metatag, or search technique with words or symbols similar to the marks. We intend any franchisee website be accessed only through our home page. You will provide us content for our Internet marketing. We retain the right to approve or disapprove any linking or other use of our website in our sole discretion.

## Advertising Council

We currently do not have, but may form, an advisory council (“Council”) to advise us on advertising policies. The Council would be governed by bylaws. Members of the Council would consist of both franchisees and corporate representatives. Members of the Council would be selected by us or in a method

specified by us. The Council would serve in an advisory capacity only. We will have the power to form, change or dissolve the Council, in our sole discretion.

### **Computer System (Franchise Agreement, Section 7.3; Non-Traditional Location Addendum, Section 6)**

You are required to purchase a computer and point-of sale system that consists of the following hardware, software and services (collectively the “Computer System”): (a) a computer (laptop) of any brand capable of operating the required software for use by the management of the Restaurant, an all-in- one printer/scanner/copier, and firewall with all necessary software required to run the approved POS system, which shall include two POS terminals, two cash drawers, two receipt printers, two scanners, a remote printer, one kitchen display system; and (b) required software suite that the then- current POS system requires and charge a monthly subscription access; and (c) an installation and service package, an annual 24/7 help desk support package, an annual hardware maintenance package, and various hosted solutions required by our merchant services provider; and (d) any and all hardware and software we may require if we update our System, including adding order kiosks. All required POS system, software, and installation and service packages are contained in our Brand Standards Manual. You must pay us the Technology Fee and any set up fees that you incur for the establishment of accounts with various technology vendors, if any. If we incur any account setup fee on your behalf, you must reimburse for these fees as part of the Technology Fee. The Computer System will manage the daily workflow of the HCK Hot Chicken Restaurant, coordinate the customer ordering experience and other information. You must record all sales on the Computer System. For Non-Traditional Restaurants, if your POS System will record sales from third party businesses such as the host facility, your POS System must differentiate between your sales and those of the host facility. You must store all data and information in the Computer System that we designate, and report data and information in the manner we specify. The Computer System will generate reports on the Gross Sales of your HCK Hot Chicken Franchise and must run programs designated by us to allow us to extract the sales and product mix information of your HCK Hot Chicken Franchise. You must also maintain a business class Internet connection at the Restaurant. Business class Internet consists of a service with a service level agreement of minimal speed guarantee, uptime, and static IP, which guarantees service when needed.

We estimate the cost of purchasing the Computer System will be approximately \$5,000 to \$7,000. In addition to offering and accepting HCK Hot Chicken gift cards and loyalty cards, you must use any credit card vendors and accept all credit cards and debit cards that we determine. The term “credit card vendors” includes, among other things, companies that provide services for electronic payment, such as near field communication vendors (for example, “Apple Pay” and “Google Wallet”).

Restaurants will also be required to comply with EMV standards for credit cards. EMV is a technical standard for smart payment cards and for payment terminals and automated teller machines that can accept them. We estimate that each Restaurant will require two EMV terminals which are approximately \$400 to \$1,000 each, and these amounts are included in our estimates for the cost of your Computer System.

We are not required to provide you with any ongoing maintenance, repairs, upgrades, updates, or support for the Computer System. You must arrange for installation of the Computer System at your cost. You must purchase maintenance contracts from our approved suppliers including help desk support and hardware maintenance for \$250 to \$500 per month (beginning after your first year) for help desk support, software, and seven-day technician and parts coverage. You must also pay our designated supplier ongoing annual fees for the hosted solutions if you do not use real time sales access software and you may choose to add on hosted solutions with real time sales access software, including online ordering, gift cards, and network security services. There are no limitations in the Franchise Agreement regarding the costs of such required support, maintenance repairs or upgrades relating to the Computer System. The cost of updating or upgrading the Computer System or its components will depend on your repair history, local costs of computer maintenance services in your area and technological advances, which we cannot predict at this time. We may revise our specifications for the Computer System periodically. You must upgrade or replace

your Computer System at such time as specifications are revised. There is no limitation on the frequency and cost of this obligation, but we estimate this to cost between \$1,000 to \$2,000 per year.

We (or our designee) have the right to independently access the electronic information and data generated from the Computer System. There are no limitations on our right to access the information.

### **Training (Franchise Agreement, Section 6; Non-Traditional Location Addendum, Section 4)**

Before opening your Restaurant to the public, we will provide our initial training program (“Initial Training Program”) for up to three management persons, including your Operating Principal (if you are an entity) and one Director of Operations. Some or all of the Initial Training Program may be delivered virtually by webinars, learning management systems, training videos or other digital media. The Initial Training Program is provided by us at no charge, so long as all persons attend the Initial Training Program at the same time. Training must be completed to our satisfaction and your management team must be certified by us at least 60 days before you open for business. The operating principal and director of operations training program is provided in the table following the Initial Training Program table. You must pay our then-current fee (currently \$1,000) for training each additional person. You will not receive any compensation or reimbursement for services or expenses for participation in the initial training program. You are responsible for all your expenses to attend any training program, including lodging, transportation, food, uniforms, and training materials.

We plan to provide the training listed in the table below:

### **TRAINING PROGRAM**

#### Initial Training Program

| <b>Subject</b>                                                              | <b>Hours of Classroom Training</b> | <b>Hours of On-The- Job Training</b> | <b>Location</b>                                       |
|-----------------------------------------------------------------------------|------------------------------------|--------------------------------------|-------------------------------------------------------|
| Labor Control, Operating Forms and Procedures                               | 4                                  | 2                                    | Woodbridge VA, online, or other location we designate |
| Brand Standards Manual; Recipes; Customer Service, Cost of Goods Management | 4                                  | 2                                    | Woodbridge VA, online, or other location we designate |
| Introduction to Kitchen Equipment; Ingredient Ordering, Preparing & Storing | 0                                  | 4                                    | Woodbridge VA, online, or other location we designate |
| Prep Training                                                               | 0                                  | 4                                    | Woodbridge VA, online, or other location we designate |
| Fryer Training                                                              | 0                                  | 4                                    | Woodbridge VA, online, or other location we designate |
| Receiving Orders                                                            | 0                                  | 2                                    | Woodbridge VA, online, or other location we designate |
| POS Training                                                                | 2                                  | 2                                    | Woodbridge VA, online, or other location we designate |
| Floor Control                                                               | 0                                  | 4                                    | Woodbridge VA, online, or other location we designate |
| Marketing; Administration; Exam                                             | 4                                  | 0                                    | Woodbridge VA, online, or other location we designate |
| <b>Totals</b>                                                               | <b>14</b>                          | <b>24</b>                            |                                                       |

In addition to the Initial Training Program, your Operating Principal, and your Director of Operations (defined in Item 15) must attend, and satisfactorily complete, an extra practice week and online training at least 60 days before your Restaurant opens for business. The initial training program for an Operating Principal and a Director of Operations is provided in the table below. If an Operating Principal and/or Director of Operations is replaced, we will charge you a fee for training.

We plan to provide the training listed in the table below:

Operating Principal and Director of Operations Training

| Subject                                                                     | Hours of Classroom Training | Hours of On-The- Job Training | Location                                              |
|-----------------------------------------------------------------------------|-----------------------------|-------------------------------|-------------------------------------------------------|
| Labor Control, Operating Forms, and Procedures                              | 4                           | 4                             | Woodbridge VA, online, or other location we designate |
| Brand Standards Manual; Recipes; Customer Service, Cost of Goods Management | 4                           | 2                             | Woodbridge VA, online, or other location we designate |
| Make-Line Training                                                          | 0                           | 4                             | Woodbridge VA, online, or other location we designate |
| Fryer Training                                                              | 0                           | 4                             | Woodbridge VA, online, or other location we designate |
| Receiving Orders                                                            | 0                           | 2                             | Woodbridge VA, online, or other location we designate |
| Preparing Menu Items                                                        | 0                           | 4                             | Woodbridge VA, online, or other location we designate |
| Site Visits                                                                 | 0                           | 4                             | Woodbridge VA, online, or other location we designate |
| Floor Control                                                               | 0                           | 4                             | Woodbridge VA, online, or other location we designate |
| Marketing; Administration; Exam                                             | 4                           | 0                             | Woodbridge VA, online, or other location we designate |
| <b>Totals</b>                                                               | <b>12</b>                   | <b>28</b>                     |                                                       |

In addition, shortly before and ending shortly after your Restaurant opens to the public, we will provide up to 40 hours per week over a period of up to two weeks of on-site training (“On-Site Training”) that consists of items described in the On-Site Training table below. Approximately 60 days prior to your anticipated grand opening date, we will send you an invoice for our then-current On-Site Training Fee, which is currently \$5,000 for each Restaurant that you open:

On-Site Training

| Subject                            | Hours of Classroom Training | Hours of On-The- Job Training | Location        |
|------------------------------------|-----------------------------|-------------------------------|-----------------|
| Employee Training                  | 0                           | 24                            | Your Restaurant |
| Training; Family & Friends Preview | 0                           | 4                             | Your Restaurant |
| Opening Week                       | 0                           | 50                            | Your Restaurant |
| <b>Totals</b>                      | <b>0</b>                    | <b>78</b>                     |                 |

We reserve the right to vary the length and content of the Initial Training Program based upon the experience and skill level of the individual attending the Initial Training Program. We also reserve the right to offer some or all of the training via online sessions. We will use the Brand Standards Manual as the primary instruction materials during the Initial Training Program. We do not have a set schedule for the training classes, and we hold initial training classes as needed to train new franchisees. Training is conducted by members of our headquarters and operations team under the supervision of our Training and Operations, Consultant Dave Baer. Mr. Baer has been in that position with us since November 2021 and has over 25 years of experience in the industry. Mr. Baer will supervise the initial training and new restaurant opening training. Additional team members, including Anthony Sarago and Frederic Gilmore, will assist Mr. Baer with the development and administration of the Initial Training Program, Operating Principal and Director of Operations training and new restaurant opening program.

### Ongoing Training

From time to time, we may require that you, your managers, and other employees attend system- wide refresher or additional training courses. Some of these courses may be optional, while others may be required. Additional training or assistance, including refresher training courses, currently cost between \$500 and \$1,000 per attendee, per week. If you appoint a new manager, that person must attend and successfully complete our initial training program before assuming responsibility for the management of your HCK Hot Chicken Restaurant. You must pay our then-current fee for training replacement personnel (Item 6 has more information on this fee). If we conduct an inspection of your Restaurant and determine you are not operating in compliance with the Franchise Agreement, we may require that you attend remedial training that addresses your operational deficiencies. You may also request that we provide additional training (either at our corporate location or at your Restaurant) and you may be required to pay additional fees for this training.

In addition to participating in ongoing training, managers will be required to attend the annual general manager's summit at a location we designate. You may also be required to attend the Annual Convention with the current cost of \$500 to \$1,000 per attendee. You are responsible for all travel and expenses for your attendees.

## **ITEM 12. TERRITORY**

### **Franchise Agreement**

You may operate the HCK Hot Chicken Restaurant only at the accepted location. The accepted location for your Restaurant will be listed in the Franchise Agreement. If you have not identified an accepted location for the Restaurant when you sign the Franchise Agreement, we will amend the Franchise Agreement after you select, and we accept, the accepted location. You are not guaranteed any specific accepted location and you may not be able to obtain your top choice as your accepted location. You may not conduct your business from any other location. You may not relocate the accepted location without our prior written approval. We may approve a request to relocate the Restaurant according to the provisions of the Franchise Agreement that provide for the relocation of the Restaurant, and our then- current site selection policies and procedures.

You will operate your Restaurant at the accepted location within the "Territory" that is identified on the Data Sheet in Attachment A to your Franchise Agreement. Your Territory will typically be a 1-to-3-mile radius around your Restaurant unless your Restaurant is located in a major metropolitan downtown area or similarly situated/populated central business district ("Central Business District"). If your Restaurant is located in a Central Business District, your Territory may be limited to a geographic area comprised of anywhere from a radius of approximately two blocks to 1 mile around your Restaurant, as we deem appropriate in our discretion. The size of your Territory may vary from the territory granted to other franchisees based on the location and demographics surrounding your Restaurant. If you open a Non-Traditional Restaurant, you may not receive a Territory and your rights will be limited to the physical site of your Non-Traditional Restaurant.

The boundaries of your Territory may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map. The sources we use to determine the population within your Territory will be publicly available population information (such as data published by the U.S. Census Bureau or other governmental agencies and commercial sources). You may not solicit customers and/or advertise outside your Territory or deliver any products or services to any destination outside your Territory without our prior written consent.

Except as otherwise provided in and during the term of the Franchise Agreement, for so long as you comply with the terms and conditions of the Franchise Agreement, we will not establish and operate, nor license any party other than you to establish and operate, any Restaurant under the System and the Marks within your Territory. Your territory is not dependent upon meeting a certain sales quota or the opening of additional Restaurants. The boundaries of your Territory will not change, even if the population within your Territory increases or decreases, during the initial term of your Franchise Agreement.

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

We reserve all rights not expressly granted in the Franchise Agreement. For example, we may own, operate and authorize others to own or operate: (a) HCK Hot Chicken Restaurants at any location outside of your Territory; (b) HCK Hot Chicken Restaurants at Non-Traditional Venues at any location (without regard to the proximity to your Restaurant); and (c) restaurants or other businesses operating under names other than “HCK Hot Chicken,” at any location, and of any type whatsoever, within or outside the Territory, without regard to the proximity to your Restaurant and which may sell goods and services similar to those under the “HCK Hot Chicken” brand. In addition, we reserve the right to acquire, or be acquired by any competing system, including a system that has one or more units in your Territory.

We may sell products under the “HCK Hot Chicken” trademark or any other trademarks, regardless of proximity to your Restaurant, through any method of distribution, including sales through such channels of distribution as grocery stores, supermarkets, convenience stores, the Internet, delivery, catering, catalog sales, telemarketing, or other direct marketing sales (together, “Alternative Distribution Channels”) without compensation to you. Although we reserve the rights described, neither we nor any affiliate, operates, franchises or has plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those offered by you or our other HCK Hot Chicken Franchises.

You may solicit or accept business from customers located anywhere, but you may not use Alternative Distribution Channels to make sales and you will receive no compensation for our sales through Alternative Distribution Channels. We may, but are not required to, allow you to offer, sell or provide delivery services or catering services in the Territory, including in contiguous areas we may from time to time expressly authorize in writing, only if and for so long as we may consent in writing, which may be granted or denied in our sole discretion and be subject to such terms and conditions as we may establish, which may include restrictions regarding the types of products and services you may offer and the geographic area in which you may provide such delivery and/or catering services.

You must follow our off-site policies and procedures in our Brand Standards Manual, which may allow you or third parties to provide catering and delivery services in the territories of other HCK Hot Chicken Restaurants without compensating the operator of those restaurants. These policies may allow other HCK Hot Chicken Restaurants or third parties to provide catering and delivery services in your Protected Area without compensating you. We may impose restrictions in the future that prevent you from providing catering and delivery services outside of your Protected Area.

You do not receive the right to acquire additional HCK Hot Chicken Franchises unless you purchase the right in your Area Development Agreement. Except as provided above, you are not given a right of first refusal on the sale of existing HCK Hot Chicken Franchises.

## Area Development Agreement

Under the Area Development Agreement, we grant you the right to develop and operate a specified number of Restaurants at locations in a specified Development Area, subject to our approval. The Development Area may be one or more cities, counties, states, or some other defined area. During the term of the Area Development Agreement, we will not operate or grant a license or franchise to any other person to operate a Traditional Restaurant in your Development Area; however, we reserve the right to operate or license or franchise any other person to operate a Restaurant: (a) at any location outside your defined Development Area, including immediately adjacent to the Development Area; and (b) at any Non- Traditional Venue, even if located within your Development Area. We may: (a) own or operate, and franchise or license others to own or operate restaurants operating under names other than HCK Hot Chicken at any location, and of any type or category whatsoever, even if located within your Development Area; and (b) produce, license, distribute and market HCK Hot Chicken brand named products, and products bearing other marks, including food and beverage products, books, clothing, souvenirs and novelty items, at or through any location or outlet, including grocery stores, supermarkets and convenience stores (including if located within the Development Area), and through any distribution channel, at wholesale or retail, including by means of mail order catalogs, direct mail advertising, internet marketing and other distribution methods. We also reserve the right to acquire, or be acquired by, any competing system, including a competing system that has one or more units in your Development Area. Until the termination or expiration of your Area Development Agreement, you retain all rights granted to you under the Area Development Agreement as long as you comply with your Development Schedule and other obligations under the Area Development Agreement.

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

You may solicit or accept business from customers located anywhere, but you may not use Alternative Distribution Channels such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales.

If you fail to meet any of your obligations under the Area Development Agreement, including the development obligations, or commit a material breach of any Franchise Agreement that you have signed, or a material breach of any other agreement with us, we may terminate your right to develop, open and operate Restaurants in your Development Area, but the termination of your right to develop your Development Area will not terminate any rights granted under the Franchise Agreements then in effect between you and us, absent a breach of the Franchise Agreement itself. Alternatively, we may reduce the size of your Development Area, at our sole discretion.

After the expiration of the term of your Area Development Agreement, we may own, operate, or franchise or license others to operate additional Restaurants anywhere, without restriction, including in your former Development Area, subject to the rights granted to you in the Territory established under any then-existing Franchise Agreement; provided that, if you determine that further development of your Development Area is desirable after the term of your Area Development Agreement, you must notify us in writing, including the number of proposed Restaurants and the proposed development schedule, within 180 days before the expiration of your Area Development Agreement. If we determine that your proposed additional development is unacceptable in any respect, we will negotiate with you in good faith for 60 days to try to agree upon a mutually acceptable development schedule. If we determine that your proposed additional development is acceptable or if you and we reach an agreement on an alternative additional development obligation, you will have the right to enter into a new area development agreement and undertake additional development of your Development Area. If you do not exercise your right to enter into a new area development agreement, we may own, operate, franchise or license others to operate additional Restaurants in your former Development Area, subject only to the territorial rights reserved to you in the individual Franchise Agreements.

### ITEM 13. TRADEMARKS

The Franchise Agreement and your payment of Continuing Royalties grant you the non-exclusive right and license to use the System, which includes the use of the proprietary marks (“Marks”). Your use of the Marks is limited to the operation of a HCK Hot Chicken Restaurant in accordance with the System.

The following is a description of trademarks that we license to Restaurants, and for which we have a registration on the Principal Register of the United States Patent and Trademark Office (“USPTO”), and we have filed all required affidavits with respect to each of these trademarks:

| Trademark                                                                         | Registration Number | Date of Application | Status                           |
|-----------------------------------------------------------------------------------|---------------------|---------------------|----------------------------------|
|  | 5118916             | January 10, 2017    | Registered on Principal Register |

We expect and intend to submit all affidavits and filings necessary to maintain the registrations above.

The following is a description of the principal trademarks and service marks for which we have applied in the United States.

| Trademark                                                                           | Application Number | Date of Application | Status                                         |
|-------------------------------------------------------------------------------------|--------------------|---------------------|------------------------------------------------|
|  | 97065765           | October 8, 2021     | Applied for registration on Principal Register |
| HCK                                                                                 | 97827864           | March 7, 2023       | Applied for registration on Principal Register |
| HCK Hot Chicken                                                                     | 97827846           | March 7, 2023       | Applied for registration on Principal Register |

We claim copyright ownership on the following Mark:

| Trademark                                                                            |
|--------------------------------------------------------------------------------------|
|  |

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

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

There is no agreement which significantly limits our right to use or license the Marks in any manner material to the HCK Hot Chicken Restaurant. We do not know of any superior prior rights or infringing uses that could materially affect your use of the trademarks.

You must follow our rules and specifications, as modified from time to time, when using the Marks. You cannot use our name or Mark as part of a corporate name or with modifying words, designs, or symbols unless you receive our prior written consent. You may not use the Marks in the sale of unauthorized products or services or in any manner we do not authorize. You may not use the Marks in any advertising for the transfer, sale, or other disposition of the HCK Hot Chicken Restaurant, or any interest in the Franchise. All rights and goodwill from the use of the Marks accrue to us. If it becomes advisable, at any time, for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute trademarks or service marks, you must comply with our directions within a reasonable time after receiving notice. We will not reimburse you for your direct expenses of changing signage, for any loss of revenue, or other indirect expenses due to any modified or discontinued Mark, or for your expenses of promoting a modified or substituted trademark or service mark.

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

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

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

#### **ITEM 14.**

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

The information in the Brand Standards Manual is proprietary and is protected by copyright and other laws. The designs contained in the Marks, the layout of our advertising materials, the ingredients and formula of our products and recipes, and any other writings and recordings in print or electronic form are also protected by copyright and other laws. Although we have not applied for copyright registration for the Brand Standards Manual, our advertising materials, the content and format of our products or any other writings

and recordings, we claim common law and federal copyrights in these items. We grant you the right to use this proprietary and copyrighted information (“Copyrighted Works”) for the operation of your HCK Hot Chicken Franchise, but such copyrights remain our sole property.

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

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

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

You must notify us within three days after you learn about another’s use of language, a visual image, or a recording of any kind, that you perceive to be identical or substantially similar to one of our Copyrighted Works or use of our Confidential Information or Trade Secrets, or if someone challenges your use of our Copyrighted Works, Confidential Information or Trade Secrets. We will take whatever action we deem appropriate, in our sole and absolute discretion, to protect our rights in and to the Copyrighted Works, Confidential Information or Trade Secrets, which may include payment of reasonable costs associated with the action. However, the Franchise Agreement does not require us to take affirmative action in response to any apparent infringement of, or challenge to, your use of any Copyrighted Works, Confidential Information or Trade Secrets or claim by any person of any rights in any Copyrighted Works, Confidential Information or Trade Secrets, and we are not required to participate in the defense of, or provide indemnification to you in connection with, any proceeding related to the Copyrighted Works, Confidential Information or Trade Secrets. You must not directly or indirectly contest our rights to our Copyrighted Works, Confidential Information or Trade Secrets. You may not communicate with anyone except us, our counsel or our designees regarding any infringement, challenge, or claim. We will take action as we deem appropriate regarding any infringement, challenge or claim, and the sole right to control, exclusively, any litigation or other proceeding arising out of any infringement, challenge or claim under any Copyrighted Works, Confidential Information or Trade Secrets. You must sign any and all instruments and documents, give the assistance and do acts and things that may, in the opinion of our counsel, be necessary to protect and maintain our interests in any litigation or proceeding, or to protect and maintain our interests in the Copyrighted Works, Confidential Information or Trade Secrets. If we require you to modify or discontinue use of the Copyrighted Works, Confidential Information or Trade Secrets, you must comply with all of our requirements.

No patents or patents pending are material to us at this time

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

If you are an individual, you must directly supervise the HCK Hot Chicken Franchise on its Premises. If you are not an individual, you must designate an “Operating Principal” acceptable to us who will be principally responsible for communicating with us about business, operational and other ongoing matters concerning your Restaurant. The Operating Principal must have the authority and responsibility for the day-to-day operations of your Restaurant and must have at least ten percent (10%) equity (directly or indirectly).

If you are opening more than one Restaurant, you will be required to have a “Director of Operations.” The Director of Operations is responsible for running the operations of all of your Restaurants. The Director of Operations and Operating Principal may be the same person, depending on the role of the Operating Principal and depending on the number of Restaurants.

You must have at least two managers at your first Restaurant in a new Development Area for at least the first 30 days of operation, and you must have a minimum of two managers for subsequent Restaurants in the same Development Area for at least the first 30 days of operation. Following this 30- day period you must have a minimum of one manager per Restaurant. Your Operating Principal, if applicable, must, unless otherwise agreed in writing: (a) devote one hundred percent (100%) of his or her time and best efforts solely to the operation of your Restaurant(s); (b) meet our educational, experience, financial and other reasonable criteria for the position, as contained in the Brand Standards Manual or otherwise in writing; (c) be an owner with ten percent (10%) or more (direct or indirect) of your equity or voting rights; and (d) be accepted by us.

The Operating Principal and all managers must successfully complete our training program (See Item 11). If you replace a manager, the new manager must satisfactorily complete our training program at your own expense.

Any manager and, if you are an entity, an officer that does not own equity in the franchisee entity must sign the System Protection Agreement, which is attached to this Franchise Disclosure Document in Exhibit I. All of your employees, independent contractors, agents, or representatives that may have access to our Confidential Information must sign a Confidentiality Agreement (unless they already signed a System Protection Agreement), which is attached to this Franchise Disclosure Document in Exhibit I. If you are an entity, each direct and indirect owner (i.e., each person holding a direct and indirect ownership interest in you) must sign a Continuing Guaranty guaranteeing the obligations of the entity, which is attached to the Franchise Agreement as Attachment “C.” We also require that the spouses of the Franchise owners sign the Continuing Guaranty. The Continuing Guaranty contains a personal guarantee and covenant not to compete.

You may not employ any manager, or appoint any Operating Principal who does not complete our initial training program to our satisfaction. If a manager’s employment with you is terminated, and your Operating Principal will not manage your Restaurant, you must appoint a new manager who must successfully complete our initial training program 60 days after the termination of the former manager, unless we do not hold an initial training program during that 60-day period, in which case the replacement manager must attend and successfully complete the first available initial training program held by us. You may be charged a training fee for a replacement manager or Operating Principal, and the travel expenses and salary and benefits must be paid by you (See Item 6). The factors used by us in determining whether you will be charged a training fee include the location of training, the length and type of training necessary, the costs borne by us in conducting the training, the replacement manager or Operating Principal’s previous experience and skill, and our availability.

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

You must sell or offer for sale only those products and services authorized by us, and which meet our standards and specifications. Authorized products may differ among our franchisees and may vary depending on the operating season and geographic location of your Restaurant or other factors. You must follow our policies, procedures, methods, and techniques. You must sell or offer for sale all types of products and services specified by us. We may change or add to our required products and services, at our discretion, with prior notice to you. There are no limits on our right to make such changes. If we change or add to our required products and services, the changes or additions will remain in permanent effect, unless we specify otherwise. The amount you must pay for the changes or additions will depend upon the nature and type of changes or additions. You must discontinue selling and offering for sale any products or services that we disapprove. We reserve the right to establish minimum and maximum resale prices for use with multi-area marketing programs and special price promotions. At our request, you must also sell certain test products and/or offer certain test services. If you are asked to do so, you must provide us with reports and other relevant information regarding the test products and services. Unless specifically directed by us in writing, you must participate in all advertising, marketing, secret shopper programs, promotions, research, and public relations programs instituted by the Brand Fund.

You may not establish an account or participate in any social networking sites, crowdfunding campaigns or blogs or mention or discuss the HCK Hot Chicken Franchise, us, or any of our affiliates, without our prior written consent and as subject to our online policy. Our online policy may completely prohibit you from any use of the Marks in social networking sites or other online use. You may solicit or accept business from customers located anywhere, but you may not use Alternative Distribution Channels to sell products or services.

## ITEM 17. RENEWAL, TERMINATIONS, 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.**

#### A. FRANCHISE AGREEMENT

| Provision                                         | Section in Franchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------------|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. Length of the franchise term                   | Section 3.1                    | Ten years from date the Restaurant first opens to the public.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| b. Renewal or extension of the term               | Section 3.2 - 3.3              | If you are in good standing and you meet other requirements, you may enter into two consecutive successor franchise agreements, each with a ten-year term. You may be asked to sign a contract with materially different terms and conditions than your original contract. You have no further right to enter into additional successor franchise agreements but may apply for the right to operate a Restaurant pursuant to a new franchise agreement.                                                                                                                                                                    |
| c. Requirements for franchisee to renew or extend | Sections 3.2 - 3.4             | We use the term “renewal” to refer to extending our franchise relationship at the end of your initial term (and any other renewal or extension of the initial term) and you must, at our option, sign a new franchise agreement and any ancillary documents for the successor term, and this new franchise agreement may have materially different terms and conditions (including, for example, higher Continuing Royalty and Brand Fund Contributions) than your original contract.<br><br>You must have complied with your obligations during the term of your Franchise Agreement; must undertake remodeling to comply |

| Provision                                              | Section in Franchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------------------------------------------------------|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                        |                                | with our then-current standards; must not have committed three or more material defaults of your Franchise Agreement during any 36-month period; must comply with our then-current training requirements; must pay a renewal fee which will be an amount equal to 50% of the then-current Initial Franchise Fee.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| d. Termination by franchisee                           | Section 14.9                   | You may terminate if we materially default, and if we do not cure the default within 60 days after our receipt or written notice from you detailing the alleged default.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| e. Termination by Franchisor without cause             | None                           | Not applicable.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| f. Termination by Franchisor with cause                | Sections 14.1 – 14.7           | We can terminate only if you default under your Franchise Agreement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| g. “Cause” defined – curable defaults                  | Section 14.4                   | You have ten days to cure non-payment of fees and 30 days to cure defaults not listed in Sections 14.2 or 14.3 of your Franchise Agreement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| h. “Cause” defined – non-curable defaults              | Sections 14.2 – 14.3           | Non-curable defaults: (i) bankruptcy or insolvency; (ii) unsatisfied judgment; (iii) seizure, takeover or foreclosed upon; (iv) a levy of execution of attachment upon Franchise Agreement or upon any property used in the HCK Hot Chicken Restaurant; (v) unreleased mechanics lien or if any person commences any action to foreclose; (vi) if you allow or permit any judgment to be entered against us arising out of or relating to the operation of the HCK Hot Chicken Restaurant; (vii) a condemnation or transfer in lieu of condemnation has occurred; (viii) imminent danger to the public health / health and safety violations; (ix) conviction, plead guilty or nolo contendere to a felony or any other crime or offense; (x) failure to comply with your confidentiality or non-competition provisions of your Franchise Agreement; (xi) abandonment; (xii) Assignment without our consent; (xiii) repeated defaults, even if cured; violation of law which is not cured within ten days; sale of unauthorized products; (xvi) knowingly maintaining false books, underreporting or under recording of Gross Sales, certain underreporting or under recording; trademark and Confidential Information misuse; misrepresentations in connection with the acquisition of the Franchise Agreement; (xix) failing to complete training; and (xx) failing to meet the financial covenants. |
| i. Franchisee’s obligations on termination/non-renewal | Section 15                     | You must stop using our Marks; pay all amounts due to us; return the Brand Standards Manual, and all training and promotional materials to us; make cosmetic changes to your Restaurant so that it no longer resembles our proprietary design; at our election, sell such equipment and furnishings that we designate to us; assign to us or our designee (or, at our election, terminate) all voice and data telephone numbers used in connection with your Restaurant; authorize and instruct the telephone company and all listing agencies of the termination of your right to use any telephone number or listing associated with your Restaurant and authorize and instruct the telephone companies and listing agencies to transfer and assign the telephone numbers and directory listing to us; sign and deliver to us all documents that must be filed with any governmental agency indicating that you are no longer licensed to use our Marks. See also “r” below.                                                                                                                                                                                                                                                                                                                                                                                                                         |
| j. Assignment of contract by Franchisor                | Section 13.1                   | No restriction on our right to assign.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| k. “Transfer” by franchisee – defined                  | Section 13.2.1                 | Includes any voluntary, involuntary, direct, or indirect assignment, sale, gift, exchange, grant of a security interest, or change of ownership in the Franchise Agreement, the Franchise, or interest in the Franchise.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

| Provision                                                               | Section in Franchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------------------------------------------|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| l. Franchisor approval of transfer by franchisee                        | Section 13.2                   | Transfers require our express written consent.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| m. Conditions for franchisor approval of transfer                       | Sections 13.2 - 13.4           | <p>New franchisee: must qualify; assume the Franchise Agreement or sign a new franchise agreement; complete training and pay our training fee; and refurbish the Restaurant. You must provide us with an estoppel agreement and a list of all persons having an interest in the Franchise Agreement or in the franchisee; pay all amounts then due to us; sign a general release; sign a non-compete agreement not to engage in a competitive business for one year within: (i) a 25-mile radius of your HCK Hot Chicken Restaurant (and including the premises of the Restaurant); and (ii) a 25-mile radius of all other HCK Hot Chicken Restaurants that are operating or under construction; provide us with all documents relating to the transfer; disclose to us all material information that we request regarding the transferee; the purchase price and the terms of the transfer; must not be in default of the Franchise Agreement; and pay a transfer fee and reimburse our broker fees (See also “r” below).</p> <p>If the Franchise Agreement was signed pursuant to an Area Development Agreement and you operate three or fewer Restaurants, all Franchise Agreements operated under the Area Development Agreement must be assigned to the same assignee. If the Franchise Agreement was signed pursuant to an Area Development Agreement and you operate four or more Restaurants, at least half of the Restaurants operated under the Area Development Agreement must be assigned to the same assignee.</p> <p>With our written consent, you may transfer a Franchise Agreement to an entity of which you directly own 100% interest for convenience of ownership. If the new franchisee is a business entity, all holders of a 10% or greater interest in the new franchisee must sign a Continuing Guaranty. You must reimburse us for all costs and expenses that we incur in connection with such a transfer, including attorneys’ fees.</p> <p>Before shares of a Franchisee which is a business entity may be offered by private offering, you must provide us with copies of all offering materials; indemnify us, our officers, directors, shareholders, partners, agents, representatives, independent contractors, and employees of each in connection with the offering; and pay us a non-refundable fee of 50% of our then-current Initial Franchise Fee or a greater amount, if necessary, to reimburse us for our costs and expenses associated with reviewing the proposed offering.</p> |
| n. Franchisor’s right of first refusal to acquire franchisee’s business | Section 13.2.3(c)              | We have 30 days to match any offer for your HCK Hot Chicken Restaurant.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| o. Franchisor’s option to purchase franchisee’s business                | Section 15                     | <p>Upon termination or expiration of your Franchise Agreement, we may purchase such equipment and furnishings as we designate that are associated with your Restaurant at your net depreciated book value, using a five- year straight line amortization period, but not less than 10% of your actual cost.</p> <p>Other than assets on termination or expiration, non- renewal, or right of first refusal, we have no right or obligation to purchase your business.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

| Provision                                                                 | Section in Franchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------------------------|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| p. Death or disability of franchisee                                      | Section 14.3.2                 | Your heirs have nine months after your death or legal incapacity to enter into a new franchise agreement, if the heirs meet our standards and qualifications. If your heirs do not meet our standards and qualifications, the heirs may sell to a person approved by us. See “m” above.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| q. Non-competition covenants during the term of the franchise             | Section 12.1                   | Neither you, your principal owners, nor any immediate family members of you or your principal owners may engage in “Competitive Activities” which means to own, operate, lend to, advise, be employed by, or have any financial interest in (i) any restaurant that derives 20% or more of its Gross Sales from the sale of fried chicken, other than a Restaurant operated pursuant to a validly subsisting Franchise Agreement with Franchisor, or (ii) any business that specializes in developing, operating or franchising restaurants that derives 20% or more of its Gross Sales from the sale of chicken, or (iii) any business engaged in the preparation, production or sale, at wholesale, of any fried chicken food product. Notwithstanding the foregoing, Competitive Activities shall not include the direct or indirect ownership solely as an investment, of securities of any entity which are traded on any national securities exchange if the owner thereof (i) is not a controlling person of, or a member of a group which controls, such entity and (ii) does not, directly or indirectly, own 5% or more of any class of securities of such entity. |
| r. Non-competition covenants after the franchise is terminated or expires | Section 12.1                   | Except with our express written consent, no involvement in any Competitive Activities, as defined above, for 2 years or within a 25-mile radius of any then-existing HCK Hot Chicken Restaurant.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| s. Modification of the agreement                                          | Section 19.8                   | The Franchise Agreement may be modified only by written agreement between the parties. The Brand Standards Manual is subject to change at any time in our discretion. Modifications are permitted on renewal.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| t. Integration/Merger clause                                              | Section 19.8                   | Only the terms of the Franchise Agreement and other related written agreements are binding (subject to state law). Any representations or promises outside of this Franchise Disclosure Document and Franchise Agreement may not be enforceable.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| u. Dispute resolution by arbitration or mediation                         | Section 18                     | You and we agree to attempt to resolve any dispute pursuant to mediation held in the principal city closest to our principal place of business (currently Sarasota, FL), prior to commencing arbitration, except for claims for monies owed to us or for infringement of trademark, trade secrets or violation of restrictive covenants, or for injunctive relief, subject to applicable state law.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| v. Choice of forum                                                        | Sections 18.2 and 19.14        | Except for certain claims and subject to state law, you and we agree that the principal city closest to our principal place of business (currently Sarasota, FL) will be the venue for any arbitration under the Franchise Agreement, and you and we both waive the right to a trial by jury. Subject to applicable state law, arbitration and litigation must be in the principal city closest to our principal place of business (currently Sarasota, FL).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| w. Choice of law                                                          | Section 19.7                   | The laws of the state of Florida, subject to applicable state law.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

*[Remainder of page intentionally left blank. Item 17 continues next page.]*

**This table lists certain important provisions of the Area Development Agreement. You should read these provisions in the agreement attached to this Disclosure Document.**

**B. AREA DEVELOPMENT AGREEMENT**

| <b>Provision</b>                                    | <b>Section in Area Development Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------------------------------|----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. Length of the Franchise Term                     | Section 4.1                                  | Varies based upon the number of Restaurants we grant you the right to open. Typically, five years or until you sign a Franchise Agreement for your last Restaurant necessary to satisfy your Development Obligation, whichever is earlier.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| b. Renewal or extension of the term                 | Sections 2.4, 4.2, 4.3, 4.4 and 4.5          | You do not have the right to renew your Area Development Agreement. However, if we determine that further development of your Development Area is desirable, if you are in good standing and you are not in default under your Area Development Agreement, we will offer you the opportunity to develop additional Restaurants. Unless we consent, you may not open more than the total number of Restaurants comprising your Development Obligation.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| c. Requirements for you to renew or extend          | Sections 4.3 and 4.4                         | <p>We use the term “renewal” to refer to extending our franchise relationship at the end of your initial term. You do not have the right to renew your Area Development Agreement. However, if we determine that further development of your Development Area is desirable, if you are in good standing and you are not in default under your Area Development Agreement, we will offer you the opportunity to develop additional Restaurants.</p> <p>Unless we choose, in our sole discretion, to amend your current Area Development Agreement to extend the term, you must sign a new area development agreement on our then-current form, which will contain your additional development obligation, and which may contain materially different terms and conditions from the original area development agreement. You and your affiliates who have a currently existing Franchise Agreement or Area Development Agreement with us must not be in default; demonstrated financial ability to perform additional development; performed current development obligations; meet then-current area developer qualifications; and sign a general release.</p> |
| d. Termination by you                               | None                                         | Not applicable.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| e. Termination by Us without cause                  | None                                         | Not applicable.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| f. Termination by Us with cause                     | Section 9.1                                  | We can terminate if you or any of your affiliates materially default under the Area Development Agreement, an individual Franchise Agreement, or any other agreement with us.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| g. “Cause” defined - defaults which can be cured    | Section 9.1                                  | You have ten days to cure non-payment of fees and 30 days to cure any other default; provided that in the case of a breach or default in the performance of your obligations under any Franchise Agreement or other agreement, the notice and cure provisions of such agreement will control.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| h. “Cause” defined - defaults which cannot be cured | Section 9.1                                  | Non-curable defaults include: unapproved transfers; failure to meet development obligations; any breach of non-competition provisions; any default under any other agreement with us; and failure to meet financial covenants.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| i. Your obligations on termination/non-renewal      | Section 4.5                                  | You will have no further right to develop or operate additional Restaurants which are not, at the time of termination, the subject of a then-existing Franchise Agreement between you and us. You may continue to own and operate all Restaurants pursuant to then-existing Franchise Agreements.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

| Provision                                                     | Section in Area Development Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|---------------------------------------------------------------|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| j. Assignment of contract by Us                               | Section 7.1                           | No restriction on our right to assign.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| k. "Transfer" by you - definition                             | Section 7.3                           | Includes transfer of the agreement or change in ownership of a franchisee which is an entity.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| l. Our approval of transfer by you                            | Section 7.3                           | Transfers require our express written consent, which consent may be withheld for any reason whatsoever in our sole judgment.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| m. Conditions for our approval of transfer                    | Sections 7.2 and 7.3                  | <p>Except as described below, you may not transfer your Area Development Agreement or any Franchise Agreement signed pursuant to the Area Development Agreement except with our written consent and a simultaneous assignment of the Area Development Agreement and all Franchise Agreements signed pursuant to the Area Development Agreement to the same assignee.</p> <p>With our written consent, you may transfer a Franchise Agreement to an entity of which you directly own 100% interest for convenience of ownership. If the new franchisee is a business entity, all holders of a 10% or greater interest in the new franchisee must sign a Continuing Guaranty. You must reimburse us for all costs and expenses that we incur in connection with such a transfer, including attorneys' fees.</p> <p>At our election, the assignee must sign our then-current form of Franchise Agreement for each Restaurant then developed or under development.</p> <p>Before shares of a Franchisee which is a business entity may be offered by private offering, you must provide us with copies of all offering materials; indemnify us, our officers, directors, shareholders, partners, agents, representatives, independent contractors, and employees of each in connection with the offering; and pay us a non-refundable fee of 50% of our then-current Initial Franchise Fee or a greater amount, if necessary, to reimburse us for our costs and expenses associated with reviewing the proposed offering.</p> |
| n. Our right of first refusal to acquire your business        | Section 7.3                           | We have 30 days to match any offer for your HCK Hot Chicken Restaurant.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| o. Our option to purchase your business                       | N/A                                   | Not applicable.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| p. Your death or disability                                   | Section 9.1.2                         | Your heirs have nine months after your death or legal incapacity to assign the Area Development Agreement to a person acceptable to us. See also "m" above.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| q. Non-competition covenants during the term of the franchise | Section 8.1                           | Unless we otherwise consent, you cannot engage in in "Competitive Activities" which means to own, operate, lend to, advise, be employed by, or have any financial interest in (i) any restaurant that derives 20% or more of its Gross Sales from the sale of fried chicken, other than a Restaurant operated pursuant to a validly subsisting Franchise Agreement with Franchisor, or (ii) any business that specializes in developing, operating or franchising restaurants that derives 20% or more of its Gross Sales from the sale of fried chicken, or (iii) any business engaged in the preparation, production or sale, at wholesale, of any fried chicken food product. Notwithstanding the foregoing, Competitive Activities shall not include the direct or indirect ownership solely as an investment, of securities of any entity which are traded on any national securities exchange if the owner thereof (i) is not a                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

| Provision                                                                 | Section in Area Development Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
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|                                                                           |                                       | controlling person of, or a member of a group which controls, such entity and (ii) does not, directly or indirectly, own 5% or more of any class of securities of such entity.                                                                                                                                                                                                                                                                                                                                                      |
| r. Non-competition covenants after the franchise is terminated or expires | Section 8.2                           | Except with our express written consent, no involvement in any Competitive Activities, as defined above, for 2years within the Development Area.                                                                                                                                                                                                                                                                                                                                                                                    |
| s. Modification of the agreement                                          | Section 8.3                           | The Area Development Agreement may be modified only by written agreement between the parties.                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| t. Integration/merger clause                                              | Section 11.9                          | Only the terms of the Area Development Agreement are binding (subject to applicable state law). Any representations or promises outside of this Franchise Disclosure Document and Area Development Agreement may not be enforceable.                                                                                                                                                                                                                                                                                                |
| u. Dispute resolution by arbitration or mediation                         | Section 10                            | Before either of us may file for arbitration, you and we agree to attempt to resolve any dispute pursuant to mediation held in the principal city closest to our principal place of business (currently Sarasota, FL) and the mediation will be governed in accordance with Rules of Practice and Procedure of Judicial Arbitration & Mediation Services, Inc., unless otherwise agreed, subject to applicable state law.                                                                                                           |
| v. Choice of forum                                                        | Sections 10.1,10.2 and 11.15          | Before either of us may file arbitration, you and we agree to attempt to resolve any dispute pursuant to mediation held in the principal city closest to our principal place of business (currently Sarasota, FL) and the mediation will be governed in accordance with Rules of Practice and Procedure of Judicial Arbitration & Mediation Services, Inc., unless otherwise agreed. Subject to applicable state law, litigation must be in the principal city closest to our principal place of business (currently Sarasota, FL). |
| w. Choice of law                                                          | Section 11.8                          | The laws of the state of Florida, subject to applicable state law.                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

## ITEM 18. PUBLIC FIGURES

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

## ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

This financial performance representation is based upon the historic operating revenue and certain expenses of the "Company-Owned Outlets" operated by HCK Affiliate One in Woodbridge, Virginia and HCK Affiliate Two in Stafford, Virginia under our former trade name, "Hot Chikn Kitchn." HCK Affiliate One operated for the entirety of the "Measuring Period," which covers the period from January 1, 2022 through December 31, 2022. HCK Affiliate Two opened in May 2022, therefore it did not operate for the entire Measuring Period, however we have disclosed its historic operating revenue and certain expenses from May 1, 2022 to December 31, 2022. We obtained these historical financial results from the profit and loss reports submitted by the Company-Owned Outlets. Our affiliate, HCK Affiliate Three, is not reported below

because it opened in December 2022 and has not been open at least 6 months. There are two HCK Hot Chicken Restaurants operated by franchisees as of the issuance date of this Disclosure Document, but neither were open for at least 6 months. Neither we nor a certified public accountant have independently audited or verified the information.

Except as discussed in the notes below, the Company-Owned Outlets operate in a substantially similar manner to how your Franchised Business will operate. The explanatory notes included with the following charts are an integral part of this financial performance representation and should be read in their entirety for a full understanding of the information contained in the following chart.

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

#### **Gross Revenues and Certain Operating Expenses for HCK Affiliate One**

| <b>Item</b>                                | <b>Amount</b>    | <b>Percentage of Gross Revenue</b> |
|--------------------------------------------|------------------|------------------------------------|
| Gross Revenue <sup>1</sup>                 | \$1,563,714      | 100%                               |
| COGS <sup>2</sup>                          | \$582,222        | 37.2%                              |
| Labor <sup>3</sup>                         | \$429,389        | 27.5%                              |
| Occupancy <sup>4</sup>                     | \$80,609         | 5.2%                               |
| Insurance <sup>5</sup>                     | \$3,744          | 0.2%                               |
| Other Operating Expenses <sup>6</sup>      | \$35,058         | 2.2%                               |
| Royalties <sup>7</sup>                     | \$93,823         | 6.0%                               |
| Brand Fund Contribution <sup>8</sup>       | \$31,274         | 2.0%                               |
| Technology Fees <sup>9</sup>               | \$6,000          | 0.4%                               |
| <b>EBITDA (if franchised)<sup>10</sup></b> | <b>\$301,596</b> | <b>19.3%</b>                       |

#### **Notes Regarding the Table Above:**

1. “Gross Revenue” means all revenues derived from the sale of products and/or services to customers. Gross Revenue does not include taxes which were collected and paid to applicable governmental authorities or revenue for which there was a valid corresponding refund paid to the customer.

2. “Other Operating Expenses” means other expenses attributable to the operation of each outlet, including: payroll expenses, software fees, merchant fees and banking charges, business licenses & permits, office expenses, payroll services, dues & subscriptions, meals and entertainment, mileage, charitable contributions, postage and delivery, and other miscellaneous expenses.

3. “Royalties” means an amount equal to six percent (6%) of the Gross Revenues for each outlet. Although the Company-Owned Outlet does not pay us a Royalty, we have included the actual royalty rate that would have been paid by the Company-Owned Outlet if it were operating under our current form of Franchise Agreement.

4. “Brand Fund Contribution” means an amount equal to one and two percent (2%) of the Gross Revenues for each outlet. Although the Company-Owned Outlet did not pay us a Brand Fund Contribution during the Measuring Period, we have included the actual Brand Fund Contribution amount that would have been paid by the Company-Owned Outlet if it were operating under our current form of Franchise Agreement.

5. “Technology Fee” means an amount equal to five-hundred dollars (\$500) per month for each month of operation during the Measuring Period. Although the Company-Owned Outlet did not pay us a Technology Fee during the Measuring period, we have included the actual Technology Fee amount that would have been paid by each Company-Owned Outlet if it were operating under our current form of Franchise Agreement.

6. “EBITDA (If Franchised)” means Gross Revenue minus COGS, Labor, Occupancy, Insurance, Other Operating Expenses, Royalty, Brand Fund Contribution, and Technology Fee. “EBITDA (If Franchised)” does not include interest paid on debt, taxes, depreciation, or amortization expenses.

#### **Gross Revenues and Certain Operating Expenses for HCK Affiliate Two**

| <b>Item</b>                                | <b>Amount</b>    | <b>Percentage of Gross Revenue</b> |
|--------------------------------------------|------------------|------------------------------------|
| Gross Revenue <sup>1</sup>                 | \$790,190        | 100%                               |
| COGS <sup>2</sup>                          | \$283,401        | 35.9%                              |
| Labor <sup>3</sup>                         | \$243,980        | 30.9%                              |
| Occupancy <sup>4</sup>                     | \$61,273         | 7.8%                               |
| Insurance <sup>5</sup>                     | \$1,376          | 0.2%                               |
| Other Operating Expenses <sup>6</sup>      | \$11,717         | 1.5%                               |
| Royalties <sup>7</sup>                     | \$47,411         | 6.0%                               |
| Brand Fund Contribution <sup>8</sup>       | \$15,804         | 2.0%                               |
| Technology Fees <sup>9</sup>               | \$3,500          | 0.4%                               |
| <b>EBITDA (if franchised)<sup>10</sup></b> | <b>\$119,228</b> | <b>15.4%</b>                       |

#### **Notes Regarding the Table Above:**

- This Company-Owned Outlet opened for operations in May 2022.
- The items in this table hold the same meaning as the items in the previous table, except as noted below.
- Because this Company-Owned Outlet only operated for 7 months, the “Technology Fee” represents the amount the Company-Owned Outlet would have paid during its Measuring Period.

#### **Notes Regarding the Company-Owned Outlets and Item 19 Generally:**

1. The figures in the tables above use the historical information that the Company-Owned Outlet provided to us. You should be advised that no certified public accountant has audited these figures or expressed his or her opinion concerning their contents or form, nor have we sought to independently verify their accuracy. Upon your reasonable request, we will provide written substantiation for this financial performance representation.

2. The actual performance of any outlet will depend on a number of factors specific to the location, including:

- The impact of the COVID 19 pandemic and any related closures or stay at home orders;
- Any applicable law and/or regulatory compliance expenses;

- Rent, interest or other financing costs for land, buildings, equipment, and inventory;
- Initial franchise fee and organization costs;
- Economic and weather conditions of various geographic areas;
- Competition from a variety of other businesses;
- Different acquisition, development, construction, and property costs;
- Cost of equipment;
- Occupancy expenses such as rent, utilities and property taxes;
- Labor costs, payroll taxes and laws concerning employees and employee benefits;
- Different traffic counts, accessibility, visibility, and parking;
- Different results from advertising;
- Outlets have been in business for different periods of time in their respective markets;
- Cost of product and supply costs;
- Franchise payments including royalties; and
- Workers' compensation and insurance coverage.

These and other expenses you incur will affect the net income and cash flow of the outlet. The Company-Owned Outlet has not made any changes to its system due to COVID, however COVID may have affected net income and cash flows, therefore you should consider the effect and evaluate the impact on your operations.

3. The fast-casual and quick service restaurant industry, and the market for prepared food products is highly competitive and affected by, among other things, changes in geographic area, changes in preferences, local, regional, and national economic conditions, population trends, and traffic patterns. Additionally, acquiring a site is highly competitive with other businesses for suitable sites. The performance of your Restaurant will be affected by the region in which you operate, your competitors, and the success you have in marketing and managing your operations.

4. The Company-Owned Outlets operate in the eastern Virginia, where the “Hot Chikn Kitchn” and “HCK Hot Chicken” brand has likely obtained more of a reputation and positive goodwill among the relevant target market (as compared to another region of the United States where there are no other HCK Hot Chicken locations in operation).

5. This Item 19 does not reflect certain pre-opening costs and expenses over the Measuring Periods that you are likely to incur in connection with development of a new Restaurant. See Item 7 for details about pre-opening costs for your Restaurant.

6. You should consult other sources for financial information including your financial, business, and legal advisors in connection with the information provided to obtain additional information necessary for you to develop estimates of the sales, costs, expenses, earnings, and profits.

7. Written substantiation to support the information appearing in this financial performance representation is available to you upon reasonable request.

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

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting our Franchise Development Department at PO Box 3566, Sarasota, FL 34230, or by phone at (941)257-3663; the Federal Trade Commission; and the appropriate state regulatory agencies.

**ITEM 20.**  
**OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**  
**Systemwide Outlet Summary**  
**For Years 2020 - 2022**

| Outlet Type          | Year        | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|----------------------|-------------|----------------------------------|--------------------------------|------------|
| Franchised           | 2020        | 0                                | 0                              | 0          |
|                      | 2021        | 0                                | 0                              | 0          |
|                      | 2022        | 0                                | 2                              | +2         |
| Company-Owned        | 2020        | 0                                | 1                              | +1         |
|                      | 2021        | 1                                | 1                              | 0          |
|                      | 2022        | 1                                | 3                              | +2         |
| <b>Total Outlets</b> | <b>2020</b> | <b>0</b>                         | <b>1</b>                       | <b>+1</b>  |
|                      | <b>2021</b> | <b>1</b>                         | <b>1</b>                       | <b>0</b>   |
|                      | <b>2022</b> | <b>1</b>                         | <b>5</b>                       | <b>+4</b>  |

**Table No. 2**  
**Transfers of Franchised Outlets from Franchisees to New Owners**  
**(other than the Franchisor)**  
**For Years 2020 - 2022**

| State         | Year        | Number of Transfers |
|---------------|-------------|---------------------|
| <b>Totals</b> | <b>2020</b> | <b>0</b>            |
|               | <b>2021</b> | <b>0</b>            |
|               | <b>2022</b> | <b>0</b>            |

**Table No. 3**  
**Status of Franchised Outlets**  
**For Years 2020 - 2022**

| State                | Year        | Outlets at Start of the Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations - Other Reasons | Outlets at End of the Year |
|----------------------|-------------|------------------------------|----------------|--------------|--------------|--------------------------|-----------------------------------|----------------------------|
| <b>FL</b>            | 2020        | 0                            | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                      | 2021        | 0                            | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                      | 2022        | 0                            | 1              | 0            | 0            | 0                        | 0                                 | 1                          |
| <b>NJ</b>            | 2020        | 0                            | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                      | 2021        | 0                            | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                      | 2022        | 0                            | 1              | 0            | 0            | 0                        | 0                                 | 1                          |
| <b>Total Outlets</b> | <b>2020</b> | <b>0</b>                     | <b>0</b>       | <b>0</b>     | <b>0</b>     | <b>0</b>                 | <b>0</b>                          | <b>0</b>                   |
|                      | <b>2021</b> | <b>0</b>                     | <b>0</b>       | <b>0</b>     | <b>0</b>     | <b>0</b>                 | <b>0</b>                          | <b>0</b>                   |
|                      | <b>2022</b> | <b>0</b>                     | <b>2</b>       | <b>0</b>     | <b>0</b>     | <b>0</b>                 | <b>0</b>                          | <b>2</b>                   |

**Table No. 4**  
**Status of Company-Owned Outlets**  
**For Years 2020 - 2022**

| State         | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired From Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of Year |
|---------------|------|--------------------------|----------------|------------------------------------|----------------|----------------------------|------------------------|
| VA            | 2020 | 0                        | 1              | 0                                  | 0              | 0                          | 1                      |
|               | 2021 | 1                        | 0              | 0                                  | 0              | 0                          | 1                      |
|               | 2022 | 1                        | 2              | 0                                  | 0              | 0                          | 3                      |
| Total Outlets | 2020 | 0                        | 1              | 0                                  | 0              | 0                          | 1                      |
|               | 2021 | 1                        | 0              | 0                                  | 0              | 0                          | 1                      |
|               | 2022 | 1                        | 2              | 0                                  | 0              | 0                          | 3                      |

**Table No. 5**  
**Projected Openings as of December 31, 2022**

| 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 |
|--------------|---------------------------------------------------|----------------------------------------------------------|-------------------------------------------------------------|
| FL           | 1                                                 | 1                                                        | 0                                                           |
| MD           | 1                                                 | 1                                                        | 0                                                           |
| NC           | 0                                                 | 0                                                        | 0                                                           |
| NJ           | 1                                                 | 2                                                        | 0                                                           |
| NY           | 1                                                 | 1                                                        | 0                                                           |
| TX           | 1                                                 | 1                                                        | 0                                                           |
| VA           | 1                                                 | 2                                                        | 3                                                           |
| <b>Total</b> | <b>6</b>                                          | <b>8</b>                                                 | <b>3</b>                                                    |

### Current and Former Franchisee Information

The names, addresses, and telephone numbers of our current franchisees are attached to this Franchise Disclosure Document as Exhibit G. The name and last known address and telephone number of every current franchisee and area developer and every franchisee or area developer who has had a HCK Hot Chicken Franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our franchise agreement or area development agreement during our previous fiscal year, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document, is listed in Exhibit G. During the last three fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the HCK Hot Chicken Franchise System. If you buy a HCK Hot Chicken Franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

### Franchisee Organizations

As of the Issuance Date of this Franchise Disclosure Document, there are no franchise organizations sponsored or endorsed by us, and no independent franchisee organizations have asked to be included in this Franchise Disclosure Document. We do not have any trademark specific franchisee organizations.

