



FRANCHISE DISCLOSURE DOCUMENT

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HDOS Franchising, LLC
A Delaware Limited Liability Company
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www.hotdogonastick.com



HDOS Franchising, LLC offers franchises for the operation of restaurants specializing in fresh-squeezed lemonade, hot dogs on a stick (a 100% turkey dog, dipped in batter and fried to a golden brown), French fries, and complementary products under the HOT DOG ON A STICK mark ("Stores").

The total investment necessary to begin operation of a HOT DOG ON A STICK franchise is \$349,200 to \$582,000. This includes \$15,000 to \$28,000 that must be paid to us or our affiliates.

The total investment necessary to begin operation of a HOT DOG ON A STICK Area Development franchise is \$35,000 and up. This includes \$35,000 or more that must be paid to us or our affiliates. You must purchase a minimum of 3 Stores under the Area Development Agreement.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Chris Cheek, 5555 Glenridge Connector, Suite 850, Atlanta, Georgia 30342.

The terms of your contract will govern your franchise relationship. Don't rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You also can visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April 3, 2019, as amended January 24, 2020.

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits H and I.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's discretion. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit J include financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Hot Dog on a Stick business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchise have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Hot Dog on a Stick franchisee?	Item 20 or Exhibits H and I list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising Generally

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

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

Supplier restrictions. You may have to buy or lease items from the franchisor or to 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 state 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 G.

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

Special Risks to Consider About *This* Franchise

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

1. The franchise agreement and the area development agreement require that you resolve disputes with us by litigation in Georgia. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It also may cost more to litigate in Georgia than in your home state.
2. The franchise agreement and the area development agreement state that Georgia law governs the agreement, and this law may not provide the same protection and benefits as local law. You may want to compare these laws.
3. 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.
4. There may be other risks concerning this franchise.

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

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

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RECEIPT (2 copies)

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

This Disclosure Document describes Hot Dog On A Stick franchises. To simplify the language in this Disclosure Document, “we,” “us,” or “our” means HDOS Franchising, LLC, the franchisor. “You” means the individual or entity that buys the franchise. If you are a corporation, partnership, limited liability company, or other entity, your owners must sign our “Guaranty and Assumption of Obligations,” which means that all of provisions of the Franchise Agreement (a form of which is attached as Exhibit C) also will apply to your owners.

The Franchisor

We are a Delaware limited liability company that was formed on August 1, 2014. We operate under the name Hot Dog On A Stick and our corporate name only. Our principal place of business address is 5555 Glenridge Connector, Suite 850, Atlanta, Georgia 30342. To the extent that we have designated agents for service of process in other states, their names and addresses are listed in Exhibit G. We have not previously conducted business in this or any other line of business, and we do not operate businesses similar to the franchises being offered in this Disclosure Document. We began offering Hot Dog On A Stick franchises in November 2014 and have never offered franchises in any other line of business.

Parent(s) and Recent Transaction

We are a wholly-owned subsidiary of HDOS Franchise Brands, LLC (“HDOS Brands”). HDOS Brands owns the intellectual property rights to the Hot Dog On A Stick concept, and has licensed us the right to use and sublicense the Hot Dog On A Stick concept under a Master License Agreement. HDOS Brands’ principal business address is the same as ours.

HDOS Brands is an indirect subsidiary of Global Franchise Group, LLC (“Global”) through the intermediate holding company, SM GFG, LLC (“SMG”). Global and SMG have the same business address as us. SMG is an intermediate holding company established for corporate structuring purposes in connection with the acquisition transaction disclosed below.

Global is an indirect subsidiary of GFG Holding, Inc. (“GFG Holding”) through the intermediary holding company, GFG Intermediate Holding Inc. (“GFG Intermediate”). The principal business address for both GFG Holding and GFG Intermediate is as follows: 335 N. Maple Drive, Beverly Hills, California 90210.

As of the Issue Date, GFG Holding is our ultimate “parent” for purposes of this Disclosure Document under applicable federal rule definitions because GFG Holding is the highest entity in the corporate structure that has the ability to exercise control over the day-to-day shaping of policies and decision making of our franchise system and offering.

With that said, GFG Holdings was recently acquired by LS GFG Holdings Inc., a Delaware corporation with an address located at 251 Little Falls Drive, Wilmington, Delaware 19808 (the “Purchaser”), pursuant to the terms of a purchase agreement that Purchaser entered into with GFG Holding’s former owners. The parties closed on this transaction on November 19, 2018 and, as a result, please note that we no longer have an affiliate relationship with certain other franchise concepts that were owned by certain of our prior owners. Purchaser is an indirect subsidiary of LS Global Franchise GP, Inc. (“LS GF”), a Delaware corporation, through the intermediate

subsidiary, LS Global Franchise, L.P. ("LS Global Franchise"), a Delaware limited partnership. Purchaser, LS GF and LS Global Franchise share a business address at 251 Little Falls Drive, Wilmington, Delaware 19808.

Except as provided above, our parents (a) have not offered franchises in any line of business and have not operated a business of the type that you will operate, and (b) have not offered or sold any products to our System franchisees.

Predecessor and Prior Transaction(s)

On July 22, 2014, HDOS Acquisition, LLC purchased the majority of the assets for the Hot Dog On A Stick system from HDOS Enterprises, LLC ("Enterprises"), including its intellectual property and the franchise rights. We were assigned all of the franchise agreements between Enterprises and franchisees of the Hot Dog On A Stick system that were purchased by Enterprises in a prior acquisition. The principal business address of Enterprises is 5942 Priestly Drive, Carlsbad, California 92008. From 1997 to 2009, Enterprises had a wholly-owned subsidiary, Hot Dog On A Stick Franchising, Inc., that was established to administer a franchising program for Hot Dog On A Stick franchises on behalf of Enterprises. Hot Dog On A Stick Franchising, Inc. was dissolved and its assets transferred to Enterprises to operate the franchising program directly in 2009. Enterprises offered Hot Dog On A Stick franchises and operated Hot Dog On A Stick Stores from 2009 to July 2014.

Our Affiliates That Provide Services To Our Franchisees

HDOS Brand and Marketing Fund LLC ("HDOS Fund") is our sole subsidiary and its principal business address is the same as ours. HDOS Fund's sole purpose will be to hold and facilitate administration of the contributions to our Marketing Fund (described in Item 11). HDOS Fund does not conduct any business, has never operated a HOT DOG ON A STICK store, and has never offered franchises in this or any other line of business.

GFG Management, LLC ("GFG Management"), a wholly-owned subsidiary of GFG Holding, manages our franchise operations under a Management Agreement dated July 30, 2010 (the "Management Agreement"). GFG Management's principal business address the same as ours. GFG Management provides services to our franchisees and the franchisees of our affiliates described below by providing the sales, marketing, administration, training and support services under the franchise agreements that we and our affiliates enter into with our or its respective franchisees. We remain responsible for all licensing of the trademarks, service marks, trade names and other intellectual property rights and all other aspects of the franchise relationship. Except as stated in the previous sentence, GFG Management may perform any of our obligations and may exercise any of our rights for us, but we remain ultimately responsible for all of our obligations under any of our agreements with you. If the Management Agreement expires or is terminated, we will perform our obligations under our agreements or appoint a new manager to do so. You do not pay any fees directly to GFG Management. GFG Management does not own or operate any franchises like the Hot Dog On A Stick franchise and has never offered franchises in this or any other line of business.

Our Affiliate That Operates Hot Dog On A Stick Stores

Our affiliate, HDOS Acquisition, LLC, owns and operates stores under the HOT DOG ON A STICK trademark and service marks. This entity owns and operates the same type of Hot Dog On A Stick Stores that you will own. The stores operated by this entity may compete with your

business. As of December 31, 2018, this entity operated 46 Hot Dog On A Stick Stores and has never offered franchises in this or any other line of business.

Our Global Affiliated Franchise Programs

Global is the direct or indirect parent company to the following franchisors, all of which have a principal business address that is the same as ours. None of these affiliates have offered franchises in any line of business other than as listed below and none of them have conducted a business similar to the Hot Dog On A Stick Store that you will operate:

- 1) GAC Franchising, LLC (“GAC”) franchises the right to operate stores that sell cookies, brownies, cupcakes, and related products under the trademark and service mark GREAT AMERICAN COOKIES® (the “Great American Cookies Stores”). GAC or its predecessors have offered Great American Cookies Store franchises since 1977. As of December 31, 2018, there were 368 franchised Great American Cookies Stores in operation in the United States.
- 2) MaggieMoo’s Franchising, LLC (“MMF”) previously franchised the right to operate specialty ice cream stores under the trademarks, and service marks MAGGIEMOO’S® and MAGGIEMOO’S ICE CREAM AND TREATERY® (the “MaggieMoo’s Stores”). MMF or its predecessors had offered MaggieMoo’s Store franchises since 1989. As of December 31, 2018, there were 10 franchised MaggieMoo’s Stores in operation in the United States and 8 franchised MaggieMoo’s Stores in operation internationally.
- 3) Marble Slab Franchising, LLC (“MSF”) franchises the right to operate specialty ice cream stores under the trademark and service mark MARBLE SLAB CREAMERY® (the “Marble Slab Stores”). MSF or its predecessors have offered Marble Slab Store franchises since 1986. As of December 31, 2018, there were 231 franchised Marble Slab Stores in operation in the United States.
- 4) PM Franchising, LLC (“PMF”) franchises the right to operate specialty pretzel stores under the trademark and service mark PRETZELMAKER® (“Pretzelmaker Stores”). PMF or its predecessors have offered Pretzelmaker Store franchises since 1992. As of December 31, 2018, there were 192 franchised Pretzelmaker Stores in operation in the United States.
- 5) PT Franchising, LLC (“PTFV”) franchised the right to operate specialty pretzel stores under the trademark and service mark PRETZEL TIME® (“Pretzel Time Stores”). PTF or its predecessors had offered Pretzel Time Store franchises since 1992. As of December 31, 2018, there were 3 franchised Pretzel Time Stores in operation in the United States.
- 6) The Round Table Franchise Corporation (“RTFC”) franchises the right to operate dine-in Round Table Pizza restaurants for the retail sale of pizza and other products under the name ROUND TABLE®. RTFC or its predecessors have offered Round Table franchises since 1962. As of December 31, 2018, there were 358 franchised Round Table stores in operation in the United States.

The Hot Dog On A Stick Franchise

We are offering the opportunity to become a franchisee to develop and operate Stores that offer and sell award-winning lemonade, hot-dog-on-a-stick and cheese-on-a-stick products, French fries, as well as any other protein-on-a-stick, food items and beverages that we designate and/or approve.

We offer two types of Stores: (a) Traditional Stores; and (b) Non-Traditional Stores. We will have the final authority to classify your Store as Traditional or Non-Traditional. Traditional Stores are permanent, in-line structures that typically range in size from 600 to 1,200 square feet and may be located in free standing units, strip shopping centers, regional malls, or at entertainment venues. Traditional Stores offer our full menu of products. A Non-Traditional Store will typically use between 400 and 800 square feet of space and is typically operated under a lease as an event cart, kiosk, mobile unit (including a food truck or trailer), etc. A Non-Traditional Store may offer a limited version of our menu of products.

Single Store Program

Under the single store program, you may purchase a Hot Dog On A Stick franchise ("Franchise") to develop and operate one Store at a mutually agreed on site (the "Site") within a state ("Site Selection Area") that we will specify in the Franchise Agreement that we and you will execute (the "Franchise Agreement"). Our current form of Franchise Agreement is included as Exhibit A to this Disclosure Document. You have no obligation, nor any right, to open any additional Stores.

Area Development Program

We also offer to qualified franchisees the opportunity to develop multiple Stores within a designated territory ("Development Area") according to a mandatory development schedule (the "Development Schedule"). If we grant you a Development Area, then you will enter into an area development agreement (the "Area Development Agreement") with us (a form of which is attached as Exhibit B), and you or your affiliates will sign a separate franchise agreement for each Store developed under that Area Development Agreement. You must typically purchase a minimum of 3 Stores under the Area Development Agreement.

Co-Brand Stores

In certain circumstances, your Store may be co-branded with another type of store, including one franchised by one of our affiliates. If your Store is the dominant presence in the location, your Store will be a Traditional Store. If your Store is the subordinate presence in the location, your Store typically will be a Non-Traditional Store. We will have the final authority to classify your co-brand Store as Traditional or Non-Traditional.

If you wish to operate a co-brand Store with a brand that is not a Global affiliate, you must submit to us all information that we request, including, for example (i) any existing agreements you have with the other brand relating to an existing store that you operate in the other brand's franchise system, (ii) any proposed agreements that you desire to enter into with the other brand for the operation of the other concept in conjunction with your Store, and (iii) any proposed modifications to the agreements that we have reviewed over the course of the term of your Franchise Agreement. Before you enter into any agreements with a proposed co-brand location, you must receive our written approval of each proposed other brand and each proposed

agreement. We may withhold our approval for any reason, in our sole discretion. We may require your co-brand partner to be one of our affiliates.

The terms that apply to your operation of the co-brand Store also are included in the form of Franchise Agreement.

In addition, on a limited basis, certain of our affiliates currently offer franchises that you may co-brand with a Store. Approval for a co-brand is dependent on several criteria, including but not limited to space allocation, signage, minimum brand requirements and minimum product offerings. Co-branding opportunities for Stores currently include the PRETZELMAKER®, MARBLE SLAB CREAMERY®, and GREAT AMERICAN COOKIES® brands. You should request the disclosure documents for those brands for information on co-branding opportunities. We may offer other co-branding opportunities in the future.

Market and Competition

The market for restaurants is mature and is competitive. Your competitors include other food establishments located within the same food court, shopping mall, or venue as your Store, full-service and take-out restaurants located outside of your defined venue, and franchisees of other systems, including those that our affiliates own, all of which may sell hot dogs, lemonade, and other food items and beverages. You may have to compete in close proximity with other stores and restaurants selling ready-to-eat foods.

One or more of our affiliates may acquire one or more existing businesses or franchise systems operating under trademarks, service marks, and trade names other than the Marks. The new or existing businesses or franchise systems may compete with you. In addition, it is likely that we will offer additional co-brand opportunities that may compete with you.

Industry-Specific Regulations

You must comply with all existing regulations concerning food service, nutrition, calorie content, and other federal or state regulations that apply specifically to the restaurant industry. For example, the Environmental Protection Agency, U.S. Food and Drug Administration, the U.S. Department of Agriculture, as well as state and local environmental and health departments and other agencies, have laws and regulations concerning the preparation of food and sanitary conditions of restaurant facilities. State and local agencies may periodically conduct inspections for compliance with these requirements. Under the federal Clean Air Act and certain state laws, you may be required to comply with applicable statutory guidelines, such as localized quality standards for ozone, carbon monoxide and particulate matters. Certain provisions of such laws impose limits on emissions resulting from commercial food preparation.

You also must comply with existing laws, regulations, and ordinances that apply generally to all businesses, such as the Americans with Disabilities Act, federal wage and hour laws and state law equivalents, the Affordable Care Act, the Occupational Safety and Health Act, anti-terrorism and anti-corruption laws (such as the Patriot Act and the Foreign Corrupt Practices Act), and data protection and privacy laws (such as credit card protection under the U.S. Fair and Accurate Credit Transactions Act, or "FACTA"). You should investigate these laws that may apply to the restaurant industry and to all businesses in general.

ITEM 2

BUSINESS EXPERIENCE

Principal Officers:

President, Chief Executive Officer and Manager: M. Christopher Dull

Chris Dull is employed by GFG Management as our President and Chief Executive Officer, as well as one of our Managers, and has held this position since our inception. Mr. Dull also has served as President and Chief Executive Officer of Global and GFG Management since July 2010 and of PMF, PTF, MMF, MSF, and SBF since May 2008. All positions were held in the greater metropolitan Atlanta area.

Chief Financial Officer: Rebecca Weller Holderread

Rebecca Weller Holderread has been GFG Management's Chief Financial Officer since January 2020. Prior to that time, Ms. Holderread served as CFO/COO for AG Triada, LLC from April 2018 to November 2019 in Atlanta, Georgia. She served as VP of Finance for Hirewire, Inc from June 2016 to April 2017. Ms. Holderread was self-employed as a consultant in the areas of finance and operations from April 2017 to March 2018, and from January 2014 to May 2016.

Managerial Persons:

Chief Brand Officer & President of Franchise Operations: Jenn Johnston

Jenn Johnston has served as the Chief Brand Officer & President of Franchise Operations since September 2019. She served as the Chief Marketing and Operations Officer of GFG Management from October 2010 to September 2019. Ms. Johnston serves in her present capacities in metropolitan Atlanta, Georgia and metropolitan Baltimore, Maryland.

Chief Development Officer: Christopher Cheek

Chris Cheek has served as our Chief Development Officer since October 2019. Prior to that time, Mr. Cheek was the Chief Development Officer of Newks Franchise Company, LLC from June 2014 to October 2019. Mr. Cheek serves in his present capacities in Cary, North Carolina.

Chief Innovation Officer: Allison Lauenstein

Allison Lauenstein is employed by GFG Management as our Chief Innovation Officer and has held this position since January 2019.

Prior to that, Ms. Lauenstein served as Vice President for Marble Slab Creamery, MaggieMoo's Ice Cream & Treatery and Pretzelmaker from March 2016 through January 2019. Prior to that, Ms. Lauenstein served as Vice President, Marble Slab Creamery and MaggieMoo's Ice Cream & Treatery from August 2012 to March 2016. Ms. Lauenstein serves in her present capacities in New York.

Executive Vice President, Brand Integration and Corporate Services: David Kaiser

David Kaiser has served as GFG Management's Executive Vice President, Brand Integration and Corporate Services since January 2019.

Mr. Kaiser served as Executive Vice President for GAC from February 2016 to January 2019; and Vice President of GAC from November 2013 to February 2016. Mr. Kaiser serves in his present capacities in metropolitan Atlanta, Georgia.

Executive Vice President of Brand Marketing: Annica Conrad (formerly Kreider)

Annica Conrad is employed by GFG Management as our Executive Vice President of Brand Marketing since September 2019 for all brands. Ms. Conrad served as Executive Vice from January 2019 to September 2019 for GAC and MSC.

Prior to that time, Ms. Conrad served as our Vice President of Marketing from February 2018 to January 2019. Prior to that time, Ms. Conrad served as Vice President of Brand Development at HGI Inc., d/b/a Mellow Mushroom Pizza Bakers, located in Atlanta, Georgia, from January 2012 to February 2018.

Vice President of Franchising: Pam Maxwell

Pam Maxwell is employed by GFG Management as our Vice President of Franchising since September 2019 for all brands. Ms. Maxwell served as Vice President of Operations from January 2019 to September 2019 for GAC and MSC. Prior to that, Ms. Maxwell served as Director of Operations, Ice Cream Brands from April 2012 through January 2019. Ms. Maxwell serves in her present capacity in Atlanta, Georgia.

Director of Training: Melissa Ellis

Melissa Ellis has served as GFG Management's Director of Training since January 2017.

Ms. Ellis served as the GFG Management's Senior Training Manager from March 2016 to January 2017. Ms. Ellis served as the Training Manager for Global in Atlanta, Georgia from November 2014 to March 2016. Ms. Ellis served as the Training Manager and Operations Support for Nothing Bundt Franchising in Las Vegas, Nevada from January 2011 to November 2014. Ms. Ellis serves in her present capacities in metropolitan Atlanta, Georgia.

Director of Franchise Marketing: Dustin Thompson

Dustin Thompson has served as GFG Management's Director of Franchise Marketing from March 2014 to March 2017.

Mr. Thompson served as GFG Management Franchise Marketing Director from March 2014 to March 2017. Mr. Thompson served as the Franchise Sales Associate and Pipeline Specialist at the Primrose School Franchise Company in Acworth, Georgia from June 2009 to March 2014. Mr. Thompson serves in his present capacities in metropolitan Atlanta, Georgia.

Director of Development and Legal Administration: Gina Romaniello

Gina Romaniello has served as GFG Management's Director of Development and Legal Administration since November 2018. Prior to that time, Ms. Romaniello served (a) Director of Development Administration from December 2015 to March 2018, and (b) Manager of Development Administration from March 2013 to November 2015, for Popeye's Louisiana Kitchen, located in Atlanta, Georgia.

Director of Construction: Tom Martin

Tom Martin has served as GFG Management's Director of Construction since September 2018.

Prior to that time, Mr. Martin served as Project Manager for Remington Hotels, located in Dallas, Texas, from January 2018 to September 2018. Previously, Mr. Martin was Senior Project Manager for CVS Health, located in Woonsocket, Rhode Island, from April 2015 to December 2017. Mr. Martin served as Senior Project Manager for Zales Jewelers, located in Irving, Texas, from November 2013 to April 2015.

Director of Real Estate: Tamika Crittenden

Tamika Crittenden has served as GFG Management's Director of Real Estate since January 2019. Prior to that time, Ms. Crittenden served as (a) Real Estate Manager for Haverty Furniture Companies, Inc. located in Atlanta, Georgia from May 2018 to January 2019, and (b) Leasing Division Manager for Georgia State Properties Commission located in Atlanta, Georgia from January 2014 through May 2018.

**ITEM 3
LITIGATION**

No litigation must be disclosed in this Item.

**ITEM 4
BANKRUPTCY**

No bankruptcy information must be disclosed in this Item.

**ITEM 5
INITIAL FEES**

Franchise Agreement

Initial Franchise Fee

If we grant you a franchise for a Traditional Store, then when you sign the Franchise Agreement, you must pay us an initial franchise fee ("Franchise Fee") of \$25,000. The Franchise Fee for a Non-Traditional Store is \$15,000.

The Franchise Fee is fully earned by us when paid and is not refundable.

We do not offer financing for the Franchise Fee. Except for any special programs or periodic discounts we may offer or as otherwise described in this Item 5, the Franchise Fee is uniform for all franchisees.

During our fiscal year ended December 31, 2018, we did not collect any Franchise Fees.

Site Selection Assistance

We will review your submittal package for your proposed site and determine whether to accept your proposed site. We will conduct an on-site evaluation if we consider it necessary and appropriate as part of our evaluation of your submittal package. If we determine that on-site evaluation is necessary and appropriate (on our own initiative), we will provide the evaluations (up to 2 days unless we agree otherwise) at our own expense, although we reserve the right to charge you an additional fee for this service. If we charge this fee, the fee will be our out-of-pocket expenses for each proposed site for which we conduct an on-site evaluation. We expect this fee to be \$300 per employee or agent for each full or partial day after the second day, not to exceed five days. The site selection assistance fee is not refundable.

Grand Opening Marketing Fee

We reserve the right to collect the grand opening marketing fee of \$3,000 when you sign your Franchise Agreement. If we collect this fee, we will either: (i) reimburse you for your documented grand opening marketing expenditures that we have pre-approved, up to the \$3,000; or (ii) directly pay your vendors for your grand opening marketing expenditures that we have pre-approved, up to the \$3,000. The grand opening marketing fee is not refundable.

Development Agreement

Initial Development Fee

If we grant you development rights, then you will pay us a Development Fee of \$5,000 per Store to be opened under the Area Development Agreement when you sign the Area Development Agreement. The Development Fee will vary based on the number of Stores that you agree to develop (with a typical minimum of 3 Stores), regardless of whether the stores are Traditional or Non-Traditional Stores. The criteria used to calculate the number of Stores that you must develop in the Development Area for purposes of calculating the Development Fees is generally uniform for all franchisees.

The Franchise Fees for Stores opened under a Development Agreement (with a typical minimum of 3 Stores) will be \$20,000 for the first Store, and \$10,000 for each additional Store thereafter. For each Store, you must sign our then-current form of franchise agreement to govern the operation of that Store. We reserve the right, but are under no obligation to, to reduce the Franchisee Fees for existing franchisees.

The Development Fee is fully earned by us when paid and is not refundable.