**ITEM 21.**  
**FINANCIAL STATEMENTS**

Exhibit B contains our audited financial statements as of December 31, 2022 and audited opening balance sheet as of December 31, 2021. Because we were formed in 2021 and began selling franchises in December 2021, we have not been in business for three years or more, and therefore cannot include the same financial statements as a franchisor that has been in business for three or more years. Our fiscal year end is December 31.

**ITEM 22.**  
**CONTRACTS**

The following exhibits contain proposed agreements regarding the Franchise and Area Developer Franchise:

| <b>Contract</b>                             | <b>Location in FDD</b> |
|---------------------------------------------|------------------------|
| Franchise Agreement with Attachments        | Exhibit C              |
| Area Development Agreement with Attachments | Exhibit D              |
| State Addenda and Agreement Riders          | Exhibit H              |
| Sample General Release                      | Exhibit I-1            |
| Sample System Protection Agreement          | Exhibit I-2            |
| Sample Confidentiality Agreement            | Exhibit I-3            |
| ACH Authorization Form                      | Exhibit I-4            |
| Credit Card Authorization Form              | Exhibit I-5            |
| Sample Approval of Requested Assignment     | Exhibit I-6            |
| Lease Addendum                              | Exhibit I-7            |
| Non-Traditional Location Addendum           | Exhibit I-8            |

**ITEM 23.**  
**RECEIPTS**

Attached as the last two pages of this Franchise Disclosure Document are receipt pages. Please sign, date, and return one copy of the Receipt to us, acknowledging that you received this Franchise Disclosure Document. Please keep the second copy for your records.

**EXHIBIT A**

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

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b><u>CALIFORNIA</u></b></p> <p><u>State Administrator and Agent for Service of Process:</u></p> <p>Commissioner<br/>Department of Business Oversight<br/>320 W. 4th Street, #750<br/>Los Angeles, CA 90013 (213)<br/>576-7500<br/>(866) 275-2677</p> <p><b><u>HAWAII</u></b></p> <p>Commissioner of Securities of the State of Hawaii<br/>335 Merchant Street, Room 203<br/>Honolulu, HI 96813<br/>(808) 586-2722</p> <p><u>Agent for Service of Process:</u><br/>Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division<br/>335 Merchant Street, Room 203<br/>Honolulu, HI 96813<br/>(808) 586-2722</p> <p><b><u>ILLINOIS</u></b></p> <p>Illinois Attorney General<br/>Chief, Franchise Division<br/>500 S. Second Street<br/>Springfield, IL 62706<br/>(217) 782-4465</p> <p><b><u>INDIANA</u></b></p> <p>Secretary of State<br/>Securities Division Room E-018<br/>302 W. Washington Street<br/>Indianapolis, IN 46204<br/>(317) 232-6681</p> | <p><b><u>MARYLAND</u></b></p> <p>Office of the Attorney General<br/>Securities Division<br/>200 St. Paul Place Baltimore, MD 21202<br/>(410) 576-6360</p> <p><u>Agent for Service of Process:</u></p> <p>Maryland Securities Commissioner<br/>200 St. Paul Place<br/>Baltimore, MD 21202-2020</p> <p><b><u>MICHIGAN</u></b></p> <p>Michigan Department of Attorney General<br/>Consumer Protection Division<br/>525 W. Ottawa Street<br/>Lansing, MI 48913<br/>(517) 373-7117</p> <p><b><u>MINNESOTA</u></b></p> <p>Department of Commerce<br/>Commissioner of Commerce<br/>85 Seventh Place East, Suite 280<br/>St. Paul, MN 55101-3165<br/>(651) 539-1600</p> <p><b><u>NEW YORK</u></b></p> <p><u>Administrator:</u></p> <p>NYS Department of Law<br/>Investor Protection Bureau<br/>28 Liberty Street, 21st Floor<br/>New York, NY 10005<br/>(212) 416-8222</p> <p><u>Agent for Service of Process:</u></p> <p>New York Department of State<br/>One Commerce Plaza<br/>99 Washington Avenue, 6th Floor<br/>Albany, NY 12231-0001<br/>(518) 473-2492</p> <p><b><u>NORTH DAKOTA</u></b></p> <p>North Dakota Securities Department<br/>State Capitol, Fifth Floor,<br/>Dept. 414 600 E. Boulevard Avenue<br/>Bismarck, ND 58505-0510<br/>(701) 328-4712</p> | <p><b><u>RHODE ISLAND</u></b></p> <p>Department of Business Regulation 1511<br/>Pontiac Avenue, Bldg. 68-2<br/>Cranston, RI 02920<br/>(401) 462-9527</p> <p><b><u>SOUTH DAKOTA</u></b></p> <p>Division of Insurance<br/>Securities Regulation<br/>124 South Euclid, Suite 104<br/>Pierre, SD 57501<br/>(605) 773-3563</p> <p><b><u>VIRGINIA</u></b></p> <p>State Corporation Commission Division of Securities and Retail Franchising<br/>1300 E. Main Street, 9th Floor<br/>Richmond, VA 23219</p> <p><u>Agent for Service of Process:</u></p> <p>Clerk of the State Corporation Commission<br/>1300 E. Main Street, 1st Floor<br/>Richmond, VA 23219</p> <p><b><u>WASHINGTON</u></b></p> <p><u>State Administrator:</u></p> <p>Department of Financial Institutions<br/>Securities Division<br/>P.O. Box 9033 Olympia, WA 98507<br/>(360) 902-8760</p> <p><u>Agent for Service of Process:</u></p> <p>Director of Department of Financial Institutions<br/>Securities Division<br/>150 Israel Road SW Tumwater, WA 98501</p> <p><b><u>WISCONSIN</u></b></p> <p>Department of Financial Institutions<br/>Division of Securities<br/>201 W. Washington Avenue<br/>Madison, WI 53703<br/>(608) 266-3364</p> |
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**EXHIBIT B**  
**FINANCIAL STATEMENTS**



**Hot Chikn Kitchn LLC**

**Financial Statements**

**For the years ended  
December 31, 2022 and 2021**





## Hot Chikn Kitchn LLC

### Contents

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## **Independent Auditor's Report**

The Members and Managers  
Hot Chikn Kitchn LLC  
Sarasota, Florida

### **Opinion**

We have audited the accompanying financial statements of Hot Chikn Kitchn LLC (the "Company"), a Florida corporation, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hot Chikn Kitchn LLC 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.

### **Basis for Opinion**

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

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

Management is responsible for the preparation and fair presentation of these 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 Hot Chikn Kitchn LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

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

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





- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hot Chikn Kitchn 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 Hot Chikn Kitchn 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.

*Davidson Doyle & Hittler, LLP*

Lynchburg, Virginia  
February 24, 2023





**Hot Chikn Kitchn LLC**  
**Balance Sheets**  
**December 31, 2022 and 2021**

| Assets                                                             |    | 2022    | 2021        |
|--------------------------------------------------------------------|----|---------|-------------|
| <b>Current Assets</b>                                              |    |         |             |
| Cash and cash equivalents                                          | \$ | 168,007 | \$ 100,000  |
| Accounts receivable                                                |    | 111,504 | -           |
| Prepaid expenses                                                   |    | 67,917  | -           |
| Total current assets                                               |    | 347,428 | 100,000     |
| <b>Other Assets</b>                                                |    |         |             |
| Intellectual property, net of amortization of \$14,613 and \$2,088 |    | 173,266 | 185,791     |
| Start up costs, net of amortization of \$3,058 and \$235           |    | 11,055  | 13,878      |
| Total other assets                                                 |    | 184,321 | 199,669     |
| Total Assets                                                       | \$ | 531,749 | \$ 299,669  |
| <b>Liabilities and Members' Equity</b>                             |    |         |             |
| <b>Current Liabilities</b>                                         |    |         |             |
| Accrued expenses                                                   | \$ | 21,789  | \$ 18,227   |
| Deferred revenue, current                                          |    | 8,000   | -           |
| Total liabilities                                                  |    | 29,789  | 18,227      |
| Deferred revenue                                                   |    | 238,667 | -           |
| Total liabilities                                                  |    | 268,456 | 18,227      |
| <b>Members' Equity</b>                                             |    |         |             |
| Members' paid in capital                                           |    | 287,879 | 287,879     |
| Retained earnings                                                  | (  | 24,586  | ) ( 6,437 ) |
| Total members' equity                                              |    | 263,293 | 281,442     |
| Total Liabilities and Members' Equity                              | \$ | 531,749 | \$ 299,669  |

See notes to financial statements.





**Hot Chikn Kitchn LLC**  
**Statements of Income**  
**Years ended December 31, 2022 and 2021**

|                                        | <u>2022</u>          | <u>2021</u>         |
|----------------------------------------|----------------------|---------------------|
| <b>Income</b>                          |                      |                     |
| Franchise and area representative fees | \$ 71,333            | \$ -                |
| Advertising and royalty income         | <u>104,601</u>       | <u>-</u>            |
| <b>Total income</b>                    | <u>175,934</u>       | <u>-</u>            |
| <b>Expenses</b>                        |                      |                     |
| Professional fees                      | 98,266               | 1,800               |
| Franchise marketing                    | 46,902               | 2,000               |
| Travel                                 | 25,318               | 144                 |
| Amortization                           | 15,348               | 2,323               |
| Other operating expenses               | 4,240                | -                   |
| Commissions                            | 2,083                | -                   |
| Administrative expenses                | 687                  | 170                 |
| Postage & shipping                     | 639                  | -                   |
| Insurance                              | 600                  | -                   |
| <b>Total expenses</b>                  | <u>194,083</u>       | <u>6,437</u>        |
| <b>Net loss</b>                        | \$ ( <u>18,149</u> ) | \$ ( <u>6,437</u> ) |

See notes to financial statements.





**Hot Chikn Kitchn LLC**  
**Statements of Changes in Members' Equity**  
**Years ended December 31, 2022 and 2021**

|                              | <u>Members<br/>Paid in<br/>Capital</u> | <u>Retained<br/>Earnings</u> | <u>Members'<br/>Total Equity</u> |
|------------------------------|----------------------------------------|------------------------------|----------------------------------|
| Balance at November 1, 2021  | \$ -                                   | \$ -                         | \$ -                             |
| Capital Contributions        | 287,879                                | -                            | 287,879                          |
| Net loss                     | <u>-</u>                               | ( <u>6,437</u> )             | ( <u>6,437</u> )                 |
| Balance at December 31, 2021 | \$ 287,879                             | \$ ( 6,437 )                 | \$ 281,442                       |
| Net loss                     | <u>-</u>                               | ( <u>18,149</u> )            | ( <u>18,149</u> )                |
| Balance at December 31, 2022 | \$ <u>287,879</u>                      | \$ ( <u>24,586</u> )         | \$ <u>263,293</u>                |

See notes to financial statements.





**Hot Chikn Kitchn LLC**  
**Statements of Cash Flows**  
**Years ended December 31, 2022 and 2021**

|                                                                                     | <u>2022</u>              | <u>2021</u>              |
|-------------------------------------------------------------------------------------|--------------------------|--------------------------|
| <b>Cash flows from operating activities</b>                                         |                          |                          |
| Net loss                                                                            | \$ ( 18,149 )            | \$ ( 6,437 )             |
| Adjustments to reconcile net income to net cash<br>provided by operating activities |                          |                          |
| Amortization                                                                        | 15,348                   | 2,323                    |
| Changes in:                                                                         |                          |                          |
| Accounts receivable                                                                 | ( 111,504 )              | -                        |
| Prepaid expenses                                                                    | ( 67,917 )               | -                        |
| Accrued expenses                                                                    | 3,562                    | 18,227                   |
| Deferred revenue                                                                    | <u>246,667</u>           | <u>-</u>                 |
| <b>Net cash provided by operating activities</b>                                    | <u>68,007</u>            | <u>14,113</u>            |
| <b>Cash flows from investing activities</b>                                         |                          |                          |
| Start up costs                                                                      | <u>-</u>                 | ( <u>14,113</u> )        |
| <b>Net cash used in investing activities</b>                                        | <u>-</u>                 | ( <u>14,113</u> )        |
| <b>Cash flows from financing activities</b>                                         |                          |                          |
| Member contributions                                                                | <u>-</u>                 | <u>100,000</u>           |
| <b>Net cash provided by financing activities</b>                                    | <u>-</u>                 | <u>100,000</u>           |
| <b>Net increase in cash and cash equivalents</b>                                    | 68,007                   | 100,000                  |
| <b>Cash and cash equivalents at beginning of period</b>                             | <u>100,000</u>           | <u>-</u>                 |
| <b>Cash and cash equivalents at end of period</b>                                   | \$ <u><u>168,007</u></u> | \$ <u><u>100,000</u></u> |
| <b>Supplemental cash flow information:</b>                                          |                          |                          |
| Contribution of intellectual property                                               | \$ <u>-</u>              | \$ <u><u>187,879</u></u> |

See notes to financial statements.





**Hot Chikn Kitchn LLC**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 1 – Nature of operations**

Hot Chikn Kitchn LLC (“the Company”) is a Florida limited liability company. The Company is located and operates out of its offices located in Sarasota, Florida. The Company was formed for the purpose of owning a franchise system, selling the franchises, lead generation, development and marketing services, and the management of a restaurant brand and such brand’s franchises.

**Note 2 – Summary of significant accounting policies**

**Basis of presentation**

The Company uses the accrual basis of accounting in accordance with generally accepted accounting principles.

**Cash and cash equivalents**

For the purpose of the statement of cash flows, the Company considers all short-term debt securities purchased with an original maturity of three months or less and all cash balances or deficits to be cash equivalents. Accounts at each institution are insured by the Federal Deposit Corporation (FDIC) up to \$250,000. From time to time, balances maintained may exceed the maximum amount insured by the FDIC. Management does not believe there is a risk of loss with these accounts.

**Accounts receivable**

Accounts receivable are stated at the amount the Company expects to collect. The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

**Intangible assets**

The Company’s intangible assets include intellectual property. The Company capitalizes intellectual property and records them at estimated fair value. The assets will be amortized over the life of the assets.

**Start up costs**

The Company capitalizes costs incurred in the initial organization of the Company. Those costs are amortized over time.

**Revenue recognition**

The Company derives its revenues primarily from franchise and area representative fees. The revenue is recognized over the term of the respective contract. Some fees are paid in a lump sum while others are paid over time. The Company does not have any significant financing components as payment is received as invoiced. Related commissions on these contracts are deferred over the term of the contracts.

**Performance obligation**

For performance obligations related to franchise and area representative fees, control transfers to the franchisee or developer at different times over the contract period. Revenue is recognized based on the terms and deliverables agreed to in the contract. The Company recognizes revenue from fees as each performance obligation is met and over the term of the contract. Franchise and area representative fees collected but not earned based on the deliverables or timing of payment or contract are included in deferred revenue.

**Franchise agreements**

Initial franchise fees and developer fees are due upon granting of the franchise and are deferred and recognized as revenue when all material services and conditions required to be performed by the Company have been substantially completed. Commissions paid on franchise sales are due upon signing of the franchise agreement per the contracts and the expenses are recognized over the term of the franchise agreement.





**Hot Chikn Kitchn LLC**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 2 – Summary of significant accounting policies (continued)**

**Adoption of new accounting standards**

In January 2021, FASB issued ASU 2021-02, *Franchisors – Revenue from Contracts with Customers (Subtopic 952-606)*. The standard is effective for annual periods beginning after December 15, 2020. The update is intended to reduce the cost and complexity applying ASU-2014-09 Topic 606 to pre-opening services for franchisors that are not public business entities. The Company adopted the new standard effective January 1, 2021, the first day of the Company's fiscal year using the modified retrospective approach. The adoption did not have an impact on beginning retained earnings.

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The new standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2021. Early application of the amendments in the ASU is permitted. The update is intended to increase transparency and comparability among Companies by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements.

**Advertising**

Advertising costs are expensed as incurred.

**Income taxes**

The Company files partnership returns for the federal and state taxing jurisdictions. The Company does not pay income taxes; instead earnings and losses are reported at the member level for federal and state income tax purposes. Accordingly, the financial statements do not include a provision for income taxes.

The Financial Accounting Standards Board has issued ASC 740-10, *Accounting for Uncertainty in Income Taxes*, which prescribed a comprehensive model for how a company should measure, recognize, present, and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. The Company has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Company believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Company's financial condition, results of operations or cash flows. Accordingly, the Company has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2022 and 2021.

**Estimates**

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

**Note 3 – Intangible assets**

Intangible assets consist of the following intellectual property at December 31, 2022 and 2021:

|                                                           | <u>2022</u>       | <u>2021</u>       |
|-----------------------------------------------------------|-------------------|-------------------|
| Recipes, names, website, social media, pending trademarks | \$ 187,879        | \$ 187,879        |
| Accumulated amortization                                  | ( 14,613 )        | ( 2,088 )         |
| Net intellectual property                                 | \$ <u>173,266</u> | \$ <u>185,791</u> |





**Hot Chikn Kitchn LLC**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 4 – Members’ capital accounts**

Initial capital contributions are accounted for within individual member equity accounts. Separate withdrawal accounts are also maintained. Members may not request withdrawals of ownership interest. Currently, there are three members. Income and losses from operations and for tax purposes are allocated in accordance with the member’s equity ownership. Income and losses from operations and for tax purposes are allocated in accordance with the member’s equity ownership. As of December 31, 2022 and 2021, the capital balances are as follows:

|                       |    | <u>2022</u>    |    | <u>2021</u>    |
|-----------------------|----|----------------|----|----------------|
| Majority member       | \$ | 172,636        | \$ | 183,888        |
| Minority members      |    | <u>90,657</u>  |    | <u>97,554</u>  |
| Total members’ equity | \$ | <u>263,293</u> | \$ | <u>281,442</u> |

**Note 5 – Franchise Activity**

The Company signed six franchise agreements in 2022 and none in 2021. There were four restaurants opened during 2022 and none opened during the 2021. Under the franchise agreements, the Company will provide guidance, advice, and management assistance to the franchisees. The Company also agrees to pay certain costs of store refurbishing, advertising, and technology costs. In addition to the initial fee to open a franchise, the franchise agreements provide for royalties of approximately 6% and advertising income of 2% to be paid to the Company based on weekly sales. Franchise revenues will be recognized over the term of the franchise agreements. A total of \$70,000 has been collected on these agreements with \$10,000 and \$-0- receivable on those agreements at December 31, 2022 and 2021. At December 31, 2022 and 2021, \$78,667 and \$-0- remained in deferred revenue.

Commissions on the opening of these franchises are prepaid upon store opening and recognized over the term of the related franchise or developer agreement.

**Note 6 – Area Development Affiliations**

The Company has entered into three development agreements with area developers and various individuals to develop stores in certain geographic regions or venues. These agreements generally stipulate that a certain number of stores are to be developed over a period of time. There were three developer (area representative) agreements signed during 2022 to open multiple new franchises but no developer agreements were signed in 2021. The Company recognizes revenue as each of the stores under the agreement are opened. A total of \$149,000 has been collected on these agreements with \$89,000 and \$-0- receivable on those agreements at December 31, 2022 and 2021. During 2022 and 2021, \$70,000 and \$-0- was recognized as revenue under the agreements, with \$168,000 and \$-0- remaining in deferred revenue at December 31, 2022 and 2021.

**Note 7 – Disaggregation of revenue**

The following table disaggregates the Company’s revenue for the year ended December 31, 2022 and 2021:

|                                         |    | <u>2022</u>    |    | <u>2021</u> |
|-----------------------------------------|----|----------------|----|-------------|
| Area representative (developer) revenue | \$ | 70,000         | \$ | -           |
| Advertising income                      |    | 49,713         |    | -           |
| Grand opening marketing fees            |    | 20,000         |    | -           |
| Royalty income                          |    | 17,568         |    | -           |
| Rebate income                           |    | 17,320         |    | -           |
| Franchise revenue                       |    | <u>1,333</u>   |    | <u>-</u>    |
| Total                                   | \$ | <u>175,934</u> | \$ | <u>-</u>    |





**Hot Chikn Kitchn LLC**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 8 – Deferred revenue**

The following table presents changes in the Company's deferred revenues for the years ended December 31, 2022 and 2021:

|                                      | <u>2022</u>       | <u>2021</u> |
|--------------------------------------|-------------------|-------------|
| Deferred franchise fees:             |                   |             |
| Balance at January 1                 | \$ -              | \$ -        |
| Payments due on contracts            | 80,000            | -           |
| Revenue recognized during the period | ( 1,333 )         | ( - )       |
| Balance at December 31               | <u>\$ 78,667</u>  | <u>\$ -</u> |
| Deferred area rep fees:              |                   |             |
| Balance at January 1                 | \$ -              | \$ -        |
| Payments due on contracts            | 238,000           | -           |
| Revenue recognized during the period | ( 70,000 )        | ( - )       |
| Balance at December 31               | <u>\$ 168,000</u> | <u>\$ -</u> |
| Total deferred revenue               | <u>\$ 246,667</u> | <u>\$ -</u> |
|                                      | <u>2022</u>       | <u>2021</u> |
| Current                              | \$ 8,000          | \$ -        |
| Long-term                            | <u>238,667</u>    | <u>-</u>    |
| Total                                | <u>\$ 246,667</u> | <u>\$ -</u> |

**Note 9 – Subsequent Events**

Subsequent events have been reviewed by management as of February 24, 2023, the date the audit report was made available. No events requiring disclosure have been noted.



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



**HOT CHIKN KITCHN LLC  
D/B/A HCK HOT CHICKEN**

**FRANCHISE AGREEMENT**

**BY AND BETWEEN**

**HOT CHIKN KITCHN LLC**

**AND**

---

**FRANCHISEE**

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## ATTACHMENTS

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# HCK HOT CHICKEN

## FRANCHISE AGREEMENT

THIS **FRANCHISE AGREEMENT** (“**Agreement**”) is made on the effective date identified in Attachment A to this Agreement, (the “**Effective Date**”) by and between Hot Chikn Kitchn LLC, a Florida limited liability company (the “**Franchisor**”) and the franchisee identified in Attachment A to this Agreement (“**Franchisee**”). If more than one person or entity is listed as Franchisee, each such person or entity shall be jointly and severally liable for all rights, duties, restrictions, and obligations under this Franchise Agreement.

A. Franchisor has the right to license the “HCK HOT CHICKEN” name and service mark, and such other trademarks, service marks, logo types and commercial symbols as Franchisor may from time to time authorize or direct Franchisee to use in connection with the operation of the Franchised Restaurant (the “**Marks**”).

B. Franchisor and/or an Affiliate of Franchisor have developed and continue to develop, and Franchisor owns or has the right to sublicense, a system for the operation of fast-casual Restaurants specializing in the sale of Nashville hot chicken tenders and sandwiches and other authorized foods and beverages, pursuant to the Franchisor’s System, which includes, among other things, distinctive recipes, preparation techniques, product specifications, signs, trade secrets and other confidential information, architectural designs, trade dress, layout plans, uniforms, equipment specifications, inventory and marketing techniques.

C. Franchisee desires to obtain the license and franchise to operate a single Restaurant, under the Marks and in strict accordance with the System, and the standards and specifications established by Franchisor; and Franchisor is willing to grant Franchisee such license and franchise under the terms and conditions of this Agreement.

**NOW, THEREFORE**, the parties agree as follows:

### SECTION 1. DEFINITIONS

1.1 Certain Fundamental Definitions. In addition to those terms defined in the body of this Agreement, many of the capitalized terms contained in this Agreement are defined in Appendix 1.

### SECTION 2. GRANT

2.1 Grant.

2.1.1 Franchisor hereby awards Franchisee, and Franchisee hereby accepts, the right, license and obligation, during the Term, to use and display the Marks, and to use the System, to operate one Restaurant at, and only at, the Location upon the terms and subject to the provisions of this Agreement and all ancillary documents hereto.

2.1.2 Franchisee may offer, sell or provide delivery services or Catering services in the Territory and in such contiguous areas as Franchisor may from time to time expressly authorize in writing, only if and for so long as Franchisor may consent in writing, which may be granted or denied in Franchisor’s sole discretion and be subject to such terms and conditions as Franchisor may establish from time to time. If such prior written consent is granted, in addition to such other conditions and restrictions as Franchisor may impose, Franchisee shall at all times provide such delivery and/or Catering services in strict accordance with Franchisor’s standards, specifications and policies regarding the same, as may be amended from time to time. Such standards, specifications and policies may include, without limitation, restrictions regarding

the types of products and services Franchisee may offer and the geographic area in which Franchisee may provide such delivery and/or Catering services.

2.2 No Sublicensing Rights. Franchisee shall not sublicense, sublease, subcontract or enter any management agreement providing for, the right to operate the Franchised Restaurant or to use the System granted pursuant to this Agreement.

2.3 Territorial Rights.

2.3.1 If “No Territorial Rights” is selected in Attachment A, the franchise and license and other rights granted in this Agreement are for the Location only at the specific numbered street address at which the Franchised Restaurant shall be physically located and Franchisee acknowledges the franchise and license granted to Franchisee under this Agreement is nonexclusive and it has no territorial protection under this Agreement. If an area is selected and described in Attachment A, then during the Term, neither Franchisor nor any Affiliate of Franchisor shall open or operate any Traditional Restaurant, nor license others to do so, within the geographic area described on Attachment A (the “Territory”).

2.3.2 Except to the limited extent expressly provided in Section 2.3 of this Agreement, the license granted to the Franchisee under this Agreement is nonexclusive and Franchisor expressly reserves all other rights including, the exclusive, unrestricted right, in its discretion, directly and indirectly, itself and through its employees, Affiliates, representatives, franchisees, licensees, assigns, agents and others:

(a) to own or operate, and to license others (which may include its Affiliates) to own or operate:

(i) “HCK Hot Chicken” Restaurants at any location outside the Territory, and regardless of proximity to Franchisee’s Restaurant, even if doing so will or might affect Franchisee’s Restaurant;

(ii) Non-Traditional Restaurants at any location, and of any type whatsoever, within or outside the Territory, and regardless of proximity to Franchisee’s Restaurant, even if doing so will or might affect Franchisee’s Restaurant; provided that Franchisee shall be given a right of first refusal for any Non-Traditional Restaurant in a shopping center which is over 500,000 square feet in size located within Franchisee’s Territory (Franchisee shall have seven days following Franchisor’s notice to execute Franchisor’s then-current form of franchise agreement and all ancillary documents and pay Franchisor’s then-current initial franchise fee); and

(iii) Restaurants or other businesses operating under names other than “HCK Hot Chicken”, at any location, and of any type whatsoever, within or outside the Territory and regardless of their proximity to Franchisee’s Restaurant;

(b) to produce, license, distribute and market “HCK Hot Chicken” brand products and products bearing other marks, including pre-packaged food items, dressings and other food and beverage products, books, clothing, souvenirs and novelty items, through any location or outlet whatsoever (regardless of its proximity to the Restaurant opened pursuant hereto), including grocery stores, supermarkets and convenience stores and through any distribution channel, at wholesale or retail, including by means of the Internet or Internet web site, mail order catalogs, direct mail advertising, delivery, Catering and other distribution methods; and to advertise and promote the System through any means, including the Internet;

(c) to engage in any transaction, including to purchase or be purchased by, merge or combine with, to convert to the System or be converted into a new system with any business whether franchised or corporately owned, including a business that competes directly with Franchisee’s Restaurant, whether located inside or outside the Territory, provided that any Traditional Restaurants located inside of your Territory will not operate under the Marks.

(d) to deliver and cater and/or to license to other Restaurants or third parties to deliver and cater at any location within or outside of the Territory without compensation to Franchisee, and to establish a delivery

and Catering policy in the future which may restrict the delivery and Catering jurisdiction of Franchisor or of any franchisees;

(e) to implement multi-area marketing programs which may allow Franchisor or others to solicit or sell to customers anywhere. Franchisor also reserves the right to issue mandatory policies to coordinate such multi-area marketing programs; and

(f) to engage in any other business activities not expressly prohibited by the Agreement.

2.4 **Non-Traditional Venue.** Franchisee may not operate a Restaurant located within a Non- Traditional Venue, except with Franchisor's prior written consent which may be withheld in Franchisor's discretion. Franchisor will not unreasonably withhold or delay its approval of any college, university, or airport requested as a Non-Traditional Venue within the Territory. Franchisor may refuse consent to a Restaurant located at such a Non-Traditional Venue within the Territory if: (i) prior to Franchisee's request to operate a Restaurant at such location, Franchisor, Franchisor's affiliates or any other franchisee or licensee of Franchisor has begun negotiations or entered into any an agreement with the Non- Traditional Venue; (ii) such Non-Traditional Venue is subject to a national account or concessionaire agreement with Franchisor; or (iii) Franchisee or any affiliate of Franchisee is then in default of any agreement with Franchisor or Franchisor's affiliate or any other commercially reasonable basis. Franchisor and Franchisee shall execute an addendum to this Agreement, the current form of which is attached to the Franchise Disclosure Document in Exhibit I, if the Restaurant will be located in a Non- Traditional Venue or any other non-traditional or non-standard facility as determined by Franchisor. Franchisor will determine whether a proposed Restaurant should be classified as being located in a Non- Traditional Venue. Subject thereto, Franchisee shall have a non-exclusive right to develop Non- Traditional Restaurants within the Territory. Nothing herein shall restrict Franchisor's right to own or operate or to license to others the right to own or operate Restaurants at Non-Traditional Venues within the Territory.

### **SECTION 3 TERM AND RIGHT TO ENTER INTO SUCCESSOR FRANCHISE AGREEMENT**

3.1 **Initial Term.** The term of this Agreement ("**Term**") shall commence on the Effective Date and shall expire on the Expiration Date identified in Attachment A, unless sooner terminated or extended pursuant hereto.

3.2 **Right to Enter into Successor Franchise Agreements.**

3.2.1 Subject to the conditions contained in Section 3.4 of this Agreement and Franchisee's compliance with Section 3.3 of this Agreement, and provided that Franchisor is then currently offering franchises in the same state in which the Franchisee's Restaurant is located, at the expiration of the Term hereof, Franchisee shall have the right (the "**Successor Franchise Right**") to enter into a new franchise agreement in the form then generally being offered to prospective franchisees of the System (the "**First Successor Franchise Agreement**") for a ten year period (the "**First Successor Term**"), which Successor Franchise Agreement shall likewise grant Franchisee the right to enter into one additional franchise agreement at the end of the First Successor Term, in the form then generally being offered to prospective franchisees of the System (the "**Second Successor Franchise Agreement**") for a ten year period (the "**Second Successor Term**"). Franchisee acknowledges that the terms, including Continuing Royalty and Brand Fund Contribution payable, during the First Successor Term and Second Successor Term shall be as then generally applicable to new franchisees granted at the time and may differ from those contained in this Agreement.

(a) The term of the First Successor Franchise Agreement and the Second Successor Franchise Agreement, as applicable, shall commence upon the date of expiration of the Term hereof or the First Successor Franchise Agreement, as applicable; provided, however, that notwithstanding the terms of Franchisor's then-current form of Franchise Agreement:

(b) The First Successor Franchise Agreement and the Second Successor Franchise Agreement shall provide that Franchisee must pay, in lieu of an initial franchise fee, a renewal fee in the amount equal to the greater of: (i) fifty percent (50%) of Franchisor's then-current initial franchise fee or (ii) \$20,000; and

(c) unless otherwise mutually agreed in writing, the First Successor Franchise Agreement and the Second Successor Franchise Agreement shall be modified to conform to the Successor Franchise Rights granted in franchisee's original franchise agreement for the Franchised Restaurant.

3.3 Form and Manner of Exercising Successor Franchise Right. The Successor Franchise Right shall be exercised, if at all, strictly in the following manner:

3.3.1 Between six months and 12 months before the expiration of the Term, Franchisee shall notify Franchisor in writing ("**Notice of Election**") that it intends to exercise its Successor Franchise Right and no sooner than immediately after the expiration of any waiting period(s) by Applicable Law and no more than 30 days after Franchisee receives Franchisor's Franchise Disclosure Document, if applicable, and the execution copy of the applicable Successor Franchise Agreement, Franchisee shall execute and forward a copy of Successor Franchise Agreement with the renewal fee described in Section 3.2.2(a).

3.3.2 If Franchisee shall have exercised its Successor Franchise Right in accordance with Section 3.3 of this Agreement and satisfied all of the conditions contained in Section 3.4 of this Agreement, Franchisor shall execute the Successor Franchise Agreement, executed by Franchisee and at or prior to the expiration of the Term, deliver one fully executed copy thereof to Franchisee.

3.4 If Franchisee fails to perform any of the acts, or deliver any of the notices required pursuant to the provisions of Sections 3.3 or 3.4 of the Agreement, in a timely fashion, such failure shall be deemed an election by Franchisee not to exercise its Successor Franchise Right and shall automatically cause Franchisee's said Successor Franchise Right to lapse and expire.

3.5 Conditions Precedent to Entering into a Successor Franchise Agreement. Franchisee's Successor Franchise Right is conditioned upon Franchisee's fulfillment of each and all of the following conditions precedent:

3.5.1 At the time Franchisee delivers its Notice of Election to Franchisor and at all times thereafter until the commencement of the applicable Successor Term, Franchisee shall have fully performed, in all material respects, all of its obligations under the Agreement, the HCK Hot Chicken Brand Standards Manual and all other agreements then in effect between Franchisee and Franchisor (or its Affiliates).

3.5.2 At Franchisor's request, Franchisee shall, prior to the date of commencement of the applicable Successor Term, undertake and complete at its expense, the remodeling, renovation, modernization, or refurbishing of the Premises, Location, and the Franchised Restaurant, which may include installation of new or replacement equipment, to comply with Franchisor's then-current specifications and standards for new Restaurants.

3.5.3 Without limiting the generality of Section 3.4 of this Agreement, Franchisee shall not have committed and cured three or more material defaults of Sections 4, 7, 9, 10, 11 or 12 of the Agreement during any 36-month period during the Term of the Agreement for which Franchisor shall have delivered notices of default, whether or not such defaults were cured.

3.5.4 Franchisee, and at Franchisee's direction, Franchisee's employees, as applicable, shall comply with Franchisor's then-current qualification, training, and certification requirements at Franchisee's expense.

3.5.5 Concurrently with the execution of the applicable Successor Franchise Agreement, Franchisee shall, and shall cause each of its Affiliates to, execute and deliver to Franchisor a general release, on a form prescribed by Franchisor of any and all known and unknown claims against Franchisor and its Affiliates and their officers, directors, agents, shareholders, and employees. The release may cover future

consequences of acts, omissions events and circumstances predating the date of the release, but will not release, in advance, future acts, omissions or events which have not occurred at the time the release is executed.

3.6 Notice Required by Law. If Applicable Law requires that Franchisor give notice to Franchisee prior to the expiration of the Term, this Agreement shall remain in effect on a week-to-week basis until Franchisor has given the notice required by such Applicable Law. If Franchisor is not offering new franchises, is in the process of revising, amending or renewing its form of franchise agreement or disclosure document, or is not lawfully able to offer Franchisee its then-current form of franchise agreement, at the time Franchisee delivers its Notice of Election, Franchisor may, in its discretion, (i) offer to renew this Agreement upon the same terms set forth herein for a Successor Term determined in accordance with Section 3.1 of this Agreement hereof, or (ii) offer to extend the Term hereof on a week- to-week basis following the expiration of the Term hereof for as long as it deems necessary or appropriate so that it may lawfully offer its then-current form of franchise agreement.

3.7 Interim Period. If Franchisee does not sign a Successor Franchise Agreement prior to the expiration of this Franchise Agreement and continues to accept the benefits of this Franchise Agreement after the expiration of this Franchise Agreement, then at Franchisor's option, this Franchise Agreement may be treated either as: (i) expired as of the date of expiration with Franchisee then operating without a license to do so and in violation of Franchisor's rights; or (ii) continued on a month-to-month basis ("**Interim Period**") until one party provides the other with written notice of such party's intent to terminate the Interim Period, in which case the Interim Period will terminate 30 days after receipt of the notice to terminate the Interim Period. In the latter case, all of Franchisee's obligations shall remain in full force and effect during the Interim Period as if this Franchise Agreement had not expired, and all obligations and restrictions imposed on Franchisee upon expiration of this Franchise Agreement shall be deemed to take effect upon termination of the Interim Period.

## **SECTION 4. PAYMENTS**

4.1 Initial Franchise Fee. Unless Franchisee is signing this Agreement pursuant to a HCK Hot Chicken area development agreement, in which case the payment schedule would be determined by the provisions of such area development agreement, upon execution hereof, Franchisee shall pay to Franchisor the Initial Franchise Fee set forth in Attachment A. The Initial Franchise Fee is non-refundable, in whole or in part, under any circumstances.

4.2 Continuing Royalty. Franchisee shall pay to Franchisor each Week during the Term, as provided in Section 4.5, a continuing royalty (the "**Continuing Royalty**") equal to six percent (6%) of Franchisee's Gross Sales during the preceding Week. The Continuing Royalty is an ongoing payment that allows Franchisee to use the Marks and the other intellectual property of the System and that pays for Franchisor's ongoing support and assistance.

4.3 Brand Fund Contribution. Franchisee shall pay to Franchisor each Week during the Term, as provided in Section 4.5, a Brand Fund contribution equal to two percent (2%) of Franchisee's Gross Sales during the preceding Week ("**Brand Fund Contribution**"). Franchisor reserves the right to increase this fee to up to four percent (4%) of Franchisee's Gross Sales when 50 Restaurants are operating. Franchisor shall contribute the Brand Fund Contribution to the Brand Fund to be administered in the manner provided in Section 8.3 of this Agreement (the "**Brand Fund**").

4.4 Technology Fee. In addition to any amounts that the Franchisee may be required to pay to third party providers, suppliers or vendors related to the computer and technology system to be operated in the Franchised Restaurant, Franchisee must pay Franchisor the then-current "**Technology Fee**" for costs incurred by the Franchisor for technology management and certain technologies used in the operation of the Franchised Restaurant. Franchisee shall pay Franchisor the Technology Fee on the first Wednesday of each month beginning in the month following the date Franchisee opens the Restaurant. The Technology

Fee for the first partial month of operations shall be pro-rated and delivered with the first payment of the Technology Fee. The Technology Fee is intended to be a “pass through” of costs incurred by Franchisor in providing technology services to Franchisee. As a result, the Technology Fee shall only consist of amounts that: (i) Franchisor is charged by vendors, suppliers, and affiliates without mark-up by Franchisor; or (ii) Franchisor reasonably incurs in creating, developing, implementing, administering, and maintaining technology services to franchisees generally or that are specifically requested by Franchisee. Franchisor reserves the right to: (i) change or add approved suppliers of these services at any time, in Franchisor’s sole discretion; (ii) enter into a master license agreement with any software or technology supplier and sublicense the software or technology to Franchisee, in which case Franchisor may charge Franchisee for all amounts that Franchisor must pay to the licensor based on Franchisee’s use of the software or technology; and (iii) create proprietary software or technology that must be used by HCK Hot Chicken franchisees, in which case Franchisor may require that Franchisee enter into a license agreement with Franchisor and pay Franchisor reasonable initial and ongoing licensing, support and maintenance fees; and (iv) modify or increase the monthly Technology Fee to account for changes, additions and modifications to required hardware and software and for licensing and maintenance costs change the software and technology that must be used by franchisees at any time. There is no limitation on the frequency and cost of Franchisee’s obligation to maintain, update or upgrade its hardware or software. The Technology Fee is uniform and non-refundable under any circumstances, and may be adjusted by Franchisor upon 30 days’ written notice to you.

4.5 Manner of Payment. Franchisee shall calculate the Continuing Royalty and Brand Fund Contribution due to Franchisor as prescribed above and cause Franchisor to receive payment of all Continuing Royalties, Brand Fund Contributions, and all other amounts then owed to Franchisor, together with a statement of Franchisee’s Gross Sales for the applicable Week (certified as complete and accurate by a duly authorized representative of Franchisee), by no later than the Wednesday following such Week. The statement may be provided by software approved by Franchisor. In the event that the software is not functioning, or this feature is not available, Franchisee shall prepare and submit the required reports manually.

#### 4.6 EFT and Pre-Authorized Payments.

4.6.1 Franchisee, at Franchisee’s sole cost and expense, shall instruct its bank to pay the amount of its Continuing Royalty, Brand Fund Contribution and other fees directly to Franchisor from Franchisee’s account, by electronic funds transfer or such other automatic payment mechanism which Franchisor may designate (“EFT”) and upon the terms and conditions set forth in the HCK Hot Chicken Brand Standards Manual, and promptly upon Franchisor’s request, Franchisee shall execute or re-execute and deliver to Franchisor such pre-authorized check forms and other instruments or drafts required by Franchisor’s bank, payable against Franchisee’s bank account, to enable Franchisor to draw Franchisee’s Continuing Royalty, Brand Fund Contributions and other sums payable under the terms of this Agreement. Franchisee must at all times during the term of this Agreement (including any renewal terms) maintain at least one credit card account in good standing and with a minimum available credit line of \$10,000.00 and complete the credit card authorization form which allows Franchisor to charge the credit card for any past due amounts owed to Franchisor or an approved supplier in the event an EFT payment is unsuccessful. Franchisor’s current form of EFT authorization and credit card authorization is attached to the Franchise Disclosure Document in Exhibit I. Franchisee shall also, in addition to those terms and conditions set forth in the HCK Hot Chicken Brand Standards Manual, maintain a single bank account for such payments and shall maintain such minimum balance in such account as Franchisor may reasonably specify from time to time. Franchisee shall not alter or close such account except upon Franchisor’s prior written approval. Any failure by Franchisee to implement such EFT system in strict accordance with Franchisor’s instructions shall, without limiting the materiality of any other default of this Agreement, constitute a material default of this Agreement.

4.6.2 If Franchisee is delinquent more than three times in any continuous 12 month period during the Term in the payment of its Continuing Royalty, Brand Fund Contributions or other fees, or of other sums due to Franchisor or to its Affiliates including on account of the purchase of goods or services, or fails to

report its sales on a timely basis, Franchisor may require Franchisee to implement a system prescribed by Franchisor which shall permit Franchisor unilaterally to estimate and draw down the amounts owed by Franchisee, which system may include EFT systems, automatic debits, use of Franchisee pre-authorized checks, other instruments or authority or any other arrangement Franchisor may prescribe. If any payment is made to the Franchisor or its Affiliates by credit card for any fee required, the Franchisor may charge a service charge of up to four percent (4%) of the total charge. Franchisor may base its estimates of Brand Fund Contributions, Continuing Royalties and similar payments which are calculated based on Gross Sales, on Franchisee's historically reported Gross Sales. Franchisee shall, without limiting the materiality of any other default of this Agreement, promptly implement such system in strict accordance with Franchisor's instructions and failure to do so shall constitute a material default of this Agreement.

4.7 Other Payments. In addition to all other payments provided herein, Franchisee shall pay to Franchisor, its Affiliates, and designees, as applicable, promptly when due:

4.7.1 All amounts advanced by Franchisor or which Franchisor has paid, or for which Franchisor has become obligated to pay on behalf of Franchisee for any reason whatsoever.

4.7.2 The amount of all sales taxes, use taxes, personal property taxes and similar taxes, which shall be imposed upon Franchisee and required to be collected or paid by Franchisor (a) on account of Franchisee's Gross Sales, or (b) on account of Continuing Royalties, Brand Fund Contributions or Initial Franchise Fees collected by Franchisor from Franchisee (but excluding ordinary income taxes). Franchisor, in its discretion, may collect the taxes in the same manner as Continuing Royalties are collected herein and promptly pay the tax collections to the appropriate Governmental Authority; provided, however, that unless Franchisor so elects, it shall be Franchisee's responsibility to pay all sales, use or other taxes now or hereinafter imposed by any Governmental Authorities on Continuing Royalties, Initial Franchise Fees, or Brand Fund Contributions.

4.7.3 All amounts due for any reason, including on account of purchases of goods, supplies or services relating to the Franchised Restaurant.

4.8 Application of Funds. If Franchisee shall be delinquent in the payment of any obligation to Franchisor hereunder, or under any other agreement with Franchisor, Franchisor shall have the absolute right to apply any payments received from Franchisee to any obligation owed, whether under this Agreement or otherwise, including to Franchisee's vendors, Suppliers, and landlord, notwithstanding any contrary designation by Franchisee as to application.

4.9 Interest and Charges for Late Payments. If Franchisee shall fail to pay to Franchisor the entire amount of the Continuing Royalty, Brand Fund Contribution and all other sums owed to Franchisor or its Affiliates promptly when due, Franchisee shall pay, in addition to all other amounts which are due but unpaid, a \$100 late fee per occurrence, plus interest on the unpaid amounts, from the due date thereof, at the daily equivalent of twelve percent (12%) per year simple interest or the highest rate allowable under applicable law, whichever is less. If any check, draft, electronic transfer, or otherwise is unpaid because of insufficient funds or otherwise, then Franchisee shall also pay Franchisor a fee of \$100 per occurrence or the highest amount allowed by law, whichever is less.

4.10 Payment Methods and Frequencies. Franchisor has the right to periodically specify (in the HCK Hot Chicken Brand Standards Manual or otherwise in writing) different payees, payment frequencies and/or payment methods, such as, but not limited to, weekly/biweekly/monthly payment, payment by auto-draft, credit card and payment by check upon 30 days' written notice to Franchisee.

## **SECTION 5.**

### **CONSTRUCTION AND COMMENCEMENT OF BUSINESS**

5.1 Location. Franchisee's Restaurant shall be located at the Location.

5.1.1 The Location shall be identified in Attachment A. If no Location has been inserted in Attachment A, Franchisee shall promptly following the execution hereof, but in any event within 90 days after the Effective Date, locate one or more proposed sites which meet Franchisor's then- current standards and specifications. Franchisee shall submit to Franchisor such demographic and other information regarding the proposed site(s) and neighboring areas as Franchisor shall require, in the form prescribed by Franchisor ("**Site Review Request**"). Franchisor may seek such additional information as it deems necessary within 14 days of submission of Franchisee's Site Review Request, and Franchisee shall respond promptly to such request for additional information. If Franchisor does not deliver written notice of acceptance of the proposed site within 14 days of receipt of Franchisee's fully and accurately completed Site Review Request, or within 14 days after receipt of such additional requested information, whichever is later, the site shall be deemed rejected. If the Franchisor accepts the proposed site it shall notify Franchisee of its acceptance of the site. Unless waived by Franchisor in whole or in part, upon submitting a fourth or subsequent Site Review Request to Franchisor for review, Franchisee shall reimburse Franchisor for all costs and expenses of Franchisor incurred in reviewing the Site Review Requests, including payment to consultants and agents retained by Franchisor to assist in conducting such review and including a reasonable allocation of overhead and administrative expenses.

5.1.2 Promptly following mutual execution of this Agreement or, if no Location has been inserted in Attachment A, Franchisor's acceptance of a proposed site, Franchisee shall proceed to negotiate a Lease or purchase agreement for the site and shall submit to Franchisor a copy of the proposed Lease or purchase agreement, as applicable. Franchisee shall not enter into any Lease or purchase agreement for the Location unless and until Franchisor has reviewed and accepted the Lease or other agreement in accordance with Section 5.3; and Franchisor has accepted the proposed site and such site shall be deemed to be the "Location".

5.1.3 Franchisee shall begin operating the Franchised Restaurant within 12 months after the Effective Date.

5.1.4 Franchisee may not conduct any activities associated with Franchisor or the Marks at any location except for operating the Franchised Restaurant in accordance with this Agreement, or other agreement with Franchisor.

5.1.5 Franchisee may not relocate the Franchised Restaurant without Franchisor's prior written consent, for which among other conditions, Franchisor may impose a relocation fee of \$5,000. If Franchisor shall consent to any relocation, Franchisee shall de-identify the former location in the manner described in Section 15.1.5 of this Agreement with respect to Franchisee's obligations upon termination and expiration, and shall reimburse and indemnify and hold Franchisor harmless from any direct and indirect losses, costs and expenses, including attorney's fees, arising out of Franchisee's failure to do so.

5.2 Franchisor Site Selection Assistance. Franchisor is not required to visit any potential location. However, Franchisor may voluntarily (without obligation) assist Franchisee in obtaining or evaluating an acceptable location. Neither Franchisor's said assistance, if any, its acceptance of Franchisee's proposed site, nor its acceptance of the proposed Lease or purchase agreement shall be construed to insure or guarantee the profitable or successful operation of the Franchised Restaurant by Franchisee, and Franchisor hereby expressly disclaims any responsibility therefore. Franchisor's acceptance of a location is solely an indication that the Location meets Franchisor's minimum standards and specifications at the time of acceptance and such acceptance shall not be construed as any express or implied representation or warranty that the Location will be profitable or successful. Franchisee acknowledges its sole responsibility for finding the Location. Franchisee acknowledges its sole responsibility for finding the site for the Restaurant it develops pursuant to this Agreement.

5.3 Lease or Purchase of Location.

5.3.1 If the Location is leased or subleased, (i) the Lease shall name Franchisee as the sole lessee hereunder and may not be assigned or sublet without Franchisor's prior written consent; (ii) Franchisor

shall have the right to review and accept or reject the Lease, a true and correct copy of which shall be delivered to Franchisor at least 15 days prior to the execution thereof; (iii) Franchisee shall neither create nor purport to create any obligations on behalf of Franchisor, nor grant or purport to grant to the lessor thereunder any rights against Franchisor, nor agree to any other term, condition, or covenant which is inconsistent with any provision of this Agreement; (iv) the Lease shall be for a term (including options) which is not less than the Term of this Agreement (plus each Successor Term), unless Franchisor shall approve, in writing, a shorter term of the Lease; (v) the Lease shall not contain a non-competition covenant which purports to restrict the Franchisor, or any franchisee or licensee of the Franchisor (or its Affiliates), from operating a Restaurant or any other retail establishment, unless such covenant is approved by the Franchisor in writing prior to the execution of the Lease; (vi) Franchisee shall duly and timely perform all of the terms, conditions, covenants and obligations imposed upon Franchisee under the Lease; and (vii) a fully executed copy of said Lease, in the form and on the terms previously accepted by Franchisor, shall be delivered to Franchisor promptly following the execution thereof and upon Franchisor's request. Franchisor may condition its acceptance of the Lease, on (a) the Lease granting Franchisor (or its designee) the right at its option to assume the Lease and succeed to Franchisee's rights under the Lease (or enter into a substitute Lease) on the same terms, upon Franchisee's default thereunder, or hereunder, and upon Franchisee's non-exercise of any renewal or extension rights or options in the Lease; (b) Landlord agreeing not change the traffic flow around the Premises; not to permit the erection of signs or structures which obstruct the view of the Premises or its signage; not to permit any assignment, subleased, modification or amendment without Franchisor's prior written consent; (c) Landlord agreeing to maintain common areas on a consistent basis; to prohibit other Restaurants specializing in chicken for on-site consumption or for delivery in the same center containing the Premises (or nearby centers owned by the same Landlord); to require the Premises shall be constructed and improved pursuant to the Franchise Agreement; and to disclose to Franchisor, upon Franchisor's request, all sales and other information furnished to the Landlord by Franchisee; and (d) Landlord agreeing that upon expiration or termination of the Lease for any reason, Franchisee must remove all of the Marks from the Location and Premises and modify the decor of the Location so that it no longer resembles, in whole or in part, a Restaurant. Franchisor's review and acceptance of the Lease is solely for Franchisor's benefit and is solely an indication that the Lease meets Franchisor's minimum standards and specifications at the time of acceptance for the Lease (which may be different than the requirements of this Agreement) such review and acceptance shall not be construed as any express or implied representation or warranty that the Lease complies with Applicable Law or represents a lease transaction that is fair or in Franchisee's best interest.

5.3.2 If Franchisor or its designee elects to succeed to Franchisee's rights under the Lease, as aforesaid, Franchisee shall assign to Franchisor or such designee all of its right, title and interest in and to the Lease, whereupon the lessor thereunder shall attorn to Franchisor or such designee as the tenant thereunder. Franchisee shall execute and deliver to Franchisor or such designee such assignment and take such further action as Franchisor or such designee, as applicable, in its sole and absolute discretion, may deem necessary or advisable to effect such assignment, within ten days after written demand by Franchisor or such designee to do so, and upon Franchisee's failure to do so, Franchisor or such designee shall be, and hereby is, appointed Franchisee's attorney-in-fact to do so. This power of attorney granted by Franchisee to Franchisor and such designee is a special power of attorney coupled with an interest and is irrevocable and shall survive the death or disability of Franchisee. Any sum expended by Franchisor or such designee to cure Franchisee's breach of the Lease shall be deemed additional sums due Franchisor hereunder and Franchisee shall pay such amount to Franchisor upon demand. The covenants of Franchisee contained in this Section 5.2 shall survive the termination of this Agreement. Franchisor's acceptance of the Lease shall not constitute Franchisor's assurance that the terms of the Lease are favorable to Franchisee, or that the location will be successful.

5.3.3 Franchisee hereby authorizes Franchisor to communicate with the lessor under the Lease (and hereby authorizes such lessor to communicate with Franchisor) for any purpose, including de-identification of the Location following the termination or expiration of this Agreement, Franchisee's sales, Franchisee's defaults under this Agreement or the Lease and negotiating a lease for the Location commencing following the termination or expiration of the Franchisee's Lease. Franchisee shall at all times fully perform each and all of its obligations under the Lease.

#### 5.4 Construction.

5.4.1 Following the Effective Date and before the renovation or construction of the Franchised Restaurant or the Location, Franchisor shall provide Franchisee with copies of Franchisor's specifications for the design and layout of the Franchised Restaurant and required fixtures, equipment, furnishings, decor, trade dress, and signs. Franchisee shall at its sole cost and expense promptly cause the Premises and Franchised Restaurant to be constructed, equipped and improved in accordance with such standards and specifications, unless Franchisor shall, in writing, agree to modifications thereof. Franchisee must designate a project coordinator whom Franchisor has approved prior to beginning development of the Franchised Restaurant, the cost of whom shall be borne by Franchisee. Except as otherwise provided in Section 5.4.2, Franchisee shall hire licensed architects, engineers and general contractors of its own selection, and at its sole cost and expense, to prepare such architectural, engineering and construction drawings and site plans, and to obtain all Permits required to construct, remodel, renovate, and/or equip the Franchised Restaurant and Premises. All such plans, and modifications and revisions thereto, shall be submitted to Franchisor for its prior review and acceptance before Franchisee's commencement of construction (within 120 days after Effective Date, unless Franchisor otherwise agrees in writing). If Franchisor shall not deliver written notice to Franchisee that Franchisor accepts such design criteria, the design criteria shall be deemed rejected.

5.4.2 Franchisee must retain one of Franchisor's designated architects to create Franchisee's preliminary floorplan, at Franchisee's sole expense. Franchisee may choose to retain one of Franchisor's designated architects or another architect Franchisor approves, to prepare Franchisee's construction documents. Upon completion of Franchisee's construction documents, if Franchisee has chosen not to use Franchisor's designated architects, Franchisor will require Franchisee to employ Franchisor's designated architect to review and approve the construction documents, at Franchisee's expense. Franchisor's designer will review the construction documents and provide input on the placement of trade dress elements, general restaurant layout and other input as appropriate.

5.4.3 Franchisor has the right, but not the obligation, to perform inspections of the Franchised Restaurant and Premises during construction and after construction to ensure that the Franchised Restaurant is built in accordance with the drawings and specifications accepted by Franchisor, and all fixtures, signs, furnishings and equipment are in compliance with Franchisor's standards and specifications. Franchisee may not open the Franchised Restaurant for business until Franchisee has received written authorization to open from Franchisor, which authorization may be conditional and subject to Franchisor's satisfactory inspection of the Franchised Restaurant.

5.4.4 Franchisee may from time to time request additional information regarding the design and construction of the Franchised Restaurant, which, if in the possession of Franchisor, shall be provided at no expense to Franchisee. Upon request, Franchisor shall provide additional site visits, project management, design work and equipment purchasing services to Franchisee at Franchisee's sole cost.

5.4.5 Subject only to Force Majeure (provided that Franchisee continuously complies with Section 5.4.7 of this Agreement), Franchisee shall complete construction or renovation, as the case may be, of the Premises, the Franchised Restaurant and all improvements therein, including installation of all fixtures, signs, equipment and furnishings as soon as possible, but in any event within six months after commencement of construction, unless Franchisor consents in writing to a longer period of time. The operation of the Franchised Restaurant by Franchisee shall commence not later than 12 months following the Effective Date.

5.4.6 The time periods for the commencement and completion of construction and the installation of fixtures, signs, machinery, and equipment as referred to in this Section 5.4 are of the essence of this Agreement. If Franchisee fails to perform its obligations contained in this Section, the Franchisor may, without limiting the materiality of any other default of this Agreement, deem the Franchisee's failure to so perform its obligations to constitute a material default of this Agreement.

5.4.7 In the event of the occurrence of an event which Franchisee claims to constitute Force Majeure, Franchisee shall provide written notice to Franchisor in writing within five days following commencement of the alleged Force Majeure which notice shall include the words “Force Majeure” and explicitly describe the specific nature and extent of the Force Majeure, and how it has impacted Franchisee’s performance hereunder. Franchisee shall provide Franchisor with continuous updates (no less frequently than once each week) on Franchisee’s progress and diligence in responding to and overcoming the Force Majeure, and shall notify Franchisor immediately upon cessation of such Force Majeure, and provide all other information as may be requested by Franchisor. If Franchisee shall fail to notify Franchisor of any alleged Force Majeure within said five days, or shall fail to provide any such updates during the continuance of the alleged Force Majeure, Franchisee shall be deemed to have waived the right to claim such Force Majeure. During the event of Force Majeure, the parties shall be relieved of their respective obligations only to the extent the parties are respectively necessarily prevented or delayed in such performance during the period of such Force Majeure (other than the payment of money as may be owed by a party). An event of Force Majeure does not relieve a party from liability for an obligation which arose before the occurrence of the event, nor does that event affect any obligation to pay money owed under the Franchise Agreement or to indemnify Franchisor, whether such obligation arose before or after the Force Majeure event. An event of Force Majeure shall not affect Franchisee’s obligations to comply with any restrictive covenants in this Agreement during or after the Force Majeure event.

5.4.8 Franchisor’s acceptance of Franchisee’s plans and specifications for the Location, Franchisor’s guidance with the development of the Location, and Franchisor’s authorization to open the Franchised Restaurant are to assure that Franchisee complies with Franchisor’s standards and specifications, and shall not be construed as any express or implied representation or warranty that the Location complies with any Applicable Laws, codes or regulations or that the construction is sound or free from defects. Franchisor’s criteria for acceptance or rejection do not encompass technical, architectural or engineering considerations. Franchisor will have no liability with respect to construction of the Location, nor shall Franchisor be responsible in any way for delays or losses occurring during the design, construction or other preparation of the Franchised Restaurant, whether caused by the condition of the Location, the design, engineering, construction, equipping, decorating, or stocking of the Franchised Restaurant, or any other reason. Franchisee expressly acknowledges and agrees that Franchisor does not, directly or indirectly, warrant or ensure that the design, decor, appearance, fixtures, layout, and/or other improvements of the Franchised Restaurant will guaranty Franchisee’s success.

5.4.9 During construction, Franchisee shall provide Franchisor with such periodic reports regarding the progress of the construction as may be requested by Franchisor.

(a) In addition, Franchisor shall make such on-site inspections as it may deem reasonably necessary to evaluate such progress. If Franchisee requests an on-site inspection, or if Franchisor deems it necessary that more than one on-site inspection be made, Franchisor may require Franchisee to pay all Travel Expenses and Wages incurred by Franchisor in connection with such additional visits. If during such inspections Franchisor identifies instances where Franchisee’s construction or remodeling is inconsistent with, or does not meet, Franchisor’s standards, Franchisor shall notify Franchisee in writing of such deficiencies, and Franchisee shall promptly correct such deficiencies.

(b) Franchisee shall notify Franchisor 30 days in advance of the scheduled date on which all construction or remodeling shall have been completed in accordance with Franchisor’s specifications and all Permits necessary to open to the public shall have been obtained and Franchisee has fully prepared the Restaurant for turnover by the general contractor to Franchisee for pre-opening training in accordance with Franchisor’s policies and specifications (the “**GC Turnover Date**”), and submit training support forms as prescribed by Franchisor at least 20 days in advance of the GC Turnover Date. Franchisor will provide Franchisee a detailed general contractor turnover checklist approximately 14 days before the scheduled GC Turnover Date and schedule a conference call with Franchisee approximately eight days before the scheduled GC Turnover Date to confirm that Franchisor may book travel arrangements. Approximately three days before the GC Turnover Date, Franchisor will schedule a final conference call to confirm the date on which Franchisor will be on-site to review Franchisee’s progress. If the GC Turnover Date is

delayed or accelerated by more than two days from the date specified during the final conference call, Franchisee must reimburse Franchisor for all resulting additional Travel Expenses and other costs and expenses resulting from changing the travel arrangements of Franchisor Opening Team scheduled to provide training, inspect, and assist in opening the completed Restaurant (“**Rescheduling Expenses**”).

(c) Within a reasonable time after the date of the actual completion of construction, Franchisor may, at its option, conduct an inspection of the completed Restaurant. If Franchisor shall conduct such inspection, Franchisor shall notify Franchisee in writing (the “**Punch List**”) of those items of such construction which are inconsistent with, or do not meet, Franchisor’s standards. Franchisee shall promptly correct the deficiencies listed on the Punch List.

## 5.5 Maintaining and Remodeling of Franchised Restaurant.

5.5.1 Franchisee shall maintain the condition and appearance of the Franchised Restaurant in a “like new” level of cosmetic appearance consistent with the image of Restaurants as attractive, clean, and efficiently operated, offering high quality food products and beverages, efficient and courteous service, and pleasant ambiance. If at any time in the Franchisor’s reasonable judgment, the state of repair, appearance or cleanliness of the Franchisee’s Premises (including the Franchised Restaurant and the non-Restaurant portion of Franchisee’s Premises, and parking areas) or its fixtures, equipment, furnishings, signs or utensils fail to meet the Franchisor’s standards therefor, Franchisee shall immediately upon receipt of notice from Franchisor specifying the action to be taken by Franchisee (within the time period specified by Franchisor), correct such deficiency, repair and refurbish the Franchised Restaurant and Premises, as applicable, and make such modifications and additions to its layout, decor and general theme, as may be required, including replacement of worn out or obsolete fixtures, equipment, furniture, signs and utensils, and repair and repainting of the interior and exterior of the Franchised Restaurant, the Premises and appurtenant parking areas (if any). Such maintenance shall not be deemed to constitute remodeling, as set forth below.

5.5.2 In addition to Franchisee’s obligations under Section 5.5.1, during the Term, but not more frequently than once every five years during the Term and as a condition to Franchisee’s exercising its Successor Franchise Right, Franchisor may require Franchisee, at Franchisee’s sole cost and expense, to refurbish, remodel and improve the Franchised Restaurant to conform the Franchisee’s building design, trade dress, color schemes, and presentation of Marks to Franchisor’s then-current specified public image (or image implemented or in development at a Restaurant owned or operated by Franchisor or any of its Affiliates). Such a remodeling may include extensive structural changes to the Franchised Restaurant and replacement or modification of furnishings, fixtures and equipment as well as such other changes as the Franchisor may direct, and Franchisee shall undertake such a program promptly upon notice from the Franchisor, and shall complete any such remodeling as expeditiously as possible, but in any event within 90 days of commencing same (and no later than the commencement of the applicable Successor Term), unless Franchisor expressly agrees to a longer period of time.

5.5.3 If the Franchised Restaurant is damaged or destroyed by fire or any other casualty, Franchisee, within 90 days thereof, shall initiate such repairs or reconstruction, and thereafter in good faith and with due diligence continue (until completion) such repairs or reconstruction, in order to restore the premises of the Franchised Restaurant to its original condition prior to such casualty; any such repair and reconstruction shall be completed as soon as reasonably practicable but in any event within six months following the event causing the damage or destruction. If, in the Franchisor’s reasonable judgment, the damage or destruction is of such a nature or to such extent that it is feasible for Franchisee to repair or reconstruct the Location and the Franchised Restaurant in conformance with Franchisor’s then standard System decor specifications for new Restaurants, the Franchisor may require that Franchisee repair or reconstruct the Premises and Restaurant operated pursuant hereto in conformance with the then standard System decor specifications.

## SECTION 6. TRAINING

### 6.1 Initial Training Program.

6.1.1 Franchisor shall provide an Initial Training Program in the Franchisor's System and methods of operation (the "**Initial Training Program**") at the Franchisor's training facilities in Woodbridge, VA, or other location specified by Franchisor for Franchisee (or if Franchisee is an Entity, Franchisee's Operating Principal) and up to three management persons selected by Franchisee for each Franchised Restaurant. Provided such persons attend initial training at the same time, Franchisee shall incur no additional charge for those attendees of Franchisor's Initial Training Program. Franchisee is required to pay Franchisor's then-current training fee for any additional attendees, including new certifications, re-certifications, multiple certification attempts, or training for newly hired managers or other personnel. In addition to the Initial Training Program, Franchisee's Operating Principal and, if applicable and Director of Operations (defined in Section 7.2.5), must also attend an extra practice week training program at least 60 days before Franchisee's Restaurant opens for business (the "**Extra Practice Week**") and online training. Except as otherwise provided, the Initial Training Program and the Extra Practice Week shall be provided by Franchisor prior to the opening of the Franchised Restaurant and must be completed before the Franchised Restaurant opens to the public. Franchisee shall pay all Travel Expenses and Wages, and other expenses, if any, incurred by Franchisee and/or Franchisee's employees in connection with attendance at training programs. Franchisee may not open the Franchised Restaurant until such training has been completed to the satisfaction of Franchisor and Franchisee's management team has been certified by Franchisor. All personnel attending training must have first successfully completed the "ServSafe Manager" program or similar program specified by Franchisor.

6.1.2 Franchisor shall determine the scheduling, exact duration, contents and manner of conducting the Initial Training Program and the Extra Practice Week, in its discretion. Without limiting the generality of the foregoing, Franchisor may establish certain black-out dates during which it shall not be obligated to provide training (which may include holidays and during its Annual Convention), or if it agrees to provide training on such dates at Franchisee's request, in its sole discretion, Franchisor may impose additional charges therefore. Franchisor reserves the right to vary the length and content of the Initial Training Program and Extra Practice based upon the experience and skill level of the individual attendee(s).

6.1.3 The Initial Training Program and/or the Extra Practice Week shall not be provided if (i) Franchisee and/or any Affiliate of Franchisee owns or operates three or more Franchised Restaurants as of the Effective Date, provided however, that Franchisor may, in its sole discretion, require Franchisee and its Operating Principal and Restaurant Manager and, if applicable, its Director of Operations, to complete the Initial Training Program and/or the Extra Practice Week, at Franchisor's then-current fees for additional certifications or recertification, if Franchisee's (or its Affiliate's) existing Restaurants are not in compliance with Franchisor's standards and specifications, or (ii) this Agreement is executed as a Successor Franchise Agreement.

6.1.4 Franchisee may not employ any manager or appoint any Operating Principal (if an Entity) who does not complete the Initial Training Program to Franchisor's satisfaction. Franchisee acknowledges that because of Franchisor's superior skill and knowledge with respect to the training and skill required to manage the Restaurant, its judgment as to whether the Franchisee or his manager has satisfactorily completed such training shall be determined by Franchisor in its judgment.

6.2 On-Site Opening Assistance. Commencing shortly before and ending shortly after the Franchised Restaurant opens to the public, Franchisor shall provide up to 40 hours per week over a period of up to two weeks of on-site training to Franchisee's Operating Principal and Restaurant Manager(s) ("On-Site Training"). The fee for On-Site Training under this Agreement is \$5,000 and shall be paid by Franchisee upon receipt of invoice, which Franchisor will deliver approximately 60 days prior to the anticipated grand opening date for the Restaurant. The On-Site Training shall be provided at Franchisor's sole discretion and

control, however, the training will be structured to provide additional practical training in the implementation and operation of a Restaurant.

6.3 Ongoing and Remedial Training. From time to time, Franchisor may require that Franchisee, and its managers and other employees attend system-wide refresher or additional training courses. If Franchisor conducts an inspection of the Franchised Restaurant and determines Franchisee is not operating in compliance with the Franchise Agreement, Franchisor may require that Franchisee and its managers or other personnel attend remedial training that addresses the operational deficiencies. Franchisee must pay Franchisor's then-current training fees and reimburse Franchisor for all Travel Expenses and Wages, and other expenses, incurred by Franchisor in connection with such additional training.

6.4 Other Assistance.

6.4.1 Franchisee shall have the right, at no additional charge, to inquire of Franchisor's headquarters staff, its field representatives and training staff with respect to problems relating to the operation of the Franchised Restaurant, by telephone, electronic mail, or other means of correspondence, and Franchisor shall use its best efforts to diligently respond to such inquiries, in order to assist Franchisee in the operation of the Franchised Restaurant. At no time shall reasonable assistance be interpreted to require Franchisor to pay any money to Franchisee or to defer Franchisees' obligation to pay any sums to Franchisor.

6.4.2 At Franchisee's request, Franchisor may, but shall not be obligated to: (a) cause its field representatives to visit the Franchised Restaurant to advise, consult with, or train Franchisee in connection with its performance and operation of the Franchised Restaurant and Franchisee's compliance with the Brand Standards Manual; or (b) permit Franchisee or certain of its employees to provide assistance, consultation, or additional training at a Restaurant selected by Franchisor. If Franchisor provides such additional assistance, consultation or training to Franchisee: (i) such assistance, consultation or training will be subject to Franchisor's capacity, scheduling, and discretion, but Franchisor shall not be obligated to provide that assistance, consultation or training; (ii) Franchisee shall pay all Travel Expenses and Wages, and other expenses, if any, incurred by Franchisee and/or Franchisee's employees in connection with such additional assistance, consultation, or training; (iii) Franchisor shall not pay any compensation to Franchisee or Franchisee's employees for providing services at Franchisor's or another franchisee's Restaurant in connection with the assistance, consultation, or training; and (iv) Franchisee shall pay such training charges as may be then in effect, and shall reimburse Franchisor for all transportation costs, food, lodging and similar costs incurred by Franchisor and its personnel in connection with such training.

6.4.3 In the event of any sale, transfer, or Assignment, the transferee/assignee must be trained by Franchisor as a condition of Franchisor's consent to such transfer. The Franchised Restaurant shall not be transferred, opened, or re-opened by the transferee until Franchisor accepts the transferee in writing as being qualified to operate the Restaurant and Franchisor has otherwise consented to the transfer in accordance with this Agreement.

6.5 Certification Training. Franchisor offers two types of HCK Hot Chicken certifications ("**Certifications**"): (1) training manager ("TM"); and (2) restaurant manager ("RM"). Franchisee must have at least one certified Restaurant Manager at each open and operating Restaurant. At Franchisee's reasonable request, Franchisor will train Franchisee, or an employee of Franchisee approved by Franchisor to become a training manager, who may thereafter conduct new Restaurant opening training programs. Training Manager also may provide the Initial Training Program to Franchisee's Restaurant Manager(s) and assistant Restaurant Manager(s). The Training Manager may only conduct the Initial Training Program at a training facility owned by Franchisee (or an Affiliate of Franchisee). If Franchisee (and/or its Affiliates), collectively, owns three or more Restaurants, Franchisee must at all times employ a TM; otherwise, upon the opening of its fourth (or higher) Restaurant, Franchisee must pay Franchisor: (i) a non-refundable additional training fee of \$5,000 prior to the start of initial training for the new Restaurant; and (ii) the then-current fees for Franchisee's Restaurant Manager(s) and assistant Restaurant Manager(s) to attend the Initial Training Program.. Franchisor reserves the right to decertify and recertify any Restaurant Manager or Training Manager. Franchisor will provide certification for Franchisee's first Training Manager at no cost.

Franchisor will also certify one Operating Principal and Director of Operations of Franchisee (including any Affiliates) at no cost. Franchisor reserves the right to charge its then-current fees (in addition to being reimbursed all out-of-pocket costs and expenses, including Franchisor's employees' Travel Expenses) for any other, additional, or subsequent certifications, re-certifications, or multiple certification attempts. All certification and training is subject to Franchisor's capacity and scheduling requirements.

6.6 Annual Convention. Franchisee, or if Franchisee is an Entity, its Operating Principal, or a major Owner acceptable to Franchisor, must attend Franchisor's annual convention, for which Franchisee must pay a registration fee, regardless of attendance. Franchisee shall be responsible for all of its attendee's Travel Expenses and Wages. However, Franchisor may preclude Franchisee from attending Franchisor's annual convention, while Franchisee is then in default of any agreement with Franchisor or if Franchisee has received two or more notices of Default in the prior twelve months, but Franchisee is still required to pay the convention registration fee.

6.7 Notice. If Franchisee believes Franchisor has failed to adequately provide any training or other pre-opening or opening services to Franchisee as provided in this Agreement, Franchisee will notify Franchisor in writing within 30 days following Franchisor's provision of such training or services. Without timely provision of such notice to Franchisor, Franchisee will be deemed to conclusively acknowledge that all training and pre-opening and opening services required to be provided to Franchisee were sufficient and satisfactory in Franchisee's judgment.

## **SECTION 7.**

### **HCK HOT CHICKEN BRAND STANDARDS, STANDARDS OF OPERATOR QUALITY, CLEANLINESS AND SERVICE**

7.1 Compliance with Applicable Law. Franchisee shall operate the Franchised Restaurants as a clean, orderly, legal, and respectable place of business in accordance with Franchisor's business standards and merchandising policies and shall comply with all Applicable Laws. Franchisee shall not cause or allow any part of its Location or Premises to be used for any immoral or illegal purpose. Franchisee shall in all dealings with its customers, suppliers, and public officials adhere to high standards of honesty, integrity, fair dealing and ethical conduct and refrain from engaging in any action (or failing to take any action) which will cause Franchisor to be in violation of any Applicable Law. Franchisee shall refrain from engaging in action (or failing to take any action), which in the sole opinion of Franchisor, causes or could cause harm to the Marks, the System and/or the HCK Hot Chicken brand. If Franchisee shall receive any notice, report, fine, test results or the like from the applicable state or local department of health (or other similar Governmental Authority), Franchisee shall promptly send a copy of the same to Franchisor. Franchisee shall correct any such deficiency noted within 10 days or such fewer number of days as required by the applicable Governmental Authority.

7.2 Operating Principal and Management Employees.

7.2.1 The Operating Principal shall be principally responsible for communicating and coordinating with Franchisor regarding business, operational and other ongoing matters concerning this Agreement and the Franchised Restaurant. The Operating Principal shall have the full authority to act on behalf of Franchisee in regard to performing, administering, or amending this Agreement. The Operating Principal shall be vested with the authority and responsibility for the day-to-day operations of the Franchised Restaurant and all other Restaurants owned or operated, directly or indirectly, by Franchisee or its Affiliates within a geographic area specified by Franchisor. The Operating Principal shall, during the entire period he or she serves as such, meet the following qualifications: (a) unless otherwise agreed in writing, shall devote one hundred percent (100%) of his/her time and best efforts to the operation of all Restaurants owned or operated, directly or indirectly, by Franchisee or its Affiliates in such geographic area; (b) meet Franchisor's educational, experience, financial and other reasonable criteria for such position, as set forth in the HCK Hot Chicken Brand Standards Manual or otherwise in writing by Franchisor; (c) be an Owner with ten percent (10%) or more (directly or indirectly), in the aggregate, of the Equity or voting rights in Franchisee; and (d) be an individual acceptable to Franchisor. The Operating Principal must be approved by Franchisor

in writing. The Operating Principal shall be responsible for all actions necessary to ensure that all Restaurants owned or operated, directly or indirectly, by Franchisee in such geographic area are operated in compliance with this Agreement and the HCK Hot Chicken Brand Standards Manual. If during the Term the Operating Principal is not able to continue to serve in such capacity or no longer qualifies to act as such in accordance with this Section (including Franchisor's subsequent disapproval of such person), Franchisee shall promptly notify Franchisor of such occurrence. Thereafter, Franchisee shall promptly, but not later than 30 days after the prior Operating Principal ceases to serve Franchisee, (w) designate a replacement operating principal who meets Franchisor's then-current qualification requirements, (x) provide Franchisor with such information about such new Operating Principal as Franchisor may request, (y) cause such replacement Operating Principal to undergo, at Franchisee's cost, such training as Franchisor may require, and (z) obtain Franchisor's written acceptance of such person as the Operating Principal. Franchisor may, but is not required to, deal exclusively with the Operating Principal in such regards unless and until Franchisor's actual receipt of written notice from Franchisee of the appointment of a successor Operating Principal who shall have been accepted by Franchisor. Franchisee's Operating Principal is identified in Attachment A of this Agreement.

7.2.2 Franchisee shall notify Franchisor in writing at least ten days prior to employing the Operating Principal setting forth in reasonable detail all information reasonably requested by Franchisor. Franchisor's acceptance of the Operating Principal shall not constitute Franchisor's endorsement of such individual or a guarantee by Franchisor that such individual will perform adequately for Franchisee or its Affiliates, nor shall Franchisor be estopped from subsequently disapproving or otherwise challenging such person's qualifications or performance.

7.2.3 Franchisee shall ensure that the operation of the Franchised Restaurant is always under the direct control of the Operating Principal or a Restaurant Manager. At all times that the Franchised Restaurant is open and at all times which pre-opening or post-closing activities are being undertaken at the Franchised Restaurant, the Franchised Restaurant shall be managed by a person that has successfully completed training (and if required, a person that is certified, by Franchisor in its discretion, for the performance of such responsibilities) and has successfully completed the ServSafe course and such other courses and training as may be specified by Franchisor and/or required by Applicable Law. Each such Restaurant Manager shall be solely dedicated to the operation of the Restaurant to which the person is assigned. Franchisee shall supervise, direct and be responsible for in all respects, the activities and performance of all Operating Principals, Restaurant Managers, and other employees of franchise and shall ensure compliance with the HCK Hot Chicken Brand Standards Manual and otherwise. Franchisor will not have the power to hire or fire Franchisee's employees and/or independent contractors. Franchisee expressly agrees that Franchisor's authority under this Agreement to certify certain of Franchisee's employees for qualification to perform certain functions or operations for the Franchised Restaurant does not directly or indirectly vest in Franchisor the power to hire, fire, or control any such employee or independent contractor. Franchisee alone is responsible for all employment decisions and functions of its Franchised Restaurant, including, without limitation, those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision, and discipline of employees, regardless of whether Franchisee has received advice from Franchisor on these subjects or not. All employees or independent contractors hired by or working for Franchisee will be Franchisee's employees or independent contractors alone and will not, for any purpose, be deemed Franchisor's employees or subject to Franchisor's control, including with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied, or fixed by any city, state or federal governmental agency. Franchisee shall state in all job postings and applications that individuals will be hired by the Franchisee, not Franchisor. Franchisee agrees to hold itself out to the public as an independent contractor operating the Franchised Restaurant pursuant to a license from the Franchisor. Franchisee further agrees that it alone will ensure that its Franchised Restaurants are in compliance with all applicable federal, state, and local laws and regulations, including labor and employment laws. Franchisor will have no liability for any action or settlement related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision, and discipline of employees and Franchisee agrees to indemnify Franchisor for any such liabilities it incurs. Franchisee agrees that any direction Franchisee receives from Franchisor regarding

employment policies should be considered as examples, that Franchisee alone is responsible for establishing and implementing Franchisee's own policies, and that Franchisee understands that Franchisee should do so in consultation with local legal counsel well-versed in employment law.

7.2.4 Notwithstanding anything in Section 7.2.3, to the contrary, Franchisee (or Franchisee's Operating Principal) must be adequately trained and Franchisee must have three certified Restaurant Managers in the Restaurant if this is the first Restaurant operated by Franchisee or its Affiliates in the trade area in which it is located for at least the first 30 days of operation, and Franchisee must have a minimum of two certified Restaurant Managers if this is the second or subsequent Restaurant in the same trade area for at least the first 30 days of operation, and then Franchisee must have no less than one certified Restaurant Manager in the Restaurant from then on, as well as an adequate staff of employees who have in Franchisor's judgment, been fully and adequately trained.

7.2.5 Commencing on the date which Franchisee, directly or indirectly through one or more Affiliate(s), opens its 2nd Restaurant, and at all times throughout the Term and the term of the franchise agreement for each additional Restaurant, Franchisee or one of its Affiliates shall employ and retain, an individual (the **"Director of Operations"**) who shall be vested with the authority and responsibility for the day-to-day operations of all Restaurants owned or operated, directly or indirectly, by Franchisee and its Affiliates. The Director of Operations shall, during the entire period he/she serves as such, unless otherwise agreed in writing by Franchisor devote one hundred percent (100%) of his/her time and best efforts solely to operation of all Restaurants owned or operated, directly or indirectly, by Franchisee and its Affiliates and to no other business activities. The Director of Operations may, with the prior written consent of Franchisor, be the same individual as the Operating Principal. The Director of Operations shall be responsible for all actions necessary to ensure that the Restaurant is owned or operated, directly or indirectly, by Franchisee in compliance with this Franchise Agreement and the HCK Hot Chicken Brand Standards Manual. If, during the Term, the Director of Operations is not able to continue to serve in such capacity or no longer qualifies to act as such in accordance with this Section, Franchisee or its applicable Affiliate shall promptly notify Franchisor and designate a replacement within 30 days after the Director of Operations ceases to serve.

Franchisee shall notify Franchisor in writing at least ten days prior to employing the Director of Operations, if any, setting forth in reasonable detail all information reasonably requested by Franchisor. The Director of Operations must complete Franchisor's training requirements in accordance with the terms set forth in this Agreement and the HCK Hot Chicken Brand Standards Manual prior to serving in these roles.

### 7.3 Computer/Information Systems.

7.3.1 Franchisee shall purchase, use, and maintain the Information Systems specified in the HCK Hot Chicken Brand Standards Manual in accordance with the Franchisor's standards and specifications as well as any under standards that Franchisor requires. The Information Systems must always be connected to one or more high-speed communications media specified by Franchisor and be capable of accessing the Internet. Franchisee must electronically link the Information Systems to Franchisor or its designee. Franchisee shall allow Franchisor and/or its designee to access the Information Systems and stored files, and to add, remove, configure, and modify information systems via any means including electronic polling and uploads, with or without notice. Franchisor may from time to time upon 30 days advance written notice require Franchisee, at Franchisee's sole cost and expense, to add, update, upgrade or replace the Information Systems, including hardware and/or software. Although Franchisor cannot estimate the future costs of the Information Systems, required hardware, software, or service or support, and although these costs might not be fully amortizable over the time remaining in the Term, Franchisee agrees to acquire and incur the costs of obtaining and implementing the hardware, software and other components and devices comprising the Information Systems (including additions and modifications) and all support services, service and maintenance agreements and subscriptions prescribed by Franchisor to maintain, protect, and interface with Information Systems. Information Systems may be provided directly by third parties or may be sold, licensed, or sublicensed by or through Franchisor at a reasonable one-time or recurring charge, and pursuant to forms of agreement prescribed by Franchisor.

7.3.2 Franchisee shall not use or permit the use of the Information Systems for any unlawful or non-business-related activity. Franchisee shall not install or use, and shall prohibit others from installing and using, unauthorized hardware or other components and devices, software on or with the Information Systems. Franchisee shall take all commercially reasonable measures to insure that the Information Systems are used strictly in accordance with Franchisor's standards, including security protocols and protective measures including how passwords are assigned and rotated, prescribed limitations regarding which persons Franchisee may permit to access (via LAN, WAN, internet or otherwise), use, perform support and installation functions and conduct transactions with the Information Systems. No virus, Trojan horse, malicious code or other unauthorized code or software is installed on, or transmitted by, the Information Systems. Franchisee shall at all times provide Franchisor with all passwords, access keys and other security devices or systems as necessary to permit Franchisor to access the Information Systems and obtain the data Franchisor is permitted to obtain. Franchisor reserves the right to add, control, modify, govern and block any and all network and internet traffic, ports, protocols, and destinations.

7.3.3 Franchisee shall, upon Franchisor's request transmit email, digital photos and real time video and audio signals of the Restaurant to, and in the form and manner prescribed by Franchisor.

7.3.4 Within a reasonable time upon Franchisor's request, Franchisee shall apply for and maintain systems for use of debit cards, credit cards, credit card vendors, loyalty and gift cards and other non-cash payment methods. Franchisee shall adhere to all PCI (Payment Card Industry), CISP (Cardholder Information Security Program) and SDP (Site Data Protection) compliance specifications, as amended. The term "credit card vendors" includes, among other things, companies that provide services for electronic payment, such as near field communication vendors (for example, "Apple Pay" and "Google Wallet").

7.3.5 Franchisor requires that the Restaurant comply with "EMV" and may require that the Restaurant comply with other standards for credit card usage. The Restaurant must have at least two EMV terminals. Franchisee is required to pay Franchisor's vendors their then-current monthly fee for obtaining software for each EMV terminal. Franchisor may require that Franchisee install additional payment terminals or automated teller machines for use with such credit cards. Franchisee shall pay the costs of any terminals, software, hardware, or other components necessary to comply with these requirements, and Franchisor reserves the right to require that Franchisee pay any such costs to Franchisor.

7.3.6 Franchisee shall participate in accordance with Franchisor's policies and specifications, including those set forth in the HCK Hot Chicken Brand Standards Manual, in all types of ordering systems, specified by Franchisor, including online and mobile application programs. Franchisee will cooperate in all respects to implement, support, and maintain such systems, including providing Franchisor and its representatives with access to Franchisee's banking accounts.

7.4 HCK Hot Chicken Brand Standards Manual. Franchisee shall participate in the System and operate the Franchised Restaurant in strict compliance with the standard procedures, policies, rules, and regulations established by Franchisor and incorporated in the HCK Hot Chicken Brand Standards Manual. Franchisor will provide Franchisee with electronic access to the HCK Hot Chicken Brand Standards Manual, including bulletins and updates to use during the term of this Agreement. If Franchisee's copy of the HCK Hot Chicken Brand Standards Manual is lost, destroyed, or significantly damages, Franchisee must pay a replacement fee of \$500 to Franchisor.

7.4.1 The subject matter of the HCK Hot Chicken Brand Standards Manual may include matters such as: forms, information relating to product and menu specifications, purchase orders, general operations, online ordering, gift cards, labor management, Gross Sales reports, training and accounting; sanitation; staff certification, design specifications and uniforms; display of signs and notices; authorized and required Information Systems, equipment and fixtures, including specifications therefor; Mark usage; insurance requirements; lease requirements; ownership requirements, decor; standards for management and personnel, hours of operation; yellow page and local advertising formats; standards of maintenance and appearance of the Franchised Restaurant; procedures upon the occurrence of a Crisis Management Event; and required posting of notices to customers as to how to contact the Franchisor to submit complaints and

feedback; participation in surveys and mystery shopper programs; and such other matters and policies as Franchisor may reasonably elect to include which relate to the System or the franchise relationship under the System. If any of Franchisee's customers contact Franchisor with a complaint or issue, Franchisor may in its sole discretion remedy such complaint or issue in which case Franchisee must reimburse Franchisor for any such remedy deemed appropriate in Franchisor's sole discretion. In the event of the occurrence of a Crisis Management Event, Franchisor may also establish emergency procedures pursuant to which Franchisor may require Franchisee to, among other things, temporarily close the Franchised Restaurant to the public, in which event Franchisor shall not be liable to Franchisee for any losses or costs, including consequential damages or loss profits occasioned thereby. In the event of any dispute as to the contents of the HCK Hot Chicken Brand Standards Manual, the terms and contents of the master copy maintained by Franchisor shall be controlling.

7.4.2 Franchisor shall have the right to modify the HCK Hot Chicken Brand Standards Manual at any time and from time to time; provided, that no such modification shall alter Franchisee's fundamental status and rights under this Agreement. Modifications in the HCK Hot Chicken Brand Standards Manual shall become effective upon delivery of written or electronic notice thereof to Franchisee unless a longer period is specified in such written notice or unless a longer period is set forth in this Agreement. The HCK Hot Chicken Brand Standards Manual, as modified from time to time, shall be an integral part of this Agreement and reference made in this Agreement, or in any amendments, exhibits or schedules hereto, to the HCK Hot Chicken Brand Standards Manual shall be deemed to mean the HCK Hot Chicken Brand Standards Manual kept current by amendments from time to time.

7.4.3 The HCK Hot Chicken Brand Standards Manual and all amendments to the HCK Hot Chicken Brand Standards Manual (whether electronic or hard copies thereof) are copyrighted and remain Franchisor's property. They are loaned to Franchisee for the term of the Agreement and must be returned to Franchisor immediately upon the Agreement's termination or expiration. The HCK Hot Chicken Brand Standards Manual are highly confidential documents which contain certain Trade Secrets of Franchisor. Franchisee shall not make, or cause or allow to be made, any copies, reproductions or excerpts of all or any portion of the HCK Hot Chicken Brand Standards Manual without Franchisor's express prior written consent. Upon the expiration or termination of this Agreement for any reason whatsoever, Franchisee shall immediately return the HCK Hot Chicken Brand Standards Manual to Franchisor. Franchisee's loss or unauthorized transfer of the HCK Hot Chicken Brand Standards Manual, or other breach of this Section shall, without limiting the materiality of any other default of this Agreement, constitute a material default of this Agreement.

7.4.4 Franchisee acknowledges that its compliance with the HCK Hot Chicken Brand Standards Manual is vitally important to Franchisor and to other franchisees and is necessary to protect Franchisor's reputation and the goodwill of the Marks and to maintain the uniform quality of operation for all franchisees. However, while the HCK Hot Chicken Brand Standards Manual is designed to protect Franchisor's reputation and the goodwill of the Marks, it is not designed to control the day-to-day operation of the Franchised Restaurants.

7.5 Hours. Subject to Applicable Law or subsequent written agreement between Franchisor and Franchisee to the contrary, Franchisor and Franchisee agree that Franchised Restaurant shall be open and operational seven days per week, every day of the year (except Thanksgiving and Christmas on which Franchisee is authorized to close the Franchised Restaurant), and at least from 11 AM to 10 PM unless approved in writing. Franchisee shall diligently and efficiently exercise its best efforts to achieve the maximum Gross Sales possible from its Location and shall remain open for longer hours if additional opening hours are reasonably required to maximize operations and sales. Notwithstanding the foregoing, Franchisor may authorize or direct Franchisee and other franchisees to operate during hours and on fewer or more days than are specified in this Agreement.

7.6 Product Line and Service. Franchisee shall advertise, sell, and serve all and only those Authorized Products which Franchisor has directed to be advertised, sold and served at or from the Franchised Restaurant. All Authorized Products shall be sold and distributed under the specific name designated by

Franchisor and shall be purchased, inventoried, stored, prepared, and served strictly in accordance with Franchisor's recipes and specifications. Franchisee shall not remove any Authorized Product from the Franchisee's menu without Franchisor's express written approval, nor may Franchisee take any action which is intended to diminish the maximum sales potential of any of the Authorized Products. All sales by Franchisee shall be for retail consumption only.

7.7 Utensils, Fixtures and Other Goods. All products to be used in the operation of the business including tableware, flatware, utensils, glasses, menus, and other like articles used in connection with the Franchised Restaurant shall conform to Franchisor's specifications, shall be imprinted with Franchisor's Marks, if and as specified by Franchisor, and shall be purchased by Franchisee from a Supplier approved in writing by Franchisor, as provided in Section 9 of this Agreement. No item of merchandise, furnishings, interior and exterior decor items, supplies, fixtures, equipment, or utensils shall be used in or upon any Restaurant unless expressly approved by Franchisor.

7.8 Menus.

7.8.1 Authorized Products shall be marketed by approved menu format(s) to be utilized in the Franchised Restaurant. The approved and authorized menu and menu format(s) may include, in Franchisor's discretion, requirements concerning organization, graphics, product descriptions, illustrations, and any other matters related to the menu(s), whether or not similar to those listed. In Franchisor's discretion, the menu and/or menu format(s) may vary depending upon region, market size, and other factors. Franchisor may change the menu and/or menu format(s) from time to time or region to region or authorize tests from region to region or authorize non-uniform regions or Restaurants within regions. Franchisee shall have ten days to implement all such changes to the menu(s).

7.8.2 Franchisee shall, upon receipt of notice from Franchisor, add, delete, or update any Authorized Products to its menu(s) according to the instructions contained in the notice. Franchisee shall have ten days after receipt of written notice in which to fully implement any such change. Franchisee shall cease selling any previously approved product within ten days after receipt of notice that the product is no longer approved. Franchisor may instruct Franchisee to remove any item from the menu(s) on an emergency basis and Franchisee must comply with such instruction immediately. Franchisor shall not be liable to Franchisee for any losses sustained by Franchisee in connection with such instruction (or Franchisee's failure to comply with such instruction).

7.8.3 All food products sold by Franchisee shall be of the highest quality, and the ingredients, composition, specifications, and preparation of such food products shall comply with the instructions and other requirements communicated by Franchisor or contained in Franchisor's HCK Hot Chicken Brand Standards Manual from time to time.

7.8.4 Franchisee is entitled to request that Franchisor approve additional menu items, including food, beverage, and merchandise, to be offered at the Franchised Restaurant. Franchisee shall submit a variance request, in writing, that Franchisor approves such additional menu items and the Supplier of such items. Upon receiving the written request, Franchisor shall evaluate the suggested menu items and the Supplier of such items in its sole discretion whether Franchisee shall be permitted to offer such items at the Franchised Restaurant. Upon receiving written approval by Franchisor, Franchisee may offer such additional menu items, subject to any conditions and/or limitations imposed by Franchisor.

7.8.5 If Franchisor, in its discretion, determines that the Restaurant is a candidate to serve beer and wine and other alcohol, Franchisee shall use all reasonable efforts to promptly secure and maintain in effect all necessary licenses and permits required to offer beer and wine and other alcohol for sale.

7.9 Notification of Legal Proceedings; and Crisis Management Events.

7.9.1 Franchisee shall notify Franchisor in writing within ten days after Franchisee receives actual notice of the commencement of any investigation, action, suit, or other proceeding, or the issuance of any order,

writ, injunction, award, or other decree of any court, agency, or other Governmental Authority that pertains to the Franchised Restaurant or that may adversely affect Franchisee's operation of the Franchised Restaurant or ability to meet its obligations hereunder, including notice of any failure to strictly comply with any health code or ordinance; and

7.9.2 Franchisee shall provide Franchisor with the contact information of at least two people that Franchisor can contact during a Crisis Management Event. Upon the occurrence of a Crisis Management Event, Franchisee shall immediately inform Franchisor, as instructed in the HCK Hot Chicken Brand Standards Manual, by telephone and email (or other electronic messaging medium authorized by Franchisor for this purpose). Franchisee shall cooperate fully with Franchisor with respect to Franchisor's response to the Crisis Management Event.

7.10 Signs. Franchisee shall maintain approved signs and/or awnings at, on, or near the front of the Premises, identifying the Location as a Restaurant, which shall conform in all respects to Franchisor's specifications and requirements and the layout and design plan approved for the Location, subject only to restrictions imposed by Applicable Law. On receipt of notice by Franchisor of a requirement to alter any existing sign on its premises, Franchisee will, at its cost, make the required changes within 30 days, subject to the approval of the lessor if required by Franchisee's Lease. Franchisee will not be required to alter or replace the existing sign more than once every five years.

7.11 Uniforms and Employee Appearance. Franchisee shall cause all employees, while working in the Franchised Restaurant, to: (i) wear uniforms of such color, design, and other specifications as Franchisor may designate from time to time, and (ii) present a neat and clean appearance. If Franchisor removes the type of uniform utilized by Franchisee from the list of approved uniforms, Franchisee shall have 60 days from receipt of written notice of such removal to discontinue use of its existing inventory of uniforms and implement the approved type of uniform. In no case shall Franchisee permit any employee of Franchisee to wear the required uniform except while working at the Franchised Restaurant; without limiting the generality of the foregoing, the uniform may not be worn off Premises for any other purpose (other than while commuting to and from work at the Franchised Restaurant).

7.12 Vending or Other Machines. Except with Franchisor's written approval, Franchisee shall not cause or permit vending, gaming machines, pay telephones, automatic teller machines, Internet kiosks or any other mechanical or electrical device to be installed or maintained at the Location.

7.13 Co-Branding. Franchisee may not engage in any co-branding in or in connection with the Franchised Restaurant except with Franchisor's prior written consent, in its sole discretion. Franchisor shall not be required to approve any co-branding chain or arrangement. "Co-branding" includes the operation of an independent business, product line or operating system owned or licensed by another entity (not Franchisor) that is featured or incorporated within the Franchisee's Premises or is adjacent to Franchisee's Premises and operated in a manner which is likely to cause the public to perceive it to be related to the Restaurant licensed and franchised hereunder. An example would be an independent ice cream store or counter installed within Franchisee's Premises.

7.14 Intranet.

7.14.1 Franchisor may establish and maintain an Intranet through which franchisees of Franchisor may communicate with each other, and through which Franchisor and Franchisee may communicate with each other and through which Franchisor may disseminate the HCK Hot Chicken Brand Standards Manual, updates thereto and other confidential information. Franchisor shall have discretion and control over all aspects of the Intranet, including the content and functionality thereof. Franchisor will have no obligation to maintain the Intranet indefinitely, and may dismantle it at any time without liability to Franchisee.

7.14.2 Franchisee shall have the mere privilege to use the Intranet, subject to Franchisee's strict compliance with the standards and specifications, protocols, and restrictions that Franchisor may establish from time to time. Such standards and specifications, protocols and restrictions may relate to, among other

things, (a) the use of abusive, slanderous or otherwise offensive language in electronic communications, (b) communications between or among franchisees that endorse or encourage Default of any franchisee's franchise agreement, or other agreement with Franchisor or its Affiliates, (c) confidential treatment of materials that Franchisor transmits via the Intranet, (d) password protocols and other security precautions, including limitations on the number and types of employees that may be granted access to the Intranet, (e) grounds and procedures for Franchisor's suspending or revoking a franchisee's access to the Intranet, and (f) a privacy policy governing Franchisor's access to and use of electronic communications that franchisees post to the Intranet. Franchisee acknowledges that, as administrator of the Intranet, Franchisor can technically access and view any communication that any person posts on the Intranet. Franchisee further acknowledges that the Intranet facility and all communications that are posted to it will become Franchisor's property, free of any claims of privacy or privilege that Franchisee or any other person may assert.

7.14.3 Franchisee shall establish and continually maintain (during all times that the Intranet shall be established and until the termination of this Agreement) an electronic connection (the specifications of which shall be specified in the HCK Hot Chicken Brand Standards Manual) with the Intranet that allows Franchisor to send messages to and receive messages from Franchisee, subject to the standards and specifications.

7.14.4 If Franchisee shall default under this Agreement or any other agreement with Franchisor or its Affiliate, Franchisor may, in addition to, and without limiting any other rights and remedies available to Franchisor, disable or terminate Franchisee's access to the Intranet without Franchisor having any liability to Franchisee, and in which case Franchisor shall only be required to provide Franchisee a paper copy of the HCK Hot Chicken Brand Standards Manual and any updates thereto, if none have been previously provided to Franchisee, unless not otherwise entitled to the HCK Hot Chicken Brand Standards Manual.

7.14.5 If Franchisor has enabled the Intranet to facilitate Franchisee ordering goods and products from Franchisor and other vendors, then to the maximum extent possible, Franchisee shall order and purchase through the Intranet all good and products available for purchase through the Intranet.

7.15 Gift and Loyalty Cards. Franchisee is obligated to participate in Franchisor's gift and loyalty card program. At Franchisor's discretion, gift and loyalty cards will be made available by Franchisee for purchase and redemption at the Restaurant.

7.16 Online Ordering. Franchisee shall participate in customer online ordering and/or payment systems and programs which Franchisor may establish and modify from time to time.

7.17 Privacy. Franchisee agrees to comply with all applicable laws pertaining to the privacy of customer, employee, and transactional information ("**Privacy Laws**"). Franchisee also agrees to comply with Franchisor's standards and policies pertaining to Privacy Laws. If there is a conflict between Franchisor's standards and policies pertaining to Privacy Laws and actual applicable law, Franchisee will: (a) comply with the requirements of applicable law; (b) immediately give Franchisor written notice of said conflict; and (c) promptly and fully cooperate with Franchisor and Franchisor's counsel in determining the most effective way, if any, to meet Franchisor's standards and policies pertaining to Privacy Laws within the bounds of applicable law. Franchisee agrees not to publish, disseminate, implement, revise, or rescind a data privacy policy without Franchisor's prior written consent as to said policy.

## **SECTION 8. ADVERTISING**

8.1 General Advertising Requirements. Franchisee shall only use and display approved advertising material provided, from time to time, by Franchisor and shall use and display all material in accordance with Franchisor's policies, standards, and specifications. Franchisee must obtain the prior written consent of Franchisor to use and/or display any advertising materials, including, without limitation, all print and electronic advertising, social media postings or listings, website postings or listings, newspaper and magazine advertisements, direct mailers, and mail coupons, not provided by Franchisor. Franchisee shall

submit all such materials to Franchisor for approval and Franchisor shall grant or deny such approval within 15 days of receiving the materials. If Franchisor has not approved such materials within 15 days, the materials shall be deemed disapproved. If the Franchisee uses any marketing, advertising or promotional materials or campaigns that the Franchisor has not approved, the Franchisee will pay the Franchisor an **“Unauthorized Advertising Fee”** of \$500 per occurrence which shall be contributed to the Brand Fund in the Franchisor’s sole discretion. Any advertising materials or concepts created by Franchisee and approved by Franchisor shall be deemed the sole and exclusive property of Franchisor. Franchisor may, in its discretion, require Franchisee to cease using any advertising materials which it has previously approved and upon receiving notification from Franchisor, Franchisee shall cease using such materials. All of Franchisee’s advertising, promotion and marketing materials shall be completely clear, factual, and not misleading and conform to the highest ethical standards and to Franchisor’s standards and policies. Franchisee shall not in any medium: (a) use abusive, slanderous, or otherwise offensive language; (b) endorse or encourage default of any franchisee’s franchise agreement, or other agreement with Franchisor or its Affiliates; or (c) take any action or make any statement which would disparage Franchisor or its Affiliates, or impair, damage or harm the name, reputation, or goodwill of the Marks, System and/or the “HCK Hot Chicken” brand.

## 8.2 Local Advertising and Promotion.

8.2.1 In addition to the Brand Fund Contributions, Franchisee must spend one percent (1%) of annual Gross Sales on local advertising each year (**“Local Advertising Requirement”**). If Franchisee fails to spend the Local Advertising Requirement, Franchisee will be required to pay the difference to us, or if established, the Brand Fund. Franchisee agrees, at its sole cost and expense, to issue and offer such rebates, giveaways, and other promotions in accordance with advertising programs established by Franchisor, and further agrees to honor the rebates, giveaways, and other promotions issued by other HCK Hot Chicken franchisees under any such program, so long as such compliance does not contravene any applicable law, rule, or regulation. Franchisee will not create or issue any gift cards/certificates, and will only sell gift cards/certificates that have been issued or sponsored by Franchisor and which are accepted at all HCK Hot Chicken Restaurants, and Franchisee will not issue coupons or discounts of any type except as approved by Franchisor.

## 8.3 Brand Fund.

8.3.1 In accordance with Section 4.2 of this Agreement, Franchisee’s Brand Fund Contribution shall be applied to the Brand Fund. Franchisor will use the Brand Fund for national, regional, or local advertising, public relations or promotional campaigns or programs designed to promote and enhance the image, identity, or patronage of franchised, and Franchisor-owned (including Affiliate-owned) Restaurants. Such expenditures may include: (a) the costs of maintaining, administering, directing and preparing the secret shopper initiatives and rewards program (this program will include cash rewards paid to the highest scoring restaurants that Franchisor suggests be distributed to franchisee’s employees as bonuses at the applicable restaurants); (b) creative development, production and placement of print advertisements, commercials, musical jingles, decals, radio spots, audio advertising, point of purchase materials, direct mail pieces, literature, outdoor advertising, door hangers, electronic media advertisements, and other advertising and promotional material; (c) creative development, preparation, production and placement of video, audio and written materials and electronic media, (d) to purchase artwork and other components for advertising; (e) media placement and buying, including all associated expenses and fees; (f) administering regional and multi-regional marketing and advertising programs; (g) market research, marketing studies and customer satisfaction surveys, including the use of secret shoppers; (h) development and production of, and, to the extent applicable, acquisition of, premium items, giveaways, promotions, contests, public relations events, and charitable or nonprofit events; (i) creative development of signage, posters, and individual decor items including wall graphics; (j) recognition and awards events and programs; (k) system recognition events, including periodic national and regional conventions and meetings; (l) website, extranet and/or Intranet development, implementation and maintenance; (m) development, implementation and maintenance of a website that permits electronic commerce, reservation system and/or related strategies; (n) retention and payment of advertising and promotional agencies and other outside advisors, including retainer and

management fees; (o) public relations and community involvement activities and programs; (p) expenditures for activities conducted for the benefit of co-branding, or other arrangements where “HCK Hot Chicken” brand products and/or services are offered in conjunction with other marks or through alternative channels of distribution; (q) development, amendment and revisions to the standards, policies and procedures set forth in the HCK Hot Chicken Brand Standards Manual; (r) stadium promotion marketing fees; (s) payment to Franchisor or its Affiliates, for indirect costs and overhead incurred in connection with the operation of its creative department(s), if any, and the administration of the Brand Fund; (t) payments for corporate and store-level hosted access from data hosted solutions providers; (u) gift card blanks; and (v) retention and payment of social media agencies.

8.3.2 Franchisor may employ individuals, consultants or advertising or other agencies, including consultants or agencies owned by, operated by, or affiliated with Franchisor, to provide services for the Brand Fund. The Brand Fund may be used to defray direct expenses of Franchisor employees related to the operation of the Brand Fund, to pay for attorneys’ fees and other costs related to the defense of claims against the Brand Fund or against Franchisor relating to the Brand Fund, and to pay costs with respect to collecting amounts due to the Brand Fund.

8.3.3 Franchisor shall determine, in its discretion, the cost, media, content, format, style, timing, allocation and all other matters relating to such advertising, public relations and promotional campaigns. Franchisee acknowledges that not all franchisees may be required to contribute, or contribute the same percentage of Gross Sales, to the Brand Fund and by way of illustration and not limitation, Franchisor may waive or impose lower contribution requirements with respect to Restaurants operating at Non-Traditional Venues, or outside the United States. Nothing herein shall be construed to require Franchisor to allocate or expend Brand Fund contributions or allocations so as to benefit any particular franchisee, Franchisee or group of franchisees or franchisees on a pro rata or proportional basis or otherwise. Except as directed in writing by Franchisor, Franchisee must participate in all advertising, marketing, promotions, research, and public relations programs instituted by the Brand Fund. Franchisor may make copies of advertising materials available to Franchisee with or without additional reasonable charge, as determined by Franchisor. Any additional advertising shall be at the sole cost and expense of Franchisee. The Brand Fund shall, as available, provide to Franchisee marketing, advertising and promotional formats and sample materials at the Brand Fund’s direct cost of producing such items, plus shipping and handling.

8.3.4 Franchisor may either (i) hold the Brand Fund contributions Franchisor receives from franchisees in a separate account administratively segregated on Franchisor’s books and records, or (ii) transfer the Brand Fund Contributions to a separate Entity to whom Franchisor has assigned or delegated the responsibility to operate and maintain the Brand Fund. Nothing herein shall be deemed to create a trust fund, and Franchisor may commingle Brand Fund Contributions with its general operating funds and expend such sums in the manner herein provided. For each Restaurant that Franchisor or any of its Affiliate operates, Franchisor or such Affiliate will similarly allocate to the Brand Fund the amount that would be required to be contributed to the Brand Fund if it were a Franchised Restaurant.

8.3.5 If less than the total of all contributions and allocations to the Brand Fund are expended during any fiscal year, such excess may be accumulated for use during subsequent years. Franchisor may spend in any fiscal year an amount greater or less than the aggregate contributions to the Brand Fund in that year and may cause the Brand Fund to borrow funds to cover deficits or invest surplus funds. If Franchisor (or an Affiliate) advances money to the Brand Fund, it will be entitled to be reimbursed for such advances. Any interest earned on monies held in the Brand Fund may be retained by Franchisor for its own use in its discretion. Within 60 days following each fiscal year, Franchisor shall prepare a statement of contributions and expenditures for the Brand Fund and, upon Franchisee’s written request, Franchisor shall provide such information to Franchisee.

#### 8.4 Grand Opening Advertising Spend/Promotional Campaigns.

8.4.1 You must pay us \$20,000 to conduct a grand opening advertising and marketing campaign on your behalf (the “**Grand Opening Marketing Spend**”). You must deliver the Grand Opening Marketing Spend

upon invoice to be delivered approximately 60 days prior to your anticipated opening date. Franchisee shall not use or publish any advertising material which does not conform to said policies and provisions.