Incentive Programs

Referral Program

We offer a referral program incentive of \$1,000 to the first person or company that introduces a prospective franchisee to us, if: (i) we approve the prospect; (ii) we and the prospect sign a Franchise Agreement within 6 months after the referral is made; and (iii) the prospective franchisee pays us the associated initial franchise fee. We will pay this referral fee when the referred prospective franchisee's Franchise Agreement is fully signed and the initial fee is fully paid. We may discontinue this Referral Program at any time.

Existing Franchisee Referral Program

We offer a referral program incentive of \$7,500 to an existing franchisee that introduces a prospective franchisee to us, if: (i) we approve the prospect; (ii) we and the prospect sign a Franchise Agreement within 6 months after the referral is made; (iii) the prospect pays us the associated initial franchise fee; (iv) the prospect has not had any prior conversations with any of our employee or employees of our affiliates about becoming a franchisee; (v) the prospect is not currently listed in our database; (vi) the prospect is not a referral candidate of one of our affiliates or affiliated franchise brands; (vii) the prospect is not a customer at the existing franchisee's store unless the existing franchise was the originating source for the customer contact to us and a referral form was submitted prior to any conversation between the customer and us or our affiliates; and (viii) the prospect is at least 21 years old. Referral fees are paid only for the prospect's first franchise agreement and first store. No additional referral fees are paid as a result of the prospect having an agreement to develop a second or additional Stores. We will pay this referral fee when the prospect's Franchise Agreement is fully signed and the initial fee is fully paid. We may discontinue this Existing Franchisee Referral Program at any time. This is a referral program only.

Hot Dog On A Stick Patriot Program

We participate in the International Franchise Association's Veterans Transition Franchise Initiative ("VetFran") program to provide franchise opportunities to qualifying veterans. The purpose of the VetFran program is to honor those men and women who have served in the U.S. military. The VetFran program was developed to help veterans transition to civilian life. VetFran is a voluntary effort of International Franchise Association member-companies that is designed to encourage franchise ownership by offering financial incentives to honorably discharged veterans.

Our VetFran program incentive is called the Hot Dog On A Stick Patriot Program (the "Patriot Program"). Our Hot Dog On A Stick Patriot Program incentive provides a 25% reduction in the Initial Franchise Fee due under our single unit Franchise Agreement for Traditional Stores only. This Incentive may not be combined with any other Incentive program and applies only to the first Store. To qualify, a prospective franchisee must request the Patriot Program at the time of application; must meet our then-current qualifications for new franchisees; the franchise must be at least 51% legally and beneficially owned by persons meeting our qualifying veteran status; the prospective franchisee may not have previously received a Veterans Incentive or Patriot Program incentive from us. We may discontinue this Patriot Program at any time.

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**ITEM 6
OTHER FEES**

Type of Fee⁽¹⁾	Amount	Due Date	Remarks
Royalty Fee	6% of your Net Sales for the preceding month	Currently, 6:00 P.M. (Eastern Time) on the 10 th day of the following month.	For a definition of "Net Sales," see Note 2.
Marketing Fee	2% of your Net Sales for the preceding month	Currently, 6:00 P.M. (Eastern Time) on the 10 th day of the following month	
Local Marketing Requirement	2% of your Net Sales	Annually	
Interest	18% per year (or maximum legal rate, if less)	On demand	If you fail to make a payment due to us on time, you must pay us interest on the amount owed from the due date until paid in full.
Late Fee	\$25 per week	On demand	If you fail to make a payment due to us on time, you must pay us the Late Fee. We may increase the Late Fee on 60 days written notice. However, we may not increase the Late Fee more than once in any 12-month period.
Additional Training	Currently, \$300 per employee or agent for each full or partial day	Before training begins	We may charge for additional training for (i) training persons repeating a course or replacing a person who did not pass, (ii) training new employees, and (iii) optional training we provide. You must pay for any travel and living expenses, wages, and other expenses your trainees incur.
Additional Consulting Services	Currently, \$300 per employee or agent for each full or partial day, plus their travel and living expenses	Within 15 days after services are rendered	Payable if we provide requested consulting services in person at a place other than our offices.
Assigned Trainers	Our actual costs and expenses, including travel and living expenses for our trainers	Within 10 days of invoice	If you fail to maintain our quality and service standards, we may, in our sole judgment, assign trainers to the Store to retrain your employees and restore service levels.

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Product, Service, Supplier, and Service Provider Review	Our reasonable cost of inspecting the supplier, testing the proposed product, or evaluating the service provider or proposed service, including personnel and travel costs; this cost will not exceed \$5,000	On demand	Payable if you wish to offer products or use any supplies, equipment, or services that we have not approved or wish to purchase from a supplier or service provider that we have not approved, whether or not we approve the item, service, supplier, or service provider.
60-Day Extension Fee	\$5,000	Upon expiration of the Site Securitization Deadline	If you do not enter into and provide us with a copy of the purchase agreement or Site Lease, as applicable, in accordance with the requirements of the Franchise Agreement on or before the Site Securitization Deadline, so long as you are otherwise in compliance with your obligations under the Franchise Agreement and are using best efforts to secure an extension to the Site Securitization Deadline, we will grant you a 60-day extension to the Site Securitization Deadline in exchange for your payment of a \$5,000 extension fee.
Relocation Charge	\$2,000	On demand	Payable if you ask us to review a new proposed site, whether or not we approve the site.
Transfer Fee	\$10,000 for a transfer of your Store or Franchise Agreement. See Note 3.	At or before transfer	Payable only on transfer of Franchise. Upon the submission of a proposal to transfer your Store or Franchise Agreement, you must pay us a non-refundable deposit of \$2,000 in connection with the costs we will incur in evaluating that transfer. If you move forward with the transfer, the deposit will be applied toward the transfer fee.
Successor Fee	Our then-current Successor Fee Currently, \$7,500	On signing a successor Franchise Agreement	You may enter into a successor Franchise Agreement for one additional 10-year term, if you meet certain conditions.
Insurance	Cost of the premium plus a reasonable fee for our services in procuring the insurance	On demand	Payable only if you fail to maintain the minimum insurance we require and we choose to procure the required insurance for you.

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Audit	Cost of audit, plus travel and living expenses, plus interest on the amount of the underpayment at an annual rate of the lesser of 18% or the maximum interest rate permitted by law	Within 15 days of demand	Payable if audit or review shows an understatement of 3% or more of your Net Sales for any period.
Inspection	Our reasonable expenses incurred in inspecting your business, including travel and living expenses, wages, and other expenses for our employees; this cost will not exceed \$5,000	On demand	Payable if inspection needed due to your repeated or continuing failure to comply with any provision of the Franchise Agreement.
Convention or Meeting Attendance	As we determine based on our costs of holding the convention or meeting	On demand	We do not currently charge an attendance fee, but we reserve the right to do so.
Remedial Expenses	Our reasonable expenses incurred in correcting your operational deficiencies; this cost will not exceed \$10,000 per deficiency	On demand	Payable if we correct deficiencies that we have identified during a site inspection and that you failed to correct within a reasonable time after notice from us.
Enforcement Expenses	Our reasonable cost of de-identifying your Store.	On demand	Payable if your Franchise Agreement expires or is terminated, you fail to de-identify your Store, and we take steps to do so.
Indemnification	Our liabilities, fines, losses, damages, costs, and expenses (including reasonable attorneys' fees) ("Losses")	On demand	Payable if we incur Losses due to your activities under the Franchise Agreement or your activities relating to the Store.
Liquidated Damages	See Note 4	On demand	Payable if we terminate your Franchise Agreement based on your default or if you terminate the Franchise Agreement in violation of its terms.
Test Products	\$50 - \$500	On demand	If we require, you must participate in market research programs or test marketing of new products and services and must purchase a reasonable quantity of the test products

Notes:

1. Except as otherwise noted in this Item 6, all fees are imposed and collected by and payable to us and our affiliates. All of the fees in the table above are non-refundable and are uniformly imposed. You must use the payment methods we designate. You must furnish us and

your bank with any necessary authorizations to make payment by the methods we require. We currently require you to sign the Electronic Debit Authorization Agreement that is attached as Appendix C to the Franchise Agreement.

2. Except as otherwise noted in this Item 6, all fees are imposed and collected by and payable to us and our affiliates. All of the fees in the table above are non-refundable and are uniformly imposed. You must use the payment methods we designate. You must furnish us and your bank with any necessary authorizations to make payment by the methods we require. We currently require you to sign the Electronic Debit Authorization Agreement that is attached as Appendix C to the Franchise Agreement.

3. "Net Sales" means all revenue from the sale of all products and services and all other income of every kind related to your business activities under this Agreement, whether evidenced by cash, credit, check, gift certificate, gift cards, script, or other property or services and whether collected or not. If you operate a co-brand Store, "Net Sales" means all Net Sales derived from the sale of (a) menu items, beverages, and other items that you are authorized to offer and sell under your Franchise Agreement with us (which may include certain beverages) ("HDOS Sales"), as we may specify in the Manuals or otherwise in writing, and (b) a proportionate share of Net Sales derived from beverage sales at the Store ("Beverage Sales") that we designate. The proportionate share of Beverage Sales is determined by dividing the HDOS Sales by the total Net Sales of the Store and multiplying that percentage by the total Beverage Sales. For all Stores, Net Sales does not include (i) promotional allowances or rebates paid to you for your purchase of products or supplies and (ii) any sales or other taxes that you collect from customers and pay directly to the appropriate taxing authority. In addition, you may not deduct payment provider fees (i.e., bank or credit card company fees and gift card vendor fees) from your Net Sales calculation.

4. For a transfer of a partial ownership interest, you must pay an administrative fee equal to our administrative costs in processing the transfer (currently, \$2,000). If you are transferring your entire business (or, if you are an Entity, you are transferring interests that would result in a change of control), you must pay to us a non-refundable deposit of \$2,000 to cover our administrative costs in reviewing the proposal as noted in the chart above. The deposit will be applied towards your Transfer Fee if the transfer is completed. If you transfer more than 5 Stores or you are transferring Stores to an existing franchisee we will reduce the fee to \$5,000 per Store (with a cap of \$75,000).

5. Liquidated damages are calculated as (i) the average of your monthly Royalty Fees and Marketing Fees due for the 12 months before our delivery of the notice of default or termination of the Franchise Agreement (or for any shorter time that the Store has been open), (ii) multiplied by the lesser of 36 or the number of months remaining in the then-current term of the Franchise Agreement, (iii) discounted to present value using the then-current prime rate of interest quoted by our principal commercial bank.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Is to Be Made
	Low	High			
Franchise Fee ¹	\$15,000	\$25,000	Lump sum	At signing of Franchise Agreement	Us
Grand Opening Marketing ²	\$3,000	\$6,000	As incurred	As incurred	Third party suppliers or us
Travel and Living Expenses While Training ³	\$2,000	\$8,000	As incurred	As incurred	Airlines, hotels, and restaurants
Initial Inventory (food items, including Party Batter)	\$5,000	\$10,000	As incurred	As incurred	Suppliers
Other Opening Inventory ⁴	\$1,200	\$2,500	Lump Sum	Before opening	Suppliers
Architectural Fees ⁵	\$7,000	\$11,000	As incurred	As incurred	Architects
Equipment, furniture, fixtures, equipment and decor ⁶	\$115,000	\$185,000	As incurred	As incurred	Third parties
Signs	\$6,000	\$8,000	As incurred	As incurred	Third parties
Prepaid rent and security deposit ⁷	\$2,500	\$5,000	As incurred	As incurred	Landlord
Leasehold improvements ⁸	\$155,000	\$265,000	As incurred	As incurred	Various contractors / suppliers
Utility deposits ⁹	\$500	\$1,500	As incurred	As incurred	Utility companies
Professional Fees ¹⁰	\$1,000	\$5,000	As incurred	As incurred	Your attorneys, accountants, and business advisors
Computer System ¹¹	\$2,500	\$5,000	As incurred	As incurred	Suppliers
Business licenses, permits, etc. (for first 6 months) ¹²	\$1,000	\$2,500	As incurred	As incurred	Government Agencies
Insurance (3 months) ¹³	\$2,500	\$3,500	As incurred	As incurred	Insurance companies
Additional Funds (3 Months) ¹⁴	\$30,000	\$40,000	As incurred	As incurred	Employees, suppliers, utilities, etc.
TOTALS¹⁵	\$349,200	\$582,000	For a Traditional or Non-Traditional Store		

Area Development Rights

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
Area Development Fee	\$15,000 and up ¹⁶	Lump sum	On signing of Area Development Agreement	Us
First Franchise Fee	\$20,000 ¹⁶	Lump sum	On signing of Franchise Agreement	Us
Each Subsequent Franchise Fee	\$10,000 ¹⁶	Lump sum	On signing of Franchise Agreement	Us
Travel and Living Expenses While Training ³	\$-0- to \$5,000	As incurred	As incurred	Airlines, hotels, and restaurants
Legal Fees and Registration Fees	\$-0- to \$10,000	As incurred	As incurred	Third Parties
TOTAL	\$35,000 and up for an Area Development Agreement			

Notes:

*Unless otherwise noted, all amounts listed in the tables above are non-refundable. These estimates assume that you are developing a Store that will operate independently of any co-brand concept, such as one offered by one of our affiliates. Therefore, the estimates do not include any initial franchise fees, continuing fees, buildouts, labor, equipment, or any other expenses associated with any co-brand concept that you might seek to develop at your Store.

1. We describe the Franchise Fee in Item 5.

2. You must typically spend the required grand opening marketing and promotion amounts 2 weeks before opening your Store and the 6 weeks after opening the Store. Your cost may be higher based on the length of time you wish to run opening promotions. If we collect this fee (rather than having you spend this amount directly with third party suppliers), we will either: (i) reimburse you for your documented grand opening marketing expenditures that we have pre-approved, up to the \$3,000; or (ii) directly pay your vendors for your grand opening marketing expenditures that we have pre-approved, up to the \$3,000.

3. This estimate is for the cost of attending initial training in Atlanta, Georgia or any other venue we designate. We provide instructors, facilities, and materials for the initial training program at no charge. You must pay the travel and living expenses, wages, and other expenses your trainees incur during initial training. The actual cost will depend on your point of origin, method of travel, class of accommodations, and dining choices.

4. You must have a supply of flavorings, garnishments, food and beverage products, small kitchen wares, cleaning supplies, paper and packaging supplies, beverage cups and lids, report forms, gift cards and marketing and point-of-sale materials during your operation of the Franchise.

You may buy these items from us, our affiliates, or various other vendors or suppliers. We estimate that the initial costs of the gift card program will typically range from \$100 to \$300.

5. You also must employ and pay an architect or engineer approved or authorized in writing by GFG Management and/or us, to prepare a site plan and other construction documents. Although we will provide you with prototypical plans and specifications at no additional cost to you, you must pay an architect or engineer to adapt these plans and specifications to city, state and local building codes and to the specific site chosen for your Store.

6. These estimates include the estimated costs for necessary trade fixtures approved or authorized in writing by GFG Management and/or us, such as display cases, counters and work tables, equipment such as ovens, refrigerators, beverage dispensers, and dispensing equipment, and small wares.

7. If you do not currently own adequate space, you must lease the space for your Store. Typical locations are in enclosed shopping malls, but also may be located in other shopping centers, transportation centers, or entertainment venues. A typical Traditional Store requires between 800 and 400 square feet of space. A typical modular, prefabricated Non-Traditional Store will use between 500 and 1,000 square feet of space. You may be required to pay a security deposit under your real estate lease. Lease security deposits are typically due on signing the lease and are typically refundable if you do not default on your lease. Your lease also may require you to pay the last month's rent in advance.

This estimate includes one month of rent, and is based on a combination of square footage and location. We cannot precisely estimate the amount of your monthly rental payments, since rental amounts vary greatly from site to site and are affected by a number of factors, including location, size, visibility, accessibility, and competitive market conditions. In addition to rental payments, your lease may obligate you to make other payments to the landlord, such as payments for shopping center or building operating expenses, common area maintenance expenses, food court expenses, merchants' association assessments, assessments for shopping center promotion and marketing, and the like. Your lease also may require you to spend a certain amount on marketing and promotion for your particular store. Again, because these payments vary widely from lease to lease, we cannot precisely estimate the amount you may be required to pay for these or other similar items.

8. These estimates include construction costs (labor and material) for typical tenant improvements utilizing a general contractor approved or authorized in writing by GFG Management and/or us, and remodeling necessary to prepare a site for operation of a Store. The estimates also include construction management costs, general conditions, builders' risk/liability insurance and financing costs. Your actual construction costs will depend on numerous factors, such as the condition of the premises, duration of the building process (delays), union labor requirements, contractors' fees, signage, availability of materials and equipment, interest rates, and the insurance coverage you choose.

9. Deposits for utility services are typically required at the time the service is applied for, and may or may not be refundable.

10. We may require that you engage an attorney to review your lease or purchase agreement for the accepted site and supply us with reasonable documentation of this review, including a lease abstract and confirmation that (i) the Lease Rider has been signed (if you lease the site) and (ii) the terms in the agreement reflect the terms in any letter of intent between you and the

third party seller or lessor. We strongly recommend that you seek the assistance of professional advisors when evaluating this opportunity. The estimates in this chart are based on professional fees in the State of Georgia. You may experience different rates for professional fees in your market. Ask your professional advisors for their fee schedule before engaging them to perform any services for you. We also may require you to engage a professional accountant during the first 12 months of your Store's operation.

11. This estimate includes the cost of purchasing our required computer hardware, software, inventory control system, and point of purchase system from approved suppliers. You also must provide the Internet connections that we specify.

12. You must maintain all required licenses and permits necessary to build and operate your Store. You should check with local authorities, an attorney, or a business consultant to determine what licenses and permits are necessary at your location. The amount for licenses and permits can vary significantly in different areas, and you should verify specific amounts with local authorities.

13. We require you to obtain and keep in force certain insurance coverages on a primary non-contributory basis, with us and our affiliates named as an additional insured on each policy. Your real estate lease also may impose requirements for insurance coverage in addition to the requirements that we impose. The table contains the estimated cost of required insurance premiums for a 3 month start-up period; however, the cost of insurance varies, depending on the insurance company you select, lease requirements, variances in the cost of insurance from city to city and state to state, and other factors. Whether or not amounts paid for insurance premiums are refundable is determined by individual insurance carriers and the terms of the insurance policies.

14. This amount represents the range of your initial start-up expenses over the first 3 months of operation. These figures include estimated payroll costs. However, they do not include the salary for a Store manager, on the assumption that you will manage the Store. These figures are estimates and we cannot guarantee that you will not have additional expenses starting your business. Your costs will depend on factors such as how well you follow our methods and procedures; your management skill, experience, and business acumen; local economic conditions; the demand for specialty food and snack goods and services in your area; the prevailing wage rates; competition; the time of the year your Store is opened; and the sales level reached during the initial period.

15. This total amount is based on our and our predecessors' market research and experience opening and operating similar stores. Your costs may vary based on a number of factors including, but not limited to, the geographic area in which you open, local market conditions, and your skills at operating a business. 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. You should independently investigate the costs of opening a Store in the geographic area in which you intend to open. You also should review the figures carefully with a business advisor before making any decision to purchase the Franchise. We do not provide financing to franchisees either directly or indirectly for their initial investment requirements. The availability and terms of financing obtained from third parties will depend on such factors as the availability of financing, your credit worthiness, collateral that you may make available, or policies of local lending institutions with respect to the nature of the business.

16. The Development Fees will vary based on the number of Stores that you agree to develop, regardless of whether the stores are Traditional or Non-Traditional Stores. The Development fee will be \$5,000 per Store to be opened under the Development Agreement with a minimum of three Stores. You must sign the Franchise Agreement and pay the Franchise Fee for the first Store on the signing of the Development Agreement. You are not required to pay the Franchise Fee for the remaining Stores until the signing of the Franchise Agreement for each Store.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate the Store according to our standards and specifications, which may regulate, among other things, the types, models, and brands of products, fixtures, furniture, vehicles, furnishings, signs, other equipment and supplies you must use in operating the Store; unauthorized and prohibited products, equipment, and services; inventory requirements; and designated and approved suppliers of products and other items.

Authorized Products and Services. You may offer for sale in the Store only the products and services that we have approved in writing, as stated in the Manuals. If you operate a co-brand Store, you must also offer for sale the products and services that have been approved by your co-brand licensor. You must offer the specific brand and/or product “mix” that we require in the Manuals determined either by percentage of inventory stocked or percentage of your Store’s retail space. We may, in our sole discretion, change these specifications periodically, change the authorized products and services at our judgment, and designate specific products or services as optional or mandatory. You must offer all items that we designate as mandatory. You may sell products only in the varieties, forms, and packages that we have approved. If we revoke approval of a previously-approved product that you have been selling, you may continue to sell the product only from your existing inventory for up to 30 days following our disapproval. We have the right to shorten this 30 days if, in our opinion, the continued sale of the product would prove detrimental to our reputation.

We can require that products, supplies, equipment, and services that you purchase for resale or use in your Store: (i) meet specifications that we establish from time to time; and/or (ii) be purchased only from suppliers or service providers that we have expressly approved; and/or (iii) be purchased only from a single source that we designate (which may include us or our affiliates or a buying cooperative we or our affiliates organize). We can impose purchasing restrictions for any reason, including to control the quality and consistency of the merchandise and to facilitate volume-discount pricing arrangements. Currently, you must purchase your uniforms from our designated supplier. You must use our designated supplier for loyalty programs you are required to offer in connection with the operation of your Store. You must also use designated or approved suppliers for tenant improvements, trade fixtures and architect and engineering services.

We and our other affiliates currently are not approved suppliers, though we reserve the right to require you to purchase items from us or our affiliates in the future. None of our officers currently owns an interest in any designated third-party supplier to the franchise network.

We have an electronic gift card program and you must participate in this program. The gift cards will be available at franchisees’ Stores and at certain third party retail locations, such as grocery stores, drug stores, etc. This program may require that you invest in additional equipment

and that you incur fees from the gift card processing vendors that we designate. Currently, you must remit to the designated provider the proceeds from your sales of gift cards. The designated provider will hold these funds. When a gift card is redeemed, the provider will pay to the redeeming franchisee the amount of the purchase from the held funds.

We have the right to require you to provide delivery services to your customers. If you do not have adequate staff to provide these delivery services, you may have to hire a third party service that provides this delivery for you. You may incur delivery and other program fees to these services. Currently, we may designate and recommend that you use our approved supplier for third-party delivery services, if and when we authorize or require you to provide delivery services from your Store.

All deliveries of products that you purchase may be made only to your Store. You may not have products delivered to any other address. If you violate this restriction, you agree that we have the right to contact your suppliers and/or distributors to notify them that your deliveries may only be made to the Store. In this event, we will not be liable to you for any damages that may result from our notification to your suppliers and/or distributors. You may not offer for sale any products that you are authorized to sell in your Store at any location other than your Store (except for approved delivery services) or otherwise in compliance with your Franchise Agreement.

We have the right to automatically order and ship to you, and you must timely pay for, “convenience shipments” of certain goods, including to inventory and promotional items needed for limited time offers, special promotions, etc. We anticipate that there will be 4 to 6 primary promotions during each calendar year that could involve these automatic shipments. Costs for in-store POP materials and in-store signage are normally paid for through the Marketing Fund while costs for printing of coupons and flyers are normally paid by the franchisee (with these costs counting toward fulfillment of the required local marketing spending requirement). Other costs incurred, which would vary from promotion to promotion, include the cost of ingredients related to the making of promotional products, and any special packaging, wraps or boxes. The amount of these costs will vary based on the volume of sales of the promotional item(s) and duration of the promotion. These costs are a part of a franchisee’s normally occurring costs of goods sold and are not expected to be material to a franchisee’s operations.

We or our affiliates also may license various paper manufacturers or distributors to produce branded or proprietary paper products that you must purchase for your Store.