8.4.2 From time to time during the term hereof, Franchisor shall have the right to establish and conduct promotional or discount campaigns on a national or regional basis, which may by way of illustration and not limitation promote particular products or marketing themes. Franchisee agrees to participate in such promotional or discount campaigns upon such terms and conditions as the Franchisor may establish, including minimum and maximum price policies minimum advertised price policies and unilateral price policies. Franchisee acknowledges and agrees that such participation may require Franchisee to purchase point of sale advertising material, posters, flyers, product displays and other promotional material (unless provided at no charge through the Brand Fund). Franchisee must also provide those services and other items that Franchisor specifies on such terms and at such rates, including free-of-charge, as Franchisor may specify.

## 8.5 Internet.

8.5.1 Franchisee shall not develop, create, generate, own, license, lease, participate in or use in any manner any computer medium or electronic medium (including any Internet home page, email address, website, domain name, bulletin board, social media site, PR publication, newsgroup or other Internet-related medium or activity) which in any way uses or displays, in whole or part, the Marks, or any of them, or any words, symbols or terms confusingly similar thereto without Franchisor's express prior written consent, and then only in such manner and in accordance with such procedures, policies, standards and specifications as Franchisor may establish from time to time. Franchisee may not independently market its Franchised Restaurant or discuss the Franchised Restaurant, Franchisor, or Franchisor's Affiliates through the Internet, social media, blogs, or crowdfunding campaigns, or use any domain name, address, locator, link, metatag, or search technique with words or symbols similar to Franchisor's Marks.

8.5.2 Franchisor has established one or more Internet web sites. Franchisor shall have discretion over the design, content, and functionality of such web sites. Franchisor may include one or more interior pages that identifies restaurant operated under the Marks, including the Franchised Restaurant, by among other things, geographic region, address, telephone number(s), and menu items. Such web site(s) may also include one or more interior pages dedicated to the sale of franchises by Franchisor and/or relations with Franchisor's or its Affiliate's investors. Franchisor may permit Franchisee to periodically select from Franchisor's designated alternative design elements for an interior page (or portion thereof) dedicated to the Franchised Restaurant. Such designated alternative design elements may change from time to time. Franchisor will implement any such designated design elements or changes promptly, subject to Franchisor's business needs and scheduling availability. Franchisor may disable or terminate such website(s), in whole or in part, without Franchisor having any liability to Franchisee.

8.5.3 Franchisee acknowledges and agrees that Franchisor (or its Affiliate) is the owner of, and will retain all right, title and interest in and to (i) the [www.hotchiknkitchn.com](http://www.hotchiknkitchn.com) domain name and URL; all existing and future domain names, URLs, future addresses and subaddresses using the Marks in any manner; (ii) means all computer programs and computer code (e.g., HTML, XML DHTML, Java) used for or on the Franchisor's web site(s), excluding any software owned by third parties; (iii) all text, images, sounds, files, video, designs, animations, layout, color schemes, trade dress, concepts, methods, techniques, processes and data used in connection with, displayed on, or collected from or through Franchisor's web site(s); and (v) all intellectual property rights in or to any of the foregoing.

8.6 Local Advertising Cooperative. Franchisee may be required to participate in any local or regional advertising cooperative for HCK Hot Chicken Restaurants that are established. The area of each local and regional advertising cooperative will be defined by Franchisor, based on Franchisor's assessment of the area. Franchisees in each cooperative will contribute an amount to the cooperative of up to two percent (2%) of monthly Gross Sales for each Restaurant that the franchisee owns that exists within the cooperative's area. Each Restaurant that Franchisor owns that exists within the cooperative's area will contribute to the cooperative on the same basis as franchisees. Members of the cooperative will be

responsible for administering the cooperative, including determining the amount of contributions from each member. Franchisor may require that each cooperative operate with governing documents and prepare annual unaudited financial statements. Franchisor reserves the right to form, change, dissolve or merge any advertising cooperative formed in the future. If Franchisor elects to form such cooperatives, or if such cooperatives already exist near Franchisee's Territory, Franchisee will be required to participate in compliance with the provisions of the Brand Standards Manual, which Franchisor may periodically modify at Franchisor's discretion. Any contributions that Franchisee is required to make to any such cooperative may be applied towards the Local Advertising Requirement.

8.7 Advertising Council. Franchisor may form, an advisory council ("**Council**") to advise Franchisor and provide input on virtually all advertising materials and promotions. Members of the Council would consist of both franchisees and corporate representatives. Members of the Council would be selected by us or by a voting method determined by us. The Council would be governed by bylaws. The purpose of the Council would be to provide input regarding the Brand Fund and to promote communications between Franchisor and all Franchisees. The Council would serve in an advisory capacity only. Franchisor will have the power to form, change, or dissolve the Council, in Franchisor's sole discretion.

## SECTION 9.

### DISTRIBUTION AND PURCHASE OF EQUIPMENT, SUPPLIES, AND OTHER PRODUCTS

9.1 HCK Hot Chicken Brand Products. At all times throughout the Term, Franchisee shall purchase and maintain in inventory such types and quantities of Authorized Products as are needed to meet reasonably anticipated consumer demand. Franchisee shall purchase Authorized Products solely and exclusively from Franchisor or its designees.

(i) Proprietary Products. Franchisor may, from time to time throughout the Term, require that Franchisee purchase, use, offer and/or promote, and maintain in stock at the Franchised Restaurant: in such quantities as are needed to meet reasonably anticipated consumer demand, certain proprietary products, sauces, dressings, condiments, beverages, food products and other ingredients and raw materials, which are grown and produced or manufactured in accordance with Franchisor's Trade Secrets, proprietary recipes, specifications and/or formulas or which Franchisor designates as "proprietary," and certain packaging, Information Systems, other products, supplies, services and equipment designated by Franchisor as "proprietary" ("**Proprietary Products**"). Franchisee shall purchase Proprietary Products only from Franchisor or its Affiliates (if they sell the same), or Franchisor's designees. Franchisor shall not be obligated to reveal such Trade Secrets, recipes, specifications and/or formulas of such Proprietary Products to Franchisee, non-designated suppliers, or any other third parties.

9.2 Non-Proprietary Products. Franchisor may designate certain food products, condiments, merchandise, beverages, raw materials, fixtures, furnishings, equipment, uniforms, supplies, paper goods, services, menus, packaging, forms, Information Systems, and other products, supplies, services, and equipment, other than Proprietary Products, which Franchisee may or must use and/or offer and sell at the Franchised Restaurant ("**Non-Proprietary Products**"). Franchisee may use, offer or sell only such Non-Proprietary Products that Franchisor has expressly authorized, and that are purchased or obtained from Franchisor or a producer, manufacturer, distributor, supplier or service provider ("**Supplier**") designated or approved by Franchisor pursuant to Section 9.3.2 of this Agreement.

9.2.1 Franchisee may purchase authorized Non-Proprietary Products from: (i) Franchisor or its Affiliates (if they sell the same); (ii) Suppliers designated or approved in writing by Franchisor; or (iii) Suppliers selected by Franchisee and approved in writing by Franchisor prior to Franchisee making such purchase(s); provided, however, that if this is one of the first three Restaurants developed by Franchisee or its Affiliates, Franchisee must purchase certain Non-Proprietary Products that Franchisor designates only from Franchisor or Suppliers it designates, including new equipment for all items that impact food production and the guest experience, and large equipment and small wares. Each such Supplier designated by Franchisor must comply with Franchisor's usual and customary requirements regarding insurance, indemnification, and non-disclosure, and shall have demonstrated to the reasonable satisfaction of

Franchisor: (a) its ability to supply a Non-Proprietary Product meeting the specifications of Franchisor, which may include specifications as to brand name, model, contents, manner of preparation, ingredients, quality, freshness and compliance with governmental standards and regulations; (b) its reliability with respect to delivery and the consistent quality of its products or services; and (c) its ability to meet such other requirements as determined by Franchisor to be in the best interest of the system.

9.2.2 If Franchisee should desire to procure authorized Non-Proprietary Products from a Supplier other than Franchisor or one previously approved or designated by Franchisor (and not subsequently disapproved), Franchisee shall deliver a written variance request to Franchisor of its desire to seek approval of such Supplier, which notice shall: (a) identify the name and address of such Supplier; (b) contain such information as may be requested by Franchisor or required to be provided pursuant to the HCK Hot Chicken Brand Standards Manual (which may include reasonable financial, operational and economic information regarding its business and its product); and (c) identify the authorized Non-Proprietary Products desired to be purchased from such Supplier. Franchisor shall, upon request of Franchisee, furnish to Franchisee the general, but not manufacturing, specifications for such Non- Proprietary Products if such are not contained in the HCK Hot Chicken Brand Standards Manual. The Franchisor may thereupon request that the proposed Supplier furnish Franchisor at no cost to Franchisor, product samples, specifications and such other information as Franchisor may require. Franchisor or its representatives, including qualified third parties, shall also be permitted to inspect the facilities of the proposed Supplier and establish economic terms, delivery, service, and other requirements consistent with other distribution relationships for other Restaurants.

9.2.3 Franchisor will use its good faith efforts to notify Franchisee of its decision within 30 days after Franchisor's receipt of Franchisee's request for approval and other requested information and items in full compliance with this Section; should Franchisor not deliver to Franchisee, within 30 days after it has received such notice and all information and other items requested by Franchisor in order to evaluate the proposed Supplier, a written statement of approval with respect to such Supplier, such Supplier shall be deemed disapproved as a Supplier of the authorized Non-Proprietary Products described in such notice. Nothing in this Section shall require Franchisor to approve any Supplier, and without limiting Franchisor's right to approve or disapprove a Supplier in its discretion, Franchisee acknowledges that it is generally disadvantageous to the system from a cost and service basis to have more than one Supplier in any given market area and that among the other factors Franchisor may consider in deciding whether to approve a proposed Supplier, it may consider the effect that such approval may have on the ability of Franchisor and its Franchisees to obtain the lowest distribution costs and on the quality and uniformity of products offered system-wide. Without limiting the foregoing, Franchisor may disapprove a proposed Supplier, if in Franchisor's opinion, the approval of the proposed Supplier would disrupt or adversely impact Franchisor's national or regional distributional arrangements. Franchisor may also determine that certain Non-Proprietary Products (e.g. beverages) shall be limited to a designated brand or brands set by Franchisor which brand(s) it may change from time to time. Franchisor may revoke its approval upon the Supplier's failure to continue to meet any of Franchisor's criteria. Franchisee agrees that at such times that Franchisor establishes a regional purchasing program for any of the raw materials used in the preparation of Authorized Products or other Non-Proprietary Products used in the operation of the Franchised Restaurant, which may benefit Franchisee by reduced price, lower labor costs, production of improved products, increased reliability in supply, improved distribution, raw material cost control (establishment of consistent pricing for reasonable periods to avoid market fluctuations), improved operations by Franchisee or other tangible benefits to Franchisee, Franchisee will participate in such purchasing program in accordance with the terms of such program.

9.2.4 As a further condition of its approval, Franchisor may require a Supplier to agree in writing: (i) to provide from time to time upon Franchisor's request free samples of any Non-Proprietary Product it intends to supply to Franchisee, (ii) to faithfully comply with Franchisor's specifications for applicable Non-Proprietary Products sold by it, (iii) to sell any Non-Proprietary Product bearing the Franchisor's Marks only to franchisees and Franchisees of Franchisor and only pursuant to a trademark license agreement in form prescribed by Franchisor, (iv) to provide to Franchisor duplicate purchase invoices for Franchisor's records and inspection purposes and (v) to otherwise comply with Franchisor's reasonable requests.

9.2.5 Franchisor will not charge Franchisee for reviewing Franchisee's first request in any service or product category for approval of a supplier, however Franchisor reserves the right to charge a fee for the cost of inspection and review for each additional submission in the same category.

9.2.6 Franchisee shall at all times remain current and fully comply and perform each of its obligations to its landlord, vendors, and Suppliers.

### 9.3 Purchases from Franchisor or its Affiliates.

9.3.1 When and if Franchisor begins to manufacture and/or distribute goods, products or supplies, all goods, products, and supplies purchased from Franchisor or its Affiliates shall be purchased in accordance with the purchase order format issued from time to time by Franchisor (or the applicable Affiliate), the current form of which shall be set forth in the HCK Hot Chicken Brand Standards Manual, and in accordance with the policies set forth in the HCK Hot Chicken Brand Standards Manual, if any. Franchisor (or such Affiliate) may change the prices, delivery terms and other terms relating to its sale of goods, services, products, and supplies ("**Goods and Services**") to Franchisee on prior written notice, provided, that such prices shall be the same as the prices charged to similarly situated Franchisees (excluding shipping, transportation, warehousing, insurance and related costs and expenses). Such prices shall be Franchisor's (or the Affiliate's) then-current prices, which may change from time to time. Franchisee further acknowledges that prices the Franchisor (or the applicable Affiliate) charges to Franchisee may include a profit to Franchisor and may be higher than Franchisor's (or its Affiliate's) internal prices allocated or charged to Franchisor or Affiliate-owned Restaurant. Presently, Franchisor (or its Affiliate) expects to receive a mark-up based on its or their cost of goods sold. Franchisor (or the applicable Affiliate) in its discretion, may discontinue the sale of any Goods or Services at any time if in Franchisor's (or the applicable Affiliate) judgment its continued sale becomes unfeasible, unprofitable, or otherwise undesirable. Franchisor (or the applicable Affiliate) shall not be liable to Franchisee for unavailability of, or delay in shipment or receipt of, merchandise because of temporary product shortages, order backlogs, production difficulties, delays, unavailability of transportation, fire, strikes, work stoppages, or other causes beyond the reasonable control of Franchisor (or the applicable Affiliate). If any goods or products sold by Franchisor (or the applicable Affiliate) are not in sufficient supply to fully fulfill all orders therefor, Franchisor (or the applicable Affiliate) may allocate the available supply among itself, its Affiliates and others, including Franchisee and other franchisees, in any way Franchisor (or the applicable Affiliate) deems appropriate, which may result in Franchisee not receiving any allocation of certain goods or products as a result of a shortage. All product orders by Franchisee shall be subject to acceptance by Franchisor (or the applicable Affiliate) at Franchisor's (or the applicable Affiliate's) designated offices, and Franchisor (or the applicable Affiliate) reserves the right to accept or reject, in whole or in part, any order placed by Franchisee. Franchisee shall submit to Franchisor (or the applicable Affiliate), upon written request, financial statements which contain sufficient information to enable Franchisor to determine the credit limits, if any, to be extended to Franchisee. Franchisor (or the applicable Affiliate), in its sole discretion, may establish the credit terms, if any, upon which it will accept Franchisee's orders, and may require Franchisee to pay for orders on a cash-in-advance or cash-on-delivery basis.

9.3.2 Each order placed by Franchisee, whether oral or written, for any product shall be deemed to incorporate all of the terms and conditions of this Agreement, shall be deemed subordinate to this Agreement in any instance where any term or condition of such order conflicts with any term or condition of this Agreement, and shall include such information as Franchisor (or the applicable Affiliate) may from time to time specify, and shall be submitted on such form of purchase order as may be prescribed by Franchisor from time to time. No purchase order submitted by Franchisee shall contain any terms except as approved in writing by Franchisor (or the applicable Affiliate), nor be deemed complete unless all of the information required by the prescribed purchase order form, as revised from time to time, is provided by Franchisee. No new or additional term or condition contained in any order placed by Franchisee shall be deemed valid, effective, or accepted by Franchisor unless such term or condition shall have been expressly accepted by Franchisor (or the applicable Affiliate) in writing.

9.3.3 Franchisor (or the applicable Affiliate) shall not be liable to Franchisee on account of any delay or failure in the manufacture, delivery or shipment of goods or products caused by Force Majeure or other events or circumstances beyond Franchisor's (or the applicable Affiliate) reasonable control including such events as labor or material shortages, conditions of supply and demand, import/export restrictions, or disruptions in Franchisor's (or the applicable Affiliate's) supply sources.

9.3.4 Franchisor (or the applicable Affiliate) may act as a Supplier of goods, services, products, and/or supplies purchased by Franchisee, and Franchisor (or its Affiliate) may be designated as the sole Supplier of any such Goods or Services. On the expiration or termination of this Agreement, or in the event of any default by Franchisee of this Agreement, Franchisor (or the applicable Affiliate) shall not be obliged to fill or ship any orders then pending or, in the case of termination or non-renewal, made any time thereafter by Franchisee, and Franchisor may notify its approved Suppliers of any impending termination or expiration of this Agreement and may, among other things, instruct such Suppliers to deliver only such quantity of Proprietary Products as is reasonably necessary to supply Franchisee's needs prior to the expiration or termination date of this Agreement.

9.3.5 From time to time upon Franchisor's (or the applicable Affiliate's) request, Franchisee shall promptly estimate the level of purchases that Franchisee expects to make from Franchisor (or the applicable Affiliate) over the two weeks following the date of the request.

9.4 Test Marketing. Franchisor may, from time to time, authorize Franchisee to test market products and/or services in connection with the operation of the Franchised Restaurant. Franchisee shall cooperate with Franchisor in connection with the conduct of such test marketing and shall comply with the Franchisor's rules and regulations established from time to time in connection herewith.

9.5 Customer Reporting and Comments.

9.5.1 At Franchisor's request, and subject to applicable law, Franchisee shall use reasonable efforts to secure the names, addresses and other information reasonably required by Franchisor, of Franchisee's customers at the Restaurant and shall allow such information to be used by Franchisor only for the "HCK Hot Chicken" brand. Franchisee may not divulge such customer names, addresses or other information, with or without remuneration, to any third party. Franchisee shall respond promptly to each customer inquiry or complaint and resolve all reasonable complaints to the customer's satisfaction.

9.5.2 At Franchisor's request, Franchisee shall purchase, use and display in the Restaurant during all operating hours, any required, as specified in the Brand Standards Manual, physical or electronic devices or systems to gather customer information and comments regarding their experience at the Restaurant, or HCK Hot Chicken Restaurants in general.

## **SECTION 10. REPORTS, BOOKS AND RECORDS, INSPECTIONS**

10.1 General Reporting. Franchisee shall, as and when specified by Franchisor, submit to Franchisor statistical control forms and such other financial, operational and statistical information (by paper, facsimile, email, or other method of transmission) as Franchisor may require to: (i) assist Franchisee in the operation of the Franchised Restaurant in accordance with the System; (ii) allow Franchisor to monitor the Franchisee's Gross Sales, purchases, costs and expenses; (iii) enable Franchisor to develop chain wide statistics which may improve bulk purchasing; (iv) assist Franchisor in the development of new authorized products or the removal of existing unsuccessful Authorized Products; (v) enable Franchisor to refine existing Authorized Products; (vi) generally improve chain wide understanding of the System (collectively, the "**Information**"). Without limiting the generality of the foregoing:

10.1.1 Franchisee will electronically link the Franchised Restaurant to Franchisor and its third-party supplier and will allow Franchisor to poll on a daily or more frequent basis.

10.1.2 For restaurants not on the “HCK Hot Chicken” Information System, at Franchisor’s request, on or before Wednesday of each Week during the Term hereof, Franchisee shall submit a Gross Sales report signed by Franchisee, on a form prescribed by Franchisor, reporting all Gross Sales for the preceding Week, together with such additional financial information as Franchisor may from time-to-time request. If the Franchisee fails to submit any required report when due, Franchisee must pay a fee of \$100 per occurrence and \$100 per Week until the Franchisee submits the required report, which shall be deposited into the Brand Fund or such other fund as Franchisor may designate.

10.1.3 Within 90 days following the end of each calendar year, Franchisee shall submit to Franchisor an unaudited financial statement prepared in accordance with generally accepted accounting principles, and in such form and manner prescribed by Franchisor, which shall be certified by Franchisee to be accurate and complete. Promptly upon Franchisor’s request, Franchisee will furnish Franchisor with a copy of each of Franchisee’s reports and returns of sales, use, and gross receipt taxes related to the operation of the Franchised Restaurant. Franchisor reserves the right to require such further information concerning the Franchised Restaurants that Franchisor may from time-to-time reasonably request.

10.2 Inspections. Franchisor’s authorized representatives shall have the right, from time to time, to enter upon the entire premises of the Franchised Restaurant during business hours, to examine same, conferring with Franchisee’s employees, inspecting and checking operations, food, beverages, furnishings, interior and exterior decor, supplies, fixtures, and equipment, and determining whether the business is being conducted in accordance with this Agreement, the System and the HCK Hot Chicken Brand Standards Manual. Franchisor shall use reasonable efforts to avoid materially disrupting the operation of the Franchised Restaurant. Franchisee shall pay Franchisor its then-current fee for any such inspection, which shall be due to Franchisor directly upon invoicing. This fee is not refundable under any circumstances. If any such inspection indicates any deficiency or unsatisfactory condition with respect to any matter required under this Agreement or the HCK Hot Chicken Brand Standards Manual, including quality, cleanliness, service, health and authorized product line, Franchisor will notify Franchisee in writing of Franchisee’s noncompliance with the HCK Hot Chicken Brand Standards Manual, the System, or this Agreement and Franchisee shall promptly correct or repair such deficiency or unsatisfactory condition. In addition, Franchisee will be required to undergo an additional audit or re- inspection at Franchisee’s sole expense. In the event of an additional audit or re-inspection based on a deficiency or unsatisfactory condition, Franchisee shall pay Franchisor an \$850 fee for the first offense, or a \$2,500 for any additional offense, in addition to reimbursing Franchisor’s costs and expenses (including any legal or other professional fees) in connection with such audit or inspection. In accordance with Section 7.4, Franchisor may require Franchisee to take and thereafter Franchisee shall take, immediate corrective action, which action may include temporarily closing the Franchised Restaurant.

10.3 Audits. Franchisee shall prepare, and keep for not less than three years following the end of each of its fiscal years, or such longer period required under Applicable Law, adequate books and records showing daily receipts in, at, and from the Franchised Restaurant, applicable sales tax returns (if any), all pertinent original serially numbered sales slips and cash register records, and such other sales records as may be reasonably required by Franchisor from time to time to verify Gross Sales and purchases reported by Franchisee to Franchisor, in a form suitable for an audit of its records by an authorized auditor or agent of Franchisor. Such information shall be broken down by categories of goods, foods and beverages sold, where possible. Franchisor, its agents, or representatives may, at any reasonable time during normal working hours, audit or review Franchisee’s books and records in accordance with generally accepted standards established by certified public accountants. Franchisor may also conduct the audit at a site other than the Location and Franchise shall provide all information to Franchisor, its agents, or representatives, promptly upon demand (but not later than five days following the date of the request). If any audit or other investigation reveals an under-reporting or under-recording error, then upon demand Franchisee shall pay the amount determined to be owed, plus interest at the daily equivalent of twelve percent (12%) per year simple interest, not to exceed the highest rate permitted by Applicable Law. In addition, if any such audit or other investigation reveals an under-reporting or under-recording error of two percent (2%) or more or if Franchisee fails to submit any reports when due, then in addition to any other sums due and in addition to any other rights and remedies it may have, including the right to terminate this Agreement as provided

in Section 14, the expenses of the audit/inspection shall be borne and paid by Franchisee upon billing by Franchisor, which shall include Franchisor's Travel Expenses and Wages and reasonable accounting and legal expense. Without limiting the foregoing, if such audit or other investigation reveals an under-reporting or under-recording error of five percent (5%) percent or more, Franchisor, in addition to any other rights and remedies it may have, including the right to terminate this Agreement as provided in Section 14, may require Franchisee to maintain and deliver to Franchisor from time to time, financial statements audited by an independent certified public accountant.

10.4 Books and Records. Franchisee shall maintain an accounting and record keeping system, in accordance with sound business practices, which shall provide for basic accounting information necessary to prepare financial statements, a general ledger, and reports required by this Agreement and the HCK Hot Chicken Brand Standards Manual. Franchisee shall maintain accurate, adequate, and verifiable books and supporting documentation relating to such accounting information.

## **SECTION 11. TRADEMARKS**

11.1 Use of Marks. Subject to Section 11.6 of this Agreement, the Franchised Restaurant shall be named "HCK Hot Chicken" with only such additional prefix or suffix as may be required by Franchisor from time to time. Franchisee shall use and display such of Franchisor's trade dress, Marks, and such signs, advertising, and slogans only as Franchisor may from time to time prescribe or approve. Upon expiration or sooner termination of this Agreement, Franchisor may, if Franchisee does not do so, execute in Franchisee's name and on Franchisee's behalf, any and all documents necessary in Franchisor's judgment to end and cause the discontinuance of Franchisee's use of the trade dress and Marks and Franchisor is hereby irrevocably appointed and designated as Franchisee's attorney-in-fact so to do. Franchisee shall not imprint or authorize any person to imprint any of the Marks on any product without the express written approval of Franchisor. Franchisee shall not use the Marks in connection with any offering of securities or any request for credit without the prior express written approval of Franchisor. Franchisor may withhold or condition any approval related to the Marks, including those described in this Section, in its discretion. During the Term, Franchisee shall identify the Franchised Restaurant as an independently owned and operated franchise of Franchisor, in the form and manner specified by Franchisor, including on all invoices, order forms, receipts, checks, business cards, on posted notices located the Location and in other media and advertisements as Franchisor may direct from time to time.

11.2 Non-Use of Trade Name. If Franchisee is an Entity, it shall not use Franchisor's Marks, or Franchisor's trade name, or any words or symbols which are confusingly phonetically or visually similar to the Marks, as all or part of Franchisee's name.

11.3 Use of Other Trademarks. Franchisee shall not display the trademark, service mark, trade name, insignia or logotype of any other person or Entity in connection with the operation of the Franchised Restaurant without the express prior written consent of Franchisor, which may be withheld in its discretion; provided however, in the case of a Non-Traditional Venue, the Premises (but not the Restaurant) may display the trademarks, service marks and other commercial symbols of Franchisee or third parties, in accordance with the terms herein contained.

11.4 Non-ownership of Marks. Nothing herein shall give Franchisee, and Franchisee shall not assert, any right, title, or interest in Franchisor's trade dress, or to any of the Marks or the goodwill annexed thereto, except a mere privilege and license during the term hereof, to display and use the same according to the terms and conditions herein contained.

11.5 Defense of Marks. If Franchisee receives notice, or is informed, of any claim, suit, or demand against Franchisee on account of any alleged infringement, unfair competition, or similar matter on account of its use of the Marks in accordance with the terms of this Agreement ("**Trademark Claim**"), Franchisee shall promptly notify Franchisor of any such claim, suit or demand. Thereupon, Franchisor shall take such action as it may deem necessary and appropriate to protect and defend Franchisee against any such claim

by any third party. Franchisee shall not settle or compromise any such claim by a third party without the prior written consent of Franchisor. Franchisor shall have the sole right to defend, compromise or settle any such claim, in its discretion, at Franchisor's sole cost and expense, using attorneys of its own choosing, and Franchisee shall cooperate fully with Franchisor in connection with the defense of any such claim. Franchisee may participate at its own expense in such defense or settlement, but Franchisor's decisions with regard thereto shall be final.

11.6 Prosecution of Infringers. If Franchisee shall receive notice or is informed or learns that any third party, which it believes to be unauthorized to use the Franchisor's trade dress or Marks, is using Franchisor's trade dress or Marks or any variant thereof, Franchisee shall promptly notify Franchisor of the facts relating to such alleged infringing use. Thereupon, Franchisor shall, in its discretion, determine whether or not it wishes to take any action against such third person on account of such alleged infringement of the trade dress and/or Marks. Franchisee shall have no right to make any demand against any such alleged infringer or to prosecute any claim of any kind or nature whatsoever against such alleged infringer for or on account of such infringement.

11.7 Modification of Marks. From time to time, in the HCK Hot Chicken Brand Standards Manual or in directives or bulletins supplemental thereto, Franchisor may add to, delete or modify any or all of the Marks and trade dress. Franchisee shall, at its cost and expense, use, or cease using, as may be applicable, the Marks and/or trade dress, including any such modified or additional trade names, trademarks, service marks, logotypes and commercial symbols, in strict accordance with the procedures, policies, rules and regulations contained in the HCK Hot Chicken Brand Standards Manual or in written directives issued by Franchisor to Franchisee, as though they were specifically set forth in this Agreement. Except as Franchisor may otherwise direct, Franchisee shall implement any such change within 60 days after notice thereof by Franchisor, at Franchisee's expense.

11.8 Acts in Derogation of the Marks. Franchisee agrees that Franchisor's trade dress and the Marks are the exclusive property of Franchisor and/or its Affiliates and Franchisee now asserts no claim and will hereafter assert no claim to any goodwill, reputation or ownership thereof by virtue of Franchisee's licensed and/or franchised use thereof, or otherwise. Franchisee further agrees that it is familiar with the standards and high quality of the use by Franchisor and others authorized by Franchisor of the trade dress and Marks in the operation of Restaurants and agrees that Franchisee will maintain this standard in its use of the Marks and trade dress. All use of the Marks and trade dress by Franchisee inures to the benefit of Franchisor. Franchisee shall not contest or assist anyone in contesting at any time during or after the Term, in any manner, the validity of any Mark or its registration, and shall maintain the integrity of the Marks and prevent their dilution. Franchisee shall not do or permit any act or thing to be done in derogation of any of the rights of Franchisor or its Affiliates in connection with the same, either during the Term of this Agreement or thereafter, and that it will use the Marks and Franchisor's trade dress only for the uses and in the manner licensed and/or franchised hereunder and as herein provided. Without limiting the foregoing, Franchisee shall not (i) interfere in any manner with, or attempt to prohibit, the use of Franchisor's trade dress and/or the Marks by any other franchisee or licensee of Franchisor; or (ii) divert or attempt to divert any business or any customers of the Franchised Restaurant to any other person or Entity, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks.

11.9 Assumed Name Registration. If Franchisee is required to do so by Applicable Law, Franchisee shall promptly upon the execution of this Agreement file with applicable Governmental Authorities, a notice of its intent to conduct its business under the name "HCK Hot Chicken" with only such additional prefix or suffix as may be required by Franchisor from time to time. Promptly upon the expiration or termination of this Agreement for any reason whatsoever, Franchisee shall promptly execute and file such documents as may be necessary to revoke or terminate such assumed name registration, and if Franchisee shall fail to promptly execute and file such documents as may be necessary to effectively revoke and terminate such assumed name registration, Franchisee hereby irrevocably appoints Franchisor as its attorney-in-fact to do so for and on behalf of Franchisee.

11.10 Indemnification of Marks. Provided that Franchisee is in compliance with this Agreement, Franchisor will indemnify Franchisee and Franchisee's Owners and hold them harmless for, from and against any and all costs and expenses incurred by any of them as a result of or in connection with any claim asserted against Franchisee and/or Franchisee's Owners based upon the violation of any third party's intellectual property rights caused by Franchisee's use of the Marks in compliance with the terms of this Agreement and the Brand Standards Manual. Franchisee must promptly notify Franchisor of any such claim and agrees to fully cooperate with Franchisor in the defense of any such claim.

11.11 Photo/Video Release. Franchisee acknowledges and authorizes Franchisor to use its likeness and the Restaurant's likeness in a photograph in any and all of Franchisor's publications, including printed and digital publications and on websites. Franchisee agrees and understands that any photograph using such likeness will become Franchisor's property and will not be returned. Franchisee agrees and irrevocably authorizes Franchisor to edit, alter, copy, exhibit, publish or distribute any photograph of Franchisee or of the Restaurant for any lawful purpose. Franchisee agrees and waives any rights to royalties or any other compensation related to Franchisor's use of any photograph of Franchisee. Franchisee agrees to hold harmless and forever discharge Franchisor from all claims, demands, and causes of action which Franchisee may have in connection with this authorization.

## **SECTION 12.**

### **COVENANTS REGARDING OTHER BUSINESS INTERESTS**

12.1 Non-Competition. Franchisee acknowledges that the System is distinctive and has been developed by Franchisor and/or its Affiliates at great effort, time, and expense, and that Franchisee has regular and continuing access to valuable and confidential information, training, and trade secrets regarding the System. Franchisee recognizes its obligations to keep confidential such information as set forth herein. Franchisee therefore agrees as follows:

12.1.1 During the Term, no Restricted Person or Restaurant Manager shall in any capacity, either directly or indirectly, through one or more affiliated Entities, (i) engage in any Competitive Activities at any location, unless Franchisor shall consent thereto in writing, or (ii) divert or attempt to divert any business or any customers of the Franchised Restaurant to any other person or Entity, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks.

12.1.2 To the extent permitted by Applicable Law, upon (i) the expiration or termination of this Agreement, (ii) the occurrence of any Assignment, or (iii) the cession of any Restricted Person's relationship with Franchisee, each person who was a Restricted Person before such event shall not for a period of two years thereafter, either directly or indirectly, own, operate, advise, be employed by, or have any financial interest in any business engaged in Competitive Activities: (a) within the Territory, or (b) within a 25-mile radius of any then-existing Restaurant.

#### **12.2 Trade Secrets.**

12.2.1 Franchisor possesses and continues to develop, and during the course of the relationship established hereunder, Restricted Persons may have access to, proprietary and confidential information, including the Trade Secrets, proprietary software (and related documentation) recipes, secret ingredients, specifications, procedures, concepts and methods and techniques of developing and operating a Restaurant and producing Authorized Products. Franchisor may disclose certain of its Trade Secrets to Restricted Persons in the HCK Hot Chicken Brand Standards Manual, bulletins, supplements, confidential correspondence, or other confidential communications, and through the Franchisor's training program and other guidance and management assistance, and in performing Franchisor's other obligations and exercising Franchisor's rights under this Agreement. "Trade Secrets" shall not include information which: (a) has entered the public domain or was known to Franchisee prior to Franchisor's disclosure of such information to Franchisee, other than by the breach of an obligation of confidentiality owed (by anyone) to Franchisor or its Affiliates; (b) becomes known to the Restricted Persons from a source other than Franchisor or its Affiliates and other

than by the breach of an obligation of confidentiality owed (by anyone) to Franchisor or its Affiliates; or (c) was independently developed by Franchisee without the use or benefit of any of the Franchisor's Trade Secrets. The burden of proving the applicability of the foregoing will reside with Franchisee.

12.2.2 Each Restricted Person shall acquire no interest in the Trade Secrets other than the right to use them in developing and operating the Franchised Restaurant during the Term of this Agreement. A Restricted Person's duplication or use of the Trade Secrets in any other endeavor or business shall constitute an unfair method of competition. Each Restricted Person shall: (i) not use the Trade Secrets in any business or other endeavor other than in connection with the Franchised Restaurant; (ii) maintain absolute confidentiality of the Trade Secrets during and after the Term of this Agreement; and (iii) make no unauthorized copy of any portion of the Trade Secrets, including the HCK Hot Chicken Brand Standards Manual, bulletins, supplements, confidential correspondence, or other confidential communications, whether written or oral. Franchisee shall operate the Restaurant and implement all reasonable procedures prescribed from time to time by Franchisor to prevent unauthorized use and disclosure of the Trade Secrets, including, implementing restrictions and limitations as Franchisor may prescribe on disclosure to employees and use of non-disclosure and non-competition provisions in employment agreements with employees who may have access to the Trade Secrets. Promptly upon Franchisor's request, Franchisee shall deliver executed copies of such agreements to Franchisor. If Franchisee has any reason to believe that any employee has violated the provisions of the confidentiality and non-competition agreement, Franchisee shall promptly notify Franchisor and shall cooperate with Franchisor to protect Franchisor against infringement or other unlawful use including, but not limited to, the prosecution of any lawsuits if, in the judgment of Franchisor, such action is necessary or advisable. Without limiting the foregoing, Franchisor may also impose reasonable restrictions and conditions, from time to time, on the disclosure of financial or statistical information in connection with the sale or potential sale of the Franchised Restaurant, including the execution of confidentiality agreements.

12.2.3 In view of the importance of the Marks and the Trade Secrets and the incalculable and irreparable harm that would result to the parties in the event of a default of the covenants and agreements set forth herein in connection with these matters, the parties agree that each party shall have the right in a proper case to obtain specific performance, temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction to enforce the covenants and agreements in this Agreement, in addition to any other relief to which such party may be entitled at law or in equity. Each party submits to the exclusive jurisdiction and venue of the state and federal courts situated in the city of Franchisor's principal place of business (currently Sarasota, FL) for purposes thereof. Franchisee agrees that Franchisor may have temporary or preliminary injunctive relief without bond, but upon due notice, and Franchisee's sole remedy in the event of the entry of such injunctive relief will be the dissolution of the injunctive relief, if warranted, upon hearing duly had (all claims for damages by reason of the wrongful issuance of any the injunction being expressly waived).

12.3 Confidentiality and Press Releases. Franchisee shall not disclose the substance of this Agreement to any third party except as necessary to inform lessors from which it is seeking Leases or lessors which are parties to Leases in order to obtain renewals of, or avoid terminations of, such Leases or as necessary to obtain any Permits or other approvals, or to the extent required by the lawful order of any court of competent jurisdiction or federal, state, or local agency having jurisdiction over Franchisee, provided that Franchisee shall give Franchisor prior notice of such disclosure. Unless disclosure is required by Applicable Law, no public communication, press release or announcement regarding this Agreement, the transactions contemplated hereby or the operation of the Franchised Restaurant or any Crisis Management Event shall be made by Franchisee without the written approval of Franchisor in advance of such press release announcement, or public communication.

12.3.1 Franchisee must follow all reasonable procedures Franchisor prescribes to prevent unauthorized use and disclosure of Franchisor's policies and the contents of Franchisor's HCK Hot Chicken Brand Standards Manual, marketing concepts, and operating methods and techniques (the "**Confidential Materials and Practices**"), which may include limiting access to confidential information to management employees with a need to know, and requiring such persons to execute non-disclosure agreements.

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

12.4 Effect of Applicable Law. In the event any portion of the covenants in this Section violates laws affecting Franchisee or is held invalid or unenforceable in a final judgment to which Franchisor and Franchisee are parties, then the maximum legally allowable restriction permitted by law shall control and bind Franchisee. Franchisor may at any time unilaterally reduce the scope of any part of the above covenants, and Franchisee shall comply with any such reduced covenant upon receipt of written notice. The provisions of this Section shall be in addition to and not in lieu of any other confidentiality obligation of Franchisee, or any other person, whether pursuant to another agreement or pursuant to Applicable Law.

12.5 Business Practices. Franchisee represents, warrants, and covenants to Franchisor that:

12.5.1 As of the date of this Agreement, Franchisee and each of its Owners (if Franchisee is an Entity) shall be and, during the Term shall remain, in full compliance with all applicable laws in each jurisdiction in which Franchisee or any of its Owners (if Franchisee is an Entity), as applicable, conducts business that prohibits unfair, fraudulent or corrupt business practices in the performance of its obligations under this Agreement and related activities, including the following prohibitions:

(a) No government official, official of an international organization, political party or official thereof, or candidate is an owner or has any investment interest in the revenues or profit of Franchisee;

(b) None of the property or interests of Franchisee or any of its Owners is subject to being “blocked” under any Anti-Terrorism Laws. Neither Franchisee, nor any of its respective funding sources (including any legal or beneficial owner of any equity in Franchisee) or any of its Affiliates is or has ever been a terrorist or suspected terrorist within the meaning of the Anti-Terrorism Laws or identified by name or address on any Terrorist List. Each of Franchisee and its Owners are in compliance with Applicable Law, including all such Anti-Terrorism Laws;

(c) Neither Franchisee nor any of its Owners conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under the International Money Laundering Abatement and Anti-Terrorist Financing Act, as amended, and any amendments or successors thereto.

(d) Franchisee is neither directly nor indirectly owned or controlled by the government of any country that is subject to a United States embargo. Nor does Franchisee or its Owners act directly or indirectly on behalf of the government of any country that is subject to a United States embargo.

12.5.2 Franchisee has taken all necessary and proper action required by Applicable Law and has the right to execute this Agreement and perform under all of its terms. Franchisee shall implement and comply with anti-money laundering policies and procedures that incorporate “know-your- customer” verification programs and such other provisions as may be required by applicable law.

12.5.3 Franchisee shall implement procedures to confirm, and shall confirm, that (a) none of Franchisee, any person or entity that is at any time a legal or beneficial owner of any interest in Franchisee or that provides funding to Franchisee is identified by name or address on any Terrorist List or is an Affiliate of

any person so identified; and (b) none of the property or interests of Franchisee is subject to being “blocked” under any Anti-Terrorism Laws.

12.5.4 Franchisee shall promptly notify Franchisor upon becoming aware of any violation of this Section or of information to the effect that any person or entity whose status is subject to confirmation pursuant to Section 12.5.3 above is identified on any Terrorist List, any list maintained by OFAC or to being “blocked” under any Anti-Terrorism Laws, in which event Franchisee shall cooperate with Franchisor in an appropriate resolution of such matter.

12.5.5 In accordance with Applicable Law, none of Franchisee nor any of its Affiliates, principals, partners, officers, directors, managers, employees, agents or any other persons working on their behalf, shall offer, pay, give, promise to pay or give, or authorize the payment or gift of money or anything of value to any officer or employee of, or any person or entity acting in an official capacity on behalf of, the Governmental Authority, or any political party or official thereof or while knowing that all or a portion of such money or thing of value will be offered, given or promised, directly or indirectly, to any official, for the purpose of (a) influencing any action or decision of such official in his or its official capacity; (b) inducing such official to do or omit to do any act in violation of his or its lawful duty; or (c) inducing such official to use his or its influence with any Governmental Authority to affect or influence any act or decision of such Governmental Authority in order to obtain certain business for or with, or direct business to, any person.

12.6 Customer Data. Without limiting the generality of anything else contained herein, all data that Franchisee collects, creates, provides, or otherwise develops (including, but not limited to information regarding customers) is (and will be) owned exclusively by Franchisor, and Franchisor will have the right to use such data in any manner that Franchisor deems appropriate without compensation to Franchisee. Copies and/or originals of such data must be provided to Franchisor upon its request. Franchisor hereby licenses use of such data back to Franchisee, at no additional cost, solely for the term of this Agreement and solely for Franchisee’s use in connection with the Franchised Restaurant under this Agreement. Franchisee agrees to provide Franchisor with the information that it reasonably requires with respect to data and cybersecurity requirements. Franchisee is required to safeguard any such data using commonly accepted practices in the restaurant industry as well as comply with any laws or regulations regarding data protection.

12.7 Survival. The provisions of this Section shall not limit, restrain, or otherwise affect any right or cause of action which may accrue to Franchisor for any infringement of, violation of, or interference with, this Agreement, or Franchisor’s Marks, System, Trade Secrets, or any other proprietary aspects of Franchisor’s business.

### **SECTION 13. NATURE OF INTEREST, ASSIGNMENT**

13.1 Assignment by Franchisor. This Agreement is fully transferable by Franchisor, in whole or in part, without the consent of Franchisee and shall inure to the benefit of any transferee or their legal successor to Franchisor’s interests herein; provided, however, that such transferee and successor shall expressly agree to assume Franchisor’s obligations under this Agreement. Without limiting the foregoing, Franchisor may (i) assign any or all of its rights and obligations under this Agreement to an Affiliate; (ii) sell its assets, its marks, or its System outright to a third party; (iii) engage in a public offering of its securities; (iv) engage in a private placement of some or all of its securities; (v) merge, acquire other corporations, or be acquired by another corporation; or (vi) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring. Franchisor shall be permitted to perform such actions without liability or obligation to Franchisee who expressly and specifically waives any claims, demands or damages arising from or related to any or all of the above actions (or variations thereof). Franchisor shall have no liability for the performance of any obligations contained in this Agreement after the effective date of such transfer or assignment. In connection with any of the foregoing, at Franchisor’s request, Franchisee shall deliver to Franchisor a statement in writing certifying (a) that this Agreement is unmodified and in full force and

effect (or if there have been modifications that the Agreement as modified is in full force and effect and identifying the modifications); (b) that Franchisee is not in default under any provision of this Agreement, or if in default, describing the nature thereof in detail; and (c) as to such other matters as Franchisor may reasonably request; and Franchisee agrees that any such statements may be relied upon by Franchisor and any prospective purchaser, assignee or lender of Franchisor.

### 13.2 Assignment by Franchisee.

13.2.1 The rights and duties created by this Agreement are personal to Franchisee. This Agreement has been entered into by Franchisor in reliance upon and in consideration of the singular individual or collective character, reputation, skill attitude, business ability, and financial capacity of Franchisee, or if applicable, its Owners who will actively and substantially participate in the development ownership and operation of the Franchised Restaurant. Accordingly, except as otherwise may be permitted herein, neither Franchisee nor any Owner (other than Franchisor, if applicable) shall, without Franchisor's prior written consent, cause or permit any Assignment. Any such purported Assignment occurring by operation of law or otherwise without Franchisor's prior written consent shall constitute a default of this Agreement by Franchisee and shall be null and void. Except in the instance of Franchisee advertising to sell the Franchised Restaurant and assign this Agreement in accordance with the terms hereof, Franchisee shall not, without Franchisor's prior written consent, offer for sale or transfer at public or private auction or advertise publicly for sale or transfer, the furnishings, interior and exterior decor items, supplies, fixtures, equipment, Franchisee's Lease or the real or personal property used in connection with the Franchised Restaurant. Franchisee may not make any Assignment to a public Entity, or to any Entity whose direct or indirect parent's securities are publicly traded and no shares of Franchisee or any Owner of Franchisee may be offered for sale through the public offering of securities. To the extent that any prohibition on the pledge, hypothecation, encumbrance or granting of a security interest in this Agreement or the assets of the Franchised Restaurant may be ineffective under Applicable Law, Franchisee shall provide not less than 10 days prior written notice (which notice shall contain the name and address of the secured party and the terms of such pledge, hypothecation, encumbrance or security interest) of any pledge, encumbrance, hypothecation or security interest in this Agreement or the assets of the Franchised Restaurant.

13.2.2 If Franchisee is an Entity, Franchisee shall promptly provide Franchisor with written notice (stating such information as Franchisor may from time to time require) of each and every transfer, assignment and encumbrance by any Owner of any direct or indirect Equity or voting rights in Franchisee, notwithstanding that the same may not constitute an "Assignment."

13.2.3 Franchisor will not unreasonably withhold its consent to any Assignment which is subject to the restrictions of this Section, provided however, Franchisor may impose any reasonable condition to the granting of its consent, and requiring Franchisee to satisfy any or all of the following conditions shall be deemed reasonable:

(a) Franchisee's written request for Franchisor's consent to Assignment must be accompanied by a detailed description of the price and all material terms and conditions of the proposed Assignment and the identity of the proposed assignee and such other information as Franchisor may reasonably request;

(b) Franchisor's receipt of an estoppel agreement indicating any and all causes of action, if any, that Franchisee may have against Franchisor or if none exist, so stating, and a list of all Owners having an interest in this Agreement or in Franchisee, the percentage interest of Owner, and a list of all officers and directors, in such form as Franchisor may require;

(c) Franchisee's written request for consent to any Assignment must be accompanied by an offer to Franchisor of a right of first refusal to purchase the interest which is proposed to be transferred, on the same terms and conditions offered by the third party; provided that Franchisor may substitute cash for any non-cash consideration proposed to be given by such third party (in an amount determined by Franchisor reasonably and in good faith as the approximate equivalent value of said non-cash consideration); and provided further that Franchisee shall make representations and warranties to Franchisor customary for

transactions of the type proposed (the “**ROFR**”). If Franchisor elects to exercise the ROFR, Franchisor or its nominee, as applicable, shall send written notice of such election to Franchisee within 60 days of receipt of Franchisee’s request (the “**ROFR Period**”). If Franchisor accepts such offer, the training and transfer/administrative fees due by Franchisee in accordance with this Agreement shall be waived by Franchisor, and the closing of the transaction shall occur within 60 days following the date of Franchisor’s acceptance. Any material change in the terms of an offer prior to closing (or the failure to close the transaction within 60 days following the written notice provided by Franchisee) shall cause it to be deemed a new offer, subject to the same right of first refusal by Franchisor, or its third party designee, as in the case of the initial offer. Franchisor’s failure to exercise such ROFR shall not constitute consent to the transfer or a waiver of any other provision of this Agreement, including any of the requirements of this Section with respect to the proposed transfer. The ROFR is fully assignable by Franchisor. Without waiving any other rights provided for herein or otherwise, Franchisor hereby waives its ROFR if the proposed transferee/assignee is an immediate family member of Franchisee;

(d) The Franchisee shall not be in default under the terms of this Agreement (or any other related agreement), the HCK Hot Chicken Brand Standards Manual or any other obligations owed Franchisor, and all of its then-due monetary obligations to Franchisor shall have been paid in full;

(e) The Franchisee, and its Owners, if the Franchisee is an Entity, shall execute a general release under seal, in a form prescribed by Franchisor, of any and all claims against Franchisor, its Affiliates, Owner(s), directors, officers, agents and employees;

(f) The transferee/assignee shall have demonstrated to Franchisor’s satisfaction that it meets all of Franchisor’s then-current requirements for new Restaurant operators or for holders of an interest in a franchise or license, including possession of good moral character and reputation, satisfactory credit ratings, acceptable business qualifications, the ability to obtain or acquire the license(s) and permit(s) necessary for the sale of alcoholic beverages, and the ability to fully comply with the terms of this Agreement;

(g) The transferee/assignee shall have either: (a) assumed this Agreement by a written assumption agreement approved by Franchisor, or has agreed to do so at closing, and at closing executes an assumption agreement approved by Franchisor; provided however, that such assumption shall not relieve Franchisee (as transferor/assignor) of any such obligations; or (b) at Franchisor’s option, shall have executed a replacement franchise agreement and related documents, including but not limited to guaranty, on the then-current standard forms used by Franchisor in the state in which the Franchised Restaurant is being operated, provided, however, that the term of replacement franchise agreement shall be the remaining term of this Agreement, and, at the Franchisor’s request, the transferor/assignor shall have executed a continuing guaranty in favor of Franchisor of the performance and payment by the transferee/assignee of all obligations and debts to Franchisor and its Affiliates under the replacement franchise agreement;

(h) The assignee shall agree to refurbish the Franchised Restaurants needed (in Franchisor’s discretion) to match the building design, trade dress, color scheme and presentation then used by Franchisor within the 12 month period preceding the assignment for its (or its Affiliates’) Restaurant (such refurbishment may include remodeling, redecoration and modifications to existing improvements);

(i) There shall not be any suit, action, or proceeding pending, or to the knowledge of Franchisee any suit, action, or proceeding threatened, against Franchisee with respect to the Franchised Restaurant;

(j) Upon submission of Franchisee’s request for Franchisor’s consent to any proposed transfer or assignment, Franchisee shall pay to Franchisor a non-refundable \$1,000 deposit. If Franchisor approves such transfer or assignment, Franchisee shall pay to Franchisor at such time, the remaining balance of the administrative/transfer fee, which is equal to fifty percent (50%) of Franchisor’s then-current initial franchise fee and is non-refundable under any circumstances;

(k) The transferee/assignee, its operating principal, Restaurant Manager and other employees responsible for the operation of the Franchised Restaurant shall have satisfactorily completed Franchisor's Initial Training Program and paid all fees related thereto; and

(l) The transferor/assignor will reimburse Franchisor upon receipt of Franchisor's invoice for any brokerage commissions, finder's fees, or other placement fees or similar charges Franchisor incurs as a result of the transfer.

(m) If this Agreement has been executed pursuant to an Area Development Agreement with Franchisor (whether or not such agreement remains in effect), then:

(i) If three or fewer Franchised Restaurants are operated pursuant to the Area Development Agreement, all Franchised Restaurants operated pursuant to the Area Development Agreement must be included in the proposed transfer; or

(ii) If four or more Franchised Restaurants are operated pursuant to the Area Development Agreement, at least half of all Franchised Restaurants operated pursuant to the Area Development Agreement must be included in the proposed transfer.

13.2.4 Franchisor's consent to an Assignment shall not constitute a waiver of any claims it may have against the transferring party arising out of this Agreement or otherwise, including (a) any payment or other duty owed by Franchisee to Franchisor under this Agreement before such Assignment; or (b) Franchisee's duty of indemnification and defense as set forth in Section 17.1 of this Agreement, whether before or after such Assignment, or (c) the obligation to obtain Franchisor's consent to any subsequent transfer.

13.3 Entity Franchisee. If a Franchisee is an Entity, the following provisions will apply:

13.3.1 Franchisee represents and warrants that the information set forth in Attachment B, which is annexed hereto and by this reference made a part hereof, is accurate and complete in all material respects. Franchisee shall notify Franchisor in writing within 10 days of any change in the information set forth in Attachment B, and shall submit to Franchisor a revised Attachment B, certified by Franchisee as true, correct and complete and upon acceptance thereof by Franchisor shall be annexed to this Agreement as Attachment B. Franchisee promptly shall provide such additional information as Franchisor may from time to time request concerning all persons who may have any direct or indirect financial interest in Franchisee.

13.3.2 All of Franchisee's organizational documents (including articles of partnership, partnership agreements, articles of incorporation, articles of organization, bylaws, shareholders agreements, trust instruments, or their equivalent) will provide that the issuance and transfer of any interest in Franchisee is restricted by the terms of this Agreement, and that sole purpose for which Franchisee is formed (and the sole activity in which Franchisee is or will be engaged) is the development and operation of Restaurant, pursuant to one or more franchise agreements from Franchisor. Franchisee shall submit to Franchisor, upon the execution of this Agreement and thereafter from time to time upon Franchisor's request, a resolution of Franchisee (or its governing body) confirming that Franchisee is in compliance with this provision.

13.3.3 All present and future Owners of a ten percent (10%) or more (directly or indirectly), in the aggregate, of the Equity or voting rights in Franchisee and all spouses of such persons, will execute a written guaranty in a form prescribed by Franchisor, personally, irrevocably and unconditionally guaranteeing, jointly and severally, with all other guarantors, the full payment and performance of Franchisee's obligations to Franchisor and to Franchisor's Affiliates. Such Owners hereby personally and unconditionally guarantee without notice, demand or presentment, the payment of all of Franchisee's monetary obligations under this Agreement and any other agreement between Franchisee and Franchisor and/or Franchisor's Affiliates, as if each were an original party to this or any other agreement in his or her individual capacity. All such personal guarantors further agree to be bound by the restrictions upon Franchisee's activities upon transfer, termination or expiration and non-renewal of this Agreement as if each were an original party to this Agreement in his or her individual capacity. Such persons must execute

Franchisor's prescribed form of Continuing Guaranty attached hereto as Attachment C contemporaneously with the execution of this Agreement.

13.3.4 Securities, partnership or other ownership interests in Franchisee may not be offered to the public under the Securities Act of 1933, as amended, nor may they be registered under the Securities Exchange Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation. Such interests may be offered by private offering or otherwise only with the prior written consent of Franchisor, which consent shall not be unreasonably withheld. All materials required for any such private offering by federal or state law shall be submitted to Franchisor for a limited review as discussed below prior to being filed with any governmental agency; and any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use. No such offering by Franchisee shall imply that Franchisor is participating in an underwriting, issuance or offering of securities of Franchisee or Franchisor, and Franchisor's review of any offering materials shall be limited solely to the subject of the relationship between Franchisee and Franchisor and its Affiliates. Franchisor may, at its option, require Franchisee's offering materials to contain a written statement prescribed by Franchisor concerning the limitations described in the preceding sentence. Franchisee, its Owners and the other participants in the offering must fully defend and indemnify Franchisor, and its Affiliates, their respective partners and the officers, directors, manager(s) (if a limited liability company), shareholders, members, partners, agents, representatives, independent contractors, servants and employees of each of them, from and against any and all losses, costs and liability in connection with the offering and shall execute any additional documentation required by Franchisor to further evidence this indemnity. For each proposed offering, Franchisee shall pay to Franchisor the greater of: (a) a non-refundable fee equal to fifty percent (50%) of Franchisor's then-current initial franchise fee; or (b) such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including legal and accounting fees. Franchisee shall give Franchisor written notice at least 30 days prior to the date of commencement of any offering or other transaction covered by this Section.

#### 13.4 Assignment to a Controlled Entity.

13.4.1 If Franchisee is one or more individuals, and in the event that Franchisee proposes to transfer all of its interest in this Agreement and the assets of the Restaurant operated hereunder to an Entity formed by Franchisee solely for the convenience of ownership, Franchisee may (without paying the transfer fee specified in Section 13.2.3(j) of this Agreement), with Franchisor's written consent, transfer such interest and assets, provided, and on condition that:

- (a) Upon Franchisor's request, Franchisee delivering to Franchisor a true, correct and complete copy of the transferee Entity's articles of incorporation or articles of organization, bylaws, operating agreement, partnership agreement, and other organizational documents, and Franchisor has accepted the same;
- (b) the transferee Entity's articles of incorporation or articles of organization, bylaws, and operating agreement, as applicable, shall provide that its activities are confined exclusively to operating the Restaurant operated hereunder;
- (c) Franchisee directly owns all of the Equity and voting rights of the transferee Entity;
- (d) such Entity is in good standing in its jurisdiction of organization and each other jurisdiction where the conduct of its business or the operation of its properties requires it to be so qualified;
- (e) the person designated by Franchisee as the Operating Principal has exclusive day-to-day operational control of the Franchised Restaurant;
- (f) such Entity conducts no other business than the operation of Restaurants;
- (g) such Entity assumes all of the obligations under this Agreement pursuant to written agreement, the form and substance of which shall be acceptable to Franchisor;

(h) Each individual comprising Franchisee, and all present and future owners of ten percent (10%) or more (directly or indirectly), in the aggregate, of the Equity or voting rights of Franchisee and all spouses of such persons shall execute a written guaranty, in a form prescribed by Franchisor, personally, irrevocably and unconditional guaranteeing, jointly and severally, with all other guarantors, the full payment and performance of all of the obligations to Franchisor and its Affiliates under this Agreement;

(i) That none of the Owners of the Equity of the transferee Entity is, directly or indirectly, engaged in a Competitive Activity;

(j) At Franchisor's request, Franchisee shall, and shall cause each of its Affiliates who have executed a franchise agreement and each direct or indirect parent or subsidiary of such Affiliate, to execute and deliver to Franchisor a general release, on a form prescribed by Franchisor of any and all known and unknown claims against Franchisor and its Affiliates and their officers, directors, agents, shareholders, and employees; and

(k) Franchisee shall reimburse Franchisor for all direct and indirect costs and expense it may incur in connection with the transfer, including attorney's fees.

13.4.2 In the event that Franchisee exercises its rights under Section 13.4 of this Agreement then Franchisee and such assignee Entity shall affirmatively covenant to continue to satisfy each of the conditions set forth in Section 13.4 of this Agreement throughout the term of this Agreement.

## **SECTION 14. DEFAULT AND TERMINATION**

14.1 General. Franchisor shall have the right to terminate this Agreement only for "cause." "Cause" is hereby defined as a default of this Agreement. Franchisor shall exercise its right to terminate this Agreement upon notice to Franchisee upon the following circumstances and manners.

14.2 Automatic Termination Without Notice. Subject to Applicable Laws of the jurisdiction in which the Restaurant operated hereunder is located to the contrary, Franchisee shall be deemed to be in default under this Agreement, and all rights granted herein shall at Franchisor's election automatically terminate without notice to Franchisee if: (i) Franchisee shall be adjudicated bankrupt or judicially determined to be insolvent (subject to any contrary provisions of any applicable state or federal laws), shall admit to its inability to meet its financial obligations as they become due, or shall make a disposition for the benefit of its creditors; (ii) Franchisee shall allow a judgment against him in the amount of more than \$25,000 to remain unsatisfied for a period of more than 30 days (unless a supersedeas or other appeal bond has been filed); (iii) the Franchised Restaurant, the Premises or the Franchisee's assets are seized, taken over or foreclosed by a government official in the exercise of its duties, or seized, taken over, or foreclosed by a creditor or lienholder provided that a final judgment against the Franchisee remains unsatisfied for 30 days (unless a supersedeas or other appeal bond has been filed); (iv) a levy of execution of attachment has been made upon the license granted by this Agreement or upon any property used in the Franchised Restaurant, and it is not discharged within five days of such levy or attachment; (v) Franchisee permits any recordation of a notice of mechanics lien against the Franchised Restaurant or any equipment at the Franchised Restaurant which is not released within 60 days, or if any person commences any action to foreclose on the Franchised Restaurant or said equipment; (vi) Franchisee allows or permits any judgment to be entered against Franchisor or any of its Affiliates, arising out of or relating to the operation of the Franchised Restaurant; (vii) a condemnation or transfer in lieu of condemnation has occurred; (viii) Franchisee or any of its Owners, officers, directors, or key employees is convicted of or pleads guilty or nolo contendere to a felony or any other crime or offense that is reasonably likely, in the sole opinion of Franchisor, to adversely affect the Franchisor's reputation, System, Marks or the goodwill associated therewith, or Franchisor's interest therein; provided, however that if the crime or offense is committed by an Owner other than an Operating Principal, then Franchisor may only terminate on account thereof if such Owner fails within 30 days after the conviction or guilty plea, whichever first occurs, to sell its interest in Franchisee to

Franchisee's other Owners; or (ix) Franchisee's and any Restricted Person's failure to comply with Section 12 or Section 20 of this Agreement.

**14.3 Option to Terminate Without Opportunity to Cure.** Franchisee shall be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon receipt of notice by Franchisor upon the occurrence of any of the following events:

**14.3.1 Abandonment.** If Franchisee shall abandon the Franchised Restaurant. For purposes of this Agreement, "abandon" shall refer to (i) Franchisee's failure, at any time during the term of this Agreement, to keep the Premises or Franchised Restaurant open and operating for business for a period of three consecutive days, except as provided in the HCK Hot Chicken Brand Standards Manual, (ii) Franchisee's failure to keep the Premises or Franchised Restaurant open and operating for any period after which it is not unreasonable under the facts and circumstances for Franchisor to conclude that Franchisee does not intend to continue to operate the Franchised Restaurant, unless such failure to operate is due to Force Majeure (subject to Franchisee's continuing compliance with this Agreement), (iii) failure to actively and continuously maintain and answer the telephone listed by Franchisee for the Franchised Restaurant solely with the "HCK Hot Chicken" name (as the same may be modified in accordance with this Agreement); (iv) the withdrawal of permission from the applicable lessor that results in Franchisee's inability to continue operation of the Franchised Restaurant; or (v) closing of the Franchised Restaurant required by Applicable Law if such closing was not the result of a violation of this Agreement by Franchisor.

**14.3.2 Assignment, Death, or Incapacity.** If Franchisee shall purport to make any Assignment without the prior written consent of Franchisor; provided, however, that if the Franchised Restaurant continues to be operated in conformity with this Agreement (i) upon prompt written request and upon the death or legal incapacity of a Franchisee who is an individual, Franchisor shall allow up to nine months after such death or legal incapacity for the heirs, personal representatives, or conservators (the "Heirs") of Franchisee either to enter into a new Franchise Agreement upon Franchisor's then- current form (except that no initial franchise fee or transfer fee shall be charged), if Franchisor is subjectively satisfied that the Heirs meet Franchisor's standards and qualifications, or if not so satisfied to allow the Heirs to sell the Franchised Restaurant to a person approved by Franchisor, or (ii) upon prompt written request and upon the death or legal incapacity of an Owner owning twenty percent (20%) or more of the Equity or voting power of a corporate or limited liability company Franchisee, or a general or limited partner owning twenty percent (20%) or more of any of the Partnership Rights of a Franchisee which is a Partnership, Franchisor shall allow a period of up to nine months after such death or legal incapacity for the Heirs to seek and obtain Franchisor's consent to the transfer or Assignment of such stock, membership interests or Partnership Rights to the Heirs or to another person acceptable by Franchisor. If, within said nine-month period, the Heirs fail either to enter into a new franchise agreement or to sell the Franchised Restaurant to a person approved by Franchisor pursuant to this Agreement, or fail either to receive Franchisor's consent to the Assignment of such Equity to the Heirs or to another person acceptable by Franchisor, as provided in this Agreement, this Agreement shall thereupon automatically terminate.

**14.3.3 Repeated Defaults.** If Franchisee shall default in any obligation as to which Franchisee has previously received two or more written notices of default from Franchisor setting forth the default complained of within the preceding 12 months, such repeated course of conduct shall itself be grounds for termination of this Agreement without further notice or opportunity to cure.

**14.3.4 Violation of Law.** If Franchisee fails, for a period of 10 days after having received notification of noncompliance from Franchisor or any governmental or quasi-governmental agency or authority, to comply with any federal, state, or local law or regulation applicable to the operation of the Franchised Restaurant.

**14.3.5 Sale of Unauthorized Products.** If Franchisee sells unauthorized products to the public after notice of default and thereafter sells such products, whether or not Franchisee has cured the default after one or more notices.

14.3.6 Under Reporting. If an audit or investigation conducted by Franchisor hereof discloses that Franchisee has knowingly maintained false books or records, or submitted false reports to Franchisor, or knowingly understated its Gross Sales or withheld the reporting of same as herein provided, and, without limiting the foregoing, if, on three or more occasions in any single 36 month period, any audits or other investigations reveals an under-reporting or under-recording error of two percent (2%) or more, or on any single occasion any audit or other investigation reveals an under-reporting or under-recording of five percent (5%) or more.

14.3.7 Intellectual Property Misuse. If Franchisee materially misuses or makes any unauthorized use of the Marks or otherwise materially impairs the goodwill associated therewith or Franchisor's rights therein, or takes any action which reflects materially and unfavorably upon the operation and reputation of the Franchised Restaurant, the System, or the "HCK Hot Chicken" brand generally. Franchisee's unauthorized use, disclosure, or duplication of the "Trade Secrets", excluding independent acts of employees or others if Franchisee shall have exercised its best efforts to prevent such disclosures or use.

14.3.8 Misrepresentation. If Franchisee makes any material misrepresentations relating to the acquisition of this Agreement.

14.3.9 Health or Safety Violations. Franchisee's conduct of the Franchised Restaurant is so contrary to this Agreement, the System and the HCK Hot Chicken Brand Standards Manual as to constitute an imminent danger to the public health (for example, selling spoiled food knowing that the food products are spoiled or allowing a dangerous condition arising from a failure to strictly comply with any health code or ordinance or other Applicable Law to continue despite Franchisee's knowledge of such condition), or selling expired or other unauthorized products to the public after notice of default and continuing to sell such products whether or not Franchisee has cured the default after one or more notices.

14.3.10 Failure to Complete Training. If Franchisee, the initial Operating Principal or the initial Restaurant Manager fails to complete all phases of the Initial Training Program or the Extra Practice Week to Franchisor's satisfaction prior to the opening of the Franchised Restaurant.

14.4 Termination with Notice and Opportunity to Cure. Except for any default by Franchisee under Sections 14.2 or 14.3 of this Agreement, and as otherwise expressly provided elsewhere in this Agreement, Franchisee shall have 30 days (10 days in the case of any default in the timely payment of sums due to Franchisor or its Affiliates) after Franchisor's written notice of default within which to remedy any default under this Agreement, and to provide evidence of such remedy to Franchisor. If any such default is not cured within that time period, or such longer time period as Applicable Law may require or as Franchisor may specify in the notice of default, this Agreement and all rights granted by it shall thereupon automatically terminate without further notice or opportunity to cure.

14.5 Reimbursement of Franchisor Costs. In the event of a default by Franchisee, all of Franchisor's costs and expenses arising from such default, including reasonable legal fees and reasonable hourly charges of Franchisor's administrative employees shall be paid to Franchisor by Franchisee within five days after cure or upon demand by Franchisor if such default is not cured.

14.6 Assumption of Management; Step-In Rights. In order to prevent any interruption of operations which would cause harm to the Franchised Restaurant, thereby depreciating the value thereof, Franchisor has the right, but not the obligation, to step-in and designate an individual or individuals of its choosing ("**Interim Manager**") for so long as Franchisor deems necessary and practical to temporarily manage the Franchised Restaurant: (i) if Franchisee fails to comply with any System standard or provision of this Franchise Agreement and does not cure the failure within the time period specified by the Franchise Agreement or by Franchisor; (ii) if Franchisor determines in its sole judgment that the operation of the Franchised Restaurant is in jeopardy; (iii) if Franchisor determines in its sole discretion that operational problems require that Franchisor operate the Franchised Restaurant; (iv) if Franchisee abandons or fails to actively operate the Franchised Restaurant; (v) upon Franchisee's (or Franchisee's Operating Principal, if an entity) absence, termination, illness, death, incapacity or disability; or (vi) if Franchisor deems

Franchisee (or Franchisee's Operating Principal, if any entity) incapable of operating the Franchised Restaurant ("**Step-in Rights**"). If Franchisor exercises the Step-In Rights:

- (a) Franchisee agrees to pay Franchisor, in addition to all other amounts due under this Franchise Agreement, the Interim Manager's compensation and any direct out-of-pocket costs and expenses in connection with the exercise of such Step-In Rights;
- (b) all monies from the operation of the Franchised Restaurant during such period of operation by Franchisor shall be kept in a separate account, and the expenses of the Franchised Restaurant, including Franchisor's costs and expenses and the compensation and direct out-of-pocket costs and expenses for the Interim Manager, shall be charged to said account;
- (c) Franchisee acknowledges that the Interim Manager will have a duty to utilize only reasonable efforts and will not be liable to Franchisee or its owners for any debts, losses, or obligations the Franchised Restaurant incurs, or to any of Franchisee's creditors for any supplies, products, or other assets or services the Franchised Restaurant purchases, while Interim Manager manages it;
- (d) the Interim Manager will have no liability to Franchisee except to the extent directly caused by its gross negligence or willful misconduct. Franchisor will have no liability to Franchisee for the activities of an Interim Manager unless Franchisor is grossly negligent in appointing the Interim Manager, and Franchisee will indemnify and hold Franchisor harmless for and against any of the Interim Manager's acts or omissions, as regards to the interests of Franchisee or third parties; and
- (e) Franchisee agrees to pay all of Franchisor's reasonable attorney's fees, accountant's fees, and other professional fees and costs incurred as a consequence of Franchisor's exercise of the Step-In Rights.

Nothing contained herein shall prevent Franchisor from exercising any other right which Franchisor may have under this Franchise Agreement, including, without limitation, termination.

14.7 Cross-Default. Except for a default or termination of any Area Development Agreement consisting solely of Franchisee's failure to meet the development schedule thereunder, any default by Franchisee under the terms and conditions of this Agreement, any Lease, or any other agreement between Franchisor (or its Affiliate), and Franchisee (or any Affiliate of Franchisee) shall be deemed to be a default of each and every said agreement. Furthermore, in the event of termination, for any cause, of this Agreement or any other agreement between the parties hereto, Franchisor may, at its option, terminate any or all said agreements.

14.8 Notice Required by Law. Notwithstanding anything to the contrary contained in this Section, in the event any valid, Applicable Law of a competent Governmental Authority having jurisdiction over this Agreement and the parties hereto shall limit Franchisor's rights of termination hereunder or shall require longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum notice periods or restrictions upon termination required by such laws and regulations. Franchisor shall not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, arbitration, hearing, or dispute relating to this Agreement or the termination thereof.

14.9 Termination by Franchisee. Franchisee may terminate this Agreement due to a material default by Franchisor of its obligations hereunder, which default is not cured by Franchisor within 60 days after Franchisor's receipt of prompt written notice by Franchisee to Franchisor detailing the alleged default with specificity; provided, that if the default is such that it cannot be reasonably cured within such 60 day period, Franchisor shall not be deemed in default for so long as it commences to cure such default within 60 days and diligently continues to prosecute such cure to completion. This is a material term of this Agreement and an arbitrator shall not, and shall not have the power or authority to, waive, modify or change this requirement in any arbitration proceeding or otherwise. If Franchisee terminates this Agreement pursuant to this Section, Franchisee shall comply with all of the terms and conditions of Section 15 of this Agreement.

## SECTION 15. RIGHTS AND OBLIGATIONS UPON TERMINATION

15.1 General. Upon the expiration or termination of Franchisee's rights granted under this Agreement:

15.1.1 Franchisee shall immediately cease to use all Trade Secrets, the Marks, and any confusingly similar trademark, service mark, trade name, logotype, or other commercial symbol or insignia. Franchisee shall immediately return the HCK Hot Chicken Brand Standards Manual, all training materials, electronic files, records, customer lists, files, advertising and promotional materials and all other written materials incorporating Trade Secrets and all copies of the whole or any part thereof to Franchisor. Franchisee shall at its own cost make cosmetic changes to the Franchised Restaurant so that it no longer contains or resembles Franchisor's proprietary designs, including: Franchisee shall remove all materials that would identify the Premises and Location as a Restaurant operated under the Marks and System, and remove distinctive cosmetic features and finishes, soffits, interior wall coverings and colors, exterior finishes and colors and signage from the Premises and Location as Franchisor may reasonably direct and shall, at Franchisor's request, grant Franchisor access to the Premises to make cosmetic changes to the Franchised Restaurant so that it no longer resembles a Restaurant. Or in the alternative, if Franchisor so elects, at its sole option, upon any termination or expiration of this Agreement, Franchisor shall have an immediate right to enter and take possession of the Franchised Restaurant in order to maintain continuous operation of the Franchised Restaurant, to provide for orderly change of management and disposition of personal property and to otherwise protect Franchisor's interest.

15.1.2 If Franchisor so elects, at its sole option, upon any termination or expiration of this Agreement, Franchisee will sell to Franchisor such equipment and furnishings as Franchisor may designate that are associated with the Franchised Restaurant at their then-current fair market value. If Franchisor and Franchisee cannot agree upon a fair market value for any equipment or furnishings, then Franchisor and Franchisee will each retain an independent appraiser at their own costs to prepare an appraisal of the fair market value and the average of the two appraisals shall be the fair market value and the purchase price. Upon the expiration or termination of Franchisee's rights under the Franchise Agreement, to the extent it does not conflict with an otherwise valid lien held by a lender or the terms of any lending agreement, Franchisor shall hold an option to purchase, and Franchisee shall agree to sell, such equipment or furnishings as Franchisor may designate that are associated with the Restaurant at its then-current fair market value. If Franchisor and Franchisee cannot agree upon a fair market value for any equipment or furnishings, then Franchisor and Franchisee will each retain an independent appraiser at their own costs to prepare an appraisal of the fair market value and the average of the two appraisals shall be the fair market value and the purchase price right. Franchisor shall have no other payment obligations to Franchisee, and Franchisee specifically waives any and all claims to be paid for other equipment, furnishings, fixtures, products, supplies or the goodwill associated with the terminated Franchised Restaurant (which goodwill Franchisee acknowledges is owned exclusively by Franchisor). Franchisor may offset against any obligations it may have pursuant to this Section any amounts owed by Franchisee to Franchisor.

15.1.3 Franchisor may retain all fees paid pursuant to this Agreement, and Franchisee shall immediately pay any and all amounts owing to Franchisor, its Affiliates, and/or suppliers.

15.1.4 Any and all obligations of Franchisor to Franchisee under this Agreement shall immediately cease and terminate.

15.1.5 Any and all rights of Franchisee under this Agreement shall immediately cease and terminate, and Franchisee shall immediately cease and thereafter refrain from representing itself as then or formerly a Franchisee or other Affiliate of Franchisor.

15.1.6 Franchisee acknowledges that all telephone numbers, facsimile numbers, social media websites, Internet addresses and email addresses (collectively "**Identifiers**") used in the operation of Franchisee's Restaurant constitute Franchisor's assets, and upon termination or expiration of this Agreement, Franchisee will take such action within five days to cancel or assign to Franchisor or Franchisor's designee as

determined by Franchisor, all of Franchisee's right, title and interest in and to such Identifiers and will notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any Identifiers, and any regular, classified or other telephone directory listing associated with the Identifiers and to authorize a transfer of the same to, or at Franchisor's direction. Franchisee agree to take all action required cancel all assumed name or equivalent registrations related to Franchisee's use of the Marks. Franchisee acknowledges that, Franchisor has the sole rights to, and interest in, all Identifiers used by Franchisee to promote Franchisee's Restaurant and/or associated with the Marks. Franchisee hereby irrevocably appoints Franchisor, with full power of substitution, as Franchisee's true and lawful attorney-in-fact, which appointment is coupled with an interest, to execute such directions and authorizations as may be necessary or prudent to accomplish the foregoing. Franchisee further appoints Franchisor to direct the telephone company, postal service, registrar, Internet service provider, listing agency, website operator, or any other third party to transfer such Identifiers to Franchisor or Franchisor's designee. The telephone company, postal service, registrar, Internet Service Provider, listing agency, website operator, or any other third party may accept such direction by Franchisor pursuant to this Franchise Agreement as conclusive evidence of Franchisor's rights to the Identifiers and Franchisor's authority to direct their transfer. For the avoidance of doubt, nothing in this Section shall be deemed to permit Franchisee to use the Marks, or any of them in connection with the Internet, except with the prior consent of Franchisor as provided in this Agreement.

15.2 Survival of Obligations. Termination or expiration shall be without prejudice to any other rights or remedies that Franchisor or Franchisee, as the case may be, shall have in law or in equity, including the right to recover benefit of the bargain damages. In no event shall a termination or expiration of this Agreement affect Franchisee's obligations to take or abstain from taking any action in accordance with this Agreement. The provisions of this Agreement which by their nature or expressly constitute post-termination (or post-expiration) covenants and agreements including the obligation of Franchisor and Franchisee to arbitrate any and all disputes shall survive the termination or expiration of this Agreement.

15.3 No Ownership of Marks. Franchisee acknowledges and agrees that rights in and to Franchisor's Marks and the use thereof shall be and remain the property of Franchisor.

15.4 Government Filings. In the event Franchisee has registered any of Franchisor's Marks or the name "HCK Hot Chicken" as part of Franchisee's assumed, fictitious or corporate name, Franchisee shall promptly amend such registration to delete Franchisor's Marks and any confusingly similar marks or names therefrom.

15.5 Liquidated Damages. If following termination of this Agreement, Franchisee and/or any Restricted Person violates any of the terms of the non-competition provisions set forth in Section 12.1 of this Agreement or the non-competition covenants set forth in Section 6 of the Continuing Guaranty set forth in Attachment C, then in addition to any injunctive or other relief or other amounts that may be due under this Agreement, Franchisee agrees to pay to Franchisor liquidated damages equal to the average monthly Continuing Royalties and Brand Fund Contributions that Franchisee was required to pay (without regard to any fee waivers or other reductions) from the date the Franchised Restaurant opened through the date of early termination multiplied by the lesser of: (a) 36; or (b) the number of months remaining in the Agreement had it not been terminated, except that liquidated damages will not under any circumstances be less than \$30,000. The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages Franchisor would incur from this Agreement's termination and the loss of cash flow from Continuing Royalties and Brand Fund Contributions due to, among other things, the complications of determining what costs, if any, Franchisor might have saved and how much the Continuing Royalties would have grown over what would have been this Agreement's remaining term. The parties hereto consider these liquidated damages provision to be a reasonable, good faith pre-estimate of those damages. The liquidated damages provision only covers Franchisor's damages from the loss of cash flow from the Continuing Royalties and Brand Fund Contributions. It does not cover any other damages, including damages to Franchisor's reputation with the public and landlords and damages arising from a violation of any provision of this Agreement other than the Continuing Royalties and Brand Fund Contribution sections. Franchisee and each of its owners agree that the liquidated damages provision does not give Franchisor an adequate

remedy at law for any default under, or for the enforcement of, any provision of this Franchise Agreement other than the Continuing Royalties and Brand Fund sections. The parties agree that nothing in this Section 15.5 will preclude Franchisor from seeking injunctive or other equitable relief (including specific performance, temporary restraining orders and temporary or preliminary injunctions, permanent injunctions) for a violation of the covenants and other obligations set forth in Section 12 of this Agreement or Section 6 of the Continuing Guaranty set forth in Attachment C, or preclude any other right or remedy available under this Franchise Agreement or at law.

## **SECTION 16. INSURANCE**

16.1 Insurance. Franchisee shall obtain and maintain (at all times during the Term) insurance coverage in the types and amounts of coverage and deductibles specified in the HCK Hot Chicken Brand Standards Manual which shall in each instance designate Franchisor and its designated Affiliates as additional named insureds (except for employment liability insurance policies), with an insurance company approved by Franchisor, which approval shall not be unreasonably withheld.

16.2 Use of Proceeds. In the event of damage to the Franchised Restaurant covered by insurance, the proceeds of any such insurance shall be used to restore the Franchised Restaurant to its original condition as soon as possible, unless such restoration is prohibited by the Location Lease or Franchisor has otherwise consented to in writing. Upon the obtaining of such insurance, Franchisee shall promptly provide to Franchisor proof of such insurance coverage.

16.3 Proof of Insurance. Franchisee shall, prior to opening the Franchised Restaurant, (and from time to time, within 10 days after a request therefor from Franchisor, and annually thereafter provide evidence of the renewal or extension of each insurance policy) file with Franchisor, certificates of such insurance and shall promptly pay all premiums on the policies as they become due. In addition, the policies shall contain a provision requiring 30 days prior written notice to Franchisor of any proposed cancellation, modification, or termination of insurance. If Franchisee fails to obtain and maintain the required insurance, Franchisor may, at its option, in addition to any other rights it may have, procure such insurance for Franchisee without notice and Franchisee shall pay, upon demand, the premiums plus twenty percent (20%) of the premium for Franchisor's administrative costs in taking such action.

## **SECTION 17. RELATIONSHIP OF PARTIES, INDEMNITY**

17.1 Relationship of Franchisee to Franchisor. It is expressly agreed that the parties intend by this Agreement to establish between Franchisor and Franchisee the relationship of franchisor and franchisee. It is further agreed that Franchisee has no authority to create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever. Neither Franchisor nor Franchisee is the employer, employee, agent, partner or co-venturer of or with the other, each being independent. Franchisee agrees that it shall not under any circumstances hold itself out as the agent, representative, employee, partner or co-venturer of Franchisor. All employees hired by or working for Franchisee shall be the employees of Franchisee and shall not, for any purpose, be deemed employees of Franchisor or subject to Franchisor control. Each of the parties shall file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof. Neither shall have the power to bind or obligate the other except specifically as set forth in this Agreement. Franchisor and Franchisee agree that the relationship created by this Agreement is one of independent contractor and not a fiduciary relationship. Franchisee will use Franchisee's legal name on all documents for use with employees and contractors, including but not limited to, employment applications, timecards, pay checks, and employment and independent contractor agreements and will not use the Marks on these documents. Upon Franchisor's request, Franchisee and each of Franchisee's employees will sign an employment relationship acknowledgment form within seven days stating that Franchisee alone is the employer and operates the Franchised Restaurant.

## 17.2 Indemnity.

17.2.1 Franchisee shall, at all times, protect, defend and indemnify Franchisor and its successors and assigns, and Franchisor's and their respective past, present and future Owners, Affiliates, officers, directors, employees, attorneys and designees, and hold each of them harmless from and against any and all costs and expenses, including attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss, injury or damage to any person or Entity or to any property directly or indirectly arising out of or in connection with Franchisee's acquisition of the fee or leasehold interest on which the Restaurant is to be located; the development, construction (including any latent or patent defects), fixturing, furnishing and equipping of the Restaurant; any breach of this Agreement; the maintenance or operation of the Premises or the Franchised Restaurant, including the preparation of all food and beverage offered at the Restaurant and all services (including delivery service and the provision of alcoholic beverages); any labor or employment law disputes relating to the Premises or to the Franchised Business; Franchisee's failure to pay amounts due and payable (to Franchisor or any of its affiliates) pursuant to the Agreement, or failure to do or perform any other act, matter or thing required by the Agreement; and/or for action by Franchisor to obtain performance by Franchisee of any act, matter or thing required by the Agreement. In connection with the above, (a) Franchisee agrees to pay all suppliers of goods and services to Franchisee in connection with the construction and/or operation of the Restaurant when due and payable; and (b) Franchisee shall include in the text of all contracts entered into between Franchisee and any third party an acknowledgment that Franchisee is solely a franchisee of Franchisor and has no ownership in or other relationship with Franchisor and, shall include an express release and hold harmless of Franchisor of any obligation or liability to such party which arises out of or is otherwise related to or in connection with Franchisee's acquisition, development, construction and operation of the Restaurant.

17.2.2 Franchisor shall give Franchisee prompt written notice of any claim for which Franchisor demands indemnity (provided that such obligation shall not constitute a condition to Franchisee's indemnification obligation unless Franchisee has been materially harmed by such delay). Franchisor shall retain the full right and power to direct, manage, control, and settle the arbitration of any claim. Franchisor shall submit all indemnifiable claims to its insurers in a timely manner. Any payments made by an indemnified party shall be net of benefits received by any indemnified party on account of insurance in respect of such claims. The terms of this Section 17.2 shall survive the termination, expiration or cancellation of this Agreement.

## **SECTION 18. MEDIATION AND ARBITRATION**

18.1 Mediation. Except to the extent precluded by Applicable Law, the parties hereby pledge and agree that prior to filing any arbitration or lawsuit (other than suits described in Section 12.2.3 or to seek provisional remedies, including injunctions and as otherwise described below in Section 18.5), they shall first attempt to resolve any dispute between the parties pursuant to mediation conducted in accordance with the Rules of Practice and Procedure of Judicial Arbitration & Mediation Services, Inc. ("JAMS") unless the parties agree on alternative rules and a mediator within 15 days after either party first gives notice of mediation. Mediation shall be conducted in the JAMS office closest to our principal place of business (currently Sarasota, FL) and shall be conducted and completed within 45 days following the date either party first gives notice of mediation. If the parties fail to fully resolve such dispute through mediation within such 45-day period, either party may initiate arbitration. The fees and expenses of the mediator shall be shared equally by the parties. The mediator shall be disqualified as a witness, expert, or counsel for any party with respect to any suit and any related matter. The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties shall not be discoverable or admissible in any legal proceeding for any purpose except as required by Applicable Law, including required disclosure in Franchisor's franchise disclosure document, and provided, however, that evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation.

18.2 Arbitration. If the parties cannot fully resolve and settle a dispute through mediation as set forth in Section 18.1, all unresolved issues involved in the dispute, including any controversy or claim between Franchisor and Franchisee arising out of or relating to this Agreement or any alleged breach hereof, and any issues pertaining to the arbitrability of such controversy or claim and any claim that this Agreement or any part hereof is invalid, illegal, or otherwise voidable or void, shall be submitted to binding arbitration. Said arbitration shall be conducted before and will be heard by three arbitrators in accordance with the then-current Rules of Practice and Procedure of JAMS. If JAMS or any successor thereto, is no longer in existence at the time arbitration is commenced, Franchisor and Franchisee will agree on another arbitration organization to conduct the arbitration proceeding. Judgment upon any award rendered may be entered in any Court having jurisdiction thereof. Except to the extent prohibited by Applicable Law, the proceedings shall be held in the location closest to Franchisor's principal place of business (currently Sarasota, FL). All arbitration proceedings and claims shall be filed and prosecuted separately and individually in the name of Franchisee and Franchisor, and not in any class action or representative capacity, and shall not be joined with or consolidated with claims asserted by or against any other franchisee. The arbitrators shall have no power or authority to grant punitive or exemplary damages as part of its award. In no event may the material provisions of this Agreement including, but not limited to the method of operation, authorized product line sold or monetary obligations specified in this Agreement, amendments to this Agreement or in the HCK Hot Chicken Brand Standards Manual be modified or changed by the arbitrator at any arbitration hearing. The arbitration and the parties' agreement therefor shall be deemed to be self-executing, and if either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party despite said failure to appear. All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the Federal Arbitration Act (9 U.S.C. § 1 et seq.), notwithstanding any provision of this Agreement specifying the state law under which this Agreement shall be governed and construed. Except as required by Applicable Law, including the required disclosure in Franchisor's franchise disclosure document, the entire arbitration proceedings and related documents are confidential. These matters will not be discoverable or admissible for any purposes, including impeachment, in any litigation or other proceeding involving the parties, and will not be disclosed to anyone who is not an agent, employee, expert witness, or representative for any of the parties; however, evidence otherwise discoverable or admissible is not excluded from discovery or admission as a result of its use in the arbitration. The fees of, and authorized costs incurred by, the arbitrator will be shared equally by the parties, and each party will bear all of its own costs of arbitration; provided, however, that the arbitration decision will provide that the substantially prevailing party will recover from the other party its actual costs and expenses (including arbitrator's fees and expenses, and attorney fees and expenses) incurred in connection with the dispute.

18.3 Awards. The arbitrators will have the right to award or include in the award any relief which they deem proper in the circumstances, including money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief and attorneys' fees and costs, provided that the arbitrators will not have the authority to award exemplary or punitive damages. The award and decision of the arbitrator will be conclusive and binding upon all parties and judgment upon the award may be entered in any court of competent jurisdiction. Each party waives any right to contest the validity or enforceability of such award. The parties shall be bound by the provisions of any limitation on the period of time by which claims must be brought. The parties agree that, in connection with any such arbitration proceeding, each will submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceedings as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding will be barred. The provisions of §1283.05 of the California Code of Civil Procedure related to depositions and discovery (including any successor provisions) are hereby incorporated by this reference and made a part of this Agreement.

18.4 Permissible Parties. Franchisee and Franchisor agree that arbitration will be conducted on an individual, not a class wide, basis and that any arbitration proceeding between Franchisee and Franchisor will not be consolidated with any other arbitration proceeding involving Franchisor and any other person or entity.

18.5 Injunctive Relief. Notwithstanding anything to the contrary contained in Section 18.1 or Section 18.2, Franchisor will have the right to obtain specific performance, temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction, and other provisional relief including but not limited to enforcement of liens, security agreements, or attachment, as Franchisor deems to be necessary or appropriate to compel Franchisee to comply with Franchisee's restrictive covenants under Section 12 of this Agreement; any claim or dispute involving or contesting the validity of any of the Marks; any action to protect Franchisor's rights in the Marks, the System, or in any of Franchisor's specialized training, Trade Secrets, Confidential Materials and Practices, or other confidential or proprietary information; or any action seeking compliance with post-termination obligations set forth in Section 15, brought at any time, including prior to or during the pendency of any mediation or arbitration proceedings under Sections 18.1 or 18.2, provided that the parties will contemporaneously submit their dispute for arbitration on the merits. Franchisee agrees that Franchisor may have temporary or preliminary injunctive relief without bond, but upon due notice, and Franchisee's sole remedy in the event of the entry of such injunctive relief will be the dissolution of the injunctive relief, if warranted, upon hearing duly had (all claims for damages by reason of the wrongful issuance of any the injunction being expressly waived).

18.6 Venue. All disputes and claims not subject to arbitration under Section 18.2 must be brought in the state or federal court with jurisdiction in the principal city where Franchisor's principal place of business is then-located (currently Sarasota, FL); provided that Franchisor has the option to bring suit against Franchisee in any state or federal court within the jurisdiction where the Franchised Restaurant is or was located or where any of Franchisee's owners lives for those claims brought in accordance with Section 18.5. The parties consent to the exercise of personal jurisdiction over them by these courts, and to the propriety of venue in these courts for the purpose of this Agreement, and the parties waive any objections that they would otherwise have in this regard. Each of the parties specifically waives any defense of inconvenient forum to the maintenance of any action or proceeding so brought and waives any bond, surety, or other security that might be required of any other party with respect thereto.

18.7 Acknowledgement. The parties acknowledge that nothing herein shall delay or otherwise limit Franchisor's rights and remedies under Section 14 of this Franchise Agreement. A notice or request for arbitration or mediation will not operate to stay, postpone, or rescind the effectiveness of any demand for performance or notice of termination under this Agreement.

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

18.9 Survival. The provisions of this Section 18 will continue in full force and effect subsequent to and notwithstanding the expiration, termination, or non-renewal of this Agreement.

## **SECTION 19. MISCELLANEOUS PROVISIONS**

19.1 Notices. Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the parties pursuant hereto shall be deemed so delivered at the time delivered by hand, or five business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage pre-paid and addressed as follows:

If to Franchisor:

Hot Chikn Kitchn LLC  
PO Box 3566  
Sarasota FL 34230  
Telephone (941) 257-3663  
Attn: Franchise Services

If to Franchisee:

See Attachment A

Any party may change his or its address by giving 10 days prior written notice of such change to all other parties.

19.2 Franchisor's Right to Cure Defaults. In addition to all other remedies herein granted if Franchisee shall default in the performance of any of its obligations or breach any term or condition of this Agreement or any related agreement, Franchisor may, at its election, immediately or at any time thereafter, without waiving any claim for default or breach hereunder and without notice to Franchisee, cure such default or breach for the account and on behalf of Franchisee, and the cost to Franchisor thereof shall be due and payable on demand and shall be deemed to be additional compensation due to Franchisor hereunder and shall be added to the amount of compensation next accruing hereunder, at the election of Franchisor.

19.3 Waiver and Delay. No waiver by Franchisor of any default or series of defaults in performance by Franchisee, and no failure, refusal or neglect of Franchisor to exercise any right, power or option given to it hereunder or under any other franchise or license agreement between Franchisor and Franchisee, whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Franchised Restaurant) or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement, any other franchise or license agreement between Franchisor and Franchisee, whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Franchised Restaurant) or the HCK Hot Chicken Brand Standards Manual, shall constitute a waiver of the provisions of this Agreement or the HCK Hot Chicken Brand Standards Manual with respect to any subsequent default thereof or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof. Franchisor will consider written requests by Franchisee for Franchisor's consent to a waiver of any obligation imposed by this Agreement. Franchisee agrees, however, that Franchisor is not required to act uniformly with respect to waivers, requests and consents as each request will be considered on a case-by-case basis, and nothing shall be construed to require Franchisor to grant any such request. Any waiver granted by Franchisor shall be without prejudice to any other rights Franchisor may have, will be subject to continuing review by Franchisor, and may be revoked, in Franchisor's discretion, at any time and for any reason, effective upon 10 days prior written notice to Franchisee. Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee by providing any waiver, approval, acceptance, consent, assistance, or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay, or denial of any request.

19.4 Survival of Covenants. The covenants contained in this Agreement which, by their nature or terms, require performance by the parties after the expiration or termination of this Agreement, shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

19.5 Successors and Assigns; Benefit. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and Franchisee and its or their respective heirs, executors, administrators, successors and assigns, subject to the restrictions on Assignment contained herein. This Agreement is for the benefit of the parties only, and is not intended to and shall not confer any rights or benefits upon any person who is not a party hereto.

19.6 Joint and Several Liability. If Franchisee consists of more than one person or Entity, or a combination thereof, the obligations and liabilities of each such person or entity to Franchisor are joint and several, and such person(s) and/or Entities shall be deemed to be a general partnership.

19.7 Governing Law. This Agreement shall, without giving effect to any conflict of laws principles, be governed by the laws of the state Florida, and any contrary state law relating to (1) the offer and sale of franchises (2) franchise relationships, or (3) business opportunities, will not apply unless the applicable jurisdictional requirements are met independently without reference to this paragraph.

19.8 Entire Agreement. This Agreement and the HCK Hot Chicken Brand Standards Manual contain all of the terms and conditions agreed upon by the parties with reference to the subject matter of this Agreement. No other agreements concerning the subject matter of this Agreement, oral or otherwise, shall be deemed to exist or to bind any of the parties. All prior or contemporaneous agreements, understandings and representations relating to the subject matter of this Agreement, are merged and are expressly and superseded by this Agreement, except such representations as are made in the franchise disclosure document delivered to Franchisee and any representations made by Franchisee in acquiring this Agreement. Nothing in this Agreement or any related agreement is intended to disclaim the representations made by Franchisor in the franchise disclosure document delivered to Franchisee. No officer or employee or agent of Franchisor has any authority to make any representation or promise not contained in this Agreement or in the franchise disclosure document delivered to Franchisee, and Franchisee agrees that it has executed this Agreement without reliance upon any such representation or promise. This Agreement cannot be amended, modified, or changed except by written instrument signed by all of the parties.

19.9 Titles for Convenience. Section titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement.

19.10 Gender and Construction. The terms of all Attachments hereto are hereby incorporated into and made a part of this Agreement as if the same had been set forth in full herein. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any Section hereof may require. As used in this Agreement, the words “include,” “includes” or “including” are used in a nonexclusive sense. Unless otherwise expressly provided herein to the contrary, any consent, acceptance, approval or authorization of Franchisor which Franchisee may be required to obtain hereunder may be given or withheld by Franchisor in its sole discretion, and on any occasion where Franchisor is required or permitted hereunder to make any judgment, determination or use its discretion, including any decision as to whether any condition or circumstance meets Franchisor’s standards or satisfaction, Franchisor may do so in its sole subjective judgment and discretion. No provision herein expressly identifying any particular breach of this Agreement as material shall be construed to imply that any other breach which is not so identified is not material. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against the drafter hereof, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto. Franchisor and Franchisee intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

19.11 Severability. Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Agreement or the HCK Hot Chicken Brand Standards Manual and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event the provisions of this Agreement or the HCK Hot Chicken Brand Standards Manual thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. If any part, Section, sentence or clause of this Agreement or the HCK Hot Chicken Brand Standards Manual shall be held to be indefinite, invalid, or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

19.12 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

19.13 Fees and Expenses. If any party to this Agreement shall bring any arbitration, action or proceeding for any relief against the other, declaratory or otherwise, arising out of this Agreement, the losing party shall pay to the prevailing party all of the prevailing party’s reasonable attorney fees and costs incurred in bringing or defending such arbitration, action or proceeding and/or enforcing any judgment granted therein,

all of which shall be deemed to have accrued upon the commencement of such arbitration, action or proceeding and shall be paid whether or not such action or proceeding is prosecuted to final judgment. Any judgment or order entered in such action or proceeding shall contain a specific provision providing for the recovery of attorney fees and costs, separate from the judgment, incurred in enforcing such judgment. For the purposes of this Section, attorney fees shall include fees incurred in the following: (1) post-judgment motions, including motions for fees and costs; (2) contempt proceedings; (3) garnishment, levy, and debtor and third-party examinations; (4) discovery; and (5) bankruptcy litigation. This Section is intended to be expressly severable from the other provisions of this Agreement, is intended to survive any judgment and is not to be deemed merged into the judgment.

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

## **SECTION 20. FINANCIAL COVENANT**

20.1 Debt to Capital Employed. Unless Franchisor otherwise agrees in writing, at no time during the Term shall Franchisee's ratio of debt to capital employed, collectively with the ratio of debt to capital employed by Franchisee's Affiliates, be greater than seventy-five percent (75%); and Franchisee shall promptly notify Franchisor if at any time such ratio is greater than seventy-five (75%).

## **SECTION 21. SUBMISSION OF AGREEMENT**

21.1 General. The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Franchisor and Franchisee. This Agreement shall not be binding on Franchisor unless and until it shall have been accepted and signed on its behalf by an authorized officer of Franchisor.

## **SECTION 22. ACKNOWLEDGMENT**

22.1 General. Franchisee, and its Owners, jointly and severally acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply herewith and be bound hereby. Except as set forth in the Franchise Disclosure Document, if any such representation was made, Franchisor expressly disclaims making, and Franchisee acknowledges that it or they have not received or relied on any warranty or guarantee, express or implied, as to the potential volume, profits, expenses, or success of the business venture contemplated by this Agreement.

**[Signature page follows]**

IN WITNESS WHEREOF, the parties hereof have executed this Agreement as of the date of execution by:

**FRANCHISOR:**

**HOT CHIKN KITCHN LLC**

Signed:

Name:

Title:

Date of Execution:

**FRANCHISEE:**

**[FRANCHISEE]**

Signed:

Name:

Title:

Date of Execution:

## APPENDIX 1

“Affiliate” when used herein in connection with Franchisor or Franchisee, includes each person or Entity which directly, or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with Franchisor or Franchisee, as applicable. Without limiting the foregoing, the term “Affiliate” when used herein in connection with Franchisee includes any Entity ten percent (10%) or more of whose Equity or voting control, is held by person(s) or Entities who, jointly or severally, hold ten percent (10%) or more of the Equity or voting control of Franchisee. For purposes of this definition, control of a person or Entity means the power, direct or indirect, to direct or cause the direction of the management and policies of such person or Entity whether by contract or otherwise. Notwithstanding the foregoing definition, if Franchisor or its Affiliate has any ownership interest in Franchisee, the term “Affiliate” shall not include or refer to the Franchisor or that Affiliate, and no obligation or restriction upon an “Affiliate” of Franchisee, shall bind Franchisor, or said Affiliate or their respective direct and indirect parents or subsidiaries, or their respective officers, directors, or managers.

“Agreement” means this Franchise Agreement.

“Anti-Terrorism Laws” means Executive Order 13224 issued by the President of the United States of America (or any successor Order), the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) of 2001 (or any successor legislation) and all other present and future national, provincial, federal, state and local laws, ordinances, regulations, policies, lists, Orders and any other requirements of any Governmental Authority addressing or in any way relating to terrorist acts and acts of war.

“Applicable Law” means and includes applicable common law and all applicable statutes, laws, rules, regulations, ordinances, policies and procedures established by any Governmental Authority, governing the development, construction and operation of the Franchised Restaurant, including all labor, immigration, food and drug laws and regulations, as in effect on the Effective Date hereof, and as may be amended, supplemented or enacted from time to time.

“Area Development Agreement” means an agreement between Franchisee and Franchisor under which Franchisee or its Affiliate has agreed to open multiple Restaurants and pursuant to which Franchisee has executed this Agreement.

“Assets” means all of the following personal property and assets owned by Franchisee or in which Franchisee otherwise has any rights, and located at, or used in connection with the Franchised Restaurant: (a) all accounts, licenses, permits, and contract rights, including this Agreement, leasehold interests, all telephone and telecopier numbers, telephone and other directory listings, general intangibles, receivables, claims of Franchisee, all guaranties and security therefor and all of Franchisor’s right, title and interest in the goods purchased and represented by any of the foregoing; (b) all chattel paper including electronic chattel paper and tangible chattel paper; (c) all documents and instruments; (d) all letters of credit and letter-of-credit rights and all supporting obligations; (e) all deposit accounts; (f) all investment property and financial assets; (g) all inventory and products thereof and documents therefor; (h) all furniture, fixtures, equipment, leasehold improvements and machinery, wherever located and all documents and general intangibles covering or relating thereto; (i) all books and records pertaining to the foregoing, including computer programs, data, certificates, records, circulation lists, subscriber lists, advertiser lists, supplier lists, customer lists, customer and supplier contracts, sales orders, and purchasing records; (j) all software including computer programs and supporting information; (k) all commercial tort claims; (l) all other personal property of Franchisee of any kind used in connection with the Franchised Restaurant; and (m) all proceeds of the foregoing, including proceeds of insurance policies.

“Assignment” shall mean and refer to any assignment, transfer, gift or other conveyance, voluntarily or involuntarily, in whole or in part, by operation of Applicable Law or otherwise, of any interest in this Agreement or any of Franchisee’s rights or privileges hereunder, or all or any substantial portion of the assets of the Franchised Restaurant, including the Lease; provided, further, however, that if Franchisee is

an Entity, each of the following shall be deemed to be an Assignment of this Agreement: (i) the sale, assignment, transfer, conveyance, gift, pledge, mortgage, hypothecation or other encumbrance of more than forty-nine percent (49%) in the aggregate, whether in one or more transactions, of the Equity or voting power of Franchisee, by operation of law or otherwise or any other event(s) or transaction(s) which, directly or indirectly, effectively changes control of Franchisee; (ii) the issuance of any securities by Franchisee which itself or in combination with any other transaction(s) results in the Owners, as constituted on the Effective Date, owning less than fifty-one percent (51%) of the outstanding Equity or voting power of Franchisee; (iii) if Franchisee is a Partnership, the resignation, removal, withdrawal, death or legal incapacity of a general partner or of any limited partner owning more than forty-nine percent (49%) of the Partnership Rights of the Partnership, or the admission of any additional general partner, or the transfer by any general partner of any of its Partnership Rights in the Partnership, or any change in the ownership or control of any general partner; (iv) the death or legal incapacity of any Owner owning more than forty-nine percent (49%) of the Equity or voting power of Franchisee; and (v) any merger, stock redemption, consolidation, reorganization, recapitalization or other transfer of control of the Franchisee, however effected.

“Authorized Products” means the foods products, sauces and beverages and other food items and ancillary related products, which may include specialty foods, packaged foods, books, hats, t-shirts and novelty items, as specified by Franchisor from time to time in the HCK Hot Chicken Brand Standards Manual, or as otherwise directed by Franchisor in writing, for sale at a Restaurant, prepared, sold and/or manufactured in strict accordance with Franchisor’s recipes, standards and specifications, including specifications as to ingredients, brand names, preparation and presentation.

“HCK Hot Chicken Brand Product” means any product now existing or developed in the future that bears any of the Marks.

“HCK Hot Chicken Brand Standards Manual” means Franchisor’s library of operations and training manuals, including a HCK Hot Chicken intranet (if established) and any other written directive related to the System, as the same may be amended and revised from time to time, including all bulletins, supplements and ancillary and additional manuals and written directives established by Franchisor as in effect and amended from time to time.

“Catering” means (i) the preparation, provision and service and management of service of food and beverages (including sales, marketing and promotional practices related thereto) to guests, invitees and other third parties on behalf of a client of the provider, whether on premises owned, leased, managed, licensed, hired or operated by such client, or for a venue-based catering facility not constituting a Restaurant by the provider including, without limitation, a private, cultural, entertainment, healthcare, sports, convention or educational facility, or as part of a special event such as a sporting, cultural, charitable or political event; and (ii) contract catering services which means the preparation, provision and service or management of service of food and beverages (including sales, marketing and promotional practices related thereto) to employees, customers, vendors, guests and invitees (but not the general public) on behalf of a client or to a client directly on an ongoing basis over a period of time pursuant to a contract with such client.

“Competitive Activities” means to, own, operate, lend to, advise, be employed by, or have any financial interest in (i) any restaurant that derives twenty percent (20%) or more of its Gross Sales from the sale of fried chicken, other than a Restaurant operated pursuant to a validly subsisting Franchise Agreement with Franchisor, or (ii) any business that specializes in developing, operating or franchising restaurants that derives twenty percent (20%) or more of its Gross Sales from the sale of chicken, or (iii) any business engaged in the preparation, production or sale, at wholesale, of any fried chicken food product. Notwithstanding the foregoing, “Competitive Activities” shall not include the direct or indirect ownership solely as an investment, of securities of any Entity which are traded on any national securities exchange if the owner thereof (i) is not a controlling person of, or a member of a group which controls, such Entity and (ii) does not, directly or indirectly, own five percent (5%) or more of any class of securities of such Entity.

“Continuing Royalty” shall have the meaning set forth in Section 4.1 of this Agreement.

“Brand Fund Contribution” shall have the meaning set forth in Section 4.2 of this Agreement.

“Brand Fund” shall have the meaning set forth in Section 4.2 of this Agreement.

“Crisis Management Event” means any event that occurs at or about the Franchised Restaurant that has or may cause harm or injury to customers or employees, such as food contamination, food spoilage/poisoning, food tampering/sabotage, contagious diseases, natural disasters, terrorist acts, shootings, or any other circumstance which may damage the System, Marks, or image or reputation of Restaurants or Franchisor or its Affiliates.

“Default” or “default” means any breach of, or failure to comply with, any of the terms or conditions of an agreement.

“Director of Operations” shall have the meaning set forth in Section 7.2.5 of this Agreement.

“Dispute” shall have the meaning set forth in Section 18.1 of this Agreement.

“EFT” shall have the meaning set forth in Section 4.6 of this Agreement.

“Entity” means any limited liability company, partnership, trust, association, corporation, or other entity which is not an individual.

“Equity” means capital stock, membership interests, Partnership Rights, or other equity ownership interests of an Entity.

“First Successor Franchise Agreement” shall have the meaning set forth in Section 3.1 of this Agreement.

“First Successor Term” shall have the meaning set forth in Section 3.1 of this Agreement.

“Force Majeure” means acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe); strikes, lockouts or other industrial disturbances; war, terrorist acts, riot, or other civil disturbance; epidemics; or other similar forces which Franchisee could not by the exercise of reasonable diligence have avoided; provided however, that neither an act or failure to act by a Governmental Authority, nor the performance, non-performance or exercise of rights under any agreement with Franchisee by any lender, landlord, contractor, or other person shall be an event of Force Majeure hereunder, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise an event of Force Majeure. For the avoidance of doubt, Franchisee’s financial inability to perform or Franchisee’s insolvency shall not be an event of Force Majeure hereunder.

“Franchised Restaurant” means, as context requires, the Restaurant to be developed, or already developed, at the Location by Franchisee pursuant to this Agreement.

“GC Turnover Date” shall have the meaning set forth in Section 5.4.9.

“Goods and Services” shall have the meaning set forth in Section 9.4 of this Agreement.

“Governmental Authority” means and includes all Federal, state, county, municipal and local governmental and quasi-governmental agencies, commissions and authorities.

“Gross Sales” means the total of all income, revenues, and consideration received or receivable by Franchisee as payment, whether in cash or for credit or barter, or other means of exchange (and, if for credit or barter, whether or not payment is received therefor), on account of any and all food, beverages, goods, merchandise, services or products sold in or from the Franchised Restaurant, including from Catering, or

which are promoted or sold under any of the Marks, during each Week of the Term, whether or not Franchisor offers such services or products in its other locations, including: (a) revenues from sales of any nature or kind whatsoever, derived by Franchisee or by any other person or Entity (including Franchisee's Affiliate(s)) from the Franchised Restaurant; (b) sales of Authorized Products in contravention of this Agreement; (c) the proceeds of any business interruption insurance, after the satisfaction of any applicable deductible; and (d) sales from vending devices including pay telephones. Notwithstanding the foregoing, "Gross Sales" shall exclude the following: (i) sums representing sales taxes collected directly from customers by Franchisee in the operation of the Franchised Restaurant, and any sales, value added or other tax, excise or duty charged to customers which is levied or assessed against Franchisee by any Federal, state, municipal or local authority, based on sales of specific goods, products, merchandise or services sold or provided at or from the Franchised Restaurant, provided that such taxes are actually transmitted to the appropriate Governmental Authority; (ii) sums representing tips, gratuities or service charges paid directly by customers to employees of Franchisee or paid to Franchisee and promptly and to the extent turned over to such employees by Franchisee in lieu of direct tips or gratuities; (iii) proceeds from isolated sales of equipment and trade fixtures not constituting any part of Franchisee's products and services offered for resale at the Franchised Restaurant nor having any material effect upon the ongoing operation of the Franchised Restaurant required under this Agreement; and (iv) revenues received on account of sales of pre-paid gift cards and certificates; provided, however, that revenues received on redemption of such pre-paid gift cards and certificates shall be included as part of "Gross Sales." For purposes of clarity, with respect to goods, merchandise, services, or products sold pursuant to coupons or other discounts (which must be approved in advance by Franchisor), Gross Sales shall not include the amount of the discount from the original undiscounted purchase price of such goods, merchandise, services or products.