To the extent that we establish specifications, require approval of suppliers or service providers, or designate specific suppliers or service providers for particular items or services, we will publish our requirements in the Manuals. We may at any time change, delete, or add to any of our specifications or quality standards. These modifications, however, will generally be uniform for all franchisees.

Collectively, the purchases and leases described above are approximately 95% of your overall purchases and leases in establishing the Franchise and 95% of your overall purchases and leases in operating the Franchise.

Approval Process. If you would like to offer products or use any supplies, equipment, or services that we have not approved or to purchase from a supplier or service provider that we have not approved, you must submit a written request for approval and provide us with any information that we request. We have the right to inspect the proposed supplier’s facilities and test samples of the proposed products and to evaluate the proposed service provider and the

proposed service offerings. You agree to pay us the reasonable cost of the inspection and our actual cost of testing the proposed product and/or evaluating the proposed service or service provider, including personnel and travel costs, whether or not the item, service, supplier, or service provider is approved. We have the right to grant, deny, or revoke approval of products, services, suppliers, or service providers based solely on our judgment. We will notify you in writing of our decision as soon as is practicable following our evaluation. You will receive our approval or disapproval within 90 days after submitting all of the information that we request. We reserve the right to re-inspect any approved supplier's facilities and products and to reevaluate any service provider's services and to revoke approval on the supplier's or service provider's failure to meet any of our then-current criteria. If you receive a notice of revocation of approval, you must stop purchasing the formerly-approved product or service or any products or services from the formerly-approved supplier or service provider and you must dispose of your remaining inventory of the formerly-approved products and services as we direct.

Insurance. You must maintain at your expense, in full force and effect throughout the term of the Franchise Agreement, the types of insurance and the minimum policy limits stated in the Manuals.

The current types of insurance and limits of liability for your insurance are as follows:

Commercial General Liability: General Aggregate Each Occurrence	\$2,000,000 \$1,000,000
Commercial Property Coverage	100% of replacement cost
Fire Legal Liability	\$300,000
Worker's Compensation	Statutory
Hired & Non-Owned Auto	\$500,000
Business Auto Policy (if auto licensed to business)	\$500,000
Umbrella/Excess Liability	\$1,000,000
Business Interruption	12 month actual loss
Deductible, per occurrence (maximum)	\$5,000

The insurance policy or policies must be in effect before you begin construction and/or development of the Store. The insurance policy or policies must protect you, us, our affiliates, and our respective, past, present, and future officers, directors, owners, managers, members, stockholders, affiliates, employees, consultants, attorneys, and agents against any loss, liability, personal injury, death, property damage or expense arising out of or occurring on or involving the condition, operation, use, or occupancy of the Store. You must have us named as an additional insured under each policy, except for policies required by statute in your jurisdiction, such as workers' compensation and employer's liability insurance policies. We may require additional types of coverage or increase the required minimum amount of coverage on reasonable notice. On our request or as stated in the Manuals, you must provide us with certificates of insurance evidencing the required coverage. Your insurer(s) must commit not to cancel or amend the policy or policies without at least 30 days' prior written notice to us. If you fail to obtain and maintain

insurance coverage as the Franchise Agreement requires, we have the right, but not the obligation, to obtain the required insurance for you and to charge you for the cost of the insurance plus a reasonable fee for our services in procuring the insurance, which may be debited to your account by electronic debit.

Refurbishing. At our request, which may be made as often as once every 5 years, and within 90 days after each request, you will refurbish the Store at your expense to conform the decor, trade dress, color schemes, signage, equipment, and presentation of the Marks to our then-current image and specifications. At our direction, refurbishing will include remodeling, redecoration, and other modifications to existing improvements as we deem necessary (“Remodeling”). However, we cannot require you to invest additional capital for Remodeling at a time when the investment cannot in our reasonable judgment be amortized during the remaining term of the Franchise Agreement or the Site Lease, unless the Remodeling is required by the Site Lease or applicable law. We currently estimate that the cost of Remodeling will range from \$35,000 to \$65,000 (excluding any remodeling or refurbishment work under your Site Lease or pursuant to applicable law).

Computer System. You must purchase the Computer System that meets our specifications, including computer hardware, software, point of purchase system, inventory control system, and network connections. The component parts of the Computer System must be purchased from approved suppliers.

Professional Services. We may require you to engage an approved accountant to provide financial services for your Franchise. The accountant would provide services for the first 12 months’ of your Store’s operation. We will make this requirement in situations in which your submitted business plan falls outside of our standard metrics for the brand or if you have demonstrated a need for additional financial analysis support before, during or after your attendance at our Initial Training Program, which we will determine in our sole judgment. If we make this requirement, your accountant must be a certified public accountant and 3 references for the accountant verify that the accountant is qualified to assist you.

We also may require you to engage an attorney to review your lease or purchase agreement for the Site and to supply us with reasonable documentation of this review, including a lease abstract and confirmation that the terms in the agreement reflect the terms in any letter of intent between you and the third-party seller or lessor. We will make this requirement in the following situations: the rent amounts under your proposed lease fall outside the target percent range established under our financial model (which you will have received at our Initial Training Program); there are unusual or abnormal riders included in your proposed lease; or, you are entering into a sublease for the Premises with a non-affiliated third party.

Test Products. Periodically, we will conduct market research and testing to determine consumer trends and the salability of new food or non-food products and services. If we require, you must participate in any market research programs or test marketing of new products and services in your Store, and provide us with timely reports and any other relevant information we request for the market research. You must purchase for your Store a reasonable quantity of the test products, and you must effectively promote and make a reasonable effort to sell test products. The amount that you pay for the test products will not reduce your obligation to pay Advertising Contributions and will not reduce your obligation to conduct local marketing.

We generally test 6 to 18 products, new packaging items and/or equipment during each year. We make every effort to make sure that no store must participate more than 4 times per year (once per quarter). If you participate in one of these tests, you will pay for the cost of the ingredients and the labor required for the test. If the test is for new equipment, you generally will not pay for the cost of the equipment unless and until the equipment is adopted as part of the System. These costs are expected to be immaterial to your operations. Tests typically last 4 to 8 weeks.

Revenue from Purchases. We may retain any rebates or other payments we receive from suppliers. In addition to rebates, we also have the right to request any approved supplier to impose and collect a small fee on certain products to fund charitable contributions and/or partnerships with national non-for-profit organizations. During the 2017 fiscal year, we conducted a rebate program with our outsourced supply chain manager, in which we received a rebate on purchases based upon the purchase levels of certain products.

As of our fiscal year ending December 31, 2018, we derived \$5,324, or .99% of our total revenue of \$539,554, as a result of required franchisee purchases and leases.

Cooperatives and Purchase Arrangements. We are not involved in any purchasing or distribution cooperatives. We may, but are not obligated to, negotiate purchase arrangements with suppliers for the benefit of franchisees.

We do not provide any material benefits to franchisees (for example, renewal or granting additional franchises) based on their purchase of particular products or services or use of particular suppliers.

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

	Obligation	Section in agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	FA: Sections 4.2, 5.1(a) and 5.1(b)	Items 7 and 11
b.	Pre-opening purchases/leases	FA: Sections 5.1, 5.4, 5.5, 5.6, 5.8, 5.10, and 5.11	Items 7, 8 and 11
c.	Site development and other pre-opening requirements	FA: Sections 5.1(c) and 5.1(d) ADA: Section 1	Items 7, 8 and 11
d.	Initial and ongoing training	FA: Sections 4.4, 4.5, 4.6, and 5.3	Items 6, 7 and 11
e.	Opening	FA: Section 5.1(d) ADA: Section 3	Item 11

	Obligation	Section in agreement	Disclosure Document Item
f.	Fees	FA: Sections 3, 4.2, 4.4, 4.6, 4.7, 5.1(l), 5.3, 5.5(c), 5.5(e), 5.8, 5.9, 5.10, 5.11, 5.12(d), 5.12(e), 5.20, 5.21, and 5.25 ADA: Section 2.1	Items 5, 6, 7, 8 and 11
g.	Compliance with standards and policies/Operating Manual	FA: Sections 4.1 and 5.16	Items 7, 8, 11, 13, 14, 15 and 16
h.	Trademarks and proprietary information	FA: Sections 5.12, 5.14, and 5.22	Items 13, 14 and 15
i.	Restrictions on products/services offered	FA: Sections 5.4, 5.5, 5.6 and 5.7	Items 8 and 16
j.	Warranty and customer service requirements	Not Applicable	Not Applicable
k.	Territorial development and sales quotas	FA: Sections 1.4 and 5.7 ADA: Section 3	Items 1, 5 and 12
l.	Ongoing product/service purchases	FA: Sections 5.4, 5.5, and 5.6	Items 8 and 16
m.	Maintenance, appearance and remodeling requirements	FA: Sections 5.1(f) and 5.1(g)	Items 7, 8 and 11
n.	Insurance	FA: Section 5.11	Items 7 and 8
o.	Advertising	FA: Sections 3.3 and 5.8	Items 6, 7, 8 and 11
p.	Indemnification	FA: Section 5.23 ADA: Section 10.9	Item 6
q.	Owner's participation/management/staffing	FA: Sections 5.2 and 5.28	Items 11 and 15
r.	Records and reports	FA: Sections 5.5(b), 5.8(e), 5.17, 5.18, and 5.19	Items 6 and 17
s.	Inspections and audits	FA: Sections 4.8, 5.20 and 5.21	Items 6 and 11
t.	Transfer	FA: Section 5.25 ADA: Section 7	Items 6 and 17
u.	Renewal	FA: Section 2.2	Item 17
v.	Post-termination obligations	FA: Section 7 ADA: Section 6.2	Item 17
w.	Non-competition covenants	FA: Section 5.24 ADA: Section 8	Item 17
x.	Dispute resolution	FA: Section 8 ADA: Section 9	Item 17
y.	Other - Guarantee	FA: Section 5.28 ADA: Section 8.4	Item 15

ITEM 10 FINANCING

We and our affiliates do not offer direct or indirect financing. Neither we nor our affiliate will guarantee your note, lease, or obligation.

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

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

Our Pre-Opening Obligations

Before you begin operating your Store:

1. Designate Areas. We will designate your Site Selection Area or, if you sign an Area Development Agreement, your Development Area. (Franchise Agreement - Section 1.1; Area Development Agreement - Section 1).

2. Site Selection Assistance. We will provide you with counseling, and assistance that we consider necessary and appropriate. You are solely responsible for locating and selecting a suitable site for the Store. You will be the tenant under your lease. We will not own or lease the premises for you. Within 180 days after the Franchise Agreement's effective date and before entering into any lease or purchase agreement for the site, you must submit to us a submittal package describing details about the proposed site and provide any other information that we reasonably require. We will review your submittal package for your proposed site and determine whether to accept your proposed site. We will conduct an on-site evaluation if we consider it necessary and appropriate as part of our evaluation of your submittal package. If we determine that on-site evaluation is necessary and appropriate (on our own initiative), we will provide the evaluations (up to 2 days unless we agree otherwise) at our own expense, although we reserve the right to charge you an additional fee for this service. Generally, we consider the following factors in accepting a store location: high foot traffic, visibility, complementary tenant mix in the shopping center, demographically dense primary retail trade populace, reasonable rent, adequate square footage, proper exposure within the demographic trade area and a retail-oriented shopping center. If we accept the proposed site and you obtain it, we will insert a description of the specific location on Schedule 1 to the Summary Page to the Franchise Agreement. We will accept or reject a site within 20 business days after receiving your complete submittal package. If we fail to give you our decision within 20 business days, the proposed site is deemed to be rejected. If we reject your proposed site, you may propose another site; however, your Store must be open for business within 12 months after we sign the Franchise Agreement. If you fail to meet this deadline for any reason, including your failure to propose a site that we accept, and we do not agree to extend the deadline, we will have the right to terminate your Franchise Agreement. If you sign an Area Development Agreement, we will approve the locations of future Stores based on our then-current standards in each applicable Franchise Agreement. (Franchise Agreement - Sections 4.2 and 5.1; Area Development Agreement – Section 3.1).

3. Approval of Site Lease. Before you make a binding commitment to purchase, lease, or sublease a site, we must approve in writing the proposed lease or purchase agreement or any letter of intent between you and the third-party seller or lessor. If you lease the site, unless we waive the requirement in writing, you must arrange for the signing of the Lease Rider in the form that is attached as Appendix B to the Franchise Agreement. You must enter into, and provide

us with a fully executed copy of, the purchase agreement and/or site lease and Lease Rider (unless we waive the Lease Rider requirement in writing), as applicable, within the earlier to occur of: (i) 10 days after full execution of the site lease or purchase agreement, as applicable; or (ii) 240 days after the Effective Date of the Franchise Agreement (the "Site Securitization Deadline"). (Franchise Agreement - Section 5.1(b)).

- a. If you do not enter into and provide us with a copy of the purchase agreement or Site Lease, as applicable, in accordance with the requirements of the Franchise Agreement on or before the Site Securitization Deadline, so long as you are otherwise in compliance with your obligations under the Franchise Agreement and so long as you are using best efforts to secure a Site and enter into a purchase or lease agreement for the Site, we will grant you one 60-day extension to the Site Securitization Deadline (the "Site Securitization Extension") in exchange for your payment of a \$5,000 extension fee (the "60-Day Extension Fee"). The 60-day Extension Fee shall be due and payable to us immediately upon the expiration of the Site Securitization Deadline and we shall have the right to automatically deduct the 60-Day Extension Fee from your account via electronic funds transfer.

4. Plans. We will make available to you at no charge a set of prototype plans and specifications (not for construction) for the Store and for the exterior and interior design and layout. We will provide a list of approved vendors and specifications for equipment, signs, fixtures, and inventory (and the vendors will deliver these items and provide installation, if applicable). We will review your final plans, which we must approve before you begin permitting and construction of your Store. (Franchise Agreement - Section 4.3)

5. Initial Training. We will provide initial training in the System and our policies and procedures to you (or your Operating Principal, if you are an Entity), and any other employees that we designate. (Franchise Agreement - Section 4.4)

6. Opening Assistance. Before the opening of the Store and on your written request, we will provide you with initial on-site assistance for at least 2 days at the Store premises and at our expense. (Franchise Agreement - Section 4.5)

7. Manuals. We will furnish you with one copy of, or electronic access to, our Manuals, on loan for as long as the Franchise Agreement or a successor franchise agreement remains in effect. We reserve the right to furnish all or part of the Manuals to you in electronic form and to establish terms of use for access to any restricted portion of our Website. (Franchise Agreement - Section 4.1)

8. Pricing. We are not obligated to provide any assistance in establishing prices.

Time to Open

Franchise Agreement

We estimate that the typical length of time between signing a Franchise Agreement and opening your Store is about 6 to 9 months. Factors affecting this length of time include, among others: ability to select a site and negotiate a satisfactory lease; hiring of the requisite employees; successful completion of initial training; local ordinances or community requirements; delivery of fixtures, equipment, and signs; the availability of inventory; issuance of all necessary licenses,

permits and approvals; and procuring required insurance. You must open the Store before the earlier to occur of: (i) 12 months after we sign the Franchise Agreement, or (ii) 120 days after your landlord delivers possession of the site to you (the “Opening Deadline”).

If (i) you have entered into a purchase agreement or Site Lease as required under the Franchise Agreement on or before the Site Securitization Deadline, (ii) you have submitted all construction permits for the build-out of your Store to all applicable governing authorities for approval on or before the Opening Deadline, and (iii) you are otherwise in compliance with your obligations under the Franchise Agreement, the Opening Deadline shall be extended for a period of two months. Additionally, if we grant you the Site Securitization Extension, you have paid the 60-Day Extension Fee, and you have entered into a purchase agreement or Site Lease for an accepted Site in accordance with the terms of this Agreement before the expiration of the Site Securitization Extension, the Opening Deadline shall be extended to the date that is 120 days following the earlier to occur of (a) the date on which you enter into the a purchase agreement or Site Lease, or (b) the expiration of the Site Securitization Extension.

Area Development Agreement

If you have entered into an Area Development Agreement (the “ADA”) with us to develop multiple Stores, your mandatory Development Schedule will govern and dictate the opening deadline for each Store you are granted the right to open under that agreement. Under certain, limited circumstances, as disclosed in more detail below, you may be eligible to secure one extension to one of your opening deadlines for one of the Stores you are required to open under the ADA (the “ADA Opening Deadline Extension”). Similar to the Site Securitization Extension available under the Franchise Agreement, as disclosed above, you may obtain one ADA Opening Deadline Extension. The ADA Opening Deadline Extension may be granted under one of the two following circumstances:

1. If: (i) you have entered into a purchase agreement or Site Lease for the Store within the time period required under the Franchise Agreement for the Store, (ii) you have submitted all construction permits for the build-out of the Store to all applicable governing authorities for approval on or before the opening deadline set forth in the ADA for such Store, and (iii) you are otherwise in compliance with your obligations under the ADA and the Franchise Agreement for the Store, the opening deadline for that Store under the ADA shall be extended for a period of two months; or

2. If we grant you a Site Securitization Extension under the Franchise Agreement for the Store, you have paid the 60-Day Extension Fee, and you have entered into a purchase agreement or Site Lease for an accepted Site in accordance with the terms of the Franchise Agreement for the Store before the expiration of the Site Securitization Extension, the Opening Deadline for that Store under the ADA shall be extended to the date that is 120 days following the earlier to occur of (a) the date on which you enter into the a purchase agreement or Site Lease, or (b) the expiration of the Site Securitization Extension.

For clarity, you are only eligible to secure one extension to one of the Opening Deadlines under your ADA Development Schedule during the term of the ADA.

Consequences for Failure to Meet Opening Deadlines

If you fail to open any Store within the prescribed time period described in this Item, except as otherwise disclosed in this Item, we will have the right to terminate the governing Franchise Agreement and, if appropriate, Area Development Agreement.

Ongoing Assistance

During the operation of your Franchise:

1. **Additional Training.** We may periodically conduct advanced training programs for you, your Operating Principal, your Managers, and/or your employees at our office or another location that we designate. We may provide additional training in person, by webinar, or by any other means, as we determine. (Franchise Agreement - Section 4.6)

2. **Marketing.** We may from time to time formulate, develop, produce, and conduct marketing or promotional programs in any form and media we determine to be most effective through expenditures from the Marketing Fund. We may make available to you, without charge or at a reasonable cost, approved marketing and promotional materials, including signs, posters, collaterals, etc. that we have prepared. (Franchise Agreement - Sections 4.9(a) and 4.9(b)(ii))

3. **Review Marketing.** We will review your requests for approval of any promotional materials and marketing you wish to use or produce. If you do not receive our written approval within 10 business days from the date we receive the material, the material is deemed rejected. (Franchise Agreement - Sections 4.9(c) and 5.8(b))

4. **Fund Management.** We will manage the Fund as described below in this Item. We will prepare an unaudited statement of contributions and expenditures for the Fund and make it available within 60 days after the close of our fiscal year to franchisees who make a written request for a copy. (Franchise Agreement - Section 4.9(b))

5. **Review Products and Suppliers.** We will review your requests for approval of products, supplies, equipment, or suppliers. (Franchise Agreement - Section 5.5(c))

6. **Requested Consulting Services.** We will provide you with additional consulting services for the operation of the Store on your reasonable request and subject to the availability of our personnel at a mutually convenient time. We will make available to you information about new developments, techniques, and improvements in the areas of merchandising, marketing, management, operations, and store design. We may provide these additional consulting services through the distribution of printed or filmed material, an Intranet or other electronic forum, meetings or seminars, teleconferences, or in person. If these services are rendered in person other than at our offices, you must pay us a fee and our expenses. (Franchise Agreement - Section 4.7)

7. **Manuals Updates.** We may amend, modify, or supplement the Manuals at any time, if the amendments, modifications, or supplements will, in our good faith opinion, benefit us or our existing and future franchisees or will otherwise improve the System. You must comply with revised standards and procedures within 30 days after we transmit the updates. (Franchise Agreement - Sections 4.1 and 5.16)

8. Inspections. We may inspect the operation, premises and inventory of the Store and advise you of the results of each inspection. We may retain a third party to conduct these inspections. (Franchise Agreement - Section 4.8)

9. Off-Site Events Review. We will review and approve or disapprove your request to offer products at Off-Site Events (as defined in Item 12). (Franchise Agreement – Section 5.7(b))

10. Relocation Review. We will evaluate sites to which you propose to relocate your Store. (Franchise Agreement - Section 5.1(i))

Advertising

General. You must submit to us in writing for our prior approval all sales promotion materials and marketing materials (including internet based or social media marketing) that we have not prepared or previously approved. You must conduct all marketing in a dignified manner and conform to the standards and requirements we specify in the Manuals. We have the final decision on all creative development of marketing and promotional messages. We reserve the right to require you to discontinue the use of any marketing or marketing materials. (Franchise Agreement – Section 5.8(b))

We may from time to time formulate, develop, produce, and conduct, marketing or promotional programs in any form and media we determine to be most effective. We may make available to you, without charge or at a reasonable cost, approved marketing materials, including signs, posters, collaterals, etc. that we have prepared. (Franchise Agreement – Section 4.9(a))

Marketing may be local, regional or national in scope. If we conduct media marketing, we may use social media, direct mail, print, radio, Internet, or television, which may be local, regional, or national in scope. We may produce the marketing materials in-house or employ a local, regional, or national marketing agency. We are not obligated to conduct any advertising or marketing programs within your market. (Franchise Agreement – Section 4.9(b))

Marketing Fund. We have established a HDOS Brand and Marketing Fund (the “Marketing Fund”). We will use your Marketing Fees and any earnings on the Marketing Fund account for any costs associated with marketing (marketing material creation and production), branding (including re-branding), public relations and/or promotional programs and materials, and any other activities we believe would benefit Stores generally, including creation and maintenance of a website; social media marketing, direct mail marketing; market research, including, without limitation, secret shoppers and customer satisfaction surveys; branding studies; employing marketing and/or public relations agencies; purchasing promotional items; conducting and administering promotions, contests, giveaways, public relations events, and community involvement activities; and providing promotional and other marketing materials and services to our franchisees. We have the right to direct all marketing programs, with the final decision over creative concepts, materials, and media used in the programs and their placement. We have no obligation to ensure that you will benefit from the Marketing Fund in proportion to your contributions to the Marketing Fund. (Franchise Agreement – Section 4.9(b))

We will not use the Marketing Fund for anything whose sole purpose is the marketing of franchises; however, the Hot Dog On A Stick website, public relations activities, community involvement activities, and other activities the Marketing Fund supports may contain information about franchising opportunities. (Franchise Agreement – Section 4.9(b))

We will not use any contributions to the Marketing Fund to defray our general operating expenses, except for reasonable administrative costs and overhead we incur in activities reasonably related to the administration of the Marketing Fund or the management of Marketing Fund-supported programs (including the pro-rata amount of salaries, benefits, and travel of our personnel who devote time to Marketing Fund activities and retainers and fees for outside agencies). (Franchise Agreement – Section 4.9(b))

We will, but are not obligated to, establish a segregated or independent fund into which all Marketing Fees will be paid. HDOS Fund will administer the Marketing Fund. The Marketing Fund may lend money and incur debt in furtherance of its general purposes. We or one of our affiliates may make or otherwise arrange loans to the Marketing Fund in any year in which the balance of the Marketing Fund is negative and may charge a reasonable rate of interest on the amounts loaned. The amounts loaned to the Marketing Fund will be repaid from future contributions to the Marketing Fund in the year the loan is made or in later years. (Franchise Agreement – Section 4.9(b))

We are not a fiduciary with respect to any Marketing Fees we receive or administer. We will not have an independent audit of the Marketing Fund completed. We will prepare an unaudited statement of contributions and expenditures for the Marketing Fund and make it available within 60 days after the close of our fiscal year to franchisees who make a written request for a copy. (Franchise Agreement – Section 4.9(b))

All franchisees will contribute to the Marketing Fund a uniform percentage of their Net Sales. Predecessor-Owned Stores will not contribute to the Marketing Fund. (Franchise Agreement – Section 3.3)

In the fiscal year ended December 31, 2018, the marketing fee contributions were used for the research, creative, development and production of new marketing and promotional materials. The expenditures for 2018 were spent as follows: production (14%), media placement (20.3%), administrative (.9%) and other (including market research, marketing collateral, web/digital media, gift card program, creative development, photo shoots and related costs, public relations, R&D and marketing tests, customer satisfaction programs, and graphic design costs) (64.8%). We have not spent any of the Marketing Fee contributions that we have received for marketing that was primarily a solicitation for the sale of franchisees.

Local Marketing. You must use your best efforts to promote the use of the Marks in your market area. In addition to your grand opening obligation, you must spend annually 2% of your Net Sales on local marketing and promotional activities, which includes social media and other digital marketing costs. Your local spending obligation is in addition to your Marketing Fee. You must participate in all marketing and promotional programs that we specify from time to time, at your own expense. We have the right to designate in the Manuals the types of expenditures that will or will not count toward the minimum annual spending requirement. At our request, you must submit appropriate documentation to verify compliance with the minimum local marketing spending obligation. Expenditures that would count toward your minimum local marketing spending obligation will generally include local print advertising, including mailers, fliers and coupons, on-air advertising (cable to radio), costs related to sponsorship of local sports teams (e.g., little league team with logoed tee shirts), participation in local events such as local sporting events, chamber of commerce or other civic events, commissions paid to generate off-premises sales such as hot dogs, lemonade, or catering events, or other expenditures directly related to driving sales and traffic that occur off-premises. Expenses of product sampling at your Store will

not count toward your minimum local marketing spending obligation, as this expense is part of your day-to-day operations. (Franchise Agreement – Section 5.8(a))

Websites. You are not authorized to have a website for your Store unless we otherwise agree in writing. We will provide basic information about your Store on our website. You are not authorized to offer any products for sale through any e-commerce site. You must participate in any on-line menu ordering program we specify and you must only use the service providers we designate or approve in writing. (Franchise Agreement – Section 5.8(d))

Promotional Programs; Loyalty Programs. You must participate in all mandatory in-Store promotional programs that we offer to franchisees. This participation includes any limited time offers, special offers or coupons that we distribute nationally or locally by e-mail, our web site, social networking sites, direct mail, or other method of distribution. You must follow our guidelines on the acceptance and reimbursement of gift certificates, gift cards, coupons, and other promotional programs we provide in the Manuals or otherwise in writing. You may not allow use of gift certificates, gift cards, or coupons unless we approve or offer them. (Franchise Agreement – Section 5.9)

You must participate in, and offer, any and all loyalty programs we designate in connection with the operation of your Store. We have the right to require you to use our designated suppliers for any and all loyalty programs. You may incur additional costs and expenses in connection with your participation in, and offering of, any loyalty program.

The Marketing Fund normally pays for the POP and in-store signage and you will normally pay for printing of coupons and flyers (with these costs counting toward your minimum local marketing spending obligation). You also will pay for your inventory of the promoted products, which is part of your normal costs of goods sold.

Advertising Cooperatives. We do not require that you join or participate in any organizations or associations of franchisees or advertising or marketing cooperatives.

Marketing Committee. We currently have a marketing committee comprised of franchisees who volunteer to serve on the marketing committee in an advisory capacity. We consult with the marketing committee when making marketing decisions involving the Marketing Fund. We have the final right of approval/disapproval on all marketing spend and initiatives. We have the right to change or dissolve this marketing committee at any time.

Advisory Council. Currently, we have not established a franchisee advisory council but we reserve the right to do so in the future. If we establish a franchisee advisory council, you will be required to participate according to the bylaws established by us. At our discretion, the franchisee advisory council may be comprised of our management representatives, employees, you and/or other franchisees in the System. We will have the right to change, modify or dissolve the franchisee advisory council (if created) at any time.

Computer System

You must purchase and use the Computer System and network connections that we specify from time to time in the Manuals, including computer hardware, software, point of purchase system, inventory control system, and network connections. Your internal network and Computer System must be PCI compliant at all times, and you must be able to demonstrate your PCI compliance upon our request. The specifications for the required Computer System hardware

include a personal computer or laptop computer, a Point of Sale Terminal , cash drawer, receipt printer and paper, customer display and credit card swipe. We estimate that the cost of acquiring the Computer System will range from \$2,500 to \$5,000. The Computer System will be used for daily functions such as tracking and entering purchase orders and receipts, updating inventory, generating sales reports, inventory management and analysis of financial information relating to the Store. Neither we nor our affiliates act as vendors or suppliers of any hardware or software components. The component parts of the Computer System must be purchased from approved suppliers. If we require you to use any proprietary software or to purchase any software from a designated vendor, you must sign any software license agreements that we or the licensor of the software require and any related software maintenance agreements. (Franchise Agreement – Section 5.10 (a))

You must maintain an Internet service that allows you an unlimited Internet connection, e-mail and online communication abilities as we require. You must maintain a valid e-mail address to receive communications from us. You must immediately notify us of your e-mail address and of any changes you later make to your e-mail address. You must access and review all emails received at your email address at least once per day. (Franchise Agreement – Section 5.10 (d))

You must maintain the Computer System at your expense and must replace, upgrade, or update the Computer System as we require from time to time. (Franchise Agreement – Section 5.10 (b)). We will establish reasonable deadlines for implementation of any changes to our Computer System requirements. The vendor or supplier of the hardware components typically provides ongoing maintenance, repairs, upgrades, or updates, the cost of which varies by vendor. We anticipate that the cost of updating or upgrading the computer hardware and software will not exceed \$4,000. In connection with any replacement, upgrade or update, we will not obligate you to invest more than \$7,500 in any one year, nor more than \$15,000 in total, on any Computer System (excluding service and support or related connection fees). The annual cost for software maintenance will range from \$1,500 to \$4,000.

You must give us unrestricted independent electronic access (including users IDs and passwords, if necessary) to the Computer System for the purposes of obtaining the information on Net Sales of the Store, auditing and collecting Royalty Fees and Marketing Fees, inventory levels, aged inventory, and cost of goods sold and any other reports we designate. You must permit us to download and transfer data by internet, modem or other electronic means on a real-time basis or as frequently as possible, as we determine. There are no contractual limitations on our right to access data stored in the Computer System. (Franchise Agreement – Section 5.10 (c))

You may use the Computer System only for the Store and must use it in accordance with our policies and operational procedures. Your employees must complete all training programs we reasonably require for the proper operation and use of the Computer System. You may not use any other cash registers or computer systems in your Store. (Franchise Agreement – Section 5.10 (c))

We also may require you to use proprietary software or to purchase certain software from a designated vendor. If we require you to use any proprietary software or to purchase any software from a designated vendor, you must sign any software license agreements that we or the licensor of the software require and any related software maintenance agreements. (Franchise Agreement – Section 5.10 (c))

Manuals

The Table of Contents of the Manual is attached as Exhibit F to this Disclosure Document. As of the Issue Date, the Single Store Manuals contained 113 pages.

Training

You or your Operating Principal, as applicable, must obtain our management certification by personally attending and satisfactorily completing our initial training program to our satisfaction any time after signing the Franchise Agreement but before you open your Store. If space is available, you may bring other representatives to the training session without charge, but we reserve the right to limit attendance to 3 of your representatives in any one session. We also reserve the right to modify which personnel are required to complete our initial training program to our satisfaction. (Franchise Agreement – Sections 4.4 and 5.3(a))

We provide initial training as frequently as we deem necessary at our offices, currently in Atlanta, Georgia, or at any other location that we designate, including other stores or your Store. We will provide instructors, facilities, and materials for the initial training program at no charge, if all of your personnel are trained during the same training session. We reserve the right to charge a reasonable fee for training persons who are repeating the course or replacing a person who did not pass and for Managers or employees who attend the course. You are responsible for any travel and living expenses, wages, and other expenses your trainees incur. (Franchise Agreement – Section 4.4)

The initial training program will be provided as soon as practicable after you sign your Franchise Agreement, subject to the availability and schedules of our training personnel, and all fees are paid prior to attending training. The first stage of initial training may include up to 2 days of orientation at our offices, or by phone or webinar on the topics of merchandising, construction, business planning, purchasing, and our new Store checklist. You must attend ~~3 days of~~ on-the-job training at a designated training location for purposes of practical application of skills taught during classroom training. You also may be required to attend up to 5 additional days of training at our offices. We will conduct between 2 and 5 days of additional initial training at your Store before its opening. (Franchise Agreement – Section 4.4)

Before attending our initial training program, you must attend and satisfactorily complete, at your expense, a certified food safety training course we approve.

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TRAINING PROGRAM

As of the date of this Disclosure Document, the initial training program will cover the following areas:

Single Stores

In Store Training

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Introduction - Welcome, training overview, brand history, training methods, uniform, product overview, the show, safety, facility tour, auditions	0	2.0	Certified Training Store in Los Angeles County, CA or other location
Customer Service- Order of operations, Salesmanship, personalized service, customer communication, CS position, sampling, handling complaints at the counter	0	3.0	Certified Training Store in Los Angeles County, CA or other location
Lemonade – Make lemonade, life of lemonade, display jug, “stuff”, Serving lemonade, frozen lemonade, stomping lemonade, sampling.	0	4.0	Certified Training Store in Los Angeles, CA or other location
Food Products – product presentation, batter, insulation, cookers & oil, cooking and prepping all food items, to go orders,	0	4.0	Certified Training Store in Los Angeles, CA or other location
Customer Service - Guest and Register procedures	0	4.0	Certified Training Store in Los Angeles, CA or other location
Cleaning and Maintenance standards – cleaning supplies, equipment, mirrors, walls, floors, equipment troubleshooting	0	2.0	Certified Training Store in Los Angeles, CA or other location
Closing – pre closing, cleaning at closing, closing timeline,	0	4.0	Certified Training Store in Los Angeles, CA or other location
Inventory	0	.5	Certified Training Store in Los Angeles, CA or other location
Opening – morning arrival procedures, first lemonade, display jugs, opening money, cookers, changing oil, exhaust vents	0	2.0	Certified Training Store in Los Angeles, CA or other location

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Putting it all together – what to do in between customers, prioritizing, receiving stock orders, safety, spot checks,	0	4.0	Certified Training Store in Los Angeles, CA or other location
Overall review and recaps on items	0	3.0	Certified Training Store in Los Angeles, CA or other location
Catering-marketing an event, booking an event, event preparation, event set up, event break down	0	7.0	Certified Training Store in Los Angeles County, CA or other location

GFG University Training Program – Classroom Instruction

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Welcome, training overview, company history, mission, vision and values	3.0	0	Training Facility in Atlanta, GA or other location
Introduction to Finance: Store economics, Profit & Loss statements, break-even and return on investment	4.0	0	Training Facility in Atlanta, GA or other location
Financial planning, sales trending, budgeting, benchmarks and profitability	3.0	0	Training Facility in Atlanta, GA or other location
Review of Learning Management System	1.0	0	Training Facility in Atlanta, GA or other location
Marketing and local Store marketing: building profitable revenues; Grand Opening process	4.0	0	Training Facility in Atlanta, GA or other location
Store operations: cost controls, labor scheduling, shift management, guest service, handling guest complaints	8.0	0	Training Facility in Atlanta, GA or other location

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Payroll services (vendor presentation)	1.0	0	Training Facility in Atlanta, GA or other location
Recruiting, interviewing, selection and training your team	6.0	0	Training Facility in Atlanta, GA or other location
Supply Chain	1.0	0	Training Facility in Atlanta, GA or other location
Finance Department: reporting sales, paying royalties & marketing fund, ACH process	.5	0	Training Facility in Atlanta, GA or other location
Building a strong team: coaching, motivating, performance feedback, compliance	1.5	0	Training Facility in Atlanta, GA or other location
Store opening process; Ongoing support	2.0	0	Training Facility in Atlanta, GA or other location
Final knowledge assessment and week review	.5	0	Training Facility in Atlanta, GA or other location

We may make modifications to the above schedules to provide the most current and effective learning opportunity, such as if you operate a Co-Brand location.

We use handouts, binders, online learning modules and workbooks as instructional materials in our training programs. The instructors for our initial training program all have experience working with GFG Management and Global's other brands. Melissa Ellis is GFG Management's Director of Training. She has been with GFG Management since November 2014 and has over 6.5 years of experience in the subject matters taught.

All training attendees must be proficient in English to successfully complete our training program. We will determine what constitutes successful completion of the program. We may waive a portion of the initial training program or alter the training schedule if we determine that you, your Operating Principal, and/or your Manager have sufficient prior experience or training or have previously been trained in one of our affiliate's franchise systems. If you, your Operating Principal, and/or your Manager are unable to successfully complete initial training for any reason, we may terminate your Franchise Agreement and will not refund any initial franchise fees you paid. (Franchise Agreement – Sections 4.4 and 6.1(i))

We may periodically conduct advanced training programs for you, your Operating Principal, and/or your Managers, at our office or another location that we designate. There is no tuition charge for training programs that we require you or your employees to attend, but we may charge you a reasonable fee for optional training programs. We may provide additional training in person, by webinar, or by any other means, as we determine. During all training, you are responsible for any travel and living expenses, wages, and other expenses your trainees incur. (Franchise Agreement - Sections 4.6 and 5.3(b))

ITEM 12 TERRITORY

Single Store

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. Your Franchise is for the specific site that we approve. You must locate an acceptable site within the non-exclusive Site Selection Area that we specify.

We and our affiliates retain all rights with respect to Stores, the Marks, the sale of similar or dissimilar products and services, and any other activities we deem appropriate whenever and wherever we desire, including, but not limited to:

- 1) the right to establish and operate, and to grant to others the right to establish and operate similar businesses or any other businesses offering similar or dissimilar products and services through similar or alternative channels of distribution, under trademarks or service marks other than the Marks and on any terms and conditions we deem appropriate;
- 2) the right to provide, offer and sell and to grant others the right to provide, offer and sell goods and services that are identical or similar to and/or competitive with those products and services provided by Stores, whether identified by the Marks or other trademarks or service marks, through alternative distribution channels (including, without limitation, the Internet or similar electronic media, any other form of electronic commerce, supermarkets and department stores) on any terms and conditions we deem appropriate;
- 3) the right to establish and operate, and to grant to others the right to establish and operate, businesses offering dissimilar products and services, under the Marks and on any terms and conditions we deem appropriate;
- 4) the right to operate, and to grant others the right to operate, Stores anywhere under any terms and conditions we deem appropriate and regardless of proximity to the Territory;
- 5) the right to operate and grant others the right to operate Stores at "Non Traditional Sites" within and outside the Territory on any terms and conditions we deem appropriate. "Non Traditional Sites" are sites that generate customer traffic flow which is independent from the general customer traffic flow of the surrounding area, including military bases, shopping malls, airports, stadiums, arenas, major industrial or office complexes, hotels, train stations, travel plazas, toll roads, casinos, hospitals, and sports or entertainment venues;

- 6) the right to acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided by Stores, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating; and
- 7) the right to be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided by Stores, or by another business, even if such business operates, franchises and/or licenses Competitive Businesses.

We may exercise any of the retained rights without compensating you. Although we have the right to do so (as described above), neither we nor our affiliate currently operates, franchises, or have present plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those you will sell in your Store.

Relocation

If you would like to relocate your Store, you must receive our written approval. Our approval will not be unreasonably withheld, if (i) you notify us within 120 days prior to the closure of the original Store of your intent to relocate (ii) the new location for the Store premises is satisfactory to us, (iii) your lease, if any, for the new location complies with our then-current requirements, (iv) you comply with our then-current requirements for constructing and furnishing the new location, (v) the new location will not, as determined in our sole judgment, materially and adversely affect the Net Sales of any other Hot Dog On A Stick store, (vi) the relocated Store must be open and operating within 120 days from the closure of the original Store (vii) you have fully performed and complied with each provision of this Agreement within the last three years prior to, and as of, the date we consent to such relocation (the "Relocation Request Date"), (viii) no Event of Default (as herein defined), or event which with the giving of notice and/or passage of time would constitute an Event of Default, exists as of the Relocation Request Date, (ix) you have met all of our then-current training requirements and (x) you pay us a relocation fee of \$2,000. We reserve the right to terminate this Agreement if you fail to meet any of the above requirements for the relocation, including but not limited to the failure to open the relocated Store within 120 day of the closure of the original Store even if you received our approval to relocate. If you lose your lease, you must secure our approval of another site and enter into a lease for the new approved site within 120 days after you lose your site lease. You must pay us a relocation fee as stated in Item 6.

Your Right of First Refusal

If we decide to establish or grant to another franchisee the right to establish a Store within the same mall or shopping center where your Store is located, we first will notify you in writing of our intention to do so. If you and, if you are an Entity, your Owners are in full compliance with the Franchise Agreement, you will have a right of first refusal to acquire the additional franchise to operate the proposed store on the terms of our then-current form of Franchise Agreement, which may have significantly different terms than your existing franchise agreement. To exercise this right, you must, within 14 days after receiving notice of our intent to establish a new store, notify us in writing of your intent to purchase the new store. At that time, we will provide you with our then-current Franchise Disclosure Document, under which you will purchase the new store. You must sign a Franchise Agreement for the new store within 30 days after receiving our initial notice. If you do not exercise your right of first refusal as described above or you or your Owners are not

in full compliance with your Franchise Agreement, we may establish or grant to another franchisee the right to establish a Hot Dog On A Stick store within the same shopping mall or center where your Store is located without any compensation to you.

Area Development Program

You have no exclusive rights to the Development Area except as stated in the Area Development Agreement.

In certain circumstances, that you and we will negotiate, we will grant you a protected Development Area under the Area Development Agreement which will depend upon the size of the Development Area. Additionally, we will negotiate an exclusive Development Area if you can prove (to our sole satisfaction) that you have both the financial acumen as well as business operations acumen necessary to succeed in developing multiple Stores. If you are able to establish this and you and we negotiate an exclusive Development Area, and while the Area Development Agreement is in effect, if you open and operate the Stores in accordance with the Development Schedule and the minimum number of Stores that you have open and operating in the Development Area at any given time is not less than the minimum required under the Development Schedule, we will not operate, or license any person other than you to operate, a Store under the Marks and the System within the Development Area. We may exercise all of the rights that we now reserve in the Franchise Agreement (as described above). If you sign an Area Development Agreement, we will approve the sites of future Stores based on our then-current standards under each applicable Franchise Agreement.

If you do not receive an exclusive Development Area in your Area Development Agreement, the following applies: You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distributions or competitive brands that we control.

If you fail to adhere to the Development Schedule, we may terminate the Area Development Agreement and all of your exclusive territorial rights will be eliminated. We otherwise will not change the size of your Development Area.

Other Disclosures

If you are in full compliance with the Franchise Agreement, and subject to the terms of the Franchise Agreement, you may operate temporary outlets for short-term periods at special events away from the site, such as fairs, sporting events, conventions, etc. ("Off-Site Events"). We reserve the right: (i) to designate specific types of Off-Site Events as approved or prohibited from time to time in the Manual; (ii) to grant exclusive rights to others for specific Off-Site Events; (iii) to impose geographic restrictions on the Off-Site Events at which you can do business; (iv) to impose restrictions on the types of products and services you can offer at Off-Site Events; and (v) to set other standards or policies for Off-Site Events that you must follow. You agree that you have no exclusive rights for any Off-Site Event, regardless of its proximity to your site, and that we and/or our other franchisees may seek and obtain the right to do business at any Off-Site Event instead of you.

As disclosed in Item 1, our affiliates operate various specialty food store brands. In particular, PMF and PTFV operate and offer franchises for specialty pretzel stores under the names Pretzelmaker Stores and Pretzel Time Stores, respectively. Pretzelmaker Stores and Pretzel Time Stores currently offer significantly different menus than HDOS Stores but they do

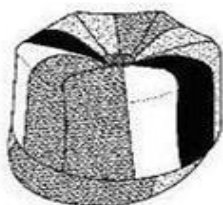
also offer some similar goods and they may offer similar goods and services in the future. For example, Pretzelmaker Stores and Pretzel Time Stores retail outlets offer hot dogs and lemonade. Our affiliates and their franchisees may solicit or accept orders for Pretzelmaker Stores or Pretzel Time Stores, respectively, in any geographic area, regardless of the proximity to or effect on your Store. We do not anticipate conflicts between Pretzelmaker Stores or Pretzel Time Stores and HDOS Stores because Pretzelmaker Stores and Pretzel Time Stores each offer a distinct retail experience and menu that differs from that of HDOS Stores. If conflicts do arise, we and our affiliates will resolve them as we deem appropriate. Because we are under common control with a private equity firm that buys and sells companies on an ongoing basis, our affiliates may operate or franchise specialty food stores and restaurants under different trademarks in the future that may sell goods or services similar to those you will offer at your HDOS Store. The principal business addresses of PMF and PTFV, respectively, are the same as ours. We do not currently plan to maintain physically separate offices or training facilities.

You may offer and sell products to off-site catering events and company account programs (“Catering Events”), provided you deliver (and do not engage a major carrier to deliver) products on the same day that they are made and adhere to any other rules that we provide in the Manuals. Sales may not be made as part of a mail order program.

You do not have the right to open additional Stores. You do not have any rights of first refusal on any other location. You do not have the right to use the Marks or the System at any location other than the site, Catering Events, or approved Off-Site Events. Specifically, you do not have the right to use the Marks or the System in any wholesale, e-commerce, mail order program, or other channel of distribution not stated in this Item 12. You may, however, offer samples of approved products at or directly in front of your Store or other locations near your Store as your landlord approves.

ITEM 13 TRADEMARKS

You may use certain Marks in operating your Store. The current principal Marks are:

Mark	Registration Number	Registration Date
HOT DOG ON A STICK	4,731,437	5/5/2015
	3,231,962	4/17/2007

Mark	Registration Number	Registration Date
	3,267,984	7/24/2007
		
	3,211,128	2/20/2007
	3,840,866	8/31/2010

Mark	Registration Number	Registration Date
	3,840,872	8/31/2010
	3,840,875	8/31/2010
	3,840,877	8/31/2010
	4,013,183	8/16/2011

Mark	Registration Number	Registration Date
	2,302,750	12/21/1999
	2,651,663	11/19/2002

HDOS Brands has registered these Marks on the Principal Registrar of the U.S. Patent and Trademark Office (the “USPTO”).

There are no currently effective material determinations of the USPTO, Trademark Trial and Appeal Board, the trademark administrator of any state or any court involving the Marks. We know of no pending infringement, opposition, or cancellation proceedings, or material litigation involving the Marks. We have filed all of the required affidavits for these marks.

HDOS Brands owns all of the Marks and licenses them to us under a Cross-License Agreement dated as of August 21, 2014. The current term of the Cross-License Agreement is for a term of 10 years and may be renewed for 5 successive 10-year terms if we are in compliance with the agreement. HDOS Brands may terminate the Cross-License Agreement with 30 days prior written notice to us, or upon written notice in the event of our bankruptcy or insolvency, if we make an assignment for the benefit of our creditors, or in the event of a final determination that neither we nor HDOS Brands has the right to use the Marks. There are no agreements which significantly limit our rights to use or license the Marks.

You must notify us promptly of any unauthorized use of the Marks of which you have knowledge or of any challenge to the validity of our ownership of or our right to license others to use any of the Marks. We or HDOS Brands will take the action, if any, we believe to be appropriate. We have the right, but no obligation, to initiate, direct, and control any litigation or administrative proceeding relating to the Marks, including any settlement. We are entitled to retain all proceeds, damages, and other sums, including attorneys’ fees, recovered or owed to us or our affiliates in any action. You must sign all documents and, render any other assistance we deem necessary to any proceeding or any effort to maintain the continued validity and enforceability of

the Marks. We will indemnify you against liability to a third party resulting from claims that your use of a Mark infringes trademark rights of a third party, but we will not indemnify you against the consequences of your use of the Marks unless the use complies with the requirements of the Franchise Agreement and the System.