"Heirs" shall have the meaning set forth in Section 14.3.1 of this Agreement.

"Information" shall have the meaning set forth in Section 10.1 of this Agreement.

"Information Systems" means all electronic based hardware, software, middleware, web-based solutions, wireless, electronic interfaces, cabling, and other electronic devices, including, computer systems, ordering systems, mobile "app" programs, online ordering systems, point of sale and cash collection systems, data systems, network systems, printer systems, internet systems, telecommunication systems, menu systems, security systems, digital media systems, video and still digital cameras, power systems, music systems, and required service and support systems and programs.

"Internet" means collectively the myriad of computer and telecommunications facilities, including equipment and software, which comprise the interconnected worldwide network of networks that employ the TCP/IP [Transmission Control Protocol/Internet Protocol], or any predecessor or successor protocols to such protocol, to communicate information of all kinds by fiber optics, wire, radio, or other methods of transmission.

"Lease" shall mean any agreement, however denominated, that allows Franchisee to occupy a Location owned by a third party, including any lease, sublease, concession agreement, license, and similar arrangement between Franchisee and a third party.

"Marks" shall have the meaning set forth in Recital A above.

"Non-Proprietary Products" shall have the meaning set forth in Section 9.2 of this Agreement.

"Non-Traditional Restaurants" means a Restaurant that is located in a "Non-Traditional Venue," as defined below.

"Non-Traditional Venue" is a facility operated under the Marks located within another primary business or in conjunction with other businesses or at institutional settings, including toll roads, train stations, amusement parks and all properties controlled by the amusement park, travel stations, hotels and motels, ships, ports, piers, casinos, stadiums, airports, theaters, big-box retailers, building supply stores, warehouse

club stores, colleges and universities, schools, outlet malls, hospitals, military and other governmental facilities, office or in-plant food service facilities, shopping mall food courts operated by a master concessionaire, grocery stores, supermarkets and convenience stores and any site for which the lessor, owner or operator thereof shall have indicated its intent to prefer or limit the operation of its food service facilities to a master concessionaire or contract food service provider.

“Notice of Election” shall have the meaning set forth in Section 3.3 of this Agreement.

“Operating Principal” is identified in Attachment A and shall have the meaning set forth in Section 7.2.1 of this Agreement.

“Owner” means any direct or indirect shareholder, member, general or limited partner, trustee, or other equity owner of an Entity, except, that if Franchisor or any Affiliate of Franchisor has any ownership interest in Franchisee, the term “Owner” shall not include or refer to the Franchisor or that Affiliate or their respective direct and indirect parents and subsidiaries, and no obligation or restriction upon the “Franchisee”, or its Owners shall bind Franchisor, or said Affiliate or their respective direct and indirect parents and subsidiaries or their respective officers, directors, or managers.

“Partnership Rights” means voting power, property, profits or losses, or partnership interests of a Partnership.

“Partnership” means any general partnership, limited partnership, or limited liability partnership.

“Permits” means and includes all applicable franchises, licenses, permits, registrations, certificates and other operating authority required by Applicable Law.

“Premises” means the premises owned, leased or subleased by Franchisee at which the Franchised Restaurant is located including any ancillary common area, parking lot, campus, buildings and other structures associated with the Premises.

“Proprietary Products” shall have the meaning set forth in Section 9.1 of this Agreement.

“Punch List” shall have the meaning set forth in Section 5.4.9.

“Rescheduling Expenses” shall have the meaning set forth in Section 5.4.9.

“Restaurant” means a restaurant being developed or operated, as the case may be, under the Marks and in accordance with the System and specializing in the sale of Authorized Products

“Restaurant Manager” means an individual, acceptable to, and certified by Franchisor, and responsible for overseeing the operation of the Franchised Restaurant.

“Restricted Persons” means the Franchisee, and each of its Owners and Affiliates, and the respective officers, directors, managers, and Affiliates of each of them, the Operating Principal, the Restaurant Manager(s), and the spouse and family members who live in the same household of each of the foregoing who are individuals.

“ROFR” shall have the meaning set forth in Section 13.2.3(c) of this Agreement.

“ROFR Period” shall have the meaning set forth in Section 13.2.3(c) of this Agreement.

“Second Successor Franchise Agreement” shall have the meaning set forth in Section 3.1 of this Agreement.

“Second Successor Term” shall have the meaning set forth in Section 3.1 of this Agreement.

“Site Review Request” shall have the meaning set forth in Section 5.1 of this Agreement.

“ServSafe” means the food safety training program administered by the National Restaurant Association Educational Foundation under the “ServSafe” name, or such other or additional food safety program or certification program designated or accepted by Franchisor from time to time for the jurisdiction in which the Franchised Restaurant is located.

“Successor Franchise Agreement” means the First Successor Franchise Agreement or the Second Successor Franchise Agreement, as the context requires, as well as any ancillary documents (including, but not limited to, guarantees).

“Successor Franchise Right” shall have the meaning set forth in Section 3.1 of this Agreement.

“Successor Term” means the First Successor Term or Second Successor Term, as the context requires.

“Supplier” shall have the meaning set forth in Section 9.2 of this Agreement.

“System” means the Franchisor’s operating methods and business practices related to its Restaurants, and the relationship between Franchisor and its franchisees, including defined product offerings, recipes, and preparation methods; distinctive interior and exterior Restaurant designs, including architectural designs, layout plans; other items of trade dress; specifications for equipment, fixtures, and uniforms; signs; Trade Secrets and other confidential information; restrictions on ownership; inventory techniques, standard operating and administrative procedures; management and technical training programs; and marketing and public relations programs; all as Franchisor may modify the same from time to time.

“Term” shall have the meaning set forth in Section 3.1 of this Agreement including any extensions thereof.

“Territory” shall have the meaning set forth in Section 2.3 of this Agreement.

“Terrorist Lists” means all lists of known or suspected terrorists or terrorist organizations published by any U.S. Government Authority, including U.S. Treasury Department’s Office of Foreign Asset Control (“OFAC”), that administers and enforces economic and trade sanctions, including against targeted non-U.S. countries, terrorism sponsoring organizations and international narcotics traffickers.

“Trademark Claim” shall have the meaning set forth in Section 11.4.

“Trade Secrets” means proprietary and confidential information, including, recipes, ingredients, specifications, procedures, policies, concepts, systems, know-how, plans, software, strategies, and methods and techniques of operating the Franchised Restaurant and producing and preparing Authorized Products, excluding information that is or becomes a part of the public domain through publication or communication by third parties not bound by any confidentiality obligation or that Franchisee can show was already lawfully in Franchisee’s possession before receipt from Franchisor.

“Traditional Restaurant” is a business premises that exists primarily as a Restaurant, excluding any Restaurant at a Non-Traditional Venue, however, which Traditional Restaurant may also have other types of Franchisor-approved co-branded businesses located in it, but in such case the Restaurant is the primary business.

“Travel Expenses” means costs and expenses incurred by or assessed in connection with travel, including airfare, hotel/lodging, local transportation, meals, and, with regard to Franchisor employees’, agents’ and/or representatives’ expenses, a per diem charge determined by Franchisor in advance, with respect to other incidental expenses incurred, including, without limitation, laundry and/or telephone expenses.

“Wages” means all salaries and hourly wages, and all related direct and indirect payroll expenses of employees, including employment-related taxes, overtime compensation, vacation benefits, pension and profit-sharing plan contributions, medical insurance premiums, medical benefits, and the like, and all direct and indirect fees, costs, and expenses payable to independent contractors, agents, representatives and outside consultants.

“Week” each seven-day period commencing on Monday and ending on Sunday.

## ATTACHMENT A

### FRANCHISE DATA SHEET

1. **Effective Date.** The “Effective Date” set forth in the introductory Paragraph of the Franchise Agreement is:

- 

2. **Franchisee.** The Franchisee set forth in the introductory paragraph of the Franchise Agreement is:

- 

3. **Area Development Agreement.** (check one):

a. \_\_\_\_\_ This Franchise Agreement is not entered into pursuant to an Area Development Agreement.

b. \_\_\_\_\_ This Franchise Agreement constitutes the Restaurant under the Area Development Agreement between Franchisor and Area Developer dated:

4. **“Expiration Date”** means (check one):

a. \_\_\_\_\_ ten years from the date the Restaurant first opens to the public; provided however, that if the Lease is terminated or expires through no act or fault of Franchisee before the end of such period (and no substitute location has been accepted by Franchisor in writing and occupied by Franchisee before the termination or expiration of such Lease), the “Expiration Date” will be coterminous with the expiration or termination of the Lease.

b. \_\_\_\_\_ on [DATE]

5. **“Franchisee Notice Address”** under Section 19.1 of the Franchise Agreement shall be the following:

- 

6. **“Initial Franchise Fee”** means:

- \$

7. The **“Location”** referred to in Section 5.1 of the Franchise Agreement shall be the following:

- 

8. **“Operating Principal”** means the person designated below, or such other individual hereafter designated by Franchisee, and accepted by Franchisor (and until subsequently disapproved by Franchisor), to serve as the authorized representative of Franchisee, who Franchisee acknowledges and agrees shall act as Franchisee’s representative, who shall hold ten percent (10%) or more of the Equity of Franchisee, and who shall have the authority to act on behalf of Franchisee during the Term.

- 

9. The **“Territory”** referred to in Section 2.3 of the Franchise Agreement is defined as:

- 

The area\* outlined on the attached map and described as follows:

-

\*If the Territory is defined by streets, highways, freeways, or other roadways, or rivers, streams, or tributaries, then the boundary of the Territory shall extend to the center of each such street, highway, freeway, or other roadway, or river, stream or tributary.

[ ] No Territorial Rights.

**FRANCHISOR:**

**HOT CHIKN KITCHN LLC**

Signed:

Name:

Title:

Date:

**FRANCHISEE:**

**[FRANCHISEE]**

Signed:

Name:

Title:

Date:

## ATTACHMENT B

### ENTITY INFORMATION

If Franchisee is an Entity, Franchisee represents and warrants that the following information is accurate and complete in all material respects:

(1) Franchisee is a (check as applicable):

- ☐ corporation
- ☐ limited liability company
- ☐ general partnership
- ☐ limited partnership
- ☐ Other (specify):

(2) Franchisee shall provide to Franchisor concurrently with the execution hereof true and accurate copies of its charter documents including Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, resolutions authorizing the execution hereof, and any amendments to the foregoing ("Entity Documents").

(3) Franchisee promptly shall provide such additional information as Franchisor may from time-to-time request concerning all persons who may have any direct or indirect financial interest in Franchisee.

(4) The name and address of each of Franchisee's members, stockholders, or partners\*:

| Name | Address | Number of Shares / % Interest |
|------|---------|-------------------------------|
|      |         |                               |
|      |         |                               |
|      |         |                               |

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

(5) There is set forth below the names, and addresses and titles of Franchisee's principal officers or partners who will be devoting their full time to the Business:

| Name | Title | Address |
|------|-------|---------|
|      |       |         |
|      |       |         |
|      |       |         |

(6) The address where Franchisee's Financial Records, and Entity records (e.g., Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, etc.) are maintained is:

---

## ATTACHMENT C

### CONTINUING GUARANTY

FOR VALUE RECEIVED, and in consideration of Hot Chikn Kitchn LLC, a Florida limited liability company ("Franchisor"), [granting a franchise][or][approving a transfer] to [FRANCHISEE], a [STATE ENTITY TYPE] ("Franchisee"), the undersigned, [FRANCHISEE OWNERS] (jointly and severally, "Guarantor"), agree as follows:

1. Guaranty of Obligations.

1.1 Guarantor unconditionally, absolutely and irrevocably guarantees the full and prompt payment and performance when due, of all obligations of Franchisee to Franchisor and its affiliates, however created, arising or evidenced, whether direct or indirect, absolute or contingent, or now or in the future existing or due or to become due, including, without limitation, under or in connection with that certain Franchise Agreement dated as of even date herewith (the "Franchise Agreement") and each of the documents, instruments and agreements executed and delivered in connection with the Franchise Agreement or this continuing guaranty, as each may be modified, amended, supplemented or replaced from time to time (all such obligations are referred to collectively as the "Obligations"), and all documents evidencing or securing any of the Obligations. This continuing guaranty (this "Continuing Guaranty") is a guaranty of payment and performance when due and not of collection.

1.2 In the event of any default by Franchisee in making payment of, or default by Franchisee in performance of, any of the Obligations, Guarantor agrees on demand by Franchisor to pay and perform all of the Obligations as are then or thereafter become due and owing or are to be performed under the terms of the Obligations. Guarantor further agrees to pay all expenses (including reasonable attorneys' fees and expenses) paid or incurred by Franchisor in endeavoring to collect the Obligations, or any part thereof, and in enforcing this Continuing Guaranty.

2. Continuing Nature of Guaranty and Obligations. This Continuing Guaranty shall be continuing and shall not be discharged, impaired or affected by: (1) the insolvency of Franchisee or the payment in full of all of the Obligations at any time or from time to time; (2) the power or authority or lack thereof of Franchisee to incur the Obligations; (3) the validity or invalidity of any of the Obligations; (4) the existence or non-existence of Franchisee as a legal entity; (5) any statute of limitations affecting the liability of Guarantor or the ability of Franchisor to enforce this Continuing Guaranty, the Obligations or any provision of the Obligations; or (6) any right of offset, counterclaim or defense of Guarantor, including, without limitation, those which have been waived by Guarantor pursuant to Paragraph 4 of this Continuing Guaranty.

3. Permitted Actions Of Franchisor. Franchisor may from time to time, in its sole discretion and without notice to Guarantor, take any or all of the following actions: (1) retain or obtain the primary or secondary obligation of any obligor or obligors, in addition to Guarantor, with respect to any of the Obligations; (2) extend or renew for one or more periods (whether or not longer than the original period), alter, amend or exchange any of the Obligations; (3) waive, ignore or forbear from taking action or otherwise exercising any of its default rights or remedies with respect to any default by Franchisee under the Obligations; (4) release, waive or compromise any obligation of Guarantor under this Continuing Guaranty or any obligation of any nature of any other obligor primarily or secondarily obligated with respect to any of the Obligations; (5) demand payment or performance of any of the Obligations from Guarantor at any time or from time to time, whether or not Franchisor shall have exercised any of its rights or remedies with respect to any property securing any of the Obligations or any obligation under this Continuing Guaranty; or (6) proceed against any other obligor primarily or secondarily liable for payment or performance of any of the Obligations.

4. Specific Waivers.

4.1 Without limiting the generality of any other provision of this Continuing Guaranty, Guarantor expressly waives: (i) notice of the acceptance by Franchisor of this Continuing Guaranty; (ii) notice of the existence, creation, payment, nonpayment, performance or non-performance of all or any of the Obligations; (iii) presentment, demand, notice of dishonor, protest, notice of protest and all other notices whatsoever with respect to the payment or performance of the Obligations or the amount therefor any payment or performance by Guarantor under this Agreement; (iv) all diligence in collection or protection of or realization upon the Obligations or any thereof, any obligation under this Agreement or any security for or guaranty of any of the foregoing; (v) any right to direct or affect the manner or timing of Franchisor's enforcement of its rights or remedies; (vi) any and all defenses which would otherwise arise upon the occurrence of any event or contingency described in Paragraph 1 hereof or upon the taking of any action by Franchisor permitted under this Agreement; (vii) any defense, right of set-off, claim or counterclaim whatsoever and any and all other rights, benefits, protections and other defenses available to Guarantor now or at any time hereafter, including, without limitation, under any suretyship statute of the State of California; and (viii) all other principles or provisions of law, if any, that conflict with the terms of this Continuing Guaranty, including, without limitation, the effect of any circumstances that may or might constitute a legal or equitable discharge of a guarantor or surety.

4.2 Guarantor waives all rights and defenses arising out of an election of remedies by Franchisor.

4.3 Guarantor further waives all rights to revoke this Continuing Guaranty at any time, and all rights to revoke any agreement executed by Guarantor at any time to secure the payment and performance of Guarantor's obligations under this Continuing Guaranty.

5. Subordination; Subrogation. Guarantor subordinates any and all indebtedness of Franchisee to Guarantor to the full and prompt payment and performance of all of the Obligations. Franchisor shall be entitled to receive payment of all Obligations prior to Guarantor's receipt of payment of any amount of any indebtedness of Franchisee to Guarantor. Guarantor will not exercise any rights which it may acquire by way of subrogation under this Continuing Guaranty, by any payment hereunder or otherwise, until all of the Obligations have been paid in full, in cash, and Franchisor shall have no further obligations to Franchisee under the Obligations or otherwise.

6. Non-Competition, Trade Secrets, and Other Covenants. Each of the covenants and obligations set forth in Section 12 of the Franchise Agreement are incorporated into this Continuing Guaranty by reference, and Guarantor agrees to comply with and perform each of such covenants and obligations as though fully set forth in this Continuing Guaranty as a direct and primary obligation of Guarantor.

7. Assignment of Franchisor's Rights. Franchisor may, from time to time, without notice to Guarantor, assign, or transfer any or all of the Obligations or any interest therein and, notwithstanding any assignment(s) or transfer(s), the Obligations shall be and remain Obligations for the purpose of this Continuing Guaranty. Each and every immediate and successive assignee or transferee of any of the Obligations or of any interest therein shall, to the extent of such party's interest in the Obligations, be entitled to the benefits of this Continuing Guaranty to the same extent as if such assignee or transferee were Franchisor.

8. Indulgences Not Waivers. No delay in the exercise of any right or remedy shall operate as a waiver of the such right or remedy, and no single or partial exercise by Franchisor of any right or remedy shall preclude other or further exercise of such right or remedy or the exercise of any other right or remedy; nor shall any modification or waiver of any of the provisions of this Continuing Guaranty be binding upon Franchisor, except as expressly set forth in a writing signed by Franchisor. No action of Franchisor permitted under this Continuing Guaranty shall in any way affect or impair the rights of Franchisor or the obligations of Guarantor under this Continuing Guaranty.

9. Financial Condition of Franchisee. Guarantor represents and warrants that it is fully aware of the financial condition of Franchisee, and Guarantor delivers this Continuing Guaranty based solely upon its own independent investigation of Franchisee's financial condition. Guarantor waives any duty on the part of Franchisor to disclose to Guarantor any facts it may now or hereafter know about Franchisee, regardless of whether Franchisor has reason to believe that any such facts materially increase the risk beyond that which Guarantor intends to assume or has reason to believe that such facts are unknown to Guarantor. Guarantor knowingly accepts the full range of risk encompassed within a contract of "Continuing Guaranty" which includes, without limitation, the possibility that Franchisee will contract for additional obligations and indebtedness for which Guarantor may be liable hereunder.

10. Representation and Warranty. Guarantor represents and warrants to Franchisor that this Continuing Guaranty has been duly executed and delivered by Guarantor and constitutes a legal, valid, and binding obligation of Guarantor, enforceable against Guarantor in accordance with its terms.

11. Binding Upon Successors; Death of Guarantor; Joint and Several.

11.1 This Continuing Guaranty shall inure to the benefit of Franchisor and its successors and assigns.

11.2 All references herein to Franchisee shall be deemed to include its successors and permitted assigns, and all references herein to Guarantor shall be deemed to include Guarantor and Guarantor's successors and permitted assigns and, upon the death of a Guarantor, the duly appointed representative, executor, or administrator of the Guarantor's estate. This Continuing Guaranty shall not terminate or be revoked upon the death of a Guarantor, notwithstanding any knowledge by Franchisor of a Guarantor's death.

11.3 If there shall be more than one Guarantor (or more than one person or entity comprises Guarantor) under this Agreement, all of the Guarantor's obligations and the other obligations, representations, warranties, covenants, and other agreements of any Guarantor under this Agreement shall be joint and several obligations and liabilities of each Guarantor.

11.4 In addition, and notwithstanding anything to the contrary contained in this Continuing Guaranty or in any other document, instrument, or agreement between or among any of Franchisor, Franchisee, Guarantor or any third party, the obligations of Guarantor with respect to the Obligations shall be joint and several with each and every other person or entity that now or hereafter executes a guaranty of any of the Obligations separate from this Continuing Guaranty.

12. Governing Law. This Continuing Guaranty shall be governed by and construed in accordance with the laws of the state of Florida. Wherever possible each provision of this Continuing Guaranty shall be interpreted as to be effective and valid under applicable law, but if any provision of this Continuing Guaranty shall be prohibited by or invalid under such law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Continuing Guaranty.

13. ADVICE OF COUNSEL. GUARANTOR ACKNOWLEDGES THAT GUARANTOR HAS EITHER OBTAINED THE ADVICE OF COUNSEL OR HAS HAD THE OPPORTUNITY TO OBTAIN SUCH ADVICE IN CONNECTION WITH THE TERMS AND PROVISIONS OF THIS CONTINUING GUARANTY.

14. Entire Agreement. This Continuing Guaranty contains the complete understanding of the parties hereto with respect to the subject matter herein. Guarantor acknowledges that Guarantor is not relying upon any statements or representations of Franchisor not contained in this Continuing Guaranty and that such statements or representations, if any, are of no force or effect and are fully superseded by this Continuing Guaranty. This Continuing Guaranty may only be modified by a writing executed by Guarantor and Franchisor.

IN WITNESS WHEREOF, Guarantor has executed this Continuing Guaranty on the date signed below.

Effective Date:

**GUARANTOR(S):**  
*(add lines if necessary)*

Signature:

Name:

Date:

**EXHIBIT D**

**AREA DEVELOPMENT AGREEMENT**



**HOT CHIKN KITCHN LLC  
D/B/A HCK HOT CHICKEN**

**AREA DEVELOPMENT AGREEMENT**

**BY AND BETWEEN**

**HOT CHIKN KITCHN LLC**

**AND**

---

**AREA DEVELOPER**

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# HCK HOT CHICKEN

## AREA DEVELOPMENT AGREEMENT

This AREA DEVELOPMENT AGREEMENT (the “Development Agreement”) is made and entered into effective as of the date listed on Exhibit A to this Development Agreement (the “Effective Date”) by and between Hot Chikn Kitchn LLC a Florida limited liability company (the “Franchisor”) and the area developer listed on Exhibit A to this Development Agreement (“Area Developer”). If more than one person or entity is listed as Area Developer, each such person or entity shall be jointly and severally liable for all rights, duties, restrictions, and obligations under this Development Agreement.

A. Franchisor offers franchise rights related to the establishment, development, and operation of “HCK Hot Chicken” restaurants operated in accordance with Franchisor’s prescribed methods and business practices (the “Restaurants”).

B. Franchisor desires to expand and develop Restaurants in the Development Area (defined below), and Area Developer wishes to develop Restaurants in the Development Area, upon the terms and conditions as set forth in this Development Agreement.

**NOW, THEREFORE**, the parties agree as follows:

### SECTION 1 GRANT OF DEVELOPMENT RIGHTS

1.1 Certain Fundamental Definitions and Applicable Information. In this Development Agreement, in addition to those terms defined in Appendix 1 and elsewhere in this Development Agreement, the following terms, shall have the meanings set forth below, unless the context otherwise requires:

“Expiration Date” of this Development Agreement is set forth in Exhibit A.

“Operating Principal” shall be the person identified in Exhibit A to this Development Agreement, or such other individual hereafter designated by Area Developer, and accepted by Franchisor (and until subsequently disapproved by Franchisor), to serve as the authorized representative of Area Developer, who Area Developer acknowledges and agrees shall act as Area Developer’s representative, who shall hold ten percent (10%) or more (directly or indirectly), in the aggregate, of the equity or voting rights in Area Developer, and who shall have the authority to act on behalf of Area Developer during the Term.

#### 1.2 Grant of Development Rights

1.2.1 Upon the terms and subject to the conditions of this Development Agreement, Franchisor hereby grants to Area Developer, and Area Developer hereby accepts, the right and obligation, during the Term (defined below), to develop Restaurants in the geographic area defined in Exhibit A, which is attached hereto and by this reference made a part hereof (the “Development Area”).

1.2.2 No right or license is granted to Area Developer hereunder to use any trademarks, trade names, service marks, logotypes, insignias, trade dress or designs owned by Franchisor, such right and license being granted solely pursuant to Franchise Agreements executed pursuant hereto. Without limiting the generality of the foregoing, nothing in this Development Agreement shall permit Area Developer to own or operate a Restaurant, except pursuant to duly executed and subsisting Franchise Agreement. Area Developer shall not use such trademarks, trade names, service marks, logotypes, insignias, trade dress or designs in any manner or for any purpose, including in connection with any offering of securities or any request for credit, without the prior express written approval of Franchisor.

### 1.3 Exclusivity

1.3.1 Subject to Section 3.1 below, during the Term of this Development Agreement, Franchisor and its Affiliates shall not operate or grant a license or franchise to any other person to operate a Traditional Restaurant within the Development Area.

1.3.2 Except to the limited extent expressly provided in Section 1.3.1, the rights granted under this Development Agreement are non-exclusive and Franchisor expressly reserves all other rights, including the exclusive, unrestricted right, in its discretion, directly and indirectly, through its employees, Affiliates, representatives, licensees, assigns, agents and others:

- (a) to own or operate, and to license others (which may include its Affiliates) to own or operate:
  - i. Restaurants at any location outside the Development Area, regardless of their proximity to any Restaurant developed or under development or consideration by Area Developer, even if doing so will or might affect Area Developer's Restaurants;
  - ii. Non-Traditional Restaurants at any location, and of any type whatsoever, within or outside the Development Area, regardless of their proximity to any Restaurant developed or under development or consideration by Area Developer, even if doing so will or might affect Area Developer's Restaurants; and
  - iii. Restaurants or other businesses operating under names other than "HCK Hot Chicken", at any location, and of any type whatsoever, within or outside the Territory and regardless of their proximity to any Restaurant developed or under development or consideration by Area Developer;
- (b) to produce, license, distribute and market "HCK Hot Chicken" brand products and products bearing other marks, including pre-packaged food items, dressings and other food and beverage products, books, clothing, souvenirs and novelty items, through any location or outlet whatsoever (regardless of its proximity to the Restaurant opened pursuant hereto), including grocery stores, supermarkets and convenience stores and through any distribution channel, at wholesale or retail, including by means of the Internet or Internet web site, mail order catalogs, direct mail advertising, delivery, Catering and other distribution methods; and to advertise and promote the System through any means, including the Internet;
- (c) to engage in any transaction, including to purchase or be purchased by, merge or combine with, to convert to the System or be converted into a new system with any business whether franchised or corporately owned, including a business that competes directly with Area Developer's rights under this Development Agreement, whether located inside or outside the Development Area, provided that any Traditional Restaurants located inside of Area Developer's Development Area will not operate under the HCK Hot Chicken trademarks; and
- (d) to engage in any other business activities not expressly prohibited by this Development Agreement.

## **SECTION 2 AREA DEVELOPER'S DEVELOPMENT OBLIGATION**

### 2.1 Development Obligation

2.1.1 Within each Development Period specified in Exhibit B, Area Developer shall construct, equip, open, and thereafter continue to operate within the Development Area, not less than the cumulative number of Restaurants required by the Development Obligation for that Development Period.

2.1.2 All Restaurants developed hereunder which are open and operating and which have been assigned to Affiliates of Area Developer in accordance with Section 7.2.2 with Franchisor's consent, shall count in determining whether Area Developer has satisfied the Development Obligation for so long as the applicable Affiliate continues to satisfy the conditions set forth in Section 7.2.2.

2.2 Timing of Execution of Leases and Franchise Agreements. Notwithstanding anything to the contrary contained herein, on or before the date which is 180 days before the end of each Development Period, Area Developer shall have executed (in accordance with this Development Agreement) a lease (or purchase agreement) and Franchise Agreement and paid the required Initial Franchise Fee, for each Restaurant that is required to be constructed, equipped, opened, and thereafter operated by the end of such Development Period. Area Developer must enter into each Franchise Agreement while Franchisor is still offering franchises.

### 2.3 Force Majeure

2.3.1 Subject to Area Developer's continuing compliance with Section 2.3.2, should Area Developer be unable to meet the Development Obligation for any Development Period solely as the result of Force Majeure or any legal disability of Franchisor to deliver a Franchise Disclosure Document pursuant to Section 6.2 of this Development Agreement, which results in the inability of Area Developer to construct or operate the Restaurants in all or substantially all of the Development Area pursuant to the terms of this Development Agreement, the particular Development Period during which the event of Force Majeure (or Franchisor's legal disability to deliver a Franchise Disclosure Document) occurs shall be extended by an amount of time equal to the time period during which the Force Majeure (or Franchisor's legal disability to deliver a Franchise Disclosure Document) shall have existed during that Development Period. Development Periods during which no such Force Majeure (or legal disability) existed shall not be extended. Other than as a result of Force Majeure, any delay in Franchisor's issuance of acceptance of any site under Section 6, including, as a result of Area Developer's failure to satisfy the conditions set forth in Section 6.3 of this Development Agreement, shall not extend any Development Period.

2.3.2 In the event of the occurrence of an event constituting Force Majeure, Area Developer shall notify Franchisor in writing within five days following commencement of the alleged Force Majeure of the specific nature and extent of the Force Majeure, and how it has impacted Area Developer's performance hereunder. Area Developer shall continue to provide Franchisor with continuous updates (no less frequently than once each week) and all information as may be requested by Franchisor, including Area Developer's progress and diligence in responding to and overcoming the Force Majeure. If Area Developer shall fail to notify Franchisor of any alleged Force Majeure within five days of such occurrence or shall fail to provide any such updates during the continuance of the alleged Force Majeure, Area Developer shall be deemed to have waived the right to claim such Force Majeure. For the avoidance of doubt, Area Developer's financial inability to perform or Area Developer's insolvency shall not be an event of Force Majeure hereunder. In the event of Force Majeure, the parties shall be relieved of their respective obligations only to the extent the parties are respectively necessarily prevented or delayed in such performance during the period of such Force Majeure (other than the payment of money as may be owed by a party).

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

2.4 Area Developer May Not Exceed the Development Obligation. Unless Franchisor shall otherwise consent in writing, Area Developer may not construct, equip, open, and operate more than the total number of Restaurants comprising the Development Obligation.

### **SECTION 3 DEVELOPMENT AREA**

3.1 Franchisor's Right to Develop. If during the Term of this Development Agreement, Area Developer is unable or unwilling, or fails for any reason (except due to Force Majeure), to satisfy the Development Obligation, then Franchisor shall have the right, in its full and absolute discretion, to either: (i) terminate all rights of Area Developer hereunder upon notice by Franchisor to Area Developer; or (ii) reduce or otherwise modify the Development Area as Franchisor deems appropriate.

### **SECTION 4 TERM OF AREA DEVELOPMENT AGREEMENT**

4.1 Term. The term of this Development Agreement shall commence on the Effective Date and, unless otherwise negotiated, terminated, or extended as provided herein, shall continue until the earlier of (i) the Expiration Date, or (ii) the date of execution of the Franchise Agreement granting Area Developer the right to open the last Restaurant necessary for Area Developer to fully satisfy the Development Obligation (the "Term").

4.2 Limited Additional Development Right. If Area Developer shall determine that it desires to engage in further development of the Development Area in excess of the Development Obligation, Area Developer shall at the earlier of (i) 180 days prior to the scheduled expiration of the Term or (ii) the date on which acceptance of the proposed site for the last Restaurant required to meet the Development Obligation is issued, notify Franchisor in writing ("Additional Development Notice") of Area Developer's desire to develop additional Restaurants in the Development Area and a plan for such development over a new term, setting forth the number of proposed Restaurants and the deadlines for the development of each of them within such proposed term. This right of additional development by Area Developer shall be exercised only in accordance with Section 4.2 and is subject to the conditions set forth in Section 4.4. This Development Agreement is not otherwise renewable.

#### 4.3 Exercise of Right of Additional Development

4.3.1 If Franchisor determines the additional development obligation proposed by the Additional Development Notice is unacceptable in any respect(s), Franchisor and Area Developer shall (subject to Section 4.4) negotiate during the following 60 days in an effort to reach a mutually agreeable additional development obligation. Each party may negotiate to protect its own interests as it deems appropriate in its discretion.

4.3.2 If the additional development obligation proposed by the Additional Development Notice is acceptable to Franchisor, or if Franchisor and Area Developer reach agreement on an alternative additional development obligation (the "Additional Development Obligation") within said 60 day period, then Franchisor shall deliver to Area Developer a copy of Franchisor's then-current Franchise Disclosure Document, if required by Applicable Law, and two copies of the then-current area development agreement, which may vary substantially from this Development Agreement, setting forth the agreed upon Additional Development Obligation. Within 30 days after Franchisor's delivery of the said area development agreement, but no sooner than immediately after the expiration of any applicable waiting period(s) prescribed by Applicable Law, Area Developer shall execute the area development agreement and return them to Franchisor for the Restaurants required by the Additional Development Obligation. If Area Developer has so executed and returned the copies and has satisfied the conditions set forth in Section 4.4, Franchisor will execute the copies and return one fully executed copy to Area Developer.

4.4 Conditions to Exercise of Right of Additional Development. Area Developer's right to additional development described in Section 4.1 shall be subject to Area Developer's fulfillment of the following conditions precedent:

4.4.1 Area Developer (and each of its Affiliates which have developed or operate Restaurants in the Development Area) shall have fully performed all of its obligations under this Development Agreement and all other agreements between Franchisor and Area Developer (or the applicable Affiliate).

4.4.2 Area Developer shall have demonstrated to Franchisor Area Developer's financial capacity to perform the Additional Development Obligations set forth in the area development agreement. In determining if Area Developer is financially capable, Franchisor will apply the same criteria to Area Developer as it applies to prospective area developer franchisees at that time.

4.4.3 At the expiration of each Development Period and at the expiration of the Term, Area Developer shall have opened and shall thereafter have continued to operate, in the Development Area, not less than the aggregate number of Restaurants then required by the Development Obligation.

4.4.4 Franchisor and Area Developer shall have executed a new area development agreement pursuant to Section 4.2.

4.4.5 Area Developer and all Affiliates of Area Developer who then have a currently effective franchise agreement or area development agreement with Franchisor shall have executed and delivered to Franchisor a general release, on a form prescribed by Franchisor, of any and all known and unknown claims against Franchisor or its Affiliates, and their respective officers, directors, agents, shareholders, and employees.

4.4.6 Area Developer must meet Franchisor's then-current qualifications for successor area development which may include certain operational requirements of Area Developer's existing Restaurants.

4.5 Effect of Expiration. Unless an Additional Development Obligation shall have been agreed upon, and a new area development agreement shall have been executed by the parties pursuant to Sections 4.1 and 4.2, following the expiration of the Term, or the sooner termination of this Development Agreement, (a) Area Developer shall have no further right to construct, equip, own, open or operate additional Restaurants which are not, at the time of such termination or expiration, the subject of a then existing Franchise Agreement between Area Developer (or an Affiliate of Area Developer) and Franchisor which is then in full force and effect, and (b) Franchisor or its Affiliates may thereafter itself construct, equip, open, own or operate, and license others to (or grant development rights to) construct, equip, open, own or operate Restaurants at any location(s) (within or outside of the Development Area), without any restriction, subject only to the territorial rights granted, if any, for any then-existing Restaurant pursuant to a validly subsisting Franchise Agreement executed for such Restaurant.

## **SECTION 5 PAYMENTS BY AREA DEVELOPER**

5.1 Development Fee. Concurrently with the execution of this Development Agreement, Area Developer shall pay to Franchisor, in cash or by certified check, the Development Fee, which is non-refundable under any circumstances, even if the Area Developer fails to open any Restaurants. The "Development Fee" means the amount set forth in Exhibit A. Franchisor will credit a portion of the Development Fee against the initial franchise fee for each additional Restaurant after the first Restaurant until the Development Fee is exhausted. The Development Fee, payable when Area Developer signs the Development Agreement, is non-refundable under any circumstances, even if Area Developer fails to open any Restaurants.

5.2 Initial Franchise Fee. Notwithstanding the terms of the Franchise Agreement executed for each Restaurant developed pursuant hereto, Area Developer shall pay to Franchisor, in cash or by certified check, an initial franchise fee (the "Initial Franchise Fee") equal to \$40,000 for each Franchise Agreement, which amount shall be calculated as part of the Development Fee for the first Franchise Agreement.

5.3 Royalty Fee. The Franchise Agreement executed for each Restaurant developed pursuant hereto, shall provide that the Continuing Royalty (as defined therein) shall be equal to six percent (6%) of Gross Sales (as defined therein).

## **SECTION 6**

### **EXECUTION OF INDIVIDUAL FRANCHISE AGREEMENTS**

#### **6.1 Site Review**

6.1.1 When Area Developer has located a proposed site for construction of a Restaurant, Area Developer shall submit to Franchisor such demographic and other information regarding the proposed site and neighboring areas as Franchisor shall require, in the form prescribed by Franchisor ("Site Review Request"). Franchisor may seek such additional information as it deems necessary within 14 days of submission of Area Developer's Site Review Request, and Area Developer shall respond promptly to such request for additional information. If Franchisor shall not deliver written notice to Area Developer that Franchisor accepts the proposed site, within 14 days of receipt of Area Developer's fully and accurately completed Site Review Request, or within 14 days after receipt of such additional requested information, whichever is later, the site shall be deemed rejected. If the Franchisor accepts the proposed site it shall notify Area Developer of its acceptance of the site.

6.1.2 Although Franchisor may voluntarily (without obligation) assist Area Developer in locating an acceptable site for a Restaurant, neither Franchisor's said assistance, if any, nor its acceptance of any proposed site, whether initially proposed Area Developer or by Franchisor, shall be construed to insure or guarantee the profitable or successful operation of the Restaurant at that site by Area Developer, and Franchisor hereby expressly disclaims any responsibility therefor. Area Developer acknowledges its sole responsibility for finding each site for the Restaurants it develops pursuant to this Development Agreement.

6.1.3 Unless waived by Franchisor in whole or in part, upon submitting a fourth or subsequent Site Review Request to Franchisor for review, Area Developer shall reimburse Franchisor for all costs and expenses of Franchisor incurred in reviewing the Site Review Requests, including payment to consultants and agents retained by Franchisor to assist in conducting such review and including a reasonable allocation of overhead and administrative expenses.

#### **6.2 Delivery of Franchise Disclosure Document, Execution of Lease and Franchise Agreement**

6.2.1 Promptly following Area Developer's receipt of acceptance, Area Developer shall proceed to negotiate a lease or purchase agreement for the site and shall submit to Franchisor a copy of the proposed lease or purchase agreement, as applicable. Following Franchisor's receipt of the proposed lease or purchase agreement, as applicable, which meets Franchisor's requirements, Franchisor shall notify Area Developer of its acceptance of the proposed lease or purchase agreement, as applicable.

6.2.2 Franchisor's review and acceptance of the lease is solely for Franchisor's benefit and is solely an indication that the lease meets Franchisor's minimum Standards and specification at the time of acceptance of the lease (which may be different than the requirements of this Development Agreement). Franchisor's review and acceptance of the lease shall not be construed to be an endorsement of such lease, confirmation that such lease complies with Applicable Law, or confirmation that the terms of such lease are favorable to Area Developer, and Franchisor hereby expressly disclaims any responsibility, therefore.

6.2.3 Subject to Section 6.3, after Franchisor's acceptance of each proposed site, Franchisor shall deliver to Area Developer a copy of Franchisor's Then-current Franchise Disclosure Document as may be required by Applicable Law (the "Franchise Disclosure Document") and the Then-current Franchise Agreement. Immediately upon receipt of the Franchise Disclosure Document, Area Developer shall return to Franchisor an executed copy of the acknowledgment of receipt of the Franchise Disclosure Document. Area Developer acknowledges that the new Franchise Agreement may vary substantially from the current Franchise Agreement. If Franchisor is not legally able to deliver a Franchise Disclosure Document to Area Developer by reason of any lapse or expiration of its franchise registration, or because Franchisor is in the process of

amending any such registration, or for any reason beyond Franchisor's reasonable control, Franchisor may delay acceptance of the site for Area Developer's proposed Restaurant, or delivery of a Franchise Agreement, until such time as Franchisor is legally able to deliver a Franchise Disclosure Document.

6.2.4 Within 30 days after Area Developer's receipt of the Franchise Disclosure Document and the then-current Franchise Agreement, but no sooner than immediately after any applicable waiting periods prescribed by Applicable Law have passed, Area Developer shall execute the Franchise Agreement described in the Franchise Disclosure Document and pay Franchisor the applicable Initial Franchise Fee.

6.2.5 Area Developer shall not execute any lease or purchase agreement for any Restaurant, unless and until Franchisor has accepted the proposed site and Franchisor has delivered to Area Developer a fully executed Franchise Agreement counter-signed by Franchisor pursuant to Section 6.2.4. After Franchisor's acceptance of the site and (sub)lease, if leased or subleased, and its delivery to Area Developer of the fully executed Franchise Agreement, Area Developer shall then procure the site, pursuant to the (sub)lease which has been reviewed and accepted by Franchisor, if (sub)leased, and shall forward to Franchisor, within ten days after its execution, one copy of the executed lease or, if purchased, the deed evidencing Area Developer's right to occupy the site. Area Developer shall then commence construction and operation of the Restaurant pursuant to the terms of the applicable Franchise Agreement.

6.3 Condition Precedent to Franchisor's Obligations. It shall be a condition precedent to Franchisor's obligations pursuant to Sections 6.1 and 6.2, and to Area Developer's right to develop each and every Restaurant, that Area Developer shall have satisfied all of the following conditions precedent prior to Franchisor's acceptance of the proposed Restaurant and the site and lease or purchase agreement therefor, and the Franchisor's execution of the Franchise Agreement therefor:

6.3.1 Area Developer (and each of its Affiliates which have developed or operate Restaurants in the Development Area) shall have fully performed all of its obligations under this Development Agreement and all Franchise Agreements and other written agreements between Franchisor and Area Developer (or any such Affiliate of Area Developer), and must not at any time following Area Developer's submission of its Site Review Request, and until Franchisor grants its acceptance of the proposed site, be in default of any of its contractual or other legal obligations to Franchisor or any of its Affiliates, or any approved vendor or supplier, or to any federal, state, county or municipal agency.

6.3.2 Area Developer shall have demonstrated to Franchisor, in Franchisor's discretion, Area Developer's financial and other capacity to perform the obligations set forth in the proposed new Franchise Agreement, including Area Developer's submission of a comprehensive management plan acceptable to, and accepted by Franchisor, which shall include among other reasonable requirements as may be established by Franchisor, an organization chart and supervisory requirements for the proposed Restaurant. In determining if Area Developer is financially or otherwise capable, Franchisor shall apply the same criteria to Area Developer as it applies to prospective area developers at that time.

6.3.3 Area Developer shall continue to operate, in the Development Area, not less than the cumulative number of Restaurants required by the Development Obligation set forth in Exhibit B to be in operation as of the end of the immediately preceding Development Period.

6.3.4 Area Developer, and each of its Affiliates who then has a currently effective Franchise Agreement or area development agreement with Franchisor, must sign a general release of any claims they may have against Franchisor and its Affiliates, on a form prescribed by Franchisor.

## **SECTION 7 ASSIGNMENT AND SUBFRANCHISING**

7.1 Assignment by Franchisor. This Development Agreement is fully transferable by Franchisor, in whole or in part, without the consent of Area Developer and shall inure to the benefit of any transferee or their legal successor to Franchisor's interests herein; provided, however, that such transferee and successor

shall expressly agree to assume Franchisor's obligations under this Development Agreement. Without limiting the foregoing, Franchisor may (i) assign any or all of its rights and obligations under this Development Agreement to an Affiliate; (ii) sell its assets, its marks, or its System outright to a third party; (iii) engage in a public offering of its securities; (iv) engage in a private placement of some or all of its securities; (v) merge, acquire other corporations, or be acquired by another corporation; or (vi) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring. Franchisor shall be permitted to perform such actions without liability or obligation to Area Developer who expressly and specifically waives any claims, demands or damages arising from or related to any of the above actions (or variations thereof). In connection with any of the foregoing, at Franchisor's request, Area Developer shall deliver to Franchisor a statement in writing certifying (a) that this Development Agreement is unmodified and in full force and effect (or if there have been modifications that the Development Agreement as modified is in full force and effect and identifying the modifications); (b) that Area Developer is not in default under any provision of this Development Agreement, or if in default, describing the nature thereof in detail; and (c) as to such other matters as Franchisor may reasonably request; and Area Developer agrees that any such statements may be relied upon by Franchisor and any prospective purchaser, assignee or lender of Franchisor.

## 7.2 No Subfranchising by Area Developer

7.2.1 Area Developer shall not offer, sell, or negotiate the sale of "HCK Hot Chicken" franchises to any third party, either in Area Developer's own name or in the name and/or on behalf of Franchisor, or otherwise subfranchise, sub act, sublicense, share, divide or partition this Development Agreement, and nothing in this Development Agreement will be construed as granting Area Developer the right to do so. Area Developer shall not execute any Franchise Agreement with Franchisor, or construct or equip any Restaurant with a view to offering or assigning such Franchise Agreement or Restaurant to any third party.

7.2.2 Notwithstanding Section 7.2.1, Area Developer may, with Franchisor's prior written consent, execute and contemporaneously assign a Franchise Agreement executed pursuant hereto to a separate Entity controlled by Area Developer (each a "Subsidiary"); provided and on condition that:

- (a) Upon Franchisor's request, Area Developer has delivered to Franchisor a true, correct, and complete copy of the Subsidiary's articles of incorporation or articles of organization, bylaws, operating agreement, partnership agreement, and other organizational documents, and Franchisor has accepted the same;
- (b) The Subsidiary's articles of incorporation or articles of organization, bylaws, operating agreement, and partnership agreement, as applicable, shall provide that its activities are confined exclusively to operating Restaurants;
- (c) Area Developer, directly owns and controls all of the Equity and voting rights of the Subsidiary;
- (d) the Subsidiary is in good standing in its jurisdiction of organization and each other jurisdiction where the conduct of its business or the operation of its properties requires it to be so qualified;
- (e) the person designated by Area Developer as the Operating Principal has exclusive day-to-day operational control over the Subsidiary;
- (f) the Subsidiary conducts no business other than the operation of the Restaurant;
- (g) the Subsidiary assumes all of the obligations under the Franchise Agreement as area developer pursuant to written agreement, the form and substance of which shall be acceptable to Franchisor;
- (h) each person or Entity comprising Area Developer, and all present and future Owners of ten percent (10%) or more (directly or indirectly), in the aggregate, of the Equity or voting rights of any area developer

under any and all Franchise Agreements executed pursuant to this Development Agreement shall execute a written guaranty in a form prescribed by Franchisor, personally, irrevocably and unconditionally guaranteeing, jointly and severally, with all other guarantors, the full payment and performance of all of the obligations to Franchisor and to Franchisor's Affiliates under this Development Agreement and each Franchise Agreement executed pursuant hereto (for purposes of determining whether said ten percent (10%) threshold is satisfied, holdings of spouses, family members who live in the same household, and Affiliates shall be aggregated);

(i) none of the Owners of the Equity of the Subsidiary under the applicable Franchise Agreement is engaged in Competitive Activities;

(j) at Franchisor's request, Area Developer shall, and shall cause each of its Affiliates to execute and deliver to Franchisor a general release, on a form prescribed by Franchisor of any and all known and unknown claims against Franchisor and its Affiliates and their officers, directors, agents, shareholders, and employees; and

(k) Area Developer shall reimburse Franchisor for all direct and indirect costs and expense it may incur in connection with the transfer and assignment, including attorney's fees.

7.2.3 In the event that Area Developer exercises its rights under Section 7.2.2 then, Area Developer and such Subsidiary shall, in addition to any other covenants contained in the applicable Franchise Agreement, affirmatively covenant to continue to satisfy each of the conditions set forth in Section 7.2.2 throughout the term of such Franchise Agreement.

### 7.3 Assignment by Area Developer

7.3.1 This Development Agreement has been entered into by Franchisor in reliance upon and in consideration of the singular personal skill, qualifications and trust and confidence reposed in Area Developer. Neither Area Developer nor any Owner shall cause or permit any Assignment unless Area Developer shall have obtained Franchisor's prior written consent, which consent may be withheld for any reason whatsoever in Franchisor's judgment, and shall comply with Franchisor's right of first refusal pursuant to Section 7.3.4. Except as provided in Section 7.2.2, Area Developer acknowledges and agrees that it will not be permitted to make an Assignment of this Development Agreement or sell, gift, convey, assign or transfer the assets used in any of the Restaurants developed hereunder or any Franchise Agreement executed pursuant to this Development Agreement except in conjunction with a concurrent Assignment to the same approved assignee of all of the assets used in all of said Restaurants, and all of the Franchise Agreements executed pursuant to this Development Agreement or at Franchisor's election the execution by the assignee of new Franchise Agreements on Franchisor's Then-current form for each of the Restaurants then developed or under development by Area Developer, and otherwise in accordance with the terms and conditions of Area Developer's Franchise Agreement(s). If Area Developer is an Entity, Area Developer shall promptly provide Franchisor with written notice (stating such information as Franchisor may from time to time require) of each and every transfer, assignment, encumbrance, gift and other conveyance, voluntarily or involuntarily, in whole or in part, by operation of Applicable Law or otherwise by any Owner of any direct or indirect Equity or voting rights in Area Developer, notwithstanding that the same may not constitute an "Assignment" as defined by this Development Agreement.

7.3.2 Area Developer shall not, directly or indirectly, pledge, encumber, hypothecate or otherwise grant any third party a security interest in this Development Agreement in any manner whatsoever without the prior express written consent of Franchisor. To the extent that the foregoing prohibition may be ineffective under Applicable Law, Area Developer shall provide not less than ten days prior written notice (which notice shall contain the name and address of the secured party and the terms of such pledge, encumbrance, hypothecation, or security interest) of any pledge, encumbrance, hypothecation, or security interest in this Development Agreement.

7.3.3 Securities, partnership, or other ownership interests in Area Developer may not be offered to the public under the Securities Act of 1933, as amended, nor may they be registered under the Securities Exchange Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation. Such interests may be offered by private offering or otherwise only with the prior written consent of Franchisor, which consent shall not be unreasonably withheld. All materials required for any such private offering by federal or state law shall be submitted to Franchisor for a limited review as discussed below prior to being filed with any governmental agency; and any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use. No such offering by Area Developer shall imply that Franchisor is participating in an underwriting, issuance or offering of securities of Area Developer or Franchisor, and Franchisor's review of any offering materials shall be limited solely to the subject of the relationship between Franchise and Franchisor and its Affiliates. Franchisor may, at its option, require Area Developer's offering materials to contain a written statement prescribed by Franchisor concerning the limitations described in the preceding sentence. Area Developer, its Owners and the other participants in the offering must fully defend and indemnify Franchisor, and its Affiliates, their respective partners and the officers, directors, manager(s) (if a limited liability company), shareholders, members, partners, agents, representatives, independent contractors, servants and employees of each of them, from and against any and all losses, costs and liability in connection with the offering and shall execute any additional documentation required by Franchisor to further evidence this indemnity. For each proposed offering, Area Developer shall pay to Franchisor our reasonable costs and expenses associated with reviewing the proposed offering, including without limitation, legal and accounting fees. Area Developer shall give Franchisor written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Section.

7.3.4 Area Developer's written request for consent to any Assignment must be accompanied by an offer to Franchisor of a right of first refusal to purchase the interest which is proposed to be transferred, on the same terms and conditions offered by the third party; provided that Franchisor may substitute cash for any non-cash consideration proposed to be given by such third party (in an amount determined by Franchisor reasonably and in good faith as the approximate equivalent value of said non-cash consideration); and provided further that Area Developer shall make representations and warranties to Franchisor customary for transactions of the type proposed (the "ROFR"). If Franchisor elects to exercise the ROFR, Franchisor or its nominee, as applicable, shall send written notice of such election to Area Developer within 60 days of receipt of Area Developer's request. If Franchisor accepts such offer, the closing of the transaction shall occur within 60 days following the date of Franchisor's acceptance. Any material change in the terms of an offer prior to closing or the failure to close the transaction within 60 days following the written notice provided by Area Developer (the "ROFR Period") shall cause it to be deemed a new offer, subject to the same right of first refusal by Franchisor, or its third party designee, as in the case of the initial offer. Franchisor's failure to exercise such right of first refusal shall not constitute consent to the transfer or a waiver of any other provision of this Development Agreement, including any of the requirements of this Section with respect to the proposed transfer.

## **SECTION 8 NON-COMPETITION**

8.1 In Term. During the Term, no Restricted Person shall in any capacity, either directly or indirectly, through one or more Affiliates or otherwise, engage in any Competitive Activities at any location, whether within or outside the Development Area.

8.2 Post-Term. To the extent permitted by Applicable Law, upon: (i) the expiration or termination of this Development Agreement; (ii) the occurrence of any Assignment; or (iii) the cession of any Restricted Person's relationship with Area Developer, each person who was a Restricted Person before such event shall not for a period of two years thereafter, either directly or indirectly, own, operate, advise, be employed by, or have any financial interest in any business engaged in Competitive Activities within the Development Area.

8.3 Modification. The parties have attempted in Sections 8.1 and 8.2 above to limit the Area Developer's right to compete only to the extent necessary to protect the Franchisor from unfair competition. The parties hereby expressly agree that if a court or arbitrator, subject to Section 10, finds that any terms or conditions of the non-competition covenants in this Section 8 are unreasonable, it may modify either or both of such provisions to the extent that it deems necessary to make such provision(s) enforceable under Applicable Law. In addition, Franchisor reserves the right to reduce the scope of either, or both, of said provisions without Area Developer's consent, at any time or times, effective immediately upon notice to Area Developer.

## **SECTION 9 TERMINATION**

### **9.1 Termination Pursuant to a Default of this Development Agreement**

9.1.1 Subject to Applicable Law to the contrary, this Development Agreement may be terminated by Franchisor in the event of any Default by Area Developer of this Development Agreement, unless such Default is cured by Area Developer within five days following written notice of the Default (in the case of a failure to pay money), or ten days following written notice of the Default (in the case of any other Default); provided that in the case of a Default by Area Developer (or its Affiliate) under any Franchise Agreement or other written agreement, the notice and cure provisions of the Franchise Agreement or other agreement shall control, and provided, further, however, that any Default described in Sections 9.1.2(a), (b) or (c) below shall be deemed incurable.

9.1.2 The term "default," as used herein, includes the following:

(a) Any Assignment or attempted Assignment in violation of the terms of Section 7.1 or 7.3 of this Development Agreement, or without the written consents required pursuant to this Development Agreement; provided, however, (i) upon prompt written request to Franchisor following the death or legal incapacity of an Area Developer who is an individual, Franchisor shall allow a period of up to nine months after such death or legal incapacity for his or her heirs, personal representatives, or conservators (the "Heirs") to seek and obtain Franchisor's consent to the Assignment his or her rights and interests in this Development Agreement to the Heirs or to another person acceptable to Franchisor; or (ii) upon prompt written request to Franchisor following the death or legal incapacity of an Owner of an Area Developer which is an Entity, directly or indirectly, owning more than twenty percent (20%) or more of the Equity or voting power of Area Developer, Franchisor shall allow a period of up to nine months after such death or legal incapacity for his or her Heir(s) to seek and obtain Franchisor's consent to the Assignment of such Equity and voting power to the Heir(s) or to another person or persons acceptable to Franchisor. If, within said nine-month period, said Heir(s) fail to receive Franchisor's consent as aforesaid or to effect such consented to Assignment, then this Development Agreement shall immediately terminate at Franchisor's election.