We have the right, on reasonable notice, to change, discontinue, or substitute for any of the Marks and to adopt new Marks for use with the System without any liability to you. You agree to implement all changes at your own expense within the time we reasonably specify.

We are not aware of either superior prior rights or infringing uses that could materially affect your use of the Marks in the state where the Store will be located.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We own no rights in, or licenses to, any patents or patent applications. We own no rights in, or licenses to, any copyrights. However, we claim copyrights with respect to our marketing materials, training materials, signs, website, the Manuals (which contain our trade secrets), and other materials we periodically develop. We have not registered these copyrights with the United States Copyright Office, but we need not do so at this time to protect them. There are no determinations of the United States Copyright Office or any court regarding any of our copyrights. There are no agreements limiting the use of any of our copyrights. We do not know of any superior rights or infringing uses that could materially affect your using the copyrighted materials.

Any copyrights you use in the Franchise belong solely to us or our affiliates. You must notify us promptly of any unauthorized use of our copyrights of which you have knowledge or of any challenge to the validity of our ownership of or our right to license others to use any of our copyrights. We need not protect or defend copyrights and will take the action to protect our copyrights that we believe to be appropriate. We may control any action we choose to bring, even if you voluntarily bring the matter to our attention. We need not participate in your defense and/or indemnify you for damages or expenses in a proceeding involving a copyright. We have the right, but no obligation, to initiate, direct, and control any litigation or administrative proceeding relating to our copyrights, including, but not limited to, any settlement. We are entitled to retain all proceeds, damages, and other sums, including attorneys' fees, recovered or owed to us or our affiliates in any action. You must sign all documents and, render all other assistance we deem necessary to any proceeding or any effort to maintain the continued validity and enforceability of the Marks. If we request, you must discontinue the use of the subject matter covered by any copyright used for the Franchise.

During the term of your Franchise Agreement, we may disclose in confidence to you, either orally or in writing, certain trade secrets, know-how, and other confidential information (collectively, "Proprietary Information") relating to the System, our business, or the construction, management, operation, or promotion of the Store. You may not, nor may you permit any person to, use or disclose any Proprietary Information (including any portion of the Manuals) to any other person, except to the extent necessary for your professional advisors and your employees to perform their functions in the operation of the Store. You are liable to us for any unauthorized use or disclosure of Proprietary Information by any employee or other person to whom you disclose Proprietary Information. You must take reasonable precautions to protect the Proprietary Information from unauthorized use or disclosure and must implement any systems, procedures, or training programs that we require. You must require anyone who may have access to the Proprietary Information to sign non-disclosure agreements in a form satisfactory to us that

identifies us as a third party beneficiary of the covenants with the independent right to enforce the agreement.

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

Single Store

You must devote your full-time, best efforts to the proper and effective operation of the Store. In addition, your Store must have at least one Manager. If you are an individual, you may serve as the Manager or you may designate a Manager. If you are an Entity, you must designate a Manager and you must appoint an individual owner as your "Operating Principal" who must have authority over all business decisions related to your Store and must have the power to bind you in all dealings with us. Your Operating Principal may serve as your Manager, unless we believe that he or she does not have sufficient experience. At all times that your Store is open for business, it must be under the personal, on-premises supervision of you, your Operating Principal, or a Manager. You or your Operating Principal and your Manager(s) must successfully complete our training program and any other training programs that we require. Except for the requirements that your Manager have sufficient experience and successfully complete our training program, there are no additional limits on whom you may hire as your Manager. You may not permit your Store to be operated, managed, directed, or controlled by any other person without our prior written consent.

You must provide us with written notice of your Operating Principal and Manager at least 90 days before opening your Store and may not change your Operating Principal or Manager without our prior approval.

If you are an Entity, your Managers do not have to have an ownership interest in you, but they must sign a confidentiality agreement and a noncompete agreement. Our current form of Nondisclosure and Noncompete Agreement is attached to this Disclosure Document as Exhibit E.

If you are an Entity, each individual with direct or indirect ownership interest in you must sign the Payment and Performance Guarantee (the "Guarantee") attached to the Franchise Agreement, under which each guarantor will agree to assume and discharge all your obligations under the Franchise Agreement and to comply with the proprietary information, indemnification, covenant not to compete, and assignment provisions of the Franchise Agreement.

Area Development Program

You must devote your full time, best efforts to establishing, operating and promoting the number of Stores specified in the Schedule and to the promotion of the HOT DOG ON A STICK brand. Full time, best efforts will require that you not engage in any other business activities and that you not engage in any activity that would present a conflict of interest with your obligations under your Area Development Agreement.

If you are an Entity, each individual with a direct or indirect ownership interest in you must sign the Guarantee attached to the Area Development Agreement under which each guarantor will assume and agree to discharge all your obligations under the Area Development Agreement.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may offer for sale in the Store only the products and services that we have approved in writing. If you operate a Co-Brand Store, you also may offer for sale the products and services that your Co-Brand Licensor has approved. We may designate specific products or services as optional or mandatory, and there are no limits on our rights to do so. You must offer all items that we designate as mandatory. We may change the authorized products and services at our judgment, as well as the items that we designate as mandatory or optional. You may sell products only in the varieties, weights, sizes, forms, and packages that we have approved. You must follow our proprietary recipes and specifications and use only authorized ingredients in the preparation of menu items. You must maintain at all times a sufficient supply of required products to meet the inventory standards we require in the Manuals (or to meet reasonably anticipated customer demand, if we have not provided specific standards). You may not use the premises for the sale or display of items we have not approved, including unapproved items listed in the Manual or third-party solicitations, including information provided by charities or local organizations. If we revoke approval of a previously-approved product that you have been selling, you may continue to sell the product only from your existing inventory for up to 30 days following our disapproval. We have the right to shorten this period if, in our opinion, the continued sale of the product could pose a hazard to the public or would prove detrimental to our reputation.

We impose no restriction on the retail customers that you may serve at your Store, but you may not sell our products to our other franchisees. You are only permitted to sell products to consumers at retail from your Site, Catering Events, and certain Off-Site Events that we approve. You agree to purchase materials, supplies, and inventory solely for use in the preparation of products to retail customers, and not for resale or redistribution to any other party, including other franchisees. You may not offer, unless we consent in writing, products or services using the Marks (i) by mail order sales or (ii) on any website on the Internet or any other electronic communication network.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

	Provision	Section in franchise or other agreement	Summary
a.	Length of the franchise term	Section 2.1	10 years from the earlier of the date you (a) actually open your Store, or (b) are required to open your Store under the Franchise Agreement.
b.	Renewal or extension of the term	Section 2.2	One additional 10 year term, if you meet our conditions.

	Provision	Section in franchise or other agreement	Summary
c.	Requirements for you to renew or extend	Section 2.2	You must: • notify us of your intent to renew at least 6 months but no more than 12 months before the expiration of the Initial Term; • sign our then-current form of franchise agreement, which may have materially different terms than your original Franchise Agreement; • refurbish the Store at your expense to our then-current specifications; • sign a general release in favor of us and our affiliates; • you, your Operating Principal, and/or designated employees must complete our then-current training requirements; • secure from your landlord the right to continue operating at the Site and provide us a copy of your lease documents; • have substantially complied with the Franchise Agreement during the term; • not be in default of your Franchise Agreement or any other agreement with us; and • pay us the Successor Fee.
d.	Termination by you	Section 6.6	If we commit a material breach of the Franchise Agreement and we fail to cure the breach or take reasonable steps to begin curing the breach within 60 days after receiving notice from you, you may terminate the Franchise Agreement if you are in full compliance with the Franchise Agreement.
e.	Termination by us without cause	Not applicable	None.
f.	Termination by us with cause	Section 6.2	We can terminate only if you default.
g.	"Cause" defined – curable defaults	Section 6.1	You have: • 10 days to cure the non-payment of any amounts owed to us or our affiliates or your failure to make sufficient funds available to us; • 24 hours to cure non-compliance with any law, regulation or ordinance that results in a threat to the public's health or safety; • 10 days to cure your failure to give us access to information in your Computer System; • 30 days to cure your failure to comply with a vendor's requirements for the marketing and sale of their products after receiving notice from us or the vendor; and • 30 days to cure a failure to comply with any other provision of the Franchise Agreement not described above or in (h) below.
h.	"Cause" defined – non-curable defaults	Section 6.1	You: • fail to pay suppliers and trade creditors a debt exceeding \$5,000 for more than 60 days;

	Provision	Section in franchise or other agreement	Summary
			• make a material misrepresentation to us; • underreport Net Sales by more than 3% twice in a 2-year period or by 5% in any period greater than a month; • fail to permit us to inspect or audit your books and records or the Store or the Site; • fail to timely file reports 3 times in 12 months; • fail to submit a site or fail to obtain acceptance of a site within the required time periods; • fail to provide us with a copy of your Site Lease within 10 days of its signing; • fail to open by the Opening Deadline; • you, your Operating Principal, and/or your Manager fails to satisfactorily complete initial training; • enter into or amend any agreement with a Co-Brand Licensor without our consent; • fail to timely make changes to your Store; • lose possession of the site and fail to timely secure a new accepted site; • fail to timely rebuild your Store after its destruction; • fail to timely reopen your Store after an approved closing; • suspend operations of the Store for 5 or more days without our consent; • misuse the Marks; • disclose Proprietary Information; • offer any unauthorized products or services; • become insolvent or bankrupt; • or any of your Owners or officers or directors is convicted of or pleads nolo contendere to a crime involving moral turpitude or consumer fraud or any other crime or offense or engages in any activities that impairs the goodwill associated with the Marks; • or any of your Owners violate any of the transfer provisions of the Franchise Agreement; • or your Owners violate the noncompete covenants of the Franchise Agreement; • default under any other agreement with us or our affiliates if the default would permit the termination of that agreement; • termination or expiration of any franchise agreement between you and a Co-Brand Licensor; • you are in default 3 or more times within any 18-month period; or • fail to attend or participate in 2 or more required franchise conventions, meetings, product shows or demonstrations, and teleconferences during any 12-month period.

	Provision	Section in franchise or other agreement	Summary
i.	Your obligations on termination/non-renewal	Section 7	Pay all amounts due to us or our affiliates; discontinue use of the Marks and the System; return Proprietary Information, Customer Data, and Manuals; close vendor accounts; cancel assumed name registration; transfer telephone number; post office boxes, and directory listings; complete de-identification of the Site; refrain from disclosing Proprietary Information; and comply with noncompete covenants (also see (o) and (r) below).
j.	Assignment of contract by us	Section 4.10	No restriction on our right to assign.
k.	"Transfer" by you – definition	Section 5.25	Includes transfer of the Franchise Agreement, any interest in the Franchise Agreement, the license to use the System and the Marks, the Store or substantially all of the assets of the Store, or an interest in the ownership of the Store (if you are an Entity).
l.	Our approval of transfer by franchisee	Section 5.25	We have the right to approve all transfers.
m.	Conditions for our approval of transfer	Section 5.25	You must: • submit to us the executed copy of the purchase and sale agreement within 10 days of signing; • provide us with the opportunity to inspect the store and to determine the scope of work that may be required as a condition of transfer; • pay us a non-refundable deposit to review the transfer; • satisfy all of your monetary obligations to us; • not be in default of the Franchise Agreement or any other agreement with us or our affiliates; • sign a general release; • agree to noncompetition provisions; • obtain and provide us with written notice of your landlord's consent to the transfer of your lease; • remain liable for obligations incurred or arising before the transfer; • pay us the Transfer Fee. The new franchisee must: • agree to discharge all of your obligations; • qualify, meet training requirements and sign then-current franchise agreement; • upgrade the Store to our then-current specifications; • covenant to continue to operate the Store under the Marks; • have its owners and their spouses sign our then-current form of personal guarantee.
n.	Our right of first refusal to acquire your business	Section 5.25(g)	We can match any offer for your Store, the Store's assets, or any ownership interest, except for certain transfers to spouses, children, or existing Owners.

	Provision	Section in franchise or other agreement	Summary
o.	Our option to purchase your business	Sections 7.6 and 7.7	We can purchase any or all of the inventory, supplies, equipment, signs, and fixtures related to the operation of your Store after the expiration or termination of your Franchise Agreement for the fair market value of the assets, less any amounts then owing to us. We also have the right to assume your lease or sublease.
p.	Your death or disability	Section 5.25(f)	Executor or representative must transfer your interest to a third party we approve within 120 days.
q.	Non-competition covenants during the term	Section 5.24(a)	You and your Owners may not: be involved in any business that primarily offers hot dogs, fresh lemonade, frozen lemonade, French fries, Funnel Sticks, and related food and beverage products, especially those served on a stick in the United States ("Competitive Business"); divert customers or potential customers to any Competitive Business; do acts injurious to our goodwill; or use vendor relationships established through your associations with us for any other purpose besides the operation of your Store.
r.	Non-competition covenants after the Franchise Agreement is terminated or expires	Section 5.24(b)	For 2 years after the expiration or termination of your Franchise Agreement, you and your Owners may not be involved in any Competitive Business within a 5 mile radius of your Store or any other Hot Dog on a Stick store.
s.	Modification of the agreement	Section 9.2	Except for modifications to the Manuals, no modifications unless agreed to in writing by both parties.
t.	Integration/merger clause	Section 9.1	Only the terms of the Franchise Agreement or other related written agreements are binding (subject to state law). Any representations or promises made outside the disclosure document and franchise agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	None	Not applicable.
v.	Choice of forum	Section 8.1	You and your Owners must, and we may, bring claims in federal or state courts located in the State of Georgia, subject to state law.
w.	Choice of law	Section 8.2	Georgia law applies, without regard to Georgia conflict-of-laws rules, subject to state law.

AREA DEVELOPMENT AGREEMENT

This table lists certain important provisions of the Development Agreement. You should read these provisions in the agreement attached to this disclosure document.

	Provision	Section in franchise or other agreement	Summary
a.	Length of the franchise term	Section 5	The term expires on the last Opening Deadline under the Development Schedule.
b.	Renewal or extension of the term	Not applicable	Not applicable.

	Provision	Section in franchise or other agreement	Summary
c.	Requirements for you to renew or extend	Not applicable	Not applicable.
d.	Termination by you	Not applicable	Not applicable.
e.	Termination by us without cause	Not applicable	Not applicable.
f.	Termination by us with cause	Section 6.1	We can terminate only if you default (see (g) and (h) below).
g.	“Cause” defined – curable defaults	Not applicable	Not applicable.
h.	“Cause” defined – non-curable defaults	Section 6.1	You fail to timely sign a Franchise Agreement or fail to pay any initial franchise fee owed to us by any Fee Deadline; you fail to have open and operating the minimum number of Stores required by any Opening Deadline; any Franchise Agreement is terminated as a result of your default; or you breach or otherwise fail to comply fully with any provision of the Area Development Agreement or applicable law.
i.	Your obligations on termination/non-renewal	Section 6.2	You will lose your right to develop additional Stores.
j.	Assignment of contract by us	Section 7.1	No restriction on our right to assign.
k.	“Transfer” by you – definition	Section 7.2	Includes transfer of the Area Development Agreement, any interest in the Area Development Agreement, or, if you are an Entity, any interest in the Entity.
l.	Our approval of transfer by you	Section 7.2	We have the right to approve all transfers.
m.	Conditions for our approval of transfer	Section 7.2	We have no obligation to approve any transfer unless you have properly transferred all of your Franchise Agreements to the proposed transferee in accordance with those agreements.
n.	Our right of first refusal to acquire your business	Section 7.2	We have the first right of refusal on all transfers, exercisable within 30 days of receiving all documentation that we require.
o.	Our option to purchase your business	Not applicable	Not applicable.
p.	Your death or disability	Not applicable	We have the right to approve or disapprove any transfer in our sole discretion.
q.	Non-competition covenants during the term	Section 8.1	You and your Owners may not: be involved in any Competitive Business in the United States; divert customers or potential customers to any Competitive Business; do acts injurious to our goodwill; or use vendor relationships established through your associations with us for any other purpose besides the operation of your Store.

	Provision	Section in franchise or other agreement	Summary
r.	Non-competition covenants after the Development Agreement is terminated or expires	Section 8.2	For 2 years after the expiration or termination of your Area Development Agreement, you and your Owners may not be involved in any Competitive Business within a 5 mile radius of your Development Area or any other Hot Dog on a Stick store.
s.	Modification of the agreement	Section 10.2	No modifications unless agreed to in writing by both parties.
t.	Integration/merger clause	Section 10.1	Only the terms of the area development agreement or other related written agreements are binding (subject to state law). Any representations or promises made outside the disclosure document and area development agreement may not be enforceable
u.	Dispute resolution by arbitration or mediation	Not applicable	Not applicable.
v.	Choice of forum	Section 9.1	You and your Owners must, and we may, bring claims in federal or state courts located in the State of Georgia, subject to state law.
w.	Choice of law	Section 9.2	Georgia law applies, without regard to Georgia conflict-of-laws rules, subject to state law.

ITEM 18 PUBLIC FIGURES

We do not use any public figure to promote our Franchises, but may do so in the future.

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

Set forth below is information concerning the historical financial performance for Stores under ownership of our affiliate during the fiscal years ending December 31, 2016, December 31, 2017 and December 31, 2018 ("Affiliate Stores"). For the fiscal year ending December 31, 2018, all Affiliate Stores (a total of 46) were also divided into three groups based upon total annual sales: (a) the top 25% Stores (11 Affiliate Stores), (b) the bottom 25% Affiliate Stores (11 Affiliate Stores), and (c) the remaining 50% Affiliate Stores in the middle (23 Affiliate Stores). The figures in the tables below represent Affiliate Stores that were open for the entire calendar year as of December 31, 2018; this means that one Affiliate Store was excluded because it was not open for the full year.

Also set forth below is information concerning the historical financial performance for the 9 franchised stores during the fiscal years ending December 31, 2016, December 31, 2017 and December 31, 2018 that were open for at least two full years and that did not operate as nontraditional units ("Franchised Stores"). Of the 19 total franchised Stores open as of December 31, 2018, we have excluded 5 franchised Stores open as of December 31, 2018 from this disclosure, because 1 had not been open for at least two full years as of December 31, 2018, and 4 operate as nontraditional units.

Most of the Stores are located in shopping mall food courts and share common seating with other restaurants in the same mall food court. The length of time that these Stores have operated varies from a few months to 68 years. Unless you are purchasing an existing Store from us, your Store(s) will vary, in that they will not have been open as long as our average Store. Additionally, depending on where you open your Store, you may not be located in a shopping mall food court.

The sales level for each Store was highly dependent on traffic level in the surrounding mall, and was largely independent of demographics (or other factors) influencing the area outside the mall. For example, if an anchor tenant in a mall closes and the space remains vacant for some time, traffic in the mall typically declines, even if the demographics of the surrounding area remain unchanged. When traffic in the mall drops the sales level of the Store in that mall also drops. Once a new tenant moves into that space, traffic in the mall (and consequently the sales of the Store) tend to recover.

Average (Historic) Sales. The average annual sales for each group of Stores identified above is set forth in the following table. Just as average annual sales varies depending on traffic in the surrounding mall, the monthly sales level of each Store varies considerably over the course of the year, and is greatly affected by traffic level in the surrounding mall (for instance, sales tend to be higher during the summer – typically, from June through August – and again during the holiday-shopping season, especially December). As a consequence, it is not the case that sales during any particular month are approximately one-twelfth of the average annual sales. Depending on the month, the monthly sales are likely to be either much higher or much lower.

As noted above, these averages are based on the Stores that operated on December 31, 2018, which excludes Stores that closed or were sold during the three-year period, but includes Stores that opened during the three-year period. This method of calculation may have had some effect on the average sales numbers reported, but we have not calculated the effect on these averages.

Average Gross Sales by Year

Average Gross Sales of Affiliate Stores By Year				
		2016	2017	2018
Average Gross Sales¹	Top 25% Stores	\$607,328	\$636,426	\$639,097 ²

¹ "Gross Sales" means all revenue from the sale of all products and services and all other income of every kind related to your business activities under this Agreement, whether evidenced by cash, credit, check, gift certificate, gift cards, script, or other property or services and whether collected or not.

² Of our Affiliate Stores that were open on December 31, 2018, 5 Affiliate Stores had annual gross sales during 2018 that exceeded \$639,097. That was approximately 11% of our total Stores at the end of 2018. The median annual gross sales for Affiliate Stores in the Top 25% during 2016 was \$562,410. The median annual gross sales for Affiliate Stores

of Affiliate Stores	Middle 50% Stores	\$362,583	\$405,070	\$393,540 ³
	Bottom 25% Stores	\$218,608	\$253,537	\$244,148 ⁴

During 2018, our highest-volume Affiliate Store (the sales of which are included in the average sales of the Top 25% Stores, above) generated gross sales of \$916,657, while our lowest-volume Affiliate Store (the sales of which are included in the average sales of the Bottom 25% Stores, above) generated gross sales of \$185,982.

During 2017, our highest-volume Affiliate Store (the sales of which are included in the average sales of the Top 25% Stores, above) generated gross sales of \$902,255, while our lowest-volume Affiliate Store (the sales of which are included in the average sales of the Bottom 25% Stores, above) generated gross sales of \$128,842.

During 2016, our highest-volume Affiliate Store (the sales of which are included in the average sales of the Top 25% Stores, above) generated gross sales of \$879,970 while our lowest-volume Affiliate Store (the sales of which are included in the average sales of the Bottom 25% Stores, above) generated gross sales of \$126,606.

Average Gross Sales of Franchised Stores By Year			
	2016	2017	2018
Average Gross Sales⁵ of Franchised Stores	\$358,550 ⁴	\$356,181 ⁵	\$279,542 ⁶

in the Top 25% during 2017 was \$611,989. The median annual gross sales for Affiliate Stores in the Top 25% during 2018 was \$627,661.

³ Of our Affiliate Stores that were open on December 31, 2018, 22 Affiliate Stores had annual gross sales during 2018 that exceeded \$393,540. That was approximately 49% of our total Stores at the end of 2018. The median annual gross sales for Affiliate Stores in the Middle 50% during 2016 was \$361,131. The median annual gross sales for Affiliate Stores in the Middle 50% during 2017 was \$395,146. The median annual gross sales for Affiliate Stores in the Middle 50% during 2018 was \$390,895.

⁴ Of our Affiliate Stores that were open on December 31, 2018, 39 Affiliate Stores had annual gross sales during 2018 that exceeded \$244,148. That was approximately 87% of our total Stores at the end of 2018. The median annual gross sales for Affiliate Stores in the Bottom 25% during 2016 was \$232,613. The median annual gross sales for Affiliate Stores in the Bottom 25% during 2017 was \$243,252. The median annual gross sales for Affiliate Stores in the Bottom 25% during 2018 was \$241,156.

⁵ "Gross Sales" means all revenue from the sale of all products and services and all other income of every kind related to your business activities under this Agreement, whether evidenced by cash, credit, check, gift certificate, gift cards, script, or other property or services and whether collected or not.

⁴ Of our Franchised Stores that were open on December 31, 2017, 3 Franchised Stores had annual gross sales during 2017 that exceeded \$356,181. That was 50% of our Franchised Stores at the end of 2017. The median annual gross sales for Franchised Stores during 2017 was \$375,251.

⁵ Of our Franchised Stores that were open on December 31, 2016, 3 Franchised Stores had annual gross sales during 2016 that exceeded \$358,550. That was 50% of our Franchised Stores at the end of 2016. The median annual gross sales for Franchised Stores during 2016 was \$398,768.

⁶ Of our Franchised Stores that were open on December 31, 2018, 6 Franchised Stores had annual gross sales during 2018 that exceeded \$279,542. That was 57% of our Franchised Stores at the end of 2018. The median annual gross sales for Franchised Stores during 2018 was \$261,894.

During 2018, our highest-volume Franchised Store generated gross sales of \$412,897, while our lowest-volume Franchised Store generated gross sales of \$188,131.

During 2017, our highest-volume Franchised Store generated gross sales of \$534,127, while our lowest-volume Franchised Store generated gross sales of \$152,942.

During 2016, our highest-volume Franchised Store generated gross sales of \$574,137, while our lowest-volume Franchised Store generated gross sales of \$255,347.

The sales figures set forth above were calculated by adding the total annual sales of all Stores in each group, then dividing by the number of Stores in the group.

Some Stores have sold these amounts. Your individual results may differ. There is no assurance that you will sell as much.

The Affiliate and Franchised Stores differ from the Stores offered in this Disclosure Document in the following ways: (a) Approximately 65% of our Stores are in California, where our brand is well-known, and where Enterprises operated for many years; (b) we do not pay ourselves royalties or other fees that you will be required to pay; (c) because we own many Stores, we have a different structure of supervisory personnel than would an owner of only a few Stores; and (d) you may choose to allocate costs to your Store(s) in a different manner than we do. As a result of these and other factors, your gross sales are likely to be different from those set forth in this Item 19.

Written substantiation of these results will be made available to you upon reasonable request.

The information that is set forth in this Item 19 is the only information that we authorize our employees or representatives to make concerning the past financial performance of company-owned Stores. If you are purchasing an existing Store, however, we may provide you with the actual records of that Store.

The financial performance representations do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the disclosure document, may be one source of this information.

Except for the financial performance representations above, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by Chris Cheek, 5555 Glenridge Connector, Suite 850, Atlanta, Georgia 30342 or (770) 514-4500, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

Franchisees

**Table No. 1
System Wide Store Summary
For Fiscal Years 2016 to 2018**

Store Type	Year	Stores at the Start of the Year	Stores at the End of the Year	Net Change
Franchised	2016	8	16	8
	2017	16	20	4
	2018	20	19	-1
Company-Owned	2016	76	72	-4
	2017	72	51	-21
	2018	51	46	-5
Total Stores	2016	84	88	4
	2017	88	71	-17
	2018	71	65	-6

**Table No. 2
Transfers of Stores from Franchisees to New Owners (other than Us)
For Fiscal Years 2016 to 2018**

State	Year	Number Of Transfers
	2016	0
	2017	0
	2018	0

**Table No. 3
Status of Franchised Stores
For Fiscal Years 2016 to 2018**

State	Year	Stores at Start of Year	Stores Opened	Terminations	Non-Renewals	Reacquired By Franchisor	Ceased Operations - Other Reasons	Stores at End of the Year
California	2016	2	2	0	0	0	0	4
	2017	4	4	0	0	0	0	8
	2018	8	0	0	0	0	0	8
Georgia	2016	0	1	0	0	0	0	1

State	Year	Stores at Start of Year	Stores Opened	Terminations	Non-Renewals	Reacquired By Franchisor	Ceased Operations - Other Reasons	Stores at End of the Year
	2017	1	0	0	0	0	1	0
	2018	0	0	0	0	0	0	0
Louisiana	2016	0	1	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Nevada	2016	1	1	0	0	0	0	2
	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
Utah	2016	1	2	0	0	0	0	3
	2017	3	1	0	0	0	0	4
	2018	4	0	0	0	0	0	4
Texas	2016	4	1	0	0	0	0	5
	2017	5	0	0	0	0	0	5
	2018	5	0	0	0	0	1	4
Total	2016	8	8	0	0	0	0	16
	2017	16	5	0	0	0	1	20
	2018	20	0	0	0	0	1	19

Table 4
Status of Company-Owned Stores
For Fiscal Years 2016 to 2018

State	Year	Stores at Start of Year	Stores Opened	Stores Reacquired from Franchisees	Stores Closed	Stores Sold to Franchisees	Stores at End of the Year
Alaska	2016	1	0	0	1	0	0
	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0
California	2016	56	0	0	3	0	53
	2017	53	0	0	11	4	38
	2018	38	0	0	4	0	34
Georgia	2016	0	0	0	0	0	0
	2017	0	1	0	0	0	1
	2018	1	0	0	1	0	0
Hawaii	2016	2	0	0	0	0	2
	2017	2	0	0	0	0	2
	2018	2	0	0	0	0	2
Nevada	2016	7	1	0	1	0	7
	2017	7	0	2	0	0	5
	2018	5	0	0	0	0	5

State	Year	Stores at Start of Year	Stores Opened	Stores Reacquired from Franchisees	Stores Closed	Stores Sold to Franchisees	Stores at End of the Year
New Mexico	2016	2	0	0	0	0	2
	2017	2	0	0	0	0	2
	2018	2	0	0	0	0	2
Oregon	2016	1	0	0	1	0	0
	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0
Texas	2016	0	2	0	0	0	2
	2017	2	0	0	2	0	0
	2018	0	0	0	0	0	0
Utah	2016	7	0	0	0	1	6
	2017	6	0	0	2	1	3
	2018	3	0	0	0	0	3
Total	2016	76	3	0	6	1	72
	2017	72	0	1	17	5	51
	2018	51	0	0	5	0	46

Table No. 5
Projected Openings
For 12 Month Period Ending December 31, 2018

State	Franchise Agreements Signed But Outlet Not Opened as of End of Fiscal Year	Projected New Franchised Stores in Next Fiscal Year	Projected New Company-Owned Stores in Next Fiscal Year
California	0	1	0
Utah	1	0	0
Total	1	1	0

Current and Former Franchisees

Exhibit H contains the names of all current franchisees and the address and telephone number of each of their Stores.

Exhibit I contains the names, city and state, and the current business telephone number, or, if unknown, the last known home telephone number of the franchisees who had a Store terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under any Franchise Agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of this issuance date of this Disclosure Document.

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

Confidentiality Agreements

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system

Trademark-Specific Franchisee Organizations

There are no trademark-specific franchisee organizations associated with our franchise system.

ITEM 21 FINANCIAL STATEMENTS

Attached as Exhibit J to this Disclosure Document are our audited financial statements the years ending December 31, 2018, 2017 and 2016, as well as our (a) unaudited balance sheet as of November 30, 2019, and (b) unaudited profit and loss statement for the interim period beginning January 1, 2019, and ending November 30, 2019 Our fiscal year end is December 31.

ITEM 22 CONTRACTS

The following sample contracts are included in this Disclosure Document:

Exhibit A	Franchise Agreement
Exhibit B	Area Development Agreement
Exhibit D	General Release
Exhibit E	Nondisclosure and Noncompete Agreement
Exhibit K	Compliance Questionnaire

ITEM 23 RECEIPT

Two copies of an acknowledgment of your receipt of this Disclosure Document appear as the last 2 pages of the Disclosure Document. Please return one signed copy to us and retain the other for your records.

EXHIBIT A

**FRANCHISE AGREEMENT
AND STATE-REQUIRED ADDENDA**



FRANCHISE AGREEMENT

between

HDOS FRANCHISING, LLC

and

Hot Dog On A Stick Store No.: _____

SUMMARY PAGE

1. Effective Date: _____
2. Franchisee's Name: _____
3. Franchisee's State of Organization (if applicable): _____
4. Ownership of Franchisee: _____

If the franchisee is an Entity (as defined in the Agreement), the following persons constitute all of the owners of a legal and/or beneficial interest in the franchisee:

<u>Name</u>	<u>Percentage Ownership</u>
_____	_____ %
_____	_____ %
_____	_____ %

5. Site Selection Area (Section 1.1): [List State] _____

6. Type of Co-Brand Store (if applicable) (Recital C and Section 1.1):

- ☐ Traditional Store (the host Store)
- ☐ Non-Traditional Store (not the host Store)

7. Type of Store (Recital C and Section 1.1):

- ☐ Traditional Store
- ☐ Non-Traditional Store

8. Branding on Store (Recital D and Section 1.1):

- ☐ HDOS Only ☐ Co-Brand Store

9. Initial Franchise Fee (Section 3.1): _____

10. Operating Principal (Section 5.2(a)): _____

11. Approved Co-Brand Licensor(s) (Recital C and Section 5.6): _____

12. Franchisee's Address for Notices (Section 9.11): _____

13. Additional Terms (*if any*) (Section 9.15): _____

Initials: _____(HDOS Franchising, LLC) _____(Franchisee)

Schedule 1 to Summary Page

(to be completed after site selection and acceptance)

1. Site (Section 5.1(a)): _____

We agree that, effective on the date specified below, the address listed above is hereby accepted by us as the Site pursuant to **Section 5.1(a)** (Site Selection) of this Agreement.

Initials: _____(HDOS Franchising, LLC)

Date: _____

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 Appendix C – ACH Authorization Form

HOT DOG ON A STICK® FRANCHISE AGREEMENT

THIS AGREEMENT (this “**Agreement**”) is made and entered into as of the date set forth on the Summary Page attached after the cover page of this Agreement (the “**Summary Page**”) hereto (the “**Effective Date**”) (the Summary Page and all appendices and schedules attached to this Agreement are hereby incorporated by this reference) between HDOS FRANCHISING, LLC, a Delaware limited liability company with its principal place of business at 5555 Glenridge Connector, Suite 850, Atlanta, Georgia 30342 (“**Franchisor**”), and the person or entity identified on the Summary Page as the franchisee (“**Franchisee**”) with its principal place of business as set forth on the Summary Page. In this Agreement, “**we**,” “**us**,” and “**our**” refers to HDOS Franchising, LLC, the Franchisor. “**You**” and “**your**” refers to the Franchisee.

RECITALS

A. We and our affiliates and predecessors have accumulated knowledge and experience in the food service industry on the basis of which we have developed and will continue to develop a distinctive business format and set of specifications and operating procedures (collectively, the “**System**”) for the operation of restaurants under the service mark “Hot Dog On A Stick.” The distinguishing characteristics of the System include, but are not limited to, our store designs, color schemes, layouts, and identification schemes (collectively, the “**Trade Dress**”); our methods of preparation; our proprietary recipes for specialty hot dog and cheese on-a-stick foods, French fries, frozen lemonade, and freshly squeezed lemonade; our uniform, including our proprietary hat; our specifications for equipment, ingredients, inventory, and accessories; our software and computer programs; and the accumulated experience reflected in our training program, operating procedures, customer service standards methods, and marketing techniques. We change, improve, add to, and further develop the elements of the System from time to time.

B. We identify the stores operating under the System by means of the marks HOT DOG ON A STICK® and certain other trademarks, service marks, trade names, signs, associated designs, artwork, and logos set forth on **Appendix A** hereto (collectively, the “**Marks**”). We may designate for your use other trade names, service marks, and trademarks as Marks from time to time which will also be referred to herein as the “**Marks**.”

C. HOT DOG ON A STICK stores operating under the System and Marks (“**Stores**”) include (i) Stores located in traditional venues that generally offer a full menu (“**Traditional Stores**”); and (ii) non-traditional Stores that are located in other venues that may offer less than the full menu (“**Non-Traditional Stores**”).

D. “**Stores**” refers to Stores operating under only the Marks and only offering the products of the System as well as Stores co-branded with other food concepts and offering products of other systems. The entities that license or franchise the other concepts and systems in co-branded Stores are referred to as “**Co-Brand Licensors**.”

E. We have engaged GFG Management, LLC (“**GFG Management**”) pursuant to a Management Agreement to provide all of the management and administrative services required for you to enjoy the benefits of the System. We may, without your consent, appoint a substitute for GFG Management, including, but not limited to, any of GFG Management’s affiliates, to perform such services or perform such services ourselves. We, GFG Management, or our substitute may perform any or all of our duties under this Agreement.

F. If you are a corporation, limited liability company, partnership, or other entity (collectively, an “**Entity**”), all of your owners of a legal and/or beneficial interest in the Entity (the “**Owners**”) are listed on the Summary Page. If you are an Entity, the individual owner whom you must appoint to have authority over all business decisions related to your business and to have the power to bind you in all dealings with us will be referred to as your “**Operating Principal**.”

G. You desire to open and operate a franchised Hot Dog On A Stick Store, and we are willing to grant to you a license to open and operate a Store on the terms and conditions of this Agreement.

NOW, THEREFORE, for and in consideration of the foregoing promises and the covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

Section 1 Rights Granted.

1.1 Grant of Franchise. Upon the terms and conditions of this Agreement, we grant to you a non-exclusive license (the “**License**”) to operate one Store of the kind specified on the Summary Page using the Marks and the System, which, unless it is a Co-Brand Store, will be devoted exclusively to the business operated under the Marks. Except as expressly provided in **Section 5.7** (Distribution and Off-Site Activities), the Store will be located at a site to be mutually agreed upon, pursuant to **Section 5.1(a)** (the “**Site**”), within the state set forth on the Summary Page (the “**Site Selection Area**”). You have no right to **(i)** sublicense the Marks or the System to any other person or Entity, **(ii)** use the Marks or the System at any location other than the Site, except as expressly provided in **Section 5.7(b)** (Distribution and Off-Site Events), or **(iii)** to use the Marks or the System in any wholesale, e-commerce, or other channel of distribution besides the retail operation of the Store at the Site.

1.2 Acceptance of License. You hereby accept the License and agree to operate the Store according to the provisions of this Agreement for the entire Term, as defined in **Section 2.2**.

1.3 No Exclusivity. **YOUR SITE SELECTION AREA IS NOT EXCLUSIVE AND IS ONLY INTENDED TO GIVE YOU A GENERAL INDICATION OF THE AREA WITHIN WHICH YOU SHOULD LOCATE THE SITE FOR YOUR STORE.** We and our affiliates have the right to conduct any business activities, under any name, in any geographic area, and at any location, regardless of the proximity to or effect on your Store. For example, we have the right: **(i)** to establish or license franchises and/or company-owned outlets anywhere selling similar products and providing similar services under the Marks or under names, symbols, or marks other than the Marks; **(ii)** to sell, or license others to sell, products and services through alternative distribution channels, including e-commerce, using the Marks; **(iii)** to advertise, or authorize others to advertise anywhere, using the Marks; **(iv)** to establish or license stores under the Marks, at any location; **(v)** to acquire existing stores and to convert them to the Hot Dog On A Stick name and/or operate them under another name, either directly or through licensees; and **(vi)** to be acquired by or merge with other companies.

1.4 Your Right of First Refusal. Notwithstanding **Sections 1.1** and **1.3**, if we decide to establish or grant to another franchisee the right to establish a Hot Dog On A Stick Store within the same shopping center or mall in which your Store is located (your “**Refusal Area**”), we first will notify you in writing of our intention to do so.

(a) For Traditional Stores and Non-Traditional Stores. If we intend to grant a Traditional Store or Non-Traditional Store in your Refusal Area to another franchisee and you and, if you are an Entity, your Owners are in full compliance with this Agreement, you will have a right of first refusal to acquire an additional franchise to operate the proposed Store on the terms of our then-current form of Franchise Agreement, which may have significantly different terms than this Agreement. To exercise this right, you must, within 14 days after receiving notice of our intent to establish a new Store, notify us in writing of your intent to purchase the proposed Store. You must execute a Franchise Agreement for the new Store within 30 days of our notice to you.

(b) Waiver of Right. If you do not exercise your right of first refusal as described above or you or your Owners are not in full compliance with the Agreement, we may establish or grant to another franchisee the right to establish a Store within your Refusal Area without any compensation to you.

(c) **Enclosed Malls With Less Than 500,000 GLA.** If your Store is located in a traditional enclosed mall that has less than 500,000 square feet of Gross Leasable Area ("GLA"), we will not establish or grant to another franchisee the right to establish a Hot Dog On A Stick store within the same mall where your Store is located unless your landlord requests that another Hot Dog On A Stick be located in the mall and: i) the landlord is unwilling to have you as the franchisee of the new store; or ii) you are in default under your Franchise Agreement with us or under any other agreement you have with us or any of our affiliates; or iii) you are financially unable to acquire (including payment of the initial franchise fee and all construction and development costs) the new store. In any of these situations, we will have the right to establish or grant to another franchisee the right to establish the Hot Dog On A Stick store within the same mall where your Store is located without offering you the right of first refusal described in this Section. The restrictions on us in this paragraph do not extend beyond the enclosed mall structure and do not include open-air or strip malls, outer-lying pads or parking lots.

(d) **Exceptions to Right of First Refusal and Enclosed Mall Restriction.** The following non-traditional venues are not included in any right of first refusal you might be granted or in our restriction from developing in your traditional enclosed mall: grocery, convenience stores, vending machines, travel plazas, airports, university and college campuses, hospitals and medical centers, sports or entertainment venues, general merchandisers, military or other government owned facilities and any other non-traditional venues or channels of distribution, or complementary site to a different primary business, all of which we reserve for our development, or for which we currently have or later enter into an agreement with a franchisee, developer, or any other third party to exclusively develop stores or distribution points in any of these venues on a regional or nationwide basis. These locations are deemed Special Locations, which are unique sites that we obtain through national or regional arrangements with a Host/Authority under a Master Use and Occupancy Agreement or License Agreement. If a Special Location is offered to you, you are not obligated to accept it; however, your acceptance of the Special Location will require you to sign a sublicense agreement without the ability to negotiate any changes with the Host/Authority. You must comply with all terms, including for example, the payment of all license fees, construction-related fees, and other fees imposed by the Host/Authority.

Section 2 Initial Term and Successor Term.

2.1 Initial Term. Subject to **Section 2.3**, the initial term (the "**Initial Term**") of the License begins on the earlier of the date you (a) actually open your Store, or (b) are required to open your Store under this Agreement, and ends ten years from that date, unless this Agreement is terminated sooner as provided in other sections of this Agreement.

2.2 Successor Term. Upon the expiration of the Initial Term, if you are in good standing and not in default under this Agreement, you may, at your option, obtain one additional successor term of ten years (the "**Successor Term**"). The Initial Term and the Successor Term are referred collectively in this Agreement as the "**Term**". You may only exercise this right by:

(a) giving us written notice of your desire to obtain a successor License at least 6, but no more than 12, months before the expiration of the Initial Term;

(b) delivering to us a fully executed franchise agreement on our then-current form of franchise agreement, which you acknowledge may contain terms materially different than those contained in this Agreement, including, but not limited to, higher rates of Royalty Fees and Marketing Fees (as herein defined) and other fees and charges;

(c) refurbishing the Store, at your expense, to conform the decor, color schemes, storefront, signage, and presentation of the Marks to our then-current image and, if necessary, in our sole opinion, to update and replace the equipment, furniture, and fixtures to meet our then-current specifications;

(d) executing a general release, in a form we prescribe, of any and all claims against us, our affiliates, our past, present, and future officers, directors, shareholders, and employees arising out of or relating to your Store;

(e) completing, and having your Operating Principal and/or designated employees complete, all of our then-current training requirements, including any additional training that we may require;

(f) securing the right from your landlord to continue operating at the Site for the remainder of the Successor Term, and providing us a copy of the related leasehold documents;

(g) substantially and timely complying with each provision of this Agreement or any other agreement with us, our affiliates, or your landlord throughout the Initial Term and having no Event of Default (as defined in **Section 6** (Termination and Default)), or event which with the giving of notice and/or the passage of time would constitute an Event of Default, in existence as of the expiration of the Initial Term; and

(h) paying to us the Successor Fee (as defined in **Section 3.4** (Successor Fee)).

2.3 Term for Co-Brand Stores. Notwithstanding the foregoing, if you operate a Non-Traditional Co-Brand Store, the length of your Initial Term and Successor Term will correspond to the initial terms and successor terms of the franchise agreements of your Co-Brand Licensors. If you operate a Traditional Store, the Term will be as set forth in **Sections 2.1** and **2.2**.

Section 3 Fees.

3.1 Franchise Fee. You must pay us an initial franchise fee as set forth on the Summary Page (the “**Franchise Fee**”) upon execution of this Agreement. The initial Franchise Fee is paid in consideration of the rights granted in **Section 1** (Rights Granted) and will be deemed fully earned at the time paid. You acknowledge that we have no obligation to refund the Franchise Fee, in whole or in part, for any reason.

3.2 Royalty Fee. You must pay us a royalty fee (the “**Royalty Fee**”) equal to 6% of your Net Sales in consideration of the ongoing right to use the Marks and the System in accordance with this Agreement, and not in exchange for services rendered by us. “**Net Sales**” means all revenue from the sale of all products and services and all other income of every kind related to your business activities under this Agreement, whether evidenced by cash, credit, check, gift certificate, gift cards, script, or other property or services and whether collected or not. If you operate a Co-Brand Store, “**Net Sales**” means all Net Sales derived from the sale of Hot Dog On A Stick proprietary products (which may include certain beverages) (“**HDOS Sales**”), which we may specify in the Manuals or otherwise in writing, and a proportionate share of Net Sales derived from beverage sales at the Store (“**Beverage Sales**”). The proportionate share of Beverage Sales will be determined by dividing the HDOS Sales by the total Net Sales of the Store and multiplying that percentage by the total Beverage Sales. For all Stores, Net Sales does not include (i) promotional allowances or rebates paid to you in connection with your purchase of products or supplies and (ii) any sales or other taxes that you collect from customers and pay directly to the appropriate taxing authority. In addition, you may not deduct payment provider fees (i.e., bank or credit card company fees and gift card vendor fees) from your Net Sales calculation.

3.3 Marketing Fee. If and when we notify you that we are instituting the Hot Dog On A Stick Brand and Marketing Fund (the “**Marketing Fund**”), you must contribute an amount equal to 2% of your Net Sales (the “**Marketing Fee**”) to the Marketing Fund.

3.4 Successor Fee. Upon your execution of a successor franchise agreement pursuant to **Section 2.2** (Successor Term), you will pay to us a successor fee (the “**Successor Fee**”) equal to \$7,500.

3.5 Transfer Fee. If you Transfer (as defined in **Section 5.25(a)** (Definition of Transfer)) your Store or this Agreement, you must pay us a Transfer Fee as defined in **Sections 5.25(c)(ix), 5.25(d), 5.25(e), and 5.25(f)**.

3.6 Payments of Royalty Fees and Marketing Fees. Your Royalty Fees and Marketing Fees are due to us and must be reported to us at the times and in the manner that we specify from time to time in the Manuals or otherwise. We currently require you to (i) give us access to your Computer System for the purpose of polling your weekly Net Sales; and (ii) pay us Royalty Fees and Marketing Fees for the preceding month no later than 8:00 P.M. (Eastern Time) on the 10th day of the following month. For purpose of this **Section 3.6**, a “week” commences at 12:00 A.M. (Eastern Time) on Sunday and ends at 11:59 P.M. (Eastern Time) on Saturday.

3.7 Methods of Payment. You must make all payments to us by the method or methods that we specify from time to time in the Manuals, which may include payment via wire transfer or electronic debit to your bank account. You must furnish us and your bank with all authorizations necessary to effect payment by the methods we specify. We currently require you to make payment of all amounts you owe us by electronic debit from your specified, dedicated checking or savings account, and you must complete and sign the Authorization Agreement for Preauthorized Payments attached as **Appendix C** for that purpose. You must maintain sufficient funds in your account to permit us to withdraw the Royalty Fees, Marketing Fees and any other fees or charges owed to us or our affiliates due from time to time. You may not, under any circumstances, set off, deduct or otherwise withhold any Royalty Fees, Marketing Fees, interest charges, or any other monies payable under this Agreement on grounds of our alleged non-performance of any obligations or for any other reason. If you fail to timely report your Net Sales, or we are otherwise unable to access your Net Sales, we may estimate the amount of fees due make a corresponding withdrawal from your bank account based on our estimate, plus 10% of our estimate. If we underestimate any fees due, you will remain obligated to pay the total amount of fees due. If we overestimate any fees due, we will credit the fees paid against fees due in the next payment period after we receive accurate records regarding your Net Sales. We have the right to set off against any payments that we may owe to you under this Agreement any fees that you or your affiliates owe to us or our affiliates under this Agreement or any other agreement between us or our affiliates and you or your affiliates.