(b) Subject to Section 2.2 of this Development Agreement, failure of Area Developer to satisfy the Development Obligation within the Development Periods set forth herein.

(c) Failure of Area Developer (or any Affiliate of Area Developer) to pay any Initial Franchise Fee or Royalty Fee in a timely manner as required by this Development Agreement or any Franchise Agreement signed by Area Developer.

(d) Area Developer's opening of any Restaurant in the Development Area except in strict accordance with the procedures set forth in Sections 6.1 through 6.3 of this Development Agreement.

(e) Failure of Area Developer to fully comply with the requirements of Section 8.1 of this Development Agreement.

(f) Any Default of any other agreement between Area Developer (or any Affiliate of Area Developer) and Franchisor (or any Affiliate of Franchisor), including any Franchise Agreement executed pursuant hereto.

## **SECTION 10 MEDIATION AND ARBITRATION**

10.1 Mediation. Except to the extent precluded by Applicable Law, the parties hereby pledge and agree that prior to filing any arbitration or lawsuit (other than suits described below in Section 10.5), they shall first attempt to resolve any dispute between the parties pursuant to mediation conducted in accordance with the Rules of Practice and Procedure of Judicial Arbitration & Mediation Services, Inc. ("JAMS") unless the parties agree on alternative rules and a mediator within 15 days after either party first gives notice of mediation. Mediation shall be conducted in the JAMS office closest to our principal place of business (currently Sarasota, FL) and shall be conducted and completed within 45 days following the date either party first gives notice of mediation. If the parties fail to fully resolve such dispute through mediation within such 45-day period, either party may initiate arbitration. The fees and expenses of the mediator shall be shared equally by the parties. The mediator shall be disqualified as a witness, expert or counsel for any party with respect to any suit and any related matter. The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties shall not be discoverable or admissible in any legal proceeding for any purpose except as required by Applicable Law, including required disclosure in Franchisor's franchise disclosure document, and provided, however, that evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation.

10.2 Arbitration. If the parties cannot fully resolve and settle a dispute through mediation as set forth in Section 10.1, all unresolved issues involved in the dispute, including any controversy or claim between Franchisor and Area Developer arising out of or relating to this Development Agreement or any alleged breach hereof, and any issues pertaining to the arbitrability of such controversy or claim and any claim that this Development Agreement or any part hereof is invalid, illegal, or otherwise voidable or void, shall be submitted to binding arbitration. Said arbitration shall be conducted before and will be heard by three arbitrators in accordance with the then-current Rules of Practice and Procedure of JAMS. If JAMS or any successor thereto, is no longer in existence at the time arbitration is commenced, Franchisor and Area Developer will agree on another arbitration organization to conduct the arbitration proceeding. Judgment upon any award rendered may be entered in any Court having jurisdiction thereof. Except to the extent prohibited by Applicable Law, the proceedings shall be held in the principal city closest to Franchisor's principal place of business (currently Sarasota, FL). All arbitration proceedings and claims shall be filed and prosecuted separately and individually in the name of Area Developer and Franchisor, and not in any class action or representative capacity, and shall not be joined with or consolidated with claims asserted by or against any other area developer or franchisee. The arbitrators shall have no power or authority to grant punitive or exemplary damages as part of its award. In no event may the material provisions of this Development Agreement be modified or changed by the arbitrator at any arbitration hearing. The arbitration and the parties' agreement therefor shall be deemed to be self-executing, and if either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party despite said failure to appear. All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the Federal Arbitration Act (9 U.S.C. § 1 et seq.), notwithstanding any provision of this Development Agreement specifying the state law under which this Development Agreement shall be governed and construed. Except as required by Applicable Law, including the required disclosure in Franchisor's franchise disclosure document, the entire arbitration proceedings and related documents are confidential. These matters will not be discoverable or admissible for any purposes, including impeachment, in any litigation or other proceeding involving the parties, and will not be disclosed to anyone who is not an agent, employee, expert witness, or representative for any of the parties; however, evidence otherwise discoverable or admissible is not excluded from discovery or admission as a result of its use in the arbitration. The fees of, and authorized costs incurred by, the arbitrator will be shared equally by the parties, and each party will bear all of its own costs of arbitration; provided, however, that the arbitration decision will provide that the substantially prevailing party will recover from the other party its

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

10.3 Awards. The arbitrators will have the right to award or include in the award any relief which they deem proper in the circumstances, including money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief and attorneys' fees and costs, provided that the arbitrators will not have the authority to award exemplary or punitive damages. The award and decision of the arbitrator will be conclusive and binding upon all parties and judgment upon the award may be entered in any court of competent jurisdiction. Each party waives any right to contest the validity or enforceability of such award. The parties shall be bound by the provisions of any limitation on the period by which claims must be brought. The parties agree that, in connection with any such arbitration proceeding, each will submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceedings as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding will be barred. The provisions of §1283.05 of the California Code of Civil Procedure related to depositions and discovery (including any successor provisions) are hereby incorporated by this reference and made a part of this Development Agreement.

10.4 Permissible Parties. Area Developer and Franchisor agree that arbitration will be conducted on an individual, not a class wide, basis and that any arbitration proceeding between Area Developer and Franchisor will not be consolidated with any other arbitration proceeding involving Franchisor and any other person or entity.

10.5 Injunctive Relief. Notwithstanding anything to the contrary contained in Section 10.1 or Section 10.2, Franchisor will have the right to obtain specific performance, temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction, and other provisional relief including but not limited to compel Area Developer to comply with any restrictive covenants under Section 8 of this Development Agreement brought at any time, including prior to or during the pendency of any mediation or arbitration proceedings under Sections 10.1 or 10.2. However, the parties will contemporaneously submit their dispute for arbitration on the merits. Area Developer agrees that Franchisor may have temporary or preliminary injunctive relief without bond, but upon due notice, and Area Developer's sole remedy in the event of the entry of such injunctive relief will be the dissolution of the injunctive relief, if warranted, upon hearing duly had (all claims for damages by reason of the wrongful issuance of any the injunction being expressly waived). The losing party shall pay the prevailing party's reasonable attorney fees and costs incurred in bringing or defending such proceeding and/or enforcing any judgment granted therein, all of which shall be deemed to have accrued upon the commencement of such proceeding and shall be paid whether or not such action or proceedings is prosecuted to final judgment.

10.6 Venue. All disputes and claims not subject to mediation and arbitration under Section 10.1 or Section 10.2 must be litigated in the state or federal court with jurisdiction in the city of Franchisor's principal place of business (currently Sarasota, FL); provided that Franchisor has the option to bring suit against Area Developer in any state or federal court within the jurisdiction where any of Area Developer's Restaurants is or was located or where any of Area Developer's owners lives for those claims brought in accordance with Section 10.5. The parties consent to the exercise of personal jurisdiction over them by these courts, and to the propriety of venue in these courts for the purpose of this Development Agreement, and the parties waive any objections that they would otherwise have in this regard. Each of the parties specifically waives any defense of inconvenient forum to the maintenance of any action or proceeding so brought and waives any bond, surety, or other security that might be required of any other party with respect thereto.

10.7 Acknowledgement. The parties acknowledge that nothing herein shall delay or otherwise limit Franchisor's rights and remedies under Section 9 of this Development Agreement. A notice or request for arbitration or mediation will not operate to stay, postpone, or rescind the effectiveness of any demand for performance or notice of termination under this Development Agreement.

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

10.9 Survival. The provisions of this Section 10 will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Development Agreement.

## SECTION 11 GENERAL CONDITIONS AND PROVISIONS

11.1 Relationship of Area Developer to Franchisor. It is expressly agreed that the parties intend by this Development Agreement to establish between Franchisor and Area Developer the relationship of franchisor and area developer. It is further agreed that Area Developer has no authority to create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever. Neither Franchisor nor Area Developer is the employer, employee, agent, partner, or co-venturer of or with the other, each being independent. Area Developer agrees that it will not hold itself out as the agent, employee, partner, or co-venturer of Franchisor. All employees hired by or working for Area Developer shall be the employees of Area Developer and shall not, for any purpose, be deemed employees of Franchisor or subject to Franchisor control. Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof.

11.2 Indemnity by Area Developer. Area Developer hereby agrees, at all times, to protect, defend and indemnify Franchisor and its successors and assigns and all of its past, present and future Owners, Affiliates, officers, directors, employees, attorneys and designees and hold each of them harmless from and against any and all costs and expenses, including attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss, injury or damage to any person, firm or corporation or to any property arising out of or in connection with Area Developer's construction, development or operation of Restaurants pursuant hereto, and for any breach of this Development Agreement by Area Developer. The terms of this Section 11 shall survive the termination, expiration or cancellation of this Development Agreement.

11.3 No Consequential Damages for Legal Incapacity. Franchisor shall not be liable to Area Developer for any consequential damages, including lost profits, interest expense, increased construction or occupancy costs, or other costs and expenses incurred by Area Developer by reason of any delay in the delivery of Franchisor's Franchise Disclosure Document caused by legal incapacity during the Term, or other conduct not due to the gross negligence or intentional misfeasance of Franchisor.

11.4 Waiver and Delay. No waiver by Franchisor of any Default or Defaults, or series of Defaults in performance by Area Developer, and no failure, refusal or neglect of Franchisor to exercise any right, power or option given to it hereunder or under any Franchise Agreement or other agreement between Franchisor and Area Developer, whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Restaurants), or to insist upon strict compliance with or performance of Area Developer's (or its Affiliates) obligations under this Development Agreement or any Franchise Agreement or other agreement between Franchisor and Area Developer (or its Affiliates), whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Restaurants), shall constitute a waiver of the provisions of this Development Agreement with respect to any continuing or subsequent Default or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

11.5 Survival of Covenants. The covenants contained in this Development Agreement which, by their nature or terms, require performance by the parties after the expiration or termination of this Development

Agreement shall be enforceable notwithstanding said expiration or other termination of this Development Agreement for any reason whatsoever.

11.6 Successors and Assigns. This Development Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and shall be binding upon and inure to the benefit of Area Developer and his or their respective, heirs, executors, administrators, and its successors and assigns, subject to the prohibitions and restrictions against Assignment contained herein.

11.7 Joint and Several Liability. If Area Developer consists of more than one person or Entity, or a combination thereof, the obligations and liabilities of each of such person or Entity to Franchisor are joint and several, and such person(s) or Entities shall be deemed to be general partnership.

11.8 Governing Law. This Development Agreement shall (without giving effect to any conflict of laws) be governed in accordance with the state of Florida, and any state law relating to (1) the offer and sale of franchises, (2) franchise relationships, or (3) business opportunities, will not apply unless the applicable jurisdictional requirements are met independently with reference to this paragraph.

11.9 Entire Agreement. This Development Agreement and the HCK Hot Chicken Brand Standards Manual contain all the terms and conditions agreed upon by the parties with reference to the subject matter of this Development Agreement. No other agreements concerning the subject matter of this Development Agreement, oral or otherwise, shall be deemed to exist or to bind any of the parties. All prior or contemporaneous agreements, understandings and representations relating to the subject matter of this Development Agreement, are merged and are expressly and superseded by this Development Agreement, except such representations as are made in the franchise disclosure document delivered to Area Developer and any representations made by Area Developer in acquiring this Development Agreement. Nothing in this Development Agreement or any related agreement is intended to disclaim the representations made by Franchisor in the franchise disclosure document delivered to Area Developer. No officer or employee or agent of Franchisor has any authority to make any representation or promise not contained in this Development Agreement or in the franchise disclosure document delivered to Area Developer, and Area Developer agrees that it has executed this Development Agreement without reliance upon any such representation or promise. This Development Agreement cannot be amended, modified, or changed except by written instrument signed by all the parties.

11.10 Titles for Convenience. Section and paragraph titles used this Development Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Development Agreement.

11.11 Gender and Construction. The terms of all Exhibits hereto are hereby incorporated into and made a part of this Development Agreement as if the same had been set forth in full herein. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Development Agreement or any Section hereof may require. As used in this Development Agreement, the words "include," "includes" or "including" are used in a non-exclusive sense. Unless otherwise expressly provided herein to the contrary, any consent, approval, acceptance or authorization of Franchisor which Area Developer may be required to obtain hereunder may be given or withheld by Franchisor in its sole discretion, and on any occasion where Franchisor is required or permitted hereunder to make any judgment, determination or use its discretion, including any decision as to whether any condition or circumstance meets Franchisor's Standards or satisfaction, Franchisor may do so in its sole subjective judgment and discretion. No provision herein expressly identifying any breach of this Development Agreement as material shall be construed to imply that any other breach which is not so identified is not material. Neither this Development Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against the drafter hereof, whether under any rule of construction or otherwise. On the contrary, this Development Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used to fairly accomplish the purposes and intentions of all parties hereto. Franchisor and Area Developer intend that if any provision of this Development Agreement is susceptible to two or more constructions, one of which would render the

provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

11.12 Severability, Modification. Nothing contained in this Development Agreement shall be construed as requiring the commission of any act contrary to Applicable Law. Whenever there is any conflict between any provisions of this Development Agreement and any present or future statute, law, ordinance, or regulation contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event the provisions of this Development Agreement thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. In the event that any part, Section, paragraph, sentence, or clause of this Development Agreement shall be held to be indefinite, invalid, or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of this Development Agreement shall continue in full force and effect.

11.13 Counterparts. This Development Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

11.14 Notices. Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the parties pursuant hereto shall be deemed so delivered at the time delivered by hand; one business day after delivery by Express Mail or other recognized, reputable overnight courier; or five business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed as follows:

If to Franchisor:

HOT CHIKN KITCHN LLC  
Attn: Franchise Services  
PO Box 3566  
Sarasota, FL 34230  
(941) 257-3663

If to Area Developer: Address set forth in Exhibit A or to such other address as such party may designate by 10 days' advance written notice to the other party.

## **SECTION 12 SUBMISSION OF DEVELOPMENT AGREEMENT**

12.1 General. The submission of this Development Agreement does not constitute an offer and this Development Agreement shall become effective only upon the execution thereof by Franchisor and Area Developer.

## **SECTION 13 ADDITIONAL COVENANTS**

13.1 Entity Area Developer Information. If Area Developer is an Entity, Area Developer represents and warrants that the information set forth in Exhibit C which is annexed hereto and by this reference made a part hereof, is accurate and complete in all material respects. Area Developer shall notify Franchisor in writing within ten days of any change in the information set forth in Exhibit C, and shall submit to Franchisor a revised Exhibit C, which shall be certified by Area Developer as true, correct and complete and upon acceptance thereof by Franchisor shall be annexed to this Development Agreement as Exhibit C. Area Developer promptly shall provide such additional information as Franchisor may from time to time request concerning all persons who may have any direct or indirect financial interest in Area Developer, including providing copies of all amendments to Area Developer's "Entity Documents" as defined in Exhibit C. Area Developer shall conduct no business other than the business contemplated hereunder and under any currently effective Franchise Agreement between Franchisor and Area Developer. The Entity

Documents of Area Developer shall recite that the issuance and transfer of any interest therein is subject to the restrictions set forth in the Development Agreement and any Franchise Agreement executed pursuant thereto.

### 13.2 Operating Principal; Director of Operations; Multi-Unit Supervisor

13.2.1 The Operating Principal shall be principally responsible for communicating and coordinating with Franchisor regarding business, operational and other ongoing matters concerning this Development Agreement and the Restaurants developed pursuant hereto. The Operating Principal shall have the full authority to act on behalf of Area Developer in regard to performing, administering, or amending this Development Agreement and all Franchise Agreements executed pursuant hereto. Franchisor may, but is not required to, deal exclusively with the Operating Principal in such regards unless and until Franchisor's actual receipt of written notice from Area Developer of the appointment of a successor Operating Principal, who shall have been accepted by Franchisor.

13.2.2 Commencing on the date which Area Developer, directly or indirectly through one or more Affiliate(s), opens its second Restaurant within the Development Area, and at all times throughout the Term and the term of each Franchise Agreement executed pursuant hereto after such date, Area Developer shall employ and retain, or shall cause the Entity to which each Franchise Agreement is assigned in accordance with Section 7.1 hereof to employ and retain, an individual (the "Director of Operations") who shall be vested with the authority and responsibility for the day-to-day operations of all Restaurants owned or operated, directly or indirectly, by Area Developer within the Development Area. The Director of Operations shall, during the entire period he/she serves as such, unless otherwise agreed in writing by Franchisor devote one hundred percent (100%) of his/her time and best efforts solely to operation of all Restaurants owned or operated, directly or indirectly, by Area Developer in the Development Area and to no other business activities. The Director of Operations may, with the prior written consent of Franchisor, may be the same individual as the Operating Principal. The Director of Operations shall be responsible for all actions necessary to ensure that all Restaurants owned or operated, directly or indirectly, by Area Developer in the Development Area are operated in compliance with this Development Agreement, all Franchise Agreements therefor and the HCK Hot Chicken Brand Standards Manual. If, during the Term hereof or any Franchise Agreement executed pursuant hereto, the Director of Operations is not able to continue to serve in such capacity or no longer qualifies to act as such in accordance with this Section, Area Developer shall promptly notify Franchisor and designate a replacement within 30 days after the Director of Operations ceases to serve.

13.2.3 Area Developer has the option, commencing on the date which Area Developer, directly or indirectly through one or more Affiliate(s), opens its second Restaurant within the Development Area, to employ and retain, or shall cause the Entity to which each Franchise Agreement is assigned in accordance with Section 7.1 hereof to employ and retain, one or more individuals (each a "Multi-Unit Supervisor") vested with the authority and responsibility for the day-to-day supervision of two or more of the Restaurants owned or operated, directly or indirectly, by Area Developer within the Development Area. The Multi-Unit Supervisor shall, during the entire period he/she serves as such, unless otherwise agreed in writing by Franchisor devote one hundred percent (100%) of his/her time and best efforts solely to operation of two or more of the Restaurants owned or operated, directly or indirectly, by Area Developer in the Development Area and to no other business activities. Multi-Unit Supervisors, if any, shall report to the Director of Operations.

13.2.4 Area Developer shall notify Franchisor in writing at least ten days prior to employing the Director of Operations and Multi-Unit Supervisor, if any, setting forth in reasonable detail all information reasonably requested by Franchisor. Franchisor's acceptance of the Operating Principal shall not constitute Franchisor's endorsement of such individual or a guarantee by Franchisor that such individual will perform adequately for Area Developer or its Affiliates, nor shall Franchisor be estopped from subsequently disapproving or otherwise challenging such person's qualifications or performance.

13.2.5 After Area Developer, directly or indirectly through one or more Affiliate(s), opens its second Restaurant within the Development Area, neither the Operating Principal nor the Director of Operations may serve as the general manager of any Restaurant. Multi-Unit Supervisors, if any, may serve as the general manager of any Restaurant, provided he/she meets Franchisor's training and other requirements for general managers.

13.3 Business Practices. Area Developer represents, warrants, and covenants to Franchisor that:

13.3.1 As of the date of this Development Agreement, Area Developer and each of its Owners (if Area Developer is an Entity) shall be and, during the Term shall remain, in full compliance with all applicable laws in each jurisdiction in which Area Developer or any of its Owners (if Area Developer is an Entity), as applicable, conducts business that prohibits unfair, fraudulent or corrupt business practices in the performance of its obligations under this Development Agreement and related activities, including the following prohibitions:

(a) No government official, official of an international organization, political party or official thereof, or candidate is an owner or has any investment interest in the revenues or profit of Area Developer;

(b) None of the property or interests of Area Developer or any of its Owners is subject to being "blocked" under any Anti-Terrorism Laws. Neither Area Developer, nor any of its respective funding sources (including any legal or beneficial owner of any equity in Area Developer) or any of its Affiliates is or has ever been a terrorist or suspected terrorist within the meaning of the Anti-Terrorism Laws or identified by name or address on any Terrorist List. Each of Area Developer and its Owners are in compliance with Applicable Law, including all such Anti-Terrorism Laws;

(c) Neither Area Developer nor any of its Owners conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under the International Money Laundering Abatement and Anti-Terrorist Financing Act, as amended, and any amendments or successors thereto.

(d) Area Developer is neither directly nor indirectly owned or controlled by the government of any country that is subject to a United States embargo. Nor does Area Developer or its Owners act directly or indirectly on behalf of the government of any country that is subject to a United States embargo.

(e) Area Developer has taken all necessary and proper action required by Applicable Law and has the right to execute this Development Agreement and perform under all of its terms. Area Developer shall implement and comply with anti-money laundering policies and procedures that incorporate "know-your-customer" verification programs and such other provisions as may be required by applicable law.

13.3.2 Area Developer shall implement procedures to confirm, and shall confirm, that (a) none of Area Developer, any person or entity that is at any time a legal or beneficial owner of any interest in Area Developer or that provides funding to Area Developer is identified by name or address on any Terrorist List or is an Affiliate of any person so identified; and (b) none of the property or interests of Area Developer is subject to being "blocked" under any Anti-Terrorism Laws.

13.3.3 Area Developer shall promptly notify Franchisor upon becoming aware of any violation of this Section or of information to the effect that any person or entity whose status is subject to confirmation pursuant to Section 13.3.1(c) above is identified on any Terrorist List, any list maintained by OFAC or to being "blocked" under any Anti-Terrorism Laws, in which event Area Developer shall cooperate with Franchisor in an appropriate resolution of such matter.

13.3.4 In accordance with Applicable Law, none of Area Developer nor any of its Affiliates, principals, partners, officers, directors, managers, employees, agents or any other persons working on their behalf, shall offer, pay, give, promise to pay or give, or authorize the payment or gift of money or anything of value to any officer or employee of, or any person or entity acting in an official capacity on behalf of, the

Governmental Authority, or any political party or official thereof or while knowing that all or a portion of such money or thing of value will be offered, given or promised, directly or indirectly, to any official, for the purpose of (a) influencing any action or decision of such official in his or its official capacity; (b) inducing such official to do or omit to do any act in violation of his or its lawful duty; or (c) inducing such official to use his or its influence with any Governmental Authority to affect or influence any act or decision of such Governmental Authority in order to obtain certain business for or with, or direct business to, any person.

13.3.5 The provisions of this Section shall not limit, restrain, or otherwise affect any right or cause of action which may accrue to Franchisor for any infringement of, violation of, or interference with, this Development Agreement, or Franchisor's marks, System, trade secrets, or any other proprietary aspects of Franchisor's business.

## **SECTION 14 ACKNOWLEDGMENT**

### **14.1 General**

14.1.1 Area Developer acknowledges that it has carefully read this Development Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that it has obtained the advice of counsel in connection with entering into this Development Agreement, that it understands the nature of this Development Agreement, and that it intends to comply herewith and be bound hereby.

14.1.2 Franchisor expressly disclaims making, and Area Developer acknowledges that it or they have not received or relied on any warranty or guarantee, express or implied, as to the potential volume, profits, expenses, or success of the business venture contemplated by this Development Agreement.

*[Signature page follows]*

IN WITNESS WHEREOF, the parties hereto have caused this Development Agreement to be executed as of the first date set forth above.

**FRANCHISOR:**

**HOT CHIKN KITCHN LLC**

By:

Name:

Title:

**AREA DEVELOPER:**

**[AREA DEVELOPER]**

By:

Name:

Title:

Date:

**EXHIBIT A**

**DATA SHEET**

1. **Effective Date.** The Effective Date set forth in the introductory Paragraph of the Development Agreement is:

•

2. **Area Developer.** The Area Developer set forth in the introductory paragraph of the Development Agreement is:

•

3. **Expiration Date.** The Expiration Date set forth in Section 1.1 of the Development Agreement is the earlier of the date that the Development Obligation is fulfilled or

•

4. **Operating Principal.** The Operating Principal set forth in Section 1.1 of the Development Agreement shall be:

•

5. **Notice Address.** The address for notices to Area Developer under Section 11.14 of the Development Agreement is:

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

Attn:

6. **Development Fee.** The Development Fee amount paid by Area Developer to Franchisor under Section 5.1 of the Development Agreement is:

•

7. **Development Area.** The Development Area\* is defined as the territory within the boundaries described below and as depicted on the following map:

•

\*If the Development Area is defined by streets, highways, freeways or other roadways, or rivers, streams, or tributaries, then the boundary of the Development Area shall extend to the center line of each such street, highway, freeway or other roadway, or river, stream, or tributary.

**[Signature page follows]**

**FRANCHISOR:**

**HOT CHIKN KITCHN LLC**

By:

Name:

Title:

**AREA DEVELOPER:**

**[AREA DEVELOPER]**

By:

Name:

Title:

Date:

**EXHIBIT B**

**DEVELOPMENT OBLIGATION**

| <b>DEVELOPMENT<br/>UNIT</b> | <b>DEVELOPMENT PERIOD ENDING</b> | <b>CUMULATIVE NO. OF<br/>RESTAURANTS TO BE IN<br/>OPERATION</b> |
|-----------------------------|----------------------------------|-----------------------------------------------------------------|
| 1                           |                                  |                                                                 |
| 2                           |                                  |                                                                 |
| 3                           |                                  |                                                                 |
| 4                           |                                  |                                                                 |
| 5                           |                                  |                                                                 |

**FRANCHISOR:**

**HOT CHIKN KITCHN LLC**

By:

Name:

Title:

**AREA DEVELOPER:**

**[AREA DEVELOPER]**

By:

Name:

Title:

Date:

## EXHIBIT C

### ENTITY INFORMATION

Area Developer represents and warrants that the following information is accurate and complete in all material respects:

(1) Area Developer is a (check as applicable):

- ☐ corporation
- ☐ limited liability company
- ☐ general partnership
- ☐ limited partnership
- ☐ Other (specify):

(2) Area Developer shall provide to Franchisor concurrently with the execution hereof true and accurate copies of its charter documents including Articles of Incorporation, Bylaws, Operating Agreement, Regulations Partnership Agreement, resolutions authorizing the execution hereof, and any amendments to the foregoing ("Entity Documents").

(3) Area Developer promptly shall provide such additional information as Franchisor may from time-to-time request concerning all persons who may have any direct or indirect financial interest in Area Developer.

(4) The name and address of each of Area Developer's members, stockholders, or partners\*:

| Name | Address | Number of Shares / % Interest |
|------|---------|-------------------------------|
|      |         |                               |
|      |         |                               |
|      |         |                               |
|      |         |                               |

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

(5) There is set forth below the names, and addresses and titles of Area Developer's principal officers or partners who will be devoting their full time to the Business:

| Name | Title | Address |
|------|-------|---------|
|      |       |         |
|      |       |         |
|      |       |         |
|      |       |         |

(6) The address where Area Developer's Financial Records and Entity Documents are maintained is:

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## APPENDIX 1

“Additional Development Notice” shall have the meaning set forth in Section 4.2 of this Development Agreement.

“Additional Development Obligation” shall have the meaning set forth in Section 4.3.2 of this Development Agreement.

“Affiliate” when used herein in connection with Franchisor or Area Developer, includes each person or Entity which directly, or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with Franchisor or Area Developer, as applicable. Without limiting the foregoing, the term “Affiliate” when used herein in connection with Area Developer includes any Entity ten percent (10%) or more of whose Equity or voting control, is held by person(s) or Entities who, jointly or severally, hold ten percent (10%) or more of the Equity or voting control of Area Developer. For purposes of this definition, control of a person or Entity means the power, direct or indirect, to direct or cause the direction of the management and policies of such person or Entity whether by contract or otherwise. Notwithstanding the foregoing definition, if Franchisor or its Affiliate has any ownership interest in Area Developer, the term “Affiliate” shall not include or refer to the Franchisor or that Affiliate (the “Franchisor Affiliate”), and no obligation or restriction upon an “Affiliate” of Area Developer, shall bind Franchisor, or said Franchisor Affiliate or their respective direct/indirect parents or subsidiaries, or their respective officers, directors, or managers.

“Anti-Terrorism Laws” means Executive Order 13224 issued by the President of the United States of America (or any successor Order), the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) of 2001 (or any successor legislation) and all other present and future national, provincial, federal, state and local laws, ordinances, regulations, policies, lists, Orders and any other requirements of any Governmental Authority addressing or in any way relating to terrorist acts and acts of war.

“Applicable Law” means and includes applicable common law and all applicable statutes, laws, rules, regulations, ordinances, policies, and procedures established by any Governmental Authority, governing the operation of a Restaurant, including all labor, immigration, disability, food and drug laws and regulations, as in effect on the Effective Date hereof, and as may be amended, supplemented, or enacted from time to time.

“Assignment” shall mean and refer to any assignment, transfer, gift or other conveyance, voluntarily or involuntarily, in whole or in part, by operation of Applicable Law or otherwise, of any interest in this Development Agreement or any of Area Developer’s rights or privileges hereunder or all of any substantial portion of the assets of the Licensed Restaurant, including the lease; provided, further, however, that if Area Developer is an Entity, each of the following shall be deemed to be an Assignment of this Development Agreement: (i) the sale, assignment, transfer, conveyance, gift, pledge, mortgage, hypothecation or other encumbrance of more than forty nine percent (49%) in the aggregate, whether in one or more transactions, of the Equity or voting power of Area Developer, by operation of law or otherwise or any other event(s) or transaction(s) which, directly or indirectly, effectively changes control of Area Developer; (ii) the issuance of any securities by Area Developer which itself or in combination with any other transaction(s) results in the Owners, as constituted on the Effective Date, owning less than fifty one percent (51%) of the outstanding Equity or voting power of Area Developer; (iii) if Area Developer is a Partnership, the resignation, removal, withdrawal, death or legal incapacity of a general partner or of any limited partner owning more than forty nine percent (49%) of the Partnership Rights of the Partnership, or the admission of any additional general partner, or the transfer by any general partner of any of its Partnership Rights in the Partnership, or any change in the ownership or control of any general partner; (iv) the death or legal incapacity of any Owner owning more than forty nine percent (49%) of the Equity or voting power of Area Developer; and (v) any merger, stock redemption, consolidation, reorganization, recapitalization or other transfer of control of the Area Developer, however effected.

“Authorized Franchisor Products” means the specific foods products, sauces, marinades and beverages and other food items and ancillary related products, which may include books, cups, coolers, hats, t-shirts and novelty items, as specified by Franchisor from time to time in the HCK Hot Chicken Brand Standards Manual, or as otherwise directed by Franchisor in writing, for sale at the Restaurants , prepared, served, sold and/or manufactured in strict accordance with Franchisor’s recipes, Standards and specifications, including specifications as to ingredients, brand names, preparation and presentation.

“HCK Hot Chicken Brand Standards Manual” means Franchisor’s library of operations and training manuals, including a managers tools binder, HCK Hot Chicken intranet and any other written directive related to the System, as the same may be amended and revised from time to time, including all bulletins, supplements and ancillary and additional manuals and written directives established by Franchisor as in effect and amended from time to time.

“Competitive Activities” means to, own, operate, lend to, advise, be employed by, or have any financial interest in (i) any restaurant that derives twenty percent (20%) or more of its Gross Sales from the sale of fried chicken, other than a Restaurant operated pursuant to a validly subsisting Franchise Agreement with Franchisor, or (ii) any business that specializes in developing, operating or franchising restaurants that derives twenty percent (20%) or more of its Gross Sales from the sale of chicken, or (iii) any business engaged in the preparation, production or sale, at wholesale, of any fried chicken food product. Notwithstanding the foregoing, “Competitive Activities” shall not include the direct or indirect ownership solely as an investment, of securities of any Entity which are traded on any national securities exchange if the owner thereof (i) is not a controlling person of, or a member of a group which controls, such Entity and (ii) does not, directly or indirectly, own five percent (5%) or more of any class of securities of such Entity.

“Default” or “default” means any breach of, or failure to comply with, any of the terms or conditions of an agreement.

“Development Area” shall have the meaning set forth in Section 1.2.1 of this Development Agreement.

“Development Period” means each of the time periods indicated on Exhibit B during which Area Developer shall have the right and obligation to construct, equip, open, and thereafter continue to operate Restaurants in accordance with the Development Obligation.

“Development Obligation” shall mean the Area Developer’s right and obligation to construct, equip, open, and thereafter continue to operate at sites within the Development Area the cumulative number of Restaurants set forth in Exhibit B hereto within each Development Period and, if applicable, within the geographic areas specified therein.

“Director of Operations” shall have the meaning set forth in Section 13.2.2 of this Development Agreement.

“Entity” means any limited liability company, Partnership, trust, association, corporation, or other entity which is not an individual.

“Equity” means capital stock, membership interests, Partnership Rights, or other equity ownership interests of an Entity.

“Franchise Agreement” means the form of agreement prescribed by Franchisor and used to grant to Area Developer the right to own and operate a single Restaurant in the Development Area, including all exhibits, riders, guarantees or other related instruments, all as amended from time to time.

“Franchise Disclosure Document” shall have the meaning set forth in Section 6.2.3.

“Force Majeure” means acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe); strikes, lockouts or other industrial disturbances; war, terrorist acts, riot, or other civil

disturbance; epidemics; or other similar forces which Area Developer could not by the exercise of reasonable diligence have avoided; provided however, that neither an act or failure to act by a Governmental Authority, nor the performance, non-performance or exercise of rights under any agreement with Area Developer by any lender, landlord, contractor, or other person shall be an event of Force Majeure hereunder, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise an event of Force Majeure.

“Governmental Authority” means and includes all Federal, state, county, municipal and local governmental and quasi-governmental agencies, commissions, and authorities.

“Initial Franchise Fee” is the fee paid to open each individual Restaurant as such term is defined in the Franchise Agreement.

“Multi-Unit Supervisor” shall have the meaning set forth in Section 13.2.3 of this Development Agreement.

“Non-Traditional Restaurants” means a Restaurant that is located in a “Non-Traditional Venue,” as defined below.

“Non-Traditional Venues” means a facility operated under the Franchisor’s marks located within another primary business or in conjunction with other businesses or at institutional settings, including toll roads, train stations, amusement parks, travel stations, hotels and motels, ships, ports, piers, casinos, stadiums, airports, theaters, big-box retailers, building supply stores, warehouse club stores, colleges and universities, schools, outlet malls, hospitals, military and other governmental facilities, office or in-plant food service facilities, shopping mall food courts operated by a master concessionaire, grocery stores, supermarkets and convenience stores and any site for which the lessor, owner or operator thereof shall have indicated its intent to prefer or limit the operation of its food service facilities to a master concessionaire or contract food service provider.

“Operating Principal” shall have the meaning set forth in Section 1.1 of this Development Agreement and is the person identified in Exhibit A to this Development Agreement.

“Owner” means any direct or indirect shareholder, member, general or limited partner, trustee, or other equity owner of an Entity, except, that if Franchisor or any Affiliate of Franchisor has any ownership interest in Area Developer, the term “Owner” shall not include or refer to the Franchisor or that Affiliate or their respective direct and indirect parents and subsidiaries, and no obligation or restriction upon the “Area Developer”, or its Owners shall bind Franchisor, said Affiliate or their respective direct and indirect parents and subsidiaries or their respective officers, directors, or managers.

“Partnership” means any general partnership, limited partnership, or limited liability partnership.

“Partnership Rights” means voting power, property, profits or losses, or partnership interests of a Partnership.

“Restaurant” shall have the meaning set forth in Recital A of this Development Agreement.

“Restricted Persons” means the Area Developer, and each of its Owners and Affiliates, and the respective officers, directors, managers, and Affiliates of each of them, and the spouse and family members who live in the same household of each of the foregoing who are individuals.

“ROFR” shall have the meaning set forth in Section 7.3.4 of this Development Agreement.

“ROFR Period” shall have the meaning set forth in Section 7.3.4 of this Development Agreement.

“Site Review Request” shall have the meaning set forth in Section 6.1.1 of this Development Agreement.

“Standards” mean Franchisor’s then-current specifications, standards, policies, procedures, and rules prescribed for the development, ownership, and operation of Restaurants.

“System” means the Franchisor’s operating methods and business practices related to its Restaurants, and the relationship between Franchisor and its area developers, including interior and exterior Restaurant designs; other items of trade dress; specifications of equipment, fixtures, and uniforms; defined product offerings and preparation methods; standard operating and administrative procedures; restrictions on ownership; management and technical training programs; and marketing and public relations programs; all as Franchisor may modify the same from time to time.

“Term” shall have the meaning set forth in Section 4.1 of this Development Agreement.

“Terrorist Lists” means all lists of known or suspected terrorists or terrorist organizations published by any U.S. Government Authority, including U.S. Treasury Department’s Office of Foreign Asset Control (“OFAC”), that administers and enforces economic and trade sanctions, including against targeted non-U.S. countries, terrorism sponsoring organizations and international narcotics traffickers.

“Then-current” as used in this Development Agreement and applied to the Franchise Disclosure Document, an area development agreement and a Franchise Agreement shall mean the form then currently provided by Franchisor to similarly situated prospective franchisees, or if not then being so provided, then such form selected by the Franchisor in its discretion which previously has been delivered to and executed by a licensee or franchisee of Franchisor.

“Traditional Restaurant” means a business premises that exists primarily as a Restaurant, excluding any Restaurant at a Non-Traditional Venue. A Traditional Restaurant may also have other types of Franchisor-approved co-branded business located in it, but in such case the Restaurant is the primary business.

**EXHIBIT E**

**BRAND STANDARDS MANUAL TABLE OF CONTENTS**

# Operations Manual

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**EXHIBIT F**

**FRANCHISE DISCLOSURE QUESTIONNAIRE**

## FRANCHISE DISCLOSURE QUESTIONNAIRE

As you know, Hot Chikn Kitchn LLC (“we” or “us”), and you are preparing to enter into a Franchise Agreement and Area Development Agreement, if applicable, for the operation of a HCK Hot Chicken franchise. The purpose of this questionnaire is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate, or misleading, to be certain that you have been properly represented in this transaction, and to be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise. **You cannot sign or date this questionnaire the same day as the Receipt for the Franchise Disclosure Document, but you must sign and date it the same day you sign the Franchise Agreement and Area Development Agreement, if applicable.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer in the table provided below.

- |     |           |          |                                                                                                                                                                                                                                                                                                                                                  |
|-----|-----------|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.  | Yes _____ | No _____ | Have you received and personally reviewed the Franchise Agreement and Area Development Agreement, if applicable, and each attachment or exhibit attached to it that we provided?                                                                                                                                                                 |
| 2.  | Yes _____ | No _____ | Have you received and personally reviewed the Franchise Disclosure Document and each attachment or exhibit attached to it that we provided?                                                                                                                                                                                                      |
| 3.  | Yes _____ | No _____ | Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?                                                                                                                                                                                                                                                |
| 4.  | Yes _____ | No _____ | Do you understand all the information contained in the Franchise Disclosure Document, Franchise Agreement and Area Development Agreement, if applicable?                                                                                                                                                                                         |
| 5.  | Yes _____ | No _____ | Have you reviewed the Franchise Disclosure Document, Franchise Agreement and Area Development Agreement, if applicable, with a lawyer, accountant, or other professional advisor, or have you had the opportunity for such review and chosen not to engage such professionals?                                                                   |
| 7.  | Yes _____ | No _____ | Do you understand the risks of developing and operating a HCK Hot Chicken Franchise?                                                                                                                                                                                                                                                             |
| 8.  | Yes _____ | No _____ | Do you understand the success or failure of your HCK Hot Chicken Franchise will depend in large part upon your skills, abilities, and efforts, and those of the persons you employ, as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs, and other relevant factors? |
| 9.  | Yes _____ | No _____ | Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement and Area Development Agreement, if applicable, must be arbitrated in Florida, if not resolved informally or by mediation?                                                                                                            |
| 10. | Yes _____ | No _____ | Do you understand that you must satisfactorily complete the initial training program before we will allow your HCK Hot Chicken Franchise to open or consent to a transfer of the HCK Hot Chicken Franchise to you?                                                                                                                               |

11. Yes \_\_\_\_\_ No \_\_\_\_\_ Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a HCK Hot Chicken Franchise that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

12. Yes \_\_\_\_\_ No \_\_\_\_\_ Do you agree that no employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement and Area Development Agreement, if applicable, and any addendum, concerning advertising, marketing, media support, marketing penetration, training, support service, or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

13. Yes \_\_\_\_\_ No \_\_\_\_\_ Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a HCK Hot Chicken Franchise will generate that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

14. Yes \_\_\_\_\_ No \_\_\_\_\_ Do you understand that the Franchise Agreement and Area Development Agreement, if applicable, including each attachment or exhibit to the Franchise Agreement and Area Development Agreement, if applicable, contains the entire agreement between us and you concerning the HCK Hot Chicken Franchise, meaning any prior oral or written statements not set out in the Franchise Agreement and Area Development Agreement, if applicable, or the attachments or exhibits to the Franchise Agreement and Area Development Agreement, if applicable, will not be binding?

15. Yes \_\_\_\_\_ No \_\_\_\_\_ Do you understand that we are relying on your answers to this questionnaire to ensure that the franchise sale was made in compliance of state and federal laws?

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

\_\_\_\_\_  
Signature of Franchisee Applicant

Date:

\_\_\_\_\_  
Signature of Franchisee Applicant

Date:

## **EXHIBIT G**

### **LIST OF CURRENT AND FORMER FRANCHISEES/AREA DEVELOPERS**

**Current Franchisees and Area Developers as of December 31, 2022:****Franchisees Currently Operating**

| Franchisee Name | Address                 | City     | State | Zip   | Phone Number   |
|-----------------|-------------------------|----------|-------|-------|----------------|
| Jon O'Driscoll  | 2045 Bahia Vista Street | Sarasota | FL    | 34239 | (941) 706-4410 |
| Liz Newman      | 315 Route 17 South      | Paramus  | NJ    | 07652 | (201) 903-0963 |

**Franchise Agreements Signed But Not Yet Open**

| Franchisee Name | Address                | City           | State | Zip   | Phone Number   |
|-----------------|------------------------|----------------|-------|-------|----------------|
| Naiem Rizek     | 3310 Sheridan Drive    | Buffalo        | NY    | 14226 | (252) 367-5376 |
| Ramiz Baig      | 9509 Evergreen Circle  | Fredericksburg | VA    | 22407 | (540) 429-8244 |
| Kathy Steele    | 4200 Beach View Drive  | Port Charlotte | FL    | 33948 | (301) 904-6940 |
| Carla Zenn      | 524 Mystic River Trail | Fort Worth     | TX    | 76131 | (817) 706-2273 |

**Former Franchisees:**

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

**None.**

## **EXHIBIT H**

### **STATE ADDENDA AND AGREEMENT RIDERS**

#### **ADDENDUM TO FRANCHISE AGREEMENT, SUPPLEMENTAL AGREEMENTS, AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES FOR HOT CHIKN KITCHN LLC**

The following modifications are made to the Hot Chikn Kitchn LLC (“Franchisor,” “us,” “we,” or “our”) Franchise Disclosure Document (“FDD”) given to franchisee (“Franchisee,” “you,” or “your”) and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement between you and us dated as of the Effective Date set forth in your franchise Agreement (“Franchise Agreement”). When the term “Franchisor’s Choice of Law State” is used, it means the laws of the state of Florida, subject to any modifications as set forth in the addenda below. When the term “Supplemental Agreements” is used, it means Area Development Agreement.

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

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

#### **CALIFORNIA**

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

California Corporations Code Section 31125 requires us to give to you an FDD approved by the Department of Business Oversight before we ask you to consider a material modification of your Franchise Agreement.

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

The Franchise Agreement and Supplemental Agreements require the application of the law of Franchisor’s Choice of Law State. This provision may not be enforceable under California law.

Neither Franchisor nor any other person listed in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities

Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

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

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

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

Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. Any such provisions contained in the Franchise Agreement or Supplemental Agreements may not be enforceable.

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

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

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

## **HAWAII**

The following is added to the Cover Page:

**THIS FRANCHISE WILL BE/HAS BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED IN THIS FRANCHISE DISCLOSURE DOCUMENT IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO YOU OR SUBFRANCHISOR AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS**

**FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

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

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

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

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

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

## **ILLINOIS**

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

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

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

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

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

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

Under Section 705/27 of the Illinois Franchise Disclosure Act, no action for liability under the Illinois Franchise Disclosure Act can be maintained unless brought before the expiration of three years after the act or transaction constituting the violation upon which it is based, the expiration of one year after you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by the Act, or 90 days after delivery to you of a written notice disclosing the violation,

whichever shall first expire. To the extent that the Franchise Agreement is inconsistent with the Illinois Franchise Disclosure Act, Illinois law will control and supersede any inconsistent provision(s).

## **INDIANA**

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

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

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

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

Indiana Code 23-2-2.7-1(5) prohibits us to require you to agree to a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Act.

The “Summary” column in Item 17.r. of the FDD is deleted and the following is inserted in its place: No competing business for two years within the Territory.

The “Summary” column in Item 17.t. of the FDD is deleted and the following is inserted in its place:

Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.

The “Summary” column in Item 17.v. of the FDD is deleted and the following is inserted in its place:

Litigation regarding Franchise Agreement in Indiana; other litigation in Franchisor’s Choice of Law State. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, is fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The “Summary” column in Item 17.w. of the FDD is deleted and the following is inserted in its place:

Indiana law applies to disputes covered by Indiana franchise laws; otherwise Franchisor’s Choice of Law State law applies.

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Indiana:

1. The laws of the State of Indiana supersede any provisions of the FDD, the Franchise Agreement, or Franchisor’s Choice of Law State law, if such provisions are in conflict with Indiana law.
2. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the Franchise without good cause or in bad faith, good cause being defined under law as including any material breach of the Franchise Agreement, will supersede the provisions of the Franchise Agreement relating to termination for cause, to the extent those provisions may be inconsistent with such prohibition.

3. Any provision in the Franchise Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.

4. The covenant not to compete that applies after the expiration or termination of the Franchise Agreement for any reason is hereby modified to the extent necessary to comply with Indiana Code 23-2-2.7-1 (9).

5. The following provision will be added to the Franchise Agreement:

No Limitation on Litigation. Despite the foregoing provisions of this Agreement, any provision in the Agreement which limits in any manner whatsoever litigation brought for breach of the Agreement will be void to the extent that any such contractual provision violates the Indiana Deceptive Franchise Practices Law.

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

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

## **IOWA**

Any provision in the Franchise Agreement or Compliance Questionnaire which would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Iowa Business Opportunity Promotions Law (Iowa Code Ch. 551A) is void to the extent that such provision violates such law.

The following language will be added to the Franchise Agreement:

### **NOTICE OF CANCELLATION**

\_\_\_\_\_ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within three business days from the above date. If you cancel, any property traded in, any payments made by you under the contract or sale, and any negotiable instrument executed by you will be returned within ten business days following receipt by the seller of your cancellation notice, and any security interest arising out of the transaction will be canceled.

If you cancel, you must make available to the seller at your residence or business address, in substantially as good condition as when received, any goods delivered to you under this contract or sale; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk.

If you do not agree to return the goods to the seller or if the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation.

To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to Hot Chikn Kitchn LLC, PO Box 3566, Sarasota FL 34230 not later than midnight of the third business day after the Effective Date.

I hereby cancel this transaction.

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

Signed: \_\_\_\_\_

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

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

## **MARYLAND**

### **AMENDMENTS TO FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENTS AND AREA DEVELOPMENT AGREEMENT**

Item 17 of the FDD and the Franchise Agreement are amended to state: “The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

Item 17 of the FDD and sections of the Franchise Agreement and Area Development Agreement are amended to state that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the Franchise.

The Franchise Agreement and Franchise Disclosure Questionnaire are amended to state that all representations requiring prospective franchisees to assent to a release, estoppel, or waiver of liability are not intended to, nor shall they act as, a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A Sec. 101 et seq.).

After examination of our financial statements and our duties and obligations to furnish goods and/or services to assist our franchisees in establishing and opening their franchises, the Maryland Securities Division of the Office of the Attorney General has required us to assure our financial capability by posting a surety bond. We have posted a surety bond in the amount of \$60,000 for the benefit of all Maryland residents purchasing a franchise from us.

## **MICHIGAN**

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

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

- (a) A prohibition on your right to join an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which deprives you of rights and protections provided in this act. This shall not preclude you, after entering into a Franchise Agreement, from settling any and all claims.
- (c) A provision that permits us to terminate a Franchise prior to the expiration of its term except for good cause. Good cause shall include your failure to comply with any lawful provision of the Franchise Agreement

and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits us to refuse to renew your Franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the Franchise business are not subject to compensation. This subsection applies only if: (i) the term of the Franchise is less than five years; and (ii) you are prohibited by the Franchise Agreement or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the Franchise or you do not receive at least six months' advance notice of our intent not to renew the Franchise.

(e) A provision that permits us to refuse to renew a Franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside the State of Michigan. This shall not preclude you from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits us to refuse to permit a transfer of ownership of a Franchise, except for good cause. This subdivision does not prevent us from exercising a right of first refusal to purchase the Franchise. Good cause shall include, but is not limited to:

(i) the failure of the proposed transferee to meet our then-current reasonable qualifications or standards.

(ii) the fact that the proposed transferee is a competitor of us or our subfranchisor.

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

(iv) your or proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

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

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

**THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.**

Any questions regarding this notice should be directed to: State of Michigan

Department of Attorney General Consumer Protection Division Attn: Franchise

## **MINNESOTA**

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Minnesota:

1. Any provision in the Franchise Agreement which would require you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22 will be void to the extent that such contractual provision violates such law.
2. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400J prohibit the franchisor from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the FDD or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of Minnesota.
3. Minn. Rule Part 2860.4400J prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. Any provision in the Franchise Agreement which would require you to waive your rights to any procedure, forum or remedies provided for by the laws of the State of Minnesota is deleted from any agreement relating to Franchises offered and sold in the State of Minnesota; provided, however, that this paragraph will not affect the obligation in the Franchise Agreement relating to arbitration.
4. With respect to Franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement; and that consent to the transfer of the Franchise will not be unreasonably withheld.
5. Item 13 of the FDD is hereby amended to state that we will protect your rights under the Franchise Agreement to use the Marks, or indemnify you from any loss, costs, or expenses arising out of any third-party claim, suit or demand regarding your use of the Marks, if your use of the Marks is in compliance with the provisions of the Franchise Agreement and our System standards.
6. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. As a result, the FDD and the Franchise Agreement, which require you to sign a general release prior to renewing or transferring your Franchise, are hereby deleted from the Franchise Agreement, to the extent required by Minnesota law.
7. The following language will appear as a new paragraph of the Franchise Agreement:  
  
No Abrogation. Pursuant to Minnesota Statutes, Section 80C.21, nothing in the dispute resolution section of this Agreement will in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C.
8. Minnesota Statute Section 80C.17 states that no action for a violation of Minnesota Statutes, Sections 80C.01 to 80C.22 may be commenced more than three years after the cause of action accrues. To the extent that the Franchise Agreement conflicts with Minnesota law, Minnesota law will prevail.

9. Item 6 of the FDD and Section 4.9 of the Franchise Agreement is hereby amended to limit the Insufficient Funds Charge to \$30 per occurrence pursuant to Minnesota Statute 60A.113.

## **NEW YORK**

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

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF 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 THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21<sup>ST</sup> FLOOR, NEW YORK, NY 10005, 212-416-8236. 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 added at the end of Item 3:

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

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the Franchise System or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge, or within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunction or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for Franchisee to renew or extend,**" and Item 17(m), entitled "**Conditions for Franchisor approval of transfer:**"

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Section 33 of the General Business law of the State of New York and the

regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

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

You may terminate the agreement on any grounds available by law.

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

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

## **NORTH DAKOTA**

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring that you sign a general release, estoppel or waiver as a condition of renewal and/or assignment may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements relating to choice of law may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to liquidated damages and/or termination penalties may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Item 17(r) of the FDD and Section 12.1 of the Franchise Agreement disclose the existence of certain covenants restricting competition to which Franchisee must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The FDD and the Franchise Agreement are amended accordingly to the extent required by law.

## **OHIO**

The following language will be added to the front page of the Franchise Agreement:

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

Initials \_\_\_\_\_

Date \_\_\_\_\_

### NOTICE OF CANCELLATION

\_\_\_\_\_ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to Hot Chikn Kitchn LLC, PO Box 3566, Sarasota FL 34230 not later than midnight of the fifth business day after the Effective Date.

I hereby cancel this transaction.

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

Franchisee:

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

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

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

### **RHODE ISLAND**

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act." The FDD, the Franchise Agreement, and the Supplemental Agreements are amended accordingly to the extent required by law.

The above language has been included in this FDD as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement and the Supplemental Agreements, including all choice of law provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement, the Supplemental Agreements, and all other documents signed by them, including, but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

### **VIRGINIA**

Item 17(h). The following is added to Item 17(h):

"Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any

provision of the Franchise Agreement or Supplemental Agreements involve the use of undue influence by the Franchisor to induce a franchisee to surrender any rights given to franchisee under the Franchise, that provision may not be enforceable.”

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the FDD for Hot Chikn Kitchn LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 8 and Item 17.h.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

## **WASHINGTON**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor’s reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee’s earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor’s earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

## **WISCONSIN**

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

**[Signatures page follows]**

### **APPLICABLE ADDENDA**

If any one of the preceding Addenda for specific states (“Addenda”) is checked as an “Applicable Addenda” below, then that Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement and any other specified agreement(s) entered into by us and the undersigned Franchisee. To the extent any terms of an Applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement.

☐ California  
☐ Hawaii  
☐ Illinois  
☐ Iowa  
☐ Indiana  
☐ Maryland

☐ Michigan  
☐ Minnesota  
☐ New York  
☐ North Dakota  
☐ Ohio

☐ Rhode Island  
☐ South Dakota  
☐ Virginia  
☐ Washington  
☐ Wisconsin

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

#### **FRANCHISOR:**

HOT CHIKN KITCHN, LLC

Name:

Title:

#### **FRANCHISEE:**

[FRANCHISEE]

Name:

Title:

## **EXHIBIT I**

### **CONTRACTS FOR USE WITH THE HCK HOT CHICKEN FRANCHISE**

The following contracts contained in Exhibit I are contracts that Franchisee is required to utilize or execute after signing the Franchise Agreement in the operation of the HCK Hot Chicken Business. The following are the forms of contracts that Hot Chikn Kitchn LLC uses as of the Issuance Date of this Franchise Disclosure Document. If they are marked “Sample,” they are subject to change at any time.

**EXHIBIT I-1**  
**HCK HOT CHICKEN FRANCHISE**  
**SAMPLE GENERAL RELEASE AGREEMENT**  
**WAIVER AND RELEASE OF CLAIMS**

This Waiver and Release of Claims (“Release”) is made as of [DATE], by [FRANCHISEE], a(n) [STATE ENTITY TYPE] (“Franchisee”), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, “Releasor”) in favor of Hot Chikn Kitchn LLC, a Florida limited liability company (“Franchisor,” and together with Releasor, the “Parties”).

**WHEREAS**, Franchisor and Franchisee have entered into a Franchise Agreement (“Agreement”) pursuant to which Franchisee was granted the right to own and operate a HCK Hot Chicken business;

**WHEREAS**, [Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee/enter into a successor franchise agreement/amend the Agreement] or [the Agreement is being terminated/or indicate other reason for the requirement of this waiver and release], and Franchisor has consented to such [transfer/successor franchise agreement/amendment/termination/other reason]; and

**WHEREAS**, as a condition to Franchisor’s consent to [transfer the Agreement/enter into a successor franchise agreement/amend the Agreement/terminate the Agreement/other reason], Releasor has agreed to execute this Release upon the terms and conditions stated below.