3.8 Interest; Late Fee. If any payment due to us is not received in full by the due date, you agree to pay us daily interest on the amount owed, calculated from the due date until paid, at the rate of 18% per annum (or the maximum rate permitted by law, if less than 18%). You also agree to pay us a late fee in the amount of \$25 for each week that a payment is paid after the due date for payment specified in **Section 3.6**. This late fee is subject to increase upon 60 days prior written notice, but will not be increased more than once in any 12 month period.

3.9 Taxes. You are responsible for all taxes, assessments, and government charges levied or assessed on you in connection with your business activities under this Agreement. In addition, as part of the Royalty Fee and Marketing Fee, you will pay to us the amount of any taxes imposed on us or our affiliates (and any taxes imposed on us or our affiliates as a result of such imposition) by federal, state, or local taxing authorities as a result of our receipt of any Royalty Fee or Marketing Fee, not including any tax measured on our income.

Section 4 Our Covenants and Agreements.

We covenant and agree as follows:

4.1 Manuals. We will furnish you with one copy of, or electronic access to, our manuals, on loan for as long as this Agreement or a successor franchise agreement remains in effect (as amended or supplemented, the “Manuals”). We reserve the right to furnish all or part of the Manuals to you in electronic form and to establish terms of use for access to any restricted portion of our Website. We may periodically amend the Manuals, in our judgment, by delivering amendments to you, which you agree to follow.

4.2 Site Selection Assistance. We will provide you with site selection guidelines, counseling, and assistance that we consider necessary and appropriate. We will review your submittal package relating to your proposed site for your Store (see **Section 5.1(a)** (Site Selection)) and determine whether to accept your proposed site for your Store. We will conduct such on-site evaluations as we consider necessary and appropriate

as part of our evaluation of your submittal package. If we determine that on-site evaluation is necessary and appropriate (on our own initiative), we will provide such evaluations (to last not more than two days unless we agree otherwise) at our own expense, although we reserve the right to charge an additional fee for this service. It is solely your responsibility to select a suitable site for the Store. **YOU ACKNOWLEDGE AND AGREE THAT OUR ACCEPTANCE OF A PROPOSED SITE IS NOT A WARRANTY OR REPRESENTATION OF ANY KIND AS TO THE POTENTIAL SUCCESS OR PROFITABILITY OF YOUR STORE.**

4.3 Plans and Specifications. We will make available to you at no charge a set of prototype plans and specifications (not for construction) for the Store and for the exterior and interior design, including counters, display cases, and layout. You must submit plans to us for final written approval prior to obtaining any construction permits or commencing any construction. See **Section 5.1(c)** (Site Construction).

4.4 Initial Training. We will provide initial training in the System and our policies and procedures to you (or your Operating Principal, if you are an Entity), your initial manager of the Store (the “Manager”) and any other key employees that we designate. Provided that space is available, you may bring other representatives to the training session without charge, but we reserve the right to limit attendance to three of your representatives in any one session. We will provide initial training at our offices, currently in Atlanta, Georgia, or at any other location that we designate, including other stores. We will provide instructors, facilities, and materials for the initial training program at no charge, provided that all of your personnel are trained during the same training session. We reserve the right to charge a reasonable fee for training persons who are repeating the course or replacing a person who did not pass and for subsequent Managers or employees who attend the course. You are responsible for any travel and living expenses, wages, and other expenses incurred by your trainees. The initial training program will be provided as soon as practicable after the execution and delivery of this Agreement. We may waive a portion of the initial training program or alter the training schedule if we determine that you or your Operating Principal or your Manager have sufficient prior experience or training or have previously been trained in one of our affiliate’s franchise systems. If you are unable to successfully complete initial training for any reason, we will not refund any initial franchise fees paid by you. We reserve the right to modify the initial training program for Co-Brand Stores. We also reserve the right to modify which personnel are required to complete our initial training program to our satisfaction.

4.5 Opening Assistance. In connection with the opening of the Store and on your written request, we will provide to you, at the Store premises and at our expense, initial on-site assistance for a minimum of two days. We reserve the right to modify opening assistance, or provide no opening assistance, if you are operating a Co-Brand Store hereunder.

4.6 Additional Training. We may periodically conduct advanced training programs for you, your Operating Principal, your Managers, and/or your employees at our office or another location that we designate. There will be no charge for training programs that we require you or your employees to attend, but we may charge you a reasonable fee for optional training programs. We may provide additional training in person, via CD or DVD, via teleconference, via the Internet, or by any other means, as we determine. During all training, you are responsible for any travel and living expenses, wages, and other expenses incurred by your trainees.

4.7 Requested Consulting Services. We will provide to you additional consulting services with respect to the operation of the Store upon your reasonable request and subject to the availability of our personnel. We will make available to you information about new developments, techniques, and improvements in the areas of merchandising, marketing, management, operations, and store design. We may provide such additional consulting services through the distribution of printed or filmed material, an Intranet or other electronic forum, meetings or seminars, teleconferences, or in person. If such services are rendered in person other than at our offices more than twice in any calendar year and are provided at your request, you must pay us, within 15 days after such services are rendered, a service charge equal to the sum of **(i)** the travel and living expenses incurred by our employees or agents rendering such consulting services, plus **(ii)** \$300 for each of such employees or agents for each day or partial day services are rendered. We may increase the amount to be charged for such requested consulting services upon 60 days prior written notice, but such fees may not be

increased more than once during any six-month period. Such additional consulting services will be rendered at a mutually convenient time.

4.8 Inspections. We may inspect the operation, premises, and inventory of the Store and advise you of the results of each such inspection. If we have not inspected your Store in the past twelve months and you would like to have an inspection performed, you may notify us in writing and we will conduct an inspection within three months after your request.

4.9 Marketing Programs.

(a) Our Marketing Materials. We may periodically formulate, develop, produce, and conduct, at our sole judgment, marketing or promotional programs in such form and media as we determine to be most effective.

(b) Marketing Fund.

(i) Fund Management. We may, but are not obligated to, establish the Marketing Fund, a segregated or independent fund into which all Marketing Fees will be paid. In no event will we be deemed a fiduciary with respect to any Marketing Fees we receive or administer. We are not required to have an independent audit of the Marketing Fund completed. We will prepare an unaudited statement of contributions and expenditures for the Marketing Fund and make it available within 60 days after the close of our fiscal year to franchisees that make a written request for a copy. If any monies in the Marketing Fund remain at the end of a fiscal year, they will carry-over in the Marketing Fund into the next fiscal year.

(ii) Use of Marketing Fees. We may use monies in the Marketing Fund and any earnings on the Marketing Fund account for any costs associated with marketing materials, media placement and production, branding (including rebranding), marketing, public relations and/or promotional programs and materials, and any other activities we believe would benefit Hot Dog On A Stick stores generally, including marketing campaigns in various media; creation and maintenance of a website; direct mail marketing; market research, including, without limitation, secret shoppers and customer satisfaction surveys; branding studies; employing marketing and/or public relations agencies; purchasing promotional items; conducting and administering promotions, contests, giveaways, public relations events, and community involvement activities; and providing promotional and other marketing materials and services to our franchisees. We will not use the Marketing Fund for anything whose sole purpose is the marketing of franchises, however, you acknowledge that the Hot Dog On A Stick website, public relations activities, community involvement activities, and other activities supported by the Marketing Fund may contain information about franchising opportunities. We will not use any contributions to the Marketing Fund to defray our general operating expenses, except for reasonable administrative costs and overhead we incur in activities reasonably related to the administration of the Marketing Fund or the management of Marketing Fund-supported programs (including the pro-rata amount of salaries, benefits, and travel of our personnel who devote time to Marketing Fund activities and retainers and fees for outside agencies). We may use monies in the Marketing Fund to pay for an independent audit of the Marketing Fund. We have the right to direct all marketing programs, with the final decision over creative concepts, materials, and media used in the programs and their placement. We do not guarantee that you will benefit from the Marketing Fund in proportion to your contributions to the Marketing Fund. We, GFG Management, or one of our affiliates may make or otherwise arrange loans to the Marketing Fund in any year in which the balance of the Marketing Fund is negative and may charge a reasonable rate of interest on the amounts loaned. The amounts loaned to the Marketing Fund will be repaid from future contributions to the Marketing Fund in the year the loan is made or in subsequent years.

(iii) Materials Produced. Any sales and other materials produced with Marketing Fund monies will be made available to you without charge or at a reasonable cost. The proceeds of such sales will also be deposited into the Marketing Fund.

(c) **Approval of Marketing Materials.** We shall review any marketing or promotional programs or materials that you develop.

4.10 Assignment by Franchisor. We may assign this Agreement and all of our rights, duties and obligations hereunder to any person or Entity that we choose in our sole judgment. Upon any such assignment, we will be released from all of our duties and obligations hereunder, and you will look solely to our assignee for the performance of such duties and obligations.

Section 5 Your Covenants and Agreements.

You covenant and agree as follows:

5.1 Sites and Store.

(a) **Site Selection.** You must locate a site that is reasonably suited for the conduct of the Store. Before entering into any lease or purchase agreement for the site, you must submit a submittal package describing details about the proposed site to us within 180 days after the Effective Date and provide any other information that we reasonably require. You acknowledge that we may refuse to accept a proposed site for any reason. If we accept the proposed site and you obtain it, we will insert a description of the specific location on Schedule 1 to the Summary Page. The address listed on Schedule 1 will be the “**Site**” referred to in this Agreement. A site is not accepted until you have received our acceptance in writing, as indicated by our delivery of the completed and initialed Summary Page.

(b) **Site Acquisition.** Before you make a binding commitment to purchase, lease, or sublease a site, we must accept the location in writing and approve in writing the proposed lease or purchase agreement or any letter of intent between you and the third-party seller or lessor. If you lease the Site, unless we waive the requirement in writing, you must arrange for the execution of the Lease Rider in the form of **Appendix B** by you and your landlord in connection with any lease or sublease for your Site (“**Site Lease**”) and any other provisions that we may reasonably require. We may require you to engage an attorney to review your Site Lease or purchase agreement for the Site that we have accepted and to supply us with reasonable documentation in connection with such review, including a lease abstract and confirmation that the terms in the agreement reflect the terms in any letter of intent between you and the third-party seller or lessor. You must enter into, and provide us with a fully executed copy of, the purchase agreement and/or Site Lease and Lease Rider (unless we waive the Lease Rider requirement in writing), as applicable, within the earlier to occur of: (i) 10 days after execution of the Site Lease or purchase agreement, as applicable; or (ii) 240 days after the Effective Date (the “**Site Securitization Deadline**”). You must comply with the terms and conditions of your Site Lease. We are not obligated to execute your lease or guarantee a lease for you.

i. If you fail to enter into and provide us with a copy of the purchase agreement or Site Lease, as applicable, in accordance with the requirements of this Agreement on or before the Site Securitization Deadline, provided that you are otherwise in compliance with your obligations under this Agreement and provided that you are using best efforts to secure a Site and enter into a purchase or lease agreement for the Site, we will grant you one 60-day extension to the Site Securitization Deadline (the “**Site Securitization Extension**”) in exchange for your payment of a \$5,000 extension fee (the “**60-Day Extension Fee**”). The 60-day Extension Fee shall be due and payable to us immediately upon the expiration of the Site Securitization Deadline and we shall have the right to automatically deduct the 60-Day Extension Fee from your account via electronic funds transfer.

(c) **Site Construction.**

(i) **Permits and Licenses.** Before beginning any construction, you, at your expense, must obtain all necessary government permits and licenses for the lawful construction and operation of your Store. You must abide by your landlord's rules and guidelines.

(ii) **Design Phase.** You must, at your expense, adapt for the Site our standard plans and specifications for the exterior and interior design and layout, fixtures, furnishings, signs, and equipment for the Store. You must submit to us for our approval architectural drawings and specifications for the construction of the Store showing all leasehold improvements, interior designs, and elevations (collectively "**Plans**"). You may not begin construction or install any equipment until we give you written approval of the Plans. After we have accepted the final Plans, you may not modify the Plans without our prior written consent. You must employ only architectural and engineering firms that we approve in writing to develop your Plans and to assist with the construction of your Store.

(iii) **Construction Phase.** You must provide us with written notice identifying your general contractor and you must ensure that the contractor is duly licensed in your jurisdiction and adequately insured. You must notify us in writing promptly when construction begins and must maintain continuous construction until the Store is completed. You agree to complete the construction of your Store in accordance with the approved Plans at your expense. We, our employees, and our agents may inspect the construction at all reasonable times. After completion of construction, you must promptly obtain a certificate of occupancy and provide a copy of the certificate to us.

(d) **Opening Deadline.** You must complete construction of and open your Store for business before the earlier to occur of: (i) 120 days after possession of the Site is delivered to you by your landlord, or (ii) 12 months after the Effective Date, unless we grant you an extension in writing (the "**Opening Deadline**"). You may not open the Store until you have received our written approval, which we will not provide until we have viewed the certificate of occupancy and confirmed that you have complied with the Plans. You must open the Store for business to the public within 10 days from the date we give our written approval. Time is of the essence in constructing the premises for and opening the Store.

i. Notwithstanding the foregoing, if:

1. you have entered into a purchase agreement or Site Lease as required under this Agreement on or before the Site Securitization Deadline, (ii) you have submitted all construction permits for the build-out of your Store to all applicable governing authorities for approval on or before the Opening Deadline, and (iii) you are otherwise in compliance with your obligations under this Agreement, the Opening Deadline shall be extended for a period of two months.

2. we grant you the Site Securitization Extension, you have paid the 60-Day Extension Fee, and you have entered into a purchase agreement or Site Lease for an accepted Site in accordance with the terms of this Agreement prior to the expiration of the Site Securitization Extension, the Opening Deadline shall be extended to the date that is 120 days following the earlier to occur of (a) the date on which you enter into the a purchase agreement or Site Lease, or (b) the expiration of the Site Securitization Extension.

(e) **Operation of the Store.** You may not use the Site for any purpose other than the operation of a Store in compliance with the System and the Manuals, except if the Store is a Co-Brand Franchise, you may use the Site for the operation of the approved Co-Brand Licensor's franchise in compliance with its system and manuals. You may not lease, sublease, or assign the Site Lease for all or any portion of the Site, without our prior written consent. You must keep the Store open for business to the public at least during the hours we prescribe from time to time in the Manuals or otherwise approve, unless prohibited by applicable law or by the Site Lease (if any) for the Store premises or unless different hours are prescribed by the Site Lease.

(f) **Upkeep of the Store.** You must keep the exterior and interior of your Store and all fixtures, furnishings, signs, and equipment in the highest degree of cleanliness, orderliness, sanitation, and repair in accordance with the Manuals. You may not make any material alteration, addition, replacement, or improvement to your Store, including to the fixtures, furnishings, signs, and equipment, without our prior written consent.

(g) **Refurbishing.** At our request, which may be made as often as once every five years, and within 90 days after each such request, you will refurbish the Store at your expense to conform the decor, Trade Dress, color schemes, signage, equipment, and presentation of the Marks to our then-current image and specifications. At our direction, such refurbishing will include remodeling, redecoration, and other modifications to existing improvements as we deem necessary. Notwithstanding the foregoing, we cannot require you to invest additional capital at a time when the investment cannot in our reasonable judgment be amortized during the remaining term of this Agreement, or the Site Lease (including any and all renewal terms); provided, however, there is no limit on the additional capital required if the refurbishment or remodeling work is required under the terms of the Site Lease or pursuant to applicable law.

(h) **Closing.** If the financial statements that you provide us pursuant to this Agreement demonstrate that your Store has been operating at a loss for a period of 12 consecutive months, you may close the Store at the Site, provided that you relocate and reopen the Store pursuant to **Section 5.1(i)** within 120 days after the date that you close the Store.

(i) **Relocation.** You may not relocate the Store without our prior written consent. Such approval will not be unreasonably withheld, provided that (i) you notify us within 120 days prior to the relocation date and prior to the closure of the original Store (ii) the new location for the Store premises is satisfactory to us, (iii) your lease, if any, for the new location complies with our then-current requirements, (iv) you comply with our then-current requirements for constructing and furnishing the new location, (v) the new location will not, as determined in our sole judgment, materially and adversely affect the Net Sales of any other Hot Dog On A Stick store, (vi) the relocated Store must be open and operating within 120 days from the closure of the original store (vii) you have fully performed and complied with each provision of this Agreement within the last three years prior to, and as of, the date we consent to such relocation (the “**Relocation Request Date**”), (viii) no Event of Default (as herein defined), or event which with the giving of notice and/or passage of time would constitute an Event of Default, exists as of the Relocation Request Date, (ix) you have met all of our then-current training requirements and (x) you pay us a relocation fee of \$2,000. We reserve the right to terminate this Agreement if you fail to meet any of the above requirements for the relocation, including but not limited to the failure to reopen the relocated Store within 120 day of the closure of the original Store even if you received our approval to relocate. If you lose the Site Lease, you must secure our approval of another site and enter into a lease for the new approved site within 120 days. You agree to pay us a relocation charge, not to exceed our reasonable costs incurred in evaluating the proposed new Site, whether or not the new Site is approved. We reserve the right to terminate this Agreement if you fail to secure a new approved site within 120 days after you lose the Site Lease.

5.2 Management Supervision.

(a) **Operating Principal and Manager.** You will devote your full time, best efforts to the proper and effective operation of the Store. In addition, your Store must have at least one Manager. If you are an individual, you may serve as the Manager or you may designate a Manager. If you are an Entity, you must designate a Manager and you must appoint an individual owner as your “**Operating Principal**” who must have authority over all business decisions related to your Store and must have the power to bind you in all dealings with us. Your Operating Principal may serve as your Manager, unless we believe that he or she does not have sufficient experience. You must provide us with written notice of your Operating Principal and Manager(s) at least 90 days prior to opening and may not change your Operating Principal and Manager(s) without our prior written approval. You or your Operating Principal and your Manager(s) must successfully complete our initial training program and any other training programs that we may require.

(b) **Store Management.** At all times that your Store is open for business, it must be under the personal, on-premises supervision of either you, your Operating Principal, or a Manager. You may not permit your Store to be operated, managed, directed, or controlled by any other person without our prior written consent.

5.3 **Training.**

(a) **Initial Training.** Prior to opening the Store, you or your Operating Principal, as applicable, and your Manager(s) must obtain our management certification (“**Certification**”) by personally attending and satisfactorily completing the initial training programs described in **Section 4.4** (Initial Training). Each subsequent Operating Principal or Manager must obtain a Certification unless we otherwise agree in writing.

(b) **Additional Training.** In addition to initial training, you or your Operating Principal, as applicable, your Manager(s), and your employees will attend and satisfactorily complete such other training programs as we may require from time to time after your begin operations. If, in our sole judgment, you fail to maintain the quality and service standards set forth in the Manuals, we may, in addition to all of our other rights and remedies, assign trainers to the Store to retrain Store employees and restore service levels. In such instances you will pay to us our actual costs and expenses for each such trainer so assigned to the Store, including without limitation travel and living expenses, within ten days after invoice.

5.4 **Products and Services You May Offer.** You may offer for sale in the Store only the products and services that we have approved in writing. If you operate a Co-Brand Store, you may also offer for sale the products and services that have been approved by your Co-Brand Licensor(s). We may designate specific products or services as optional or mandatory. You must offer all items that we designate as mandatory. We may change the authorized products and services at our judgment, as well as the items that we designate as mandatory or optional. You may sell products only in the varieties, weights, sizes, forms, and packages that we have approved. You must follow our proprietary recipes and specifications and use only authorized ingredients in the preparation of menu items. You must maintain at all times a sufficient supply of required products to meet the inventory standards we prescribe in the Manuals (or to meet reasonably anticipated customer demand, if we have not prescribed specific standards). You may not use the premises for the sale or display of items not approved by us, including unapproved items listed in the Manual or third-party solicitations, including information provided by charities or local organizations. If we revoke approval of a previously-approved product that you have been selling, you may continue to sell the product only from your existing inventory for up to 30 days following our disapproval. We have the right to shorten this period if, in our opinion, the continued sale of the product could pose a hazard to the public or would prove detrimental to our reputation.

5.5 **Products, Supplies, and Equipment.**

(a) **Purchases.** You agree that all food and non-food products, ingredients, supplies, equipment, and services that you purchase for resale or use in your Store will: (i) meet specifications that we establish from time to time; (ii) be of a certain brand; (iii) be purchased only from suppliers or service providers that we have expressly approved (which may include us or our affiliates or a buying cooperative organized by us or our affiliates); and/or (iv) be purchased only from a single source that we designate (which may include us or our affiliates or a buying cooperative organized by us or our affiliates). To the extent that we establish specifications, require approval of suppliers or service providers, or designate specific suppliers or service providers for particular items or services, we will publish our requirements in the Manuals. We have and reserve the right to receive compensation or other consideration from approved suppliers and service providers based on our or our franchisees’ purchases from these suppliers and on our designating the supplier as an approved supplier even if these suppliers include these fees in their prices to us or our franchisees.

(b) **Supplier Information.** You must, upon our request, supply us with a written report of your purchases from each supplier for the preceding fiscal year. You acknowledge that we have the right to contact your suppliers directly to obtain information about your purchases and your account with them and you agree to execute any agreements that we require to evidence this right.

(c) **Approval Process.** If you would like to offer products or use any supplies, equipment, or services that we have not approved or to purchase from a supplier or service provider that we have not approved, you must submit a written request for approval and provide us with any information that we request. We have the right to inspect the proposed supplier's facilities and test samples of the proposed products and to evaluate the proposed service provider and the proposed service offerings. In general, we will not charge a fee for reviewing your requests for approval of alternate products, supplies, equipment, or services or reviewing a supplier that we have not previously approved; however, if we notify you in advance that we will charge a fee for the evaluation, you agree to pay us a charge not to exceed the reasonable cost of the inspection and our actual cost of testing the proposed product or evaluating the proposed service or service provider, including personnel and travel costs, whether or not the item, service, supplier, or service provider is approved. We have the right to grant, deny, or revoke approval of products, services, suppliers, or service providers based solely on our judgment. We will notify you in writing of our decision as soon as practicable following our evaluation. If you do not receive our approval within 90 days after submitting all of the information that we request, our failure to respond will be deemed a disapproval of the request. We reserve the right to re-inspect the facilities and products of any approved supplier and to reevaluate the services provided by any service provider and to revoke approval upon the supplier or service provider's failure to meet any of our then-current criteria. If you receive a notice of revocation of approval, you agree to cease purchasing products or services from the disapproved supplier or service provider and, in the case of revocation based on failure of products to meet our standards, you agree to dispose of your remaining inventory of the disapproved supplier's products as we direct.

(d) **Sales Only In Compliance With This Agreement.** You agree that all deliveries of your products will be made only to the Store. You may not have products delivered to any other address. You may not offer for sale any products that you are authorized to sell under this Agreement at any address other than at your Store or otherwise in compliance with this Agreement. If you violate this restriction, you agree that we have the right to contact your suppliers and/or distributors to notify them that your deliveries may only be made to the Store. In this event, we will not be liable to you for any damages that may result from our notification to your suppliers and/or distributors.

(e) **Convenience Shipping.** You agree that we have the right to automatically order and ship to you, and you agree to timely pay for, "convenience shipments" of certain goods, including but not limited to inventory and promotional items needed for limited time offers, special promotions, etc.

5.6 Co-Brand Stores. If you wish to operate a Co-Brand Store with a Co-Brand Licensor that is not an affiliate of ours, you must submit to us any information about your proposed Co-Brand Licensor(s) that we request, including, without limitation, (i) any existing agreements you have with them relating to an existing store that you operate in their franchise system, (ii) any proposed agreements that you desire to enter into with your Co-Brand Licensor(s) relating to the operation of their concepts in conjunction with one of our Stores, and (iii) any proposed modifications to the agreements that we have reviewed over the course of the Term. Before you enter into any agreements with a proposed Co-Brand Licensor relating to a Co-Brand Store, you must receive our approval in writing of each proposed Co-Brand Licensor and each proposed agreement. We may withhold our approval for any reason, in our sole judgment. We may require your Co-Brand Licensor to be one of our affiliates.