**NOW, THEREFORE**, in consideration of Franchisor’s consent, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows:

1. Representations and Warranties. Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations herein contained, and has not assigned, transferred, or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims, or obligations being terminated and released hereunder. Each individual executing this Release on behalf of Franchisee represents and warrants that he/she is duly authorized to enter into and execute this Release on behalf of Franchisee. Releasor further represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.
2. Release. Releasor and its subsidiaries, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit, and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries, or related companies, divisions, and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, successors and assigns, and attorneys, and the spouses of such individuals (collectively, the “Released Parties”), from any and all claims, liabilities, damages, expenses, actions, or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions, or causes of action directly or indirectly arising out of or relating to the execution and performance of the Agreement and the offer and sale of the franchise related thereto, except to the extent such liabilities are payable by the applicable indemnified party in connection with a third party claim.
3. Nondisparagement. Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit, or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Released Parties, their business, or their reputation.

4. Confidentiality. Releasor agrees to hold in strictest confidence and not disclose, publish, or use the existence of, or any details relating to, this Agreement to any third party without Franchisor's express written consent, except as required by law.

5. Miscellaneous.

a. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that such a discussion with legal counsel has occurred.

b. This Release shall be construed and governed by the laws of the state of Florida.

c. Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor.

d. In the event that it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees.

e. All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders, and the spouses of such individuals, successors, affiliates, and assigns. No other party shall be a third-party beneficiary to this Release.

f. This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all the Parties. This Release may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

g. If one or more of the provisions of this Release shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if such invalid, illegal, or unenforceable provision had not been contained herein.

h. Releasor agrees to do such further acts and things and to execute and deliver such additional agreements and instruments as any Released Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

**[Signatures page follows]**

**IN WITNESS WHEREOF**, Releasor has executed this Release as of the date first written above.

**FRANCHISEE:**

[FRANCHISEE]

**By:**

**Name:**

**Title:**

**Date:**

**FRANCHISEE'S OWNERS:**

*(add more lines signature lines as necessary)*

**Signature:**

**Name:**

**Date:**

**Signature:**

**Name:**

**Date:**

## EXHIBIT I-2

### HCK HOT CHICKEN FRANCHISE

#### SAMPLE SYSTEM PROTECTION AGREEMENT

This System Protection Agreement (“Agreement”) is entered into by the undersigned (“you” or “your”) in favor of Hot Chikn Kitchn LLC, a Florida limited liability company, and its successors and assigns (“us,” “we,” or “our”), upon the terms and conditions set forth in this Agreement.

**1. Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

“*Competitive Business*” means any business that: (i) sells or offers to sell products the same as or similar to the type of products sold by you in and/or from the Franchisee Territory (including, but not limited to, the products we authorize); or (ii) provides or offers to provide services the same as or similar to the type of services sold by you in and/or from the Franchisee Territory (including, but not limited to, the services we authorize), but excludes a HCK Hot Chicken business operating pursuant to a franchise agreement with us.

“*Copyrights*” means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow franchisees to use, sell, or display in connection with the marketing and/or operation of a HCK Hot Chicken business or the solicitation or offer of a HCK Hot Chicken franchise, whether now in existence or created in the future.

“*Franchisee*” means the HCK Hot Chicken franchisee for which you are a manager or officer.

“*Franchisee Territory*” means the territory granted to you pursuant to a franchise agreement with us.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a HCK Hot Chicken business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

“*Manual*” means our confidential operations manual for the operation of a HCK Hot Chicken business, which may be periodically modified by us.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a HCK Hot Chicken business, including “HCK HOT CHICKEN,” and any other trademarks, service marks, or trade names that we designate for use by a HCK Hot Chicken business. The term “Marks” also includes any distinctive trade dress used to identify a HCK Hot Chicken business, whether now in existence or hereafter created.

“*Prohibited Activities*” means any or all of the following: (i) owning, operating, or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent, or in any similar capacity) in a Competitive Business (other than owning an interest of five percent (5%) or less in a publicly-traded company that is a Competitive Business); and (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees).

“*Restricted Period*” means the two-year period after you cease to be a manager or officer of Franchisee’s HCK Hot Chicken business; provided, however, that if a court of competent jurisdiction determines that

this period of time is too long to be enforceable, then the “Restricted Period” means the one-year period after you cease to be a manager or officer of Franchisee’s HCK Hot Chicken business.

“*Restricted Territory*” means the geographic area within: (i) a 25-mile radius from Franchisee’s HCK Hot Chicken business (and including the premises of the approved location of Franchisee); and (ii) a 25-mile radius from all other HCK Hot Chicken businesses that are operating or under construction as of the beginning of the Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the “Restricted Territory” means the geographic area within a 12.5-mile radius from Franchisee’s HCK Hot Chicken business (and including the premises of the approved location of Franchisee).

“*System*” means our system for the establishment, development, operation, and management of a HCK Hot Chicken business, including Know-how, proprietary programs and products, Manual, and operating system.

**2. Background.** You are a manager or officer of Franchisee. As a result of this relationship, you may gain knowledge of our System. You understand that protecting the Intellectual Property and our System are vital to our success and that of our franchisees and that you could seriously jeopardize our entire System if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

**3. Know-How and Intellectual Property.** You agree: (i) you will not use the Know-how in any business or capacity other than the HCK Hot Chicken business operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer a manager or officer of Franchisee’s HCK Hot Chicken business. You further agree that you will not use all or part of the Intellectual Property or all or part of the System for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee. These restrictions on Know-how, Intellectual Property and the System shall not apply to any information which is information publicly known or becomes lawfully known in the public domain other than through a breach of this Agreement or is required or compelled by law to be disclosed, provided that you will give reasonable notice to us to allow us to seek protective or other court orders.

**4. Unfair Competition During Relationship.** You agree not to unfairly compete with us at any time while you are a manager or officer of Franchisee’s HCK Hot Chicken business by engaging in any Prohibited Activities.

**5. Unfair Competition After Relationship.** You agree not to unfairly compete with us during the Restricted Period by engaging in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within or provides competitive goods or services to customers who are located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the Prohibited Activity.

**6. Immediate Family Members.** You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, grandparent or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family: (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities; or (ii) uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.

**7. Covenants Reasonable.** You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE, OR OTHERWISE UNENFORCEABLE.**

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

**9. Miscellaneous.**

a. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorneys' fees and costs in doing so.

b. This Agreement will be governed by, construed, and enforced under the laws of the state of Florida, and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

c. Each section of this Agreement, including each subsection and portion thereof, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration, and geographic area.

d. You and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration, and geographic area. However, we may at any time unilaterally modify the terms of this Agreement upon written notice to you by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory, and/or reducing the scope of any other covenant imposed upon you under this Agreement to ensure that the terms and covenants in this Agreement are enforceable under applicable law.

EXECUTED on the date stated below.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name

Date:

### EXHIBIT I-3

## HCK HOT CHICKEN FRANCHISE

### SAMPLE CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (“Agreement”) is entered into by the undersigned (“you”) in favor of Hot Chikn Kitchn LLC, a Florida limited liability company, and its successors and assigns (“us”), upon the terms and conditions set forth in this Agreement.

**1. Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

“*Copyrights*” means all works and materials for which we or our affiliate(s) have secured common law or registered copyright protection and that we allow HCK Hot Chicken franchisees to use, sell, or display in connection with the marketing and/or operation of a HCK Hot Chicken Business, whether now in existence or created in the future.

“*HCK Hot Chicken Business*” means a business that features Nashville hot chicken tenders and sandwiches with made-to-order spices and related food and drink items in a fun, fast-casual restaurant format and other related products and services using our Intellectual Property.

“*Franchisee*” means the HCK Hot Chicken franchisee for which you are an employee, independent contractor, agent, representative, or supplier.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, Manual, and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a HCK Hot Chicken Business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

“*Manual*” means our confidential operations manual for the operation of a HCK Hot Chicken Business.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a HCK Hot Chicken Business, including “HCK HOT CHICKEN” and any other trademarks, service marks, or trade names that we designate for use by a HCK Hot Chicken Business. The term “Marks” also includes any distinctive trade dress used to identify a HCK Hot Chicken Business, whether now in existence or hereafter created.

“*System*” means our system for the establishment, development, operation, and management of a HCK Hot Chicken Business, including Know-how, proprietary programs and products, confidential operations manuals, and operating system.

**2. Background.** You are an employee, independent contractor, agent, representative, or supplier of Franchisee. Because of this relationship, you may gain knowledge of our Intellectual Property. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees, and that you could seriously jeopardize our entire Franchise System if you were to use such Intellectual Property in any way other than as described in this Agreement. In order to avoid such damage, you agree to comply with this Agreement.

**3. Know-How and Intellectual Property: Nondisclosure and Ownership.** You agree:

(i) you will not use the Intellectual Property in any business or capacity other than for the benefit of the HCK Hot Chicken Business operated by Franchisee or in any way detrimental to us or to the Franchisee;

(ii) you will maintain the confidentiality of the Intellectual Property at all times; (iii) you will not make unauthorized copies of documents containing any Intellectual Property; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Intellectual Property; and (v) you will stop using the Intellectual Property immediately if you are no longer an employee, independent contractor, agent, representative, or supplier of Franchisee. You further agree that you will not use the Intellectual Property for any purpose other than the performing your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

The Intellectual Property is and shall continue to be the sole property of Hot Chikn Kitchn LLC. You hereby assign and agree to assign to us any rights you may have or may acquire in such Intellectual Property. Upon the termination of your employment or engagement with Franchisee, or at any time upon our or Franchisee's request, you will deliver to us or to Franchisee all documents and data of any nature pertaining to the Intellectual Property, and you will not take with you any documents or data or copies containing or pertaining to any Intellectual Property.

**4. Immediate Family Members.** You acknowledge you could circumvent the purpose of this Agreement by disclosing Intellectual Property to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Intellectual Property to family members. Therefore, you agree you will be presumed to have violated the terms of this Agreement if any member of your immediate family uses or discloses the Intellectual Property. However, you may rebut this presumption by furnishing evidence conclusively showing you did not disclose the Intellectual Property to the family member.

**5. Covenants Reasonable.** You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE, OR OTHERWISE UNENFORCEABLE.**

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

**7. Miscellaneous.**

a. Although this Agreement is entered into in favor of Hot Chikn Kitchn LLC, you understand and acknowledge that your employer/employee, independent contractor, agent, representative, or supplier relationship is with Franchisee and not with us, and for all purposes in connection with such relationship, you will look to Franchisee and not to us.

b. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorney fees and costs in doing so.

c. This Agreement will be governed by, construed, and enforced under the laws of the state of Florida,

and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

d. Each section of this Agreement, including each subsection and portion, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms enforceable.

EXECUTED on the date stated below.

---

Signature

---

Typed or Printed Name

Date:

**EXHIBIT I-4**

**AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM**

**Franchisee Information:**

Franchisee Name

Business No.

Franchisee Mailing Address (street)

Franchisee Phone No.

Franchisee Mailing Address (city, state, zip)

Contact Name, Address and Phone number (if different from above)

Franchisee Email Address

**Bank Account Information:**

Bank Name

Bank Mailing Address (street, city, state, zip)

Checking or Savings

Bank Account No.

Bank Routing No. (9 digits)

Bank Mailing Address (city, state, zip)

Bank Phone No.

**Authorization:**

Franchisee hereby authorizes Hot Chikn Kitchn LLC (“Franchisor”) to initiate debit entries to Franchisee’s account with the Bank listed above, and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee’s account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

**[Signature Page Follows]**

**[FRANCHISEE]:**

Signature:

Printed Name:

Its:

Federal Tax ID Number:

Date:

**NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.**

**EXHIBIT I-5**

**CREDIT CARD AUTHORIZATION FORM**

**CREDIT CARD AUTHORIZATION**

This Credit Card Authorization (this “Authorization”) is entered into as of the date signed below by the undersigned credit card account owner (“Owner”). Owner agrees that Hot Chikn Kitchn LLC (“HCK”) may charge (in HCK’s sole discretion) the account(s) listed below for payment of fees, interest charges, past due fees or other charges owed to HCK or HCK’s approved supplier (as specified below), as follows:

1. Owner authorizes HCK to charge Owner’s account(s), as listed below, for Continuing Royalties, Brand Fund Contributions, technology fees, training and certification fees, convention fees, inspection and evaluation fees, late fees, interest charges, past due fees, and other fees and charges owed by Owner or a company controlled by Owner to HCK or an approved supplier of HCK under any agreement between the parties.

Type of Credit Card:            \_\_\_\_\_ VISA    \_\_\_\_\_ MASTERCARD

Credit Issuer:

Billing Address:

Account Number:

Expiration Date:

Current Credit Limit: \$

Type of Credit Card:            \_\_\_\_\_ VISA    \_\_\_\_\_ MASTERCARD

Credit Issuer:

Billing Address:

Account Number:

Expiration Date:

Current Credit Limit: \$

2. Owner agrees that this Authorization will remain in effect for each HCK Franchise Agreement of Owner, or a company controlled by Owner, throughout the duration of the applicable Franchise Agreement, unless HCK agrees to an earlier termination of this Authorization. Owner agrees not to revoke any Authorization prior to the termination of the applicable Franchise Agreement, without prior written consent of HCK. Owner agrees that the credit card issuer cannot cancel this Authorization without receiving written consent from HCK.

3. Owner agrees to maintain, at all times, sufficient available credit in each account covered by this Authorization to pay all due amounts and associated charges, as listed above, but, in any event the available credit on each account will not be less than \$10,000.00. Owner shall notify HCK of the expiration, termination, or any other change in its account(s) covered by this Agreement, within one business day of the change, providing new account numbers and other information requested by HCK. Owner agrees to execute a new Authorization within three business days after receipt of a new Authorization form from



HCK.

4. Owner agrees that HCK may charge Owner's account(s) listed above, as applicable, whenever fees owed by Owner, or a company controlled by Owner, are past due, as follows:

5. HCK may charge Owner's credit card account(s) for the amount of all Continuing Royalties, Brand Fund Contributions, technology fees, training and certification fees, convention fees, inspection and evaluation fees, late fees, interest charges, past due fees, and other fees and charges owed by Owner or a company controlled by Owner to HCK each time Owner, or a company controlled by Owner, does not otherwise pay its fees when due or an EFT payment by Owner is unsuccessful.

6. HCK may charge the following "Late Fee" and interest to Owner's credit card account, with or apart from the actual Continuing Royalties, Brand Fund Contributions, technology fees, training and certification fees, convention fees, inspection and evaluation fees, and other fees and charges as specified above. The Late Fee is \$100 per incident. If any payment required to be made by Owner to HCK under a Franchise Agreement is past due, HCK may also charge Owner's account(s) interest on the past due amount at the lesser of the daily equivalent of 12% per year simple interest or the highest rate allowed by law, accruing from the date of the default.

7. HCK may charge Owner a service charge of up to four percent of the total charge for any payment made by Owner or a company controlled by Owner to HCK under this Authorization.

8. HCK may bill Owner directly for any amounts owed by Owner, or a company controlled by Owner, to HCK for which HCK does not charge Owner's account(s) under this Authorization.

9. A company is considered to be "controlled by Owner" if Owner is a guarantor of a Franchise Agreement between the company and HCK; or if Owner has a 10 percent or greater shareholder, partnership, or member interest in the company, or is the sole proprietor of the company.

10. Owner agrees to execute any other documents required by any credit card processing company, any credit card issuer, any other entity, or by law, as necessary to enable HCK to exercise the rights granted to it by this Authorization.

11. All capitalized terms not defined in this Authorization are defined as in the applicable Franchise Agreement between HCK and Owner.

OWNER:

By:

Name:

Title:

Date:

## **EXHIBIT I-6**

### **HCK HOT CHICKEN FRANCHISE**

#### **SAMPLE APPROVAL OF REQUESTED ASSIGNMENT**

This Approval of Requested Assignment ("Agreement") is entered into as of the date signed below, between HCK Hot Chicken ("Franchisor"), a Florida limited liability company, [FORMER FRANCHISEE] ("Former Franchisee"), the undersigned owners of Former Franchisee ("Owners") and [NEW FRANCHISEE], a [STATE ENTITY TYPE] ("New Franchisee").

#### **RECITALS**

WHEREAS, Franchisor and Former Franchisee entered into that certain franchise agreement dated [FRANCHISE AGREEMENT DATE] ("Former Franchise Agreement"), in which Franchisor granted Former Franchisee the right to operate a HCK Hot Chicken franchise located at [BUSINESS ADDRESS] ("Franchised Business"); and

WHEREAS, Former Franchisee desires to assign ("Requested Assignment") the Franchised Business to New Franchisee, New Franchisee desires to accept the Requested Assignment of the Franchised Business from Former Franchisee, and Franchisor desires to approve the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon the terms and conditions contained in this Agreement, including that New Franchisee sign Franchisor's current form of franchise agreement together with all exhibits and attachments thereto ("New Franchise Agreement"), contemporaneously herewith.

NOW, THEREFORE, in consideration of the mutual covenants, promises, and agreements herein contained, the parties hereto hereby covenant, promise, and agree as follows:

1. **Payment of Fees.** In consideration for the Requested Assignment, Former Franchisee acknowledges and agrees to pay Franchisor the Transfer Fee, as required under the Franchise Agreement ("Franchisor's Assignment Fee").
2. **Assignment and Assumption.** Former Franchisee hereby consents to assign all of its rights and delegate its duties with regard to the Former Franchise Agreement and all exhibits and attachments thereto from Former Franchisee to New Franchisee, subject to the terms and conditions of this Agreement, and conditioned upon New Franchisee's signing the New Franchise Agreement pursuant to Section 5 of this Agreement.
3. **Consent to Requested Assignment of Franchised Business.** Franchisor hereby consents to the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon receipt of the Franchisor's Assignment Fee from Former Franchisee and the mutual execution of this Agreement by all parties. Franchisor waives its right of first refusal set forth in the Former Franchise Agreement and waives any obligation for Former Franchisee to enter into a subordination agreement pursuant to the Former Franchise Agreement.
4. **Termination of Rights to the Franchised Business.** The parties acknowledge and agree that effective upon the date of this Agreement, the Former Franchise Agreement shall terminate and all of Former Franchisee's rights to operate the Franchised Business are terminated and that from the date of this Agreement only New Franchisee shall have the sole right to operate the Franchised Business under the New Franchise Agreement. Former Franchisee and the undersigned Owners agree to comply with all of the covenants in the Former Franchise Agreement that expressly or by implication survive the termination, expiration, or transfer of the Former Franchise Agreement. Unless otherwise precluded by state law, Former Franchisee shall execute Franchisor's current form of General Release Agreement.

5. New Franchise Agreement. New Franchisee shall execute the New Franchise Agreement for the Franchised Business (as amended by the form of Addendum prescribed by Franchisor, if applicable), and any other required contracts for the operation of a HCK Hot Chicken franchise as stated in Franchisor's Franchise Disclosure Document.
6. Former Franchisee's Contact Information. Former Franchisee agrees to keep Franchisor informed of its current address and telephone number at all times during the three-year period following the execution of this Agreement.
7. Acknowledgement by New Franchisee. New Franchisee acknowledges and agrees that the purchase of the rights to the Franchised Business ("Transaction") occurred solely between Former Franchisee and New Franchisee. New Franchisee also acknowledges and agrees that Franchisor played no role in the Transaction and that Franchisor's involvement was limited to the approval of Requested Assignment and any required actions regarding New Franchisee's signing of the New Franchise Agreement for the Franchised Business. New Franchisee agrees that any claims, disputes, or issues relating New Franchisee's acquisition of the Franchised Business from Franchisee are between New Franchisee and Former Franchisee, and shall not involve Franchisor.
8. Representation. Former Franchisee warrants and represents that it has not heretofore assigned, conveyed, or disposed of any interest in the Former Franchise Agreement or Franchised Business. New Franchisee hereby represents that it received Franchisor's Franchise Disclosure Document and did not sign the New Franchise Agreement or pay any money to Franchisor or its affiliate for a period of at least 14 calendar days after receipt of the Franchise Disclosure Document.
9. Notices. Any notices given under this Agreement shall be in writing, and if delivered by hand, or transmitted by U.S. certified mail, return receipt requested, postage prepaid, or via telegram or telefax, shall be deemed to have been given on the date so delivered or transmitted, if sent to the recipient at its address or telefax number appearing on the records of the sending party.
10. Further Actions. Former Franchisee and New Franchisee each agree to take such further actions as may be required to effectuate the terms and conditions of this Agreement, including any and all actions that may be required or contemplated by the Former Franchise Agreement.
11. Affiliates. When used in this Agreement, the term "Affiliates" has the meaning as given in Rule 144 under the Securities Act of 1933.
12. Miscellaneous. This Agreement may not be changed or modified except in a writing signed by all of the parties hereto. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same document. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.
13. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the state of Florida.

**IN WITNESS WHEREOF**, the parties have executed this Agreement under seal, with the intent that this be a sealed instrument, as of the day and year first above written.

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

**FRANCHISOR:**

HOT CHIKN KITCHN, LLC

Name:

Title:

**FORMER FRANCHISEE:**

FRANCHISEE

Name:

Title:

**NEW FRANCHISEE**

FRANCHISEE

Name:

Title:

## **EXHIBIT L-7**

### **HCK HOT CHICKEN FRANCHISE**

#### **LEASE ADDENDUM**

This Addendum to Lease (“**Addendum**”), dated as of the date signed below, is entered into by and between [LANDLORD] (“**Landlord**”), [TENANT] (“**Tenant**”) and Hot Chikn Kitchn LLC (“**Franchisor**”), collectively referred to herein as the “**Parties**”.

A. Landlord and Tenant have entered into a certain Lease Agreement dated [LEASE DATE], and pertaining to the premises located at [BUSINESS ADDRESS] (“**Lease**”).

B. Landlord acknowledges that Tenant intends to operate a franchised business from the leased premises (“**Premises**”) pursuant to a Franchise Agreement (“**Franchise Agreement**”) with Franchisor under Franchisor’s trademarks and other names designated by Franchisor (herein referred to as “**Franchised Business**” or “**Franchise Business**”).

C. The parties now desire to supplement the terms of the Lease in accordance with the terms and conditions contained herein.

**NOW, THEREFORE**, it is hereby mutually covenanted and agreed among the Parties as follows:

1. Use of the Premises. During the term of the Franchise Agreement, the Premises shall be used only for the operation of the Franchised Business.

2. Franchise System. Landlord hereby consents to Tenant’s use of such proprietary marks, signs, interior and exterior décor items, color schemes and related components of the Franchised Business required by Franchisor. Tenant’s use of such items shall at all times be in compliance with all applicable laws, ordinances, rules, and regulations of governmental authorities having jurisdiction over the Premises.

3. Assignment. Tenant shall have the right, without further consent from Landlord, to sublease or assign all of Tenant’s right, title, and interest in the Lease to an assignee of the Tenant or the Franchised Business (“**Franchise Assignee**”) at any time during the term of the Lease, including any extensions or renewals thereof. If Tenant fails to timely cure any default under either the Lease or the Franchise Agreement, Franchisor or a Franchise Assignee that Franchisor designates, will, at its option, have the right, but not the obligation, to take an assignment of Tenant’s interest under the Collateral Assignment of Lease or other form of assignment and assumption document reasonably acceptable to Landlord, provided such Franchise Assignee cures a default of the Lease no later than ten days following the end of Tenant’s cure period. No assignment shall be effective until: (i) a Franchise Assignee gives Landlord written notice of its acceptance of the assignment and assumption of the Lease; and (ii) Tenant or the Franchise Assignee has cured all material defaults of the Lease for which it has received notice from Landlord. Nothing contained herein or in any other document shall create any obligation or liability of Franchisor, any Franchise Assignee, or guarantor thereof under the Lease unless and until the Lease is assigned to, and accepted in writing by a Franchise Assignee. In the event of any assignment or purported assignment under this Addendum, Tenant shall remain liable under the terms of the Lease and the assignee or subtenant shall retain all of the Tenant’s rights granted in the Lease including without limitation: (x) any grant of a protected territory or use exclusivity; and (y) the renewal or extension of the Lease term. With respect to any assignment proposed or consummated under this Addendum, Landlord hereby waives any rights it may have to: (A) recapture the Premises; (B) terminate the Lease; or (C) modify any terms or conditions of the Lease. If Franchisor accepts an assignment and assumes the Lease under this section, Franchisor shall have the right to further sublet or reassign the Lease to another Franchise Assignee without Landlord’s consent in which event Franchisor shall be released from any obligation or liability under the Lease. As used in this Addendum, “**Franchise Assignee**” means: (i) Franchisor or Franchisor’s parent, subsidiary, or affiliate; or (ii) any franchisee of Franchisor or of Franchisor’s parent, subsidiary, or affiliate.

4. Default and Notice.

a. If Tenant defaults on or breaches the Lease and Landlord delivers a notice of default to Tenant, Landlord shall contemporaneously send a copy of such default notice to Franchisor. Franchisor shall have the right, but not the obligation, to cure the default during Tenant's cure period plus an additional ten (10) day period. Franchisor will notify Landlord whether it intends to cure the default prior to the end of Tenant's cure period.

b. All notices to Franchisor shall be sent by registered or certified mail, postage prepaid, to the following address:

Hot Chikn Kitchn LLC  
PO Box 3566  
Sarasota FL 34230

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

c. Tenant and Landlord agree not to terminate, or materially amend the Lease during the term of the Franchise Agreement or any renewal thereof without Franchisor's prior written consent. Any attempted termination, or material amendment shall be null and void and have no effect as to Franchisor's interests thereunder; and a clause to the effect shall be included in the Lease.

5. Termination or Expiration.

a. If Franchisor does not elect to take an assignment of the Tenant's interest, Landlord will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Landlord, to remove all signs, awnings, and all other items identifying the Premises as a Franchised Business and to make other modifications (such as repainting) as are reasonably necessary to protect the Franchisor's trademarks and franchise system and to distinguish the Premises from a Franchised Business provided that Franchisor repairs any damage caused to the Premises by exercise of its rights hereunder.

b. If any Franchise Assignee purchases any assets of Tenant, Landlord shall permit such Franchise Assignee to remove all the assets being purchased, and Landlord waives any lien rights that Landlord may have on such assets.

6. Consideration; No Liability.

a. Landlord acknowledges that the Franchise Agreement requires Tenant to receive Franchisor's approval of the Lease prior to Tenant executing the Lease and that this Addendum is a material requirement for Franchisor to approve the Lease. Landlord acknowledges Tenant would not lease the Premises without this Addendum. Landlord also hereby consents to the Collateral Assignment of Lease from Tenant to Franchisor as evidenced by Attachment 1.

b. Landlord further acknowledges that Tenant is not an agent or employee of Franchisor, and Tenant has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any Franchise Assignee, and that Landlord has entered into this with full understanding that it creates no duties, obligations, or liabilities of or against any Franchise Assignee.

7. Amendments. No amendment or variation of this Addendum shall be valid unless made in writing and signed by the Parties hereto.

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

**IN TESTIMONY WHEREOF**, witness the signatures of the Parties hereto as of the day, month, and year first written above.

**FRANCHISOR**

HOT CHIKN KITCHN, LLC

Name:

Title:

**TENANT**

FRANCHISEE

Name:

Title:

**LANDLORD**

By:

Name:

Title

**EXHIBIT I-7**

**ATTACHMENT 1 TO LEASE ADDENDUM**

**COLLATERAL ASSIGNMENT OF LEASE**

FOR VALUE RECEIVED, as of the date signed below (“**Effective Date**”), the undersigned, [ASSIGNOR] (“**Assignor**”) hereby assigns, transfers andsets over unto [ASSIGNEE] (“**Assignee**”) all of Assignor’s right, title, and interest astenant, in, to and under that certain lease, a copy of which is attached hereto as Exhibit A (“**Lease**”) with respect to the premises located at [BUSINESS ADDRESS]. This Collateral Assignment of Lease (“**Assignment**”) is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment unless Assignee expressly assume the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein, and that Assignor has not previously, and is not obligated to, assign or transfer any of its interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under that certain franchise agreement for a franchise between Assignee and Assignor (“**Franchise Agreement**”), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered, in Assignee’s sole discretion, to: (i) cure Assignor’s default of the Lease; take possession of the premises demised by the Lease; (iii) expel Assignor from the premises, either temporarily or permanently; (iv) terminate Assignee’s rights, title, and interest in the Lease; and/or (v) assume the Lease. If Assignee expends sums to cure a default of the Lease, Assignor shall promptly reimburse Assignee for the cost incurred by Assignee in connection with such performance, together with interest thereon at the rate of two percent (2%) per month, or the highest rate allowed by law.

Assignor agrees it will not suffer or permit any surrender, termination, amendment, or modification of the Lease without the prior written consent of Assignee. Through the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than 30 days before the last day that said option must be exercised, unless Assignee otherwise agrees in writing. Upon failure of Assignee to otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as stated herein, Assignor hereby irrevocably appoints Assignee as its true and lawful attorney-in-fact, which appointment is coupled with an interest to exercise the extension or renewal options in the name, place, and stead of Assignor for the sole purpose of effecting the extension or renewal.

**[Signature page follows]**

**IN WITNESS WHEREOF**, Assignor and Assignee have signed this Collateral Assignment of Lease as of the Effective Date written below.

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

**ASSIGNOR**

By:

Name:

Title:

**ASSIGNEE**

By:

Name:

Title:

## **EXHIBIT I-8**

### **HCK HOT CHICKEN FRANCHISE**

#### **NON-TRADITIONAL LOCATION ADDENDUM TO FRANCHISE AGREEMENT**

THIS NON-TRADITIONAL RESTAURANT LOCATION ADDENDUM ("**Addendum**") is entered into on the date set forth in Attachment A between Hot Chikn Kitchn LLC, a Florida limited liability company ("**Franchisor**"), and the franchisee identified on the signature page of this Addendum ("**Franchisee**").

#### **RECITALS**

A. Franchisor and Franchisee have entered that certain HCK Hot Chicken franchise agreement of even date herewith ("**Franchise Agreement**"), pursuant to which Franchisee will operate a HCK Hot Chicken franchise in a Non-Traditional Venue.

B. Franchisor and Franchisee desire to amend the terms of the Franchise Agreement to incorporate certain terms of this Addendum into the Franchise Agreement. Capitalized terms not defined in this Addendum shall have the meanings set forth in the Franchise Agreement.

#### **AGREEMENT**

NOW, THEREFORE, in consideration of the mutual covenants and promises of the parties and subject to the following terms and conditions, it is agreed as follows:

1. **NON-TRADITIONAL VENUE.** Franchisee desires to operate a HCK Hot Chicken restaurant located in a Non-Traditional Venue (a "**Non-Traditional Restaurant**"). Except for Sections 2.3, 8.3.1, 8.3.3, 9.3.2, 9.4.1, 11.8, 12.1.2, 12.2.1, 13.2.3(f) and 13.2.3(i) of the Franchise Agreement, the final reference in Section 9.7.2, as used in the definitions of "**Competitive Activities**," "**Crisis Management Event**," "**Restaurant**," "**System**" and "**Traditional Restaurant**" in Appendix 1 to the Franchise Agreement, and except as otherwise provided in this Addendum, all references in the Agreement to the defined term "Restaurant" are deleted and the reference "Non-Traditional Restaurant" is inserted in their place. Franchisor and Franchisee acknowledge and agree that the products and services offered for sale from the Non-Traditional Restaurant, and the standards and specifications of Franchisor and its affiliates, may differ from that of a traditional HCK Hot Chicken Restaurant and will be subject to alternative standards and specifications developed and made available by Franchisor and its affiliates.

2. **PREMISES.** The following is hereby added as a new Section 2.5 to the Franchise Agreement:

"2.5 **Host Facility.** If indicated in Attachment A to the Non-Traditional Addendum to this Franchise Agreement, the Non-Traditional Restaurant shall be located within or adjacent to a host facility ("Host Facility") which is described in Attachment A thereto. If the placement and operation of the Non-Traditional Restaurant in or in connection with the Host Facility requires the consent of the owner, franchisor, and/or licensor of the Host Facility, Franchisee agrees to obtain such consent in writing (and provide a copy thereof to Franchisor), and Franchisee acknowledges and agrees that such consent is a condition precedent to the grant of Franchisee's right to establish and operate the Non-Traditional Restaurant. Franchisee acknowledges and agrees that the Location will be strictly limited to the physical area within the Host Facility occupied by the Non-Traditional Restaurant. The "Location" cannot and will not under any circumstances be defined as a geographic area or be described in terms other than a specific location within the Host Facility. During the term of this Agreement, the Location shall be used exclusively to operate a Non-Traditional Restaurant. During the term of this Agreement, Franchisee may not relocate the Location within the Host Facility. If the Non-Traditional Location is within a Host Facility, Franchisor has approved the location and facility identified on Attachment A to the Non-Traditional Addendum. Franchisee acknowledges and warrants that Franchisor's approval of the Location, and the Host Facility

does not constitute a guarantee, recommendation, or endorsement of the Location or Host Facility and that the success of the Non-Traditional Restaurant to be operated at the Location within the Host Facility depends upon Franchisee's abilities as an independent businessperson."

3. **OPERATING PRINCIPAL.** The definition of Operating Principal in Section 1.1 of the Franchise Agreement is hereby amended and restated as follows:

"a person, or such other individual hereafter designated by Franchisee, and accepted by Franchisor (and until subsequently disapproved by Franchisor), to serve as the prime representative in matters concerning the Franchisor's brand requirements under this Agreement. Operating Principals are Franchisee's designated employees who will complete the training required by Franchisor. They shall be full-time employees at the Premises but shall not be required to remain solely at the Franchised Restaurant."

4. **INITIAL TRAINING.** Section 6.1.1 of the Franchise Agreement is hereby amended and restated as follows:

"Franchisor shall provide an Initial Training Program in the Franchisor's System and methods of operation (the "Initial Training Program") at the Franchisor's training facilities in Woodbridge, VA, or other location specified by Franchisor, for Franchisee (or if Franchisee is an Entity, Franchisee's Operating Principal) and up to three management persons selected by Franchisee. In addition to the Initial Training Program, Franchisee's Operating Principal and, if applicable, Director of Operations (defined in Section 7.2.5) must also attend the extra practice week training program at least 60 days before your Non-Traditional Restaurant opens for business (the "Extra Practice Week") and online training. Except as otherwise provided, the Initial Training Program and the Extra Practice Week shall be provided by Franchisor prior to the opening of the Franchised Restaurant and must be completed before the Franchised Restaurant opens to the public. Franchisee shall pay all Travel Expenses and Wages, and other expenses, if any, incurred by Franchisee and/or Franchisee's employees in connection with attendance at training programs. Franchisee may not open the Franchised Restaurant until such training has been completed to the satisfaction of Franchisor and Franchisee's management team has been certified by Franchisor. All personnel attending training must have first successfully completed the "ServSafe Manager" program or similar program specified by Franchisor. Franchisee's Operating Principal must attend a third week of extra practice training."

Section 6.5 of the Franchise Agreement is hereby amended and restated as follows:

"Franchisee must have at least one certified Restaurant Manager ("**Restaurant Manager**") on staff. The Restaurant Manager may be the Operating Principal. If Franchisee operates multiple restaurants at the Non-Traditional Venue, the Restaurant Manager may not serve or work for any other restaurants or operations of Franchisee except for the Non-Traditional Restaurant."

5. **OPERATING PRINCIPAL AND MANAGER.** Section 7.2.1 of the Franchise Agreement is hereby amended and restated as follows:

"The Operating Principal shall be principally responsible for communicating and coordinating with Franchisor regarding business, operational and other ongoing matters concerning this Agreement and the Franchised Restaurant. The Operating Principal shall have the full authority to act on behalf of Franchisee in regard to performing and administering the day-to-day operations under this Agreement. The Operating Principal shall, during the entire period he or she serves as such, meet the following qualifications: (a) unless otherwise agreed in writing, shall devote his/her time and best efforts to the operation of the Franchised Restaurant; (b) meet Franchisor's educational, experience, and other reasonable criteria for such position, as set forth in the Brand Standards Manual or otherwise in writing by Franchisor; and (c) be an individual acceptable to Franchisor. The Operating Principal must be approved by Franchisor in writing. The Operating Principal shall be responsible for all actions necessary to ensure that the Franchised Restaurant is operated in compliance with this Agreement and the Brand Standards Manual. If during the Term the Operating Principal is not able to continue to serve in such capacity or no longer qualifies to act as such in accordance with this Section (including Franchisor's subsequent disapproval of such person),

Franchisee shall promptly notify Franchisor of such occurrence. Thereafter, Franchisee shall promptly, but not later than 30 days after the prior Operating Principal ceases to serve Franchisee, designate a replacement operating principal who meets Franchisor's then-current qualification requirements, provide Franchisor with such information about such new Operating Principal as Franchisor may request, and cause such replacement Operating Principal to undergo, at Franchisee's cost, such training as Franchisor may require."

Section 7.2.3 of the Franchise Agreement is hereby amended and restated as follows:

"Franchisee shall ensure that the operation of the Franchised Restaurant is always under the direct control of the Operating Principal. At all times that the Franchised Restaurant is open, the Franchised Restaurant shall be managed by a person that has successfully completed training and has successfully completed the ServSafe course and such other courses and training as may be specified by Franchisor and/or required by Applicable Law. Each such Operating Principal shall be primarily dedicated to the operation of the Non-Traditional Restaurant to which the person is assigned. Franchisee shall supervise, direct and be responsible for in all respects, the activities and performance of all Operating Principals and other employees of franchise and shall ensure compliance with the Brand Standards Manual and otherwise. Franchisor will not have the power to hire or fire Franchisee's employees and/or independent contractors. Franchisee expressly agrees that Franchisor's authority under this Agreement to certify certain of Franchisee's employees for qualification to perform certain functions or operations for the Franchised Restaurant does not directly or indirectly vest in Franchisor the power to hire, fire, or control any such employee or independent contractor. Franchisee alone is responsible for all employment decisions and functions of its Franchised Restaurant, including, without limitation, those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision, and discipline of employees, regardless of whether Franchisee has received advice from Franchisor on these subjects or not. All employees or independent contractors hired by or working for Franchisee will be Franchisee's employees or independent contractors alone and will not, for any purpose, be deemed Franchisor's employees or subject to Franchisor's control, including with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied, or fixed by any city, state or federal governmental agency. Franchisor will have no liability for any action or settlement related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision, and discipline of employees and Franchisee agrees to indemnify Franchisor for any such liabilities it incurs. Franchisee agrees that any direction Franchisee receives from Franchisor regarding employment policies should be considered as examples, that Franchisee alone is responsible for establishing and implementing Franchisee's own policies, and that Franchisee understands that Franchisee should do so in consultation with local legal counsel well-versed in employment law."

6. **COMPUTER SYSTEMS.** Section 7.3.1 of the Franchise Agreement is hereby amended and restated as follows:

"Franchisor acknowledges and agrees that the point-of-sale system and associated software ("POS System") used at the Site shall be that of Franchisee or its client. The Information Systems must always be connected to one or more high-speed communications media specified by Franchisor and be capable of accessing the Internet. Franchisee must electronically link the Information Systems to Franchisor or its designee. Franchisee must, at its sole cost and expense: effect the Polling (as hereinafter defined) operation at such time or times as may be required by Franchisor, but Franchisor may itself initiate Polling whenever it deems appropriate; (b) permit Franchisor or its agents to Poll any information contained in the POS System at any time; (c) permit Franchisor or its agent to obtain all of the information referenced in this Section that may be in the possession of any third party vendor from whom Franchisee obtained an approved POS System; and (d) if required by Franchisor, download the information referenced in this Section into machine readable information compatible with the system operated by Franchisor or its agents and to deliver that information to Franchisor by such method and within such timescale as Franchisor reasonably requires. For purposes of this Agreement, the term "Polling" means any process acceptable to Franchisor by which information or data about the Franchised Restaurant may be transmitted to or from a POS System or other system operated by Franchisee or its agent into a computer or system operated by Franchisor or its

agents in the manner and format prescribed by Franchisor from time to time. For the avoidance of doubt, Franchisor may Poll for information including, without limitation, daily sales data, daily transaction level data, sales per visit and products and combination of products sold, otherwise known as product mix data or “PMIX,” and inventory data. Franchisee shall configure its POS System to accurately record every sale or other transaction. If the POS System will record sales from third party businesses, the POS System must differentiate sales of the Non-Traditional Restaurant from sales of the rest of the Host Facility by the use of “price look up” (“PLU”) or other keys that track and tally sales of the Non-Traditional Restaurant separately. Franchisee grants Franchisor and its Affiliates reasonable access to its records only on the POS System and authorizes Franchisor and its affiliates to obtain its sales, sales mix, and revenue information from the System. Franchisee acknowledges that Franchisor and its affiliates will use information from required reports primarily to make business and marketing decisions.”

7. **BRAND STANDARDS MANUAL.** The following is hereby added to the end of Section 7.4.1 of the Franchise Agreement:

“Franchisee acknowledges that the Brand Standards Manual includes information that will not be applicable to the Franchised Restaurant, due to the limited nature of its operations as a Non- Traditional Restaurant. Franchisor may, but shall have no obligation to, issue an abbreviated Brand Standards Manual applicable specifically to Non-Traditional Restaurants, in which case references in this Agreement to the Brand Standards Manual shall mean such abbreviated Brand Standards Manual. The parties further agree that if there is a conflict between the provisions this Agreement and the HCK Hot Chicken Standard Guidelines and any other such guidelines, the provisions of this Agreement shall control.”

8. **HOURS.** Section 7.5 of the Franchise Agreement is hereby amended and restated as follows:

“Franchisee shall keep the Franchised Restaurant open and in normal operation during those days and hours during which it would reasonably be anticipated by consumers that the Franchised Restaurant would be open, taking into account the nature of the Franchised Restaurant, the nature of the Premises, and the operational hours of other foodservice businesses within the Premises. Franchisee shall diligently and efficiently exercise its best efforts to achieve the maximum Gross Sales possible at the Premises. Notwithstanding anything to the contrary in Section 7, it shall not be a breach of this Agreement if the Franchised Restaurant is closed during scheduled breaks, emergencies, holidays, or due to a Location Owner-directed closure.”

9. **UNIFORMS AND EMPLOYEE APPEARANCE.** The following is hereby added to the end of Section 7.11 of the Franchise Agreement:

“Employees of Franchisee shall not wear HCK Hot Chicken restaurant uniforms when working at any other business operated on the Premises, and shall not be assigned to work at the Restaurant and at any other business operated on the Premises contemporaneously during any shift of work hours.”

10. **GIFT AND LOYALTY CARDS.** Section 7.15 of the Franchise Agreement is hereby amended and restated as follows:

“Franchisee must participate in gift card or loyalty card programs (collectively referred to as “Gift Cards”). However, Franchisee shall only be required to redeem such Gift Cards and will not be required to sell or load them. In addition, Franchisee may use its own processors for such redemptions. Such processors must meet Franchisor’s standards for the redemption of Gift Cards.”

11. **ONLINE ORDERING.** Section 7.16 of the Franchise Agreement is hereby amended and restated as follows:

“If compatible with Franchisee’s POS Systems and the Franchised Restaurant, Franchisee will have the option to participate in customer online ordering and/or payment systems and programs which Franchisor may establish and modify from time to time.”

12. **HCK HOT CHICKEN NON-TRADITIONAL RESTAURANT STANDARDS.** The following is hereby added as a new Section 7.18 to the Franchise Agreement:

“7.18 Non-Traditional Restaurant Acknowledgements. Franchisee acknowledges that the signs, equipment configuration, menu, products, services, size, specifications, and appearance of the Non-Traditional Restaurant operated pursuant to this Agreement may significantly differ from that of a Traditional Restaurant and will be subject to alternative standards and specifications developed and made available by Franchisor. Changes in the standards, specifications, and procedures applicable to the operation of the Non-Traditional Restaurant and related common areas may become necessary and desirable from time to time, and Franchisee agrees to accept and comply with such modifications and revisions. The adoption of such standards shall be solely at the discretion of Franchisor.”

13. **COMMON AREAS.** The following is hereby added as a new Section 7.19 to the Franchise Agreement:

“7.19 Common Areas. If the Non-Traditional Restaurant shares a common customer seating, storage area, and/or freezer with any other business operated on the Premises, Franchisee will maintain the common customer seating, storage area, and/or freezer in accordance with the applicable provisions of the Brand Standards Manual. If each of the businesses operated at the Premises has a separate restroom facility, the restroom located at the Non-Traditional Restaurant shall be maintained in accordance with Franchisor’s standards for restroom cleanliness and repair. If there is only one restroom facility located on the Premises, it shall be maintained in accordance with Franchisor’s standards for cleanliness and repair.”

14. **BRAND FUND.** Franchisee’s Brand Fund Contribution shall be applied to the Brand Fund. However, notwithstanding anything to the contrary in Section 8.3 of the Franchise Agreement, Franchisee shall not be eligible to participate in the advertising, marketing, promotions, research, public relations programs, cash rewards or any other rewards program under the Brand Fund, and Franchisor shall not be obligated to provide Franchisee with any Brand Fund services, expenditures, or materials. Franchisor may, in Franchisor’s sole discretion, make available certain Brand Fund marketing and advertising materials to Franchisee. However, Franchisee shall pay Franchisor for any materials or support under the Brand Fund at Franchisor’s then-current a-la-carte pricing.

Additionally, the following is hereby added to the end of Section 4.3 of the Franchise Agreement:

“Non-Traditional Restaurants shall contribute to the Brand Fund an amount equal to fifty percent (50%) of the then-current amount that Traditional Restaurants are required to contribute to the Brand Fund.”

Additionally, the following is hereby added to the end of Section 8.3.3 of the Franchise Agreement:

“Notwithstanding anything to the contrary in this Section 8.3 or Section 8.5 of this Agreement, Franchisee will not be required to participate in any advertising, marketing, promotions, research and public relations programs (including any promotional campaigns set forth in Section 8.5.2) instituted by the Brand Fund if it is not able to obtain any required pre-approval by Location Owner.”

15. **GENERAL REPORTING.** The following is hereby added to the end of Section 10.1.1 of the Franchise Agreement:

“If Franchisor is unable to Poll the Franchised Restaurant by electronic link, Franchisee shall provide Franchisor with daily CSV files (machine readable) in a form acceptable to Franchisor. Notwithstanding anything to the contrary in this Agreement, this Section 10.1.1 shall apply to all Gross Sales reports.”

16. **INSPECTIONS.** Section 10.2 of the Franchise Agreement is hereby deleted and replaced with the following:

“10.2 Inspections. Franchisee acknowledges that Franchisor shall require access to the Non- Traditional Venue and the Premises in order to effectuate the terms of this Agreement. Accordingly, Franchisee hereby agrees that it will obtain the right, on behalf of itself and Franchisor, to enter the Non-Traditional Venue, the Franchised Restaurant, the common areas and all other areas of the Premises from any and all persons whose approval is required for the purpose of effectuating the terms of this Agreement. Franchisor’s authorized representatives shall have the right, from time to time, to enter upon the entire Premises of the Franchised Restaurant and common areas during business hours to examine same, conferring with Franchisee’s employees, inspecting and checking operations, food, beverages, furnishings, interior and exterior décor, supplies, fixtures, and equipment, and determining whether the business is being conducted in accordance with this Agreement, the System and the Brand Standards Manual. Franchisor shall use reasonable efforts to avoid materially disrupting the operation of the Franchised Restaurant. If any such inspection indicates any deficiency or unsatisfactory condition with respect to any matter required under this Agreement or the Brand Standards Manual, including quality, cleanliness, service, health and authorized product line, Franchisor will notify Franchisee in writing of Franchisee’s non- compliance with the Brand Standards Manual, the System, or this Agreement, and Franchisee shall promptly correct or repair such deficiency or unsatisfactory condition. In accordance with this Section 10.2, Franchisor may require Franchisee to take, and thereafter Franchisee shall take, immediate corrective action, which action may include temporarily closing the Franchised Restaurant.

To ensure compliance with the terms of this Agreement, Franchisor reserves the right to examine and request copies of books and records relating to any other business operated on the Premises, including, without limitation, register tapes and receipts. Franchisee shall obtain the right, on behalf of itself and Franchisor, to obtain copies of such books and records from all persons whose approval is required.”

17. **ABANDONMENT**. The following is hereby added to the end of the definition of “abandon” in Section 14.3.1 of the Franchise Agreement:

“or (vi) If Franchisee loses the right for whatever reason to operate within the Non-Traditional Venue.”

18. **INSURANCE**. If requested by Franchisor, Franchisee agrees to ensure that the general business liability and any other insurance policies obtained under Section 16 of the Franchise Agreement cover all common areas within a Host Facility. If Franchisee shall operate other restaurants or businesses in the Host Facility in addition to the Non-Traditional Restaurant, Franchisee agrees to obtain and maintain comprehensive business liability insurance and umbrella insurance policy collectively covering all of the businesses, including the Non-Traditional Restaurant upon request of Franchisor.

19. **COMPETITIVE ACTIVITIES**. The definition of “Competitive Activities” in Attachment 1 of the Franchise Agreement is hereby amended and restated as follows:

“**Competitive Activities**” means to own, operate, lend to, advise, be employed by, or have any financial interest in: (i) any restaurant that derives twenty percent (20%) or more of its Gross Sales from the sale of fried chicken, other than a Restaurant operated pursuant to a validly subsisting Franchise Agreement with Franchisor; or (ii) any business that specializes in developing, operating, or franchising restaurants that derives twenty percent (20%) or more of its Gross Sales from the sale of chicken tenders and sandwiches; or (iii) any business engaged in the preparation, production, or sale, at wholesale, of any fried chicken food product. Notwithstanding the foregoing, “Competitive Activities” shall not include the direct or indirect ownership, solely as an investment, of securities of any Entity which are traded on any national securities exchange if the owner thereof: (i) is not a controlling person of, or a member of, a group which controls such Entity; and (ii) does not, directly or indirectly, own five percent (5%) or more of any class of securities of such Entity.

20. **FURTHER ASSURANCE**. Each of the parties will, upon reasonable request of the other, sign any additional documents necessary or advisable to fully implement the terms and conditions of this Addendum.

21. **MISCELLANEOUS.** This Addendum will be considered an integral part of the Franchise Agreement, and the terms of this Addendum will be controlling with respect to the subject matter hereof. Except as specifically provided in this Addendum, all of the terms, conditions, and provisions of the Franchise Agreement will remain in full force and effect as originally written and signed. In the event of any inconsistency between the provisions of the Franchise Agreement, the Brand Standards Manual, and this Addendum, the terms of this Addendum shall control.

IN WITNESS WHEREOF, the parties duly executed this Addendum as of the date signed below.

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

**FRANCHISOR:**

HOT CHIKN KITCHN, LLC

Name:

Title:

**FRANCHISEE:**

FRANCHISEE

Name:

Title:

## **ATTACHMENT A TO NON-TRADITIONAL ADDENDUM**

1. **Effective Date.** The date of this Non-Traditional Addendum to Franchise Agreement shall be the date signed below.

2. **Host Facility.** CHECK ONE

\_\_\_\_\_ Franchisee is operating the Non-Traditional Restaurant within a Host Facility. All references to the “Host Facility” in this Non-Traditional Addendum shall have the same meaning as the term “Premises,” as that term is defined within the Franchise Agreement. The Host Facility is described as follows:

**OR**

\_\_\_\_\_ Franchisee is not operating the Non-Traditional Restaurant within a Host Facility. All references to the Host Facility in this Non-Traditional Addendum are hereby deleted.

**FRANCHISEE:**

By:

Name:

Title:

**FRANCHISOR:**

**HOT CHIKN KITCHN LLC,**  
a Florida limited liability company

By:

Name:

Title:

Date:

## **EXHIBIT J**

### **STATE EFFECTIVE DATES**

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

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

| <b>State</b> | <b>Effective Date</b> |
|--------------|-----------------------|
| California   | Pending               |
| Hawaii       | Not Requested         |
| Illinois     | March 28, 2023        |
| Indiana      | Not Requested         |
| Maryland     | Pending               |
| Michigan     | Pending               |
| Minnesota    | Pending               |
| New York     | Not Requested         |
| North Dakota | April 4, 2023         |
| Rhode Island | Pending               |
| South Dakota | Pending               |
| Virginia     | Not Requested         |
| Washington   | Not Requested         |
| Wisconsin    | March 28, 2023        |

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 K**

**RECEIPT**

**RECEIPT**  
**(Retain This Copy)**

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

If Hot Chikn Kitchn 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, the franchisor or an affiliate in connection with the proposed franchise sale.

Under Iowa law, if applicable, Hot Chikn Kitchn LLC must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires Hot Chikn Kitchn LLC to give you this disclosure document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this disclosure document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Hot Chikn Kitchn 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, DC 20580, and the appropriate state agency identified on Exhibit A.

|                                                                                                                                                                                            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>The name, principal business address, and telephone number of each franchise seller offering the franchise is:</b>                                                                      |
| Mike Sarago, Hot Chikn Kitchn LLC, 14313 Potomac Mills Road, Woodbridge, VA 22192; (941) 257-3663; and,<br>Dave Wood, Hot Chikn Kitchn LLC, PO Box 3566, Sarasota FL 34230; (941) 257-3663 |
| Other franchise sellers (if any) Name: _____ Address: _____ Phone: _____                                                                                                                   |

Issuance Date: March 26, 2023

I received a disclosure document which included the following exhibits:

|           |                                                                |
|-----------|----------------------------------------------------------------|
| Exhibit A | List of State Administrators and Agents for Service of Process |
| Exhibit B | Financial Statements                                           |
| Exhibit C | Franchise Agreement                                            |
| Exhibit D | Area Development Agreement                                     |
| Exhibit E | Brand Standards Manual Table of Contents                       |
| Exhibit F | Franchise Disclosure Questionnaire                             |
| Exhibit G | List of Current and Former Franchisees/Area Developers         |
| Exhibit H | State Addenda and Agreement Riders                             |
| Exhibit I | Contracts for use with the HCK Hot Chicken Franchise           |
| Exhibit J | State Effective Dates                                          |
| Exhibit K | Receipt                                                        |

Date \_\_\_\_\_ Signature \_\_\_\_\_

Name \_\_\_\_\_

Date \_\_\_\_\_ Signature \_\_\_\_\_

Name \_\_\_\_\_

**PLEASE RETAIN THIS COPY FOR YOUR RECORDS.**

**RECEIPT  
(Our Copy)**

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

If Hot Chikn Kitchn 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, the franchisor or an affiliate in connection with the proposed franchise sale.

Under Iowa law, if applicable, Hot Chikn Kitchn LLC must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires Hot Chikn Kitchn LLC to give you this disclosure document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this disclosure document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Hot Chikn Kitchn 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, DC 20580, and the appropriate state agency identified on Exhibit A.

|                                                                                                                                                                                            |
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| Exhibit K | Receipt                                                        |

Date \_\_\_\_\_ Signature \_\_\_\_\_

Name \_\_\_\_\_

Date \_\_\_\_\_ Signature \_\_\_\_\_

Name \_\_\_\_\_

**Please sign this copy of the receipt, date your signature, and return it to:  
Hot Chikn Kitchn LLC, PO Box 3566, Sarasota FL 34230 or by email to [Franchise@EatHCK.com](mailto:Franchise@EatHCK.com).**