5.7 Distribution and Off-Site Activities.

(a) **Generally.** Except as provided in this **Section 5.7**, you may not make any sales of products or services outside of the Store or use vendor relationships that you establish through your association with us for any other purpose besides the operation of the Store, unless we consent in writing. You may, however, offer samples of approved products at or directly in front of your Store or other locations near your Store as approved by your landlord. You agree to purchase materials, supplies, and inventory solely for use in the preparation of products to retail customers, and not for resale or redistribution to any other party, including other franchisees. You may not offer, unless we consent in writing, products or services in connection with the Marks (i) via mail order sales or (ii) on any website on the Internet or any other electronic communication network.

(b) **Off-Site Events.** Provided that you are in full compliance with this Agreement, and subject to the terms of this **Section 5.7**, you may operate temporary outlets for short-term periods at special events away from the Site, such as fairs, sporting events, conventions, etc. ("**Off-Site Events**"). We reserve the right: (i) to designate specific types of Off-Site Events as approved or prohibited from time to time in the Manual; (ii) to grant exclusive rights to others for specific Off-Site Events; (iii) to impose geographic restrictions on the Off-Site Events at which you can do business; (iv) to impose restrictions on the types of products and services you can offer at Off-Site Events; and (v) to set other standards or policies for Off-Site Events that you must follow. You acknowledge that you have no exclusive rights for any Off-Site Event, regardless of its proximity to the Site, and that we and/or our other franchisees may seek and obtain the right to do business at any Off-Site Event instead of you. Any business that you conduct at an Off-Site Event is subject to all applicable provisions of this Agreement, including, but not limited to, **Section 3** (Fees), **Section 5.12** (Intellectual Property), **Section 5.17** (Bookkeeping and Records), and **Section 5.23** (Indemnification).

(c) **Catering.** You may offer and sell products to off-site catering events and company account programs (collectively, "**Catering Events**"), provided you deliver (and do not engage a major carrier to deliver) products on the same day that they are made and adhere to any other rules that we set forth in the Manuals. Sales may not be made as part of a mail order program.

5.8 Marketing.

(a) **Local Marketing.** You must spend annually a minimum of 2% of your Net Sales on local marketing and promotional activities, which includes social media and other digital marketing costs. You must participate in such marketing and promotional programs, including but not limited to limited time offers, that we may specify from time to time, at your own expense. This participation includes any special offers or coupons that we distribute nationally or locally by e-mail, our web site, social networking sites, direct mail, or other method of distribution. You must use your best efforts to promote the use of the Marks in your market area. Your local spending obligation is in addition to your Marketing Fee. We have the right to designate in the Manuals the types of expenditures that will or will not count toward the minimum annual spending requirement. At our request, you must submit appropriate documentation to verify compliance with the minimum local advertising spending obligation. The programs that constitute local marketing will be determined by us in our reasonable judgment.

(b) **Approval of Marketing Materials.** You must submit to us in writing for our prior approval all sales promotion materials and marketing materials that have not been prepared by or previously approved by us that use any of the Marks, in whole or in part. If our written approval is not received within ten business days from the date we received the material, the material is deemed disapproved. You agree to conduct all marketing in a dignified manner and to conform to the standards and requirements we specify in the Manuals. We may make available to you for you to purchase approved marketing and promotional materials, including signs, posters, collaterals, etc. that we have prepared. We will have the final decision on all creative development of marketing and promotional messages. We reserve the right to require you to discontinue the use of any marketing materials.

(c) **Grand Opening Marketing.** In connection with the opening of the Store, you must spend a minimum of \$3,000 for grand opening marketing and promotion in the two weeks prior to opening the Store and the six weeks after opening the Store in accordance with a plan that you must submit to us. We have the right to modify your grand opening plan, in our sole judgment. No amount paid by you for your grand opening will be credited toward any of your other marketing obligations. You must provide us with supporting documentation evidencing these expenditures upon request. We reserve the right to collect this grand opening marketing and promotion amount when you sign your Franchise Agreement. If we collect this fee (rather than having you spend this amount directly with third party suppliers), we will either: 1. reimburse you for your documented grand opening marketing expenditures that we have pre-approved, up to the \$3,000; or 2. directly pay your vendors for your grand opening marketing expenditures that we have pre-approved, up to the \$3,000.

(d) **Websites.** You are not authorized to have a website for your Store. We will provide basic information about your Store on our website. You must participate in any on-line menu ordering program we specify, which may include listing menu offerings on third party websites in the form and manner we specify or approve, and you must only use the service providers we designate or approve in writing in connection with your participation in any such on-line menu ordering program.

(e) **Test Marketing.** Periodically, we will conduct market research and testing to determine consumer trends and the salability of new food or non-food products and services. If we request, you must participate in any market research programs or test marketing of new products and services that we designate in your Store, and provide us with timely reports and any other relevant information we request for the market research. You must purchase for your Store a reasonable quantity of the test products, and you must effectively promote and make a reasonable effort to sell test products.

5.9 Participation in System-wide Programs and Conferences.

(a) **Promotional Programs.** You must participate in all mandatory in-Store promotional programs that we offer to franchisees. You will follow our guidelines concerning the acceptance and reimbursement of gift certificates, gift cards, coupons and other promotional programs as we set forth from time to time in the Manuals or otherwise in writing. You will not allow use of gift certificates or gift cards unless offered by us or approved by us. You will not use coupons unless provided by us, approved by us in advance, previously approved by us or prepared and offered in accordance with the guidelines coupons set forth in the Manuals. You must participate in, and offer, any and all loyalty programs we designate in connection with the operation of your Store. We have the right to require you to use our designated suppliers for any and all loyalty programs. You may incur additional costs and expenses in connection with your participation in, and offering of, any loyalty program.

(b) **Conferences.** You, your Operating Principal, your Managers, or any of your representatives that we designate must attend franchise conventions, meetings, and teleconferences that we may require periodically in the Manuals or otherwise in writing. We, in our sole judgment, will designate the time and place of any meetings, which may be held in-person or remotely via teleconference or web seminar. We will be responsible for all costs related to arranging meetings and providing meeting materials and we may charge you an attendance fee for this. In addition, you are responsible for arranging and paying for travel and living expenses that you and/or your representatives incur.

(c) **Delivery Services.** If we require, you must provide delivery services within a reasonable distance from your Store. You must provide these delivery services in accordance with the terms in the Manuals and this Agreement.

5.10 Computer System and Software.

(a) **Mandatory Use.** You must purchase and use the computer hardware, software, point of purchase system, inventory control system, and network connections (collectively, the “**Computer System**”) that we specify periodically in the Manuals to enter and track purchase orders and receipts, update inventory, generate sales reports and analysis relating to the Store, and provide other services relating to the operation of the Store.

(b) **Replacements, Upgrades or Updates.** You must maintain the Computer System at your expense and you must replace, upgrade, and/or update the Computer System at your expense as we may require periodically without limitation. We will establish reasonable deadlines for implementation of any changes to our Computer System requirements. The Computer System vendors and suppliers typically provide ongoing maintenance, repairs, upgrades and/or updates, the cost of which varies by vendor. You are responsible for all such costs and expenses. In connection with such replacement, upgrade or update, we agree that we will not obligate you to invest more than \$7,500 in any one year, nor more than \$15,000 in total, on any Computer

System, with the understanding that these amounts do not include service and support or related connection fees, which are not subject to limitation.

(c) Your Use of the Computer System. You agree: **(i)** that your Computer System will be dedicated exclusively for business uses relating to the operation of the Store or the Co-Brand Store, as applicable **(ii)** to use the Computer System in accordance with our policies and operational procedures; **(iii)** to transmit financial and operating data to us as required by the Manuals; **(iv)** to do all things necessary to give us unrestricted, independent access to the Computer System at all times (including users IDs and passwords, if necessary) so that we may independently download and transfer data via a modem or other means that we specify on a real-time basis or as frequently as possible, as we designate, including, without limitation, for the purposes of obtaining information on financial performance (including net sales) of the Store, auditing purposes, collection of Royalty Fees and Marketing Fees, inventory levels, aged inventory and the costs of goods sold and any other reports we designate; **(v)** to maintain the Computer System in good working order at your own expense; **(vi)** to ensure that your employees are adequately trained in the use of the Computer System and our related policies and procedures; and **(vii)** not to load or permit any unauthorized programs or games on the Computer System. You must participate in any online ordering system we designate at your sole cost and expense, including an online ordering system that integrates with the Computer System, including the capability of providing and accepting payments electronically at the time the customer order is placed. Without limiting the foregoing, you will be responsible for paying any and all fees required by any designated or approved vendors, including merchant processing vendors. You acknowledge and agree that there are no contractual limitations on our right to access data stored in the Computer System. Your employees must complete any and all training programs we reasonably require for the proper operation and use of the Computer System in accordance with **Section 5.3** (Training) above. You may not use any other computer system or cash registers in connection with the operation of your Store. If we require you to use any proprietary software or to purchase any software from a designated vendor, you must execute and pay any fees associated with any software license agreements or any related software maintenance agreements that we or the licensor of the software require. You also must comply with all laws and payment card provider standards relating to the security of the Computer System, including, without limitation, the Payment Card Industry Data Security Standards ("PCI Standards") at all times during the term. You must be able to demonstrate such compliance to our satisfaction, immediately following your receipt of a written request from us. You may not use any other cash registers or computer systems in your Store, unless we agree otherwise in writing.

(d) Internet Access and E-Mail. You must maintain an Internet service that allows you an unlimited Internet connection, e-mail and online communication abilities as we require. You must dedicate a high-speed broadband or frame relay connection for the sole purpose of supporting your computer system. We must approve any other technology options, such as satellite or cellular before you order service with a provider. We may require you to use an Internet Service Provider we approve. We may require you to purchase services that meet certain performance criteria (Example: upload/download speeds, security, etc.). You must maintain a valid e-mail address to receive communications from us. You must immediately notify us of your e-mail address and of any changes you later make to your e-mail address. You must access and review all emails received at your email address at least once per day.

5.11 Insurance. You must maintain at your expense in full force and effect throughout the Term the types of insurance and the minimum policy limits specified in the Manuals. In determining and modifying such requirements, we agree to use reasonable business judgment and only require such insurance and minimum policy limits that are reasonable and customary in the food service industry. The insurance policy or policies must be in effect before you begin construction and/or development of the Store. The insurance policy or policies must protect you, us, and our respective, past, present, and future officers, directors, owners, managers, members, stockholders, affiliates, employees, consultants, attorneys, and agents against any loss, liability, personal injury, death, property damage or expense whatsoever arising out of or occurring upon or in connection with the condition, operation, use, or occupancy of the Store. You shall have Global Franchise Group, LLC as an additional insured under each policy, except for policies required by statute in your jurisdiction, including, but not limited to workers' compensation and employer's liability insurance policies. We may require additional types

of coverage or increase the required minimum amount of coverage upon reasonable notice. Your obligation to obtain coverage is not limited in any way by insurance that we maintain. Upon our request or as specified in the Manuals, you must provide us with certificates of insurance evidencing the required coverage. Your insurer(s) must commit not to cancel or amend the policy or policies without at least 30 days' prior written notice to us. If you fail to obtain and maintain insurance coverage as required by this Agreement, we have the right, but not the obligation, to obtain the required insurance on your behalf and to charge you for the cost of the insurance plus a reasonable fee for our services in procuring the insurance, which may be debited to your account by electronic debit.

5.12 Intellectual Property.

(a) Marks and Trade Dress.

(i) **Acknowledgements.** You acknowledge that HDOS Franchise Brands, LLC (“**Licensors**”), our affiliate, is the owner of the Marks and the Trade Dress, that you have no interest in the Marks and the Trade Dress beyond the nonexclusive License granted herein, and that, as between we and you, we have the exclusive right and interest in and to the Marks and the Trade Dress and the goodwill associated with and symbolized by them. Upon the expiration or termination of this Agreement, no monetary amount will be attributable to goodwill associated with your activities as a franchisee under this Agreement.

(ii) **Rights.** Your right to use the Marks and the Trade Dress applies only to the Store operated at the Site as expressly provided in this Agreement, including marketing related to the Store. You may only use in your Store the Marks and the Trade Dress we designate, and only in compliance with written rules that we or Licensors prescribe from time to time. You will not use any of the Marks as part of any Entity name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed to you hereunder), or use any of the Marks or the Trade Dress in connection with the sale of any unauthorized product or service or in any manner not explicitly authorized in writing by us. You must post in a prominent place in the Store readily visible to the public a notice provided by us indicating that you are a franchised operator under the System and that you are using the Marks and the Trade Dress under license. We agree to provide such signage at no cost to you. No materials on which any of the Marks or the Trade Dress appears will be used by you without our prior written approval, which may be revoked at any time upon reasonable notice to you. You may not use “HOT DOG ON A STICK,” any of our other marks, or any similar name as a domain name or on any website on the Internet or any other electronic communication network unless we expressly authorize that use.

(b) **Copyrights.** You acknowledge that as between you and us, any and all present or future copyrights relating to the System or the Hot Dog On A Stick concept, including, but not limited to, the Manuals, recipes, construction plans and specifications, and marketing materials, (collectively, the “**Copyrights**”) belong solely and exclusively to us. You have no interest in the Copyrights beyond the nonexclusive License granted in this Agreement.

(c) **No Contesting Our Rights.** During the Term of this Agreement and after its expiration or termination, you agree not to directly or indirectly contest Licensors' or our ownership, title, right or interest in or to, or our license to use, or the validity of, the Marks, the Trade Dress, the Copyrights, or any trade secrets, methods or procedures that are part of the System or any other marks or names that incorporate the words “Hot Dog,” “Stick,” “Lemonade,” or any similar words (collectively, the “**Intellectual Property**”), or contest Licensors' or our sole right to register, use, or license others to use the Intellectual Property .

(d) **Changes to the Marks or the Copyrights.** We have the right, upon reasonable notice, to change, discontinue, or substitute for any of the Intellectual Property and to adopt entirely different or new Intellectual Property for use with the System without any liability to you, in our sole judgment. You agree to implement any such change at your own expense within the time we reasonably specify.

(e) **Third-Party Challenges.** You agree to notify us promptly of any unauthorized use of the Intellectual Property of which you have knowledge. You also agree to inform us promptly of any challenge by any person or Entity to the validity of our or Licensor's ownership of or our right to license others to use any of the Intellectual Property. We have the right, but no obligation, to initiate, direct, and control any litigation or administrative proceeding relating to the Intellectual Property, including, but not limited to, any settlement. We will be entitled to retain any and all proceeds, damages, and other sums, including attorneys' fees, recovered or owed to us or our affiliates in connection with any such action. You agree to execute all documents and, render any other assistance we may deem necessary to any such proceeding or any effort to maintain the continued validity and enforceability of the Intellectual Property.

(f) **Post-Termination or Expiration.** Upon the expiration or termination of this Agreement for any reason, all of your rights to use the Intellectual Property will automatically revert to us without cost and without the execution or delivery of any document. Upon our request, you will execute all documents that we require to confirm such reversion.

5.13 Improvements. Any and all improvements to the System that you develop (whether or not consented to by us), including, but not limited to, any ideas, concepts, formulas, recipes, methods, techniques, and other materials related to the development or operation of a hot dog or fresh or frozen lemonade restaurant, retail outlet, or similar business, will automatically become our property, without payment of any compensation to you. If such improvements may be protected by way of trademark, copyright, patent, trade secret, or otherwise, you will execute such documentation as we may reasonably require to evidence ownership of such improvements by, and to transfer ownership thereof to, us. You may not test, offer, or sell any new or modified products without our prior written consent.

5.14 Customer Data. You agree that all data that you collect from customers and potential customers in connection with your Store ("**Customer Data**") is deemed to be owned by us, and you agree to furnish the Customer Data to us at any time that we request it. You have the right to use Customer Data while this Agreement or a successor franchise agreement is in effect, but only in accordance with the policies that we establish periodically and applicable law. You may not sell, transfer, or use Customer Data for any purpose other than marketing Hot Dog On A Stick products and services.

5.15 Taxes. You will pay when due all taxes, assessments, and governmental charges upon or against you or your real or personal properties, income, and revenues; provided that no such tax, assessment, or governmental charge need be paid so long as the validity, applicability, or amount thereof is being contested in good faith by appropriate proceedings and appropriate reserves are maintained to pay the disputed amount, if necessary.

5.16 Manuals.

(a) **Compliance with the Manuals.** You must comply with and abide by each rule, procedure, standard, specification, and requirement contained in the Manuals, as they may be amended, modified, or supplemented periodically and such other written or electronically transmitted rules, procedures, standards, specifications, and requirements that we may issue periodically. You acknowledge that we may amend, modify, or supplement the Manuals at any time, so long as such amendments, modifications, or supplements will, in our good faith opinion, benefit us and our existing and future franchisees or will otherwise improve the System. You must comply with revised standards and procedures within 30 days after we transmit the updates, unless otherwise specified.

(b) **Use of the Manuals.** You agree to keep your copy of the Manuals up-to-date. If there is any dispute as to the current contents of the Manuals, the terms of our master copy maintained at our headquarters will control. You acknowledge that we own the copyright in the Manuals and that your copy of the Manuals remains our property and will be returned to us immediately upon expiration or termination of this Agreement. You will treat the Manuals, and the information contained therein, as confidential and will maintain

the confidentiality of such information. You will not, without our prior written consent, copy, duplicate, record, use, or otherwise reproduce in any way the Manuals, in whole or in part, or otherwise make their contents available to any unauthorized person, except as provided in **Section 5.22** (Proprietary Information).

5.17 Bookkeeping and Records. You agree to keep complete and accurate books, records, and accounts of all business conducted under this Agreement in accordance with generally accepted accounting principles. You must preserve all of your books and records in hard copy or in a format from which hard copies can be readily generated for at least five years from the date of preparation or such longer period as may be required by law. You must maintain such information and records on the Computer System as we may require from time to time in the Manuals and you acknowledge and agree that we will have access to that data remotely via a network connection that we will specify. At our request, you must retain and use, at your expense, the services of an accountant or accounting firm that we approve. You must use such accountant or accounting firm for your first 12 months of operation.

5.18 Reports and Financial Statements. You agree to submit financial and operational reports and records to us at the times and in the manner specified in the Manuals. If you operate a Co-Brand Store, you must submit to us financial and operational reports and records relating to your entire Store as well as for each franchise concept that operates within the Store, including, but not limited to, separate Net Sales figures for each concept and Beverage Sales. Upon our written request, within 90 days after the end of each fiscal year, you must submit your balance sheet and income statement for the fiscal year. With respect to your fiscal year-end income statement and balance sheet, you or the Operating Principal must certify that the income statement and balance sheet are correct and complete and that they have been prepared in accordance with generally accepted accounting principles. We have the right to demand audited financial statements if an Event of Default has occurred within the last fiscal year.

5.19 Additional Information. We may from time to time require information about your financial condition, earnings, sales, profits, costs, expenses, and performance to provide a basis for providing our prospective franchisees with information concerning actual or potential earnings or to comply with applicable laws and regulations governing the sale of franchises. You will provide such information promptly upon our request, and you will certify that such information is true and complete in all material respects.

5.20 Auditing. Without limiting the foregoing, upon five days written notice to you, we may audit or cause to be audited any statement you are required to submit pursuant to **Section 5.18** (Reports and Financial Statements) and we may review, or cause to be reviewed, the records maintained by any bank or other financial institution used by you in connection with the Store. If any such audit or review discloses an understatement of the Net Sales for any period or periods, you will pay to us, within 15 days after demand for payment is made, all additional Royalty Fees, Marketing Fees or other amounts required to be paid based upon the results of such audit or review. In addition, if such understatement for any period or periods is 3% or more of the Net Sales for such period or periods, you will reimburse us for the cost of such audit or review, including without limitation the charges of any independent accountant and the cost of travel and living expenses and wages for such accountant and employees or other agents of us. You will pay to us, upon demand, on any delinquent fees interest at the lesser of 18% per annum or the maximum rate allowed by law calculated from the date when the fees should have been paid to the date of actual payment. You agree to permit and fully cooperate with such audit, provide upon demand all documents requested in connection with such audit, and agree that such audit will be scheduled on a mutually agreed date (which shall be during normal business hours) that is within 30 days after our request.

5.21 Inspection. We have the right, through our employees and any agents we designate, at any time during business hours and without prior notice to you to: **(i)** inspect the Site and Store for compliance with the Manuals, **(ii)** videotape, photograph or otherwise record the operation of the Store as part of any such inspection, **(iii)** interview your employees, landlord, and customers, **(iv)** examine the records, invoices, payroll records, check stubs, sales tax records and returns, and other supporting records and documents of the Store, and **(v)** examine your income tax records and any other information, records or properties relating to the ownership, management, or operation of the Store. Our right to inspect your business records includes records maintained

electronically or off-site. You must cooperate with such inspections by giving our representatives unrestricted access and rendering such assistance as our representatives may reasonably request. If we notify you of any deficiencies after the inspection, you must promptly take steps to correct them. If you fail to correct any deficiencies within a reasonable time, not to exceed 30 days, we have the right to correct such deficiencies and charge you a reasonable fee plus our costs and expenses incurred in such inspection. Any inspections will be made at our expense, unless the inspection is necessitated by your repeated or continuing failure to comply with any provision of this Agreement, in which case we may charge you the costs of making such inspection, including without limitation the wages and cost of travel and living expenses for our representatives.

5.22 Proprietary Information.

(a) Receipt of Proprietary Information. You acknowledge that prior to or during the Term, we may disclose in confidence to you, either orally or in writing, certain trade secrets, recipes, know-how, and other confidential information (collectively, “**Proprietary Information**”) relating to the System, our business, our vendor relationships, or the construction, management, operation, or promotion of the Store. “**Proprietary Information**” does not include **(i)** information that is part of the public domain or becomes part of the public domain through no fault of you, **(ii)** information disclosed to you by a third party having legitimate and unrestricted possession of such information, **(iii)** information that you can demonstrate by clear and convincing evidence was within your legitimate and unrestricted possession when the parties began discussing the sale of the franchise, or **(iv)** information that is protectable as a trade secret.

(b) Nondisclosure of Proprietary Information. During the Term and for the longer of **(i)** 5 years after the expiration or termination of this Agreement; or **(ii)** any longer time as permitted by law, you will not, nor will you permit any person to, use or disclose any Proprietary Information (including without limitation all or any portion of the Manuals) to any other person, including any Co-Brand Licensors, except to the extent necessary for your professional advisors and your employees to perform their functions in the operation of the Store. In addition, you will not, nor will you permit any person to, use or disclose any of our trade secrets, for as long as the trade secret is protectable under the law, to any other person. You will be liable to us for any unauthorized use or disclosure of Proprietary Information or trade secrets by any employee or other person to whom you disclose Proprietary Information or trade secrets. You will take reasonable precautions to protect the Proprietary Information and trade secrets from unauthorized use or disclosure and will implement any systems, procedures, or training programs that we require. At our request, you will require anyone who may have access to the Proprietary Information or trade secrets to execute non-disclosure agreements in a form satisfactory to us that identifies us as a third party beneficiary of such covenants with the independent right to enforce the agreement.

5.23 Indemnification. You agree to hold harmless, defend, and indemnify us and our past, present and future affiliates, officers, directors, shareholders, managers, members, agents, attorneys, consultants, management companies, and employees against any claims, demands, fines, losses, costs, expenses (including, but not limited to, reasonable attorneys’ fees, costs of investigation, settlement costs, and interest), liabilities, and damages (collectively, “**Damages**”) arising directly or indirectly from, as a result of, or in connection with your activities under this Agreement or your activities relating to the Store, including your preparation and/or sale of products. With respect to any threatened or actual litigation, proceeding, or dispute that could directly or indirectly affect us or any of the other indemnitees under this **Section 5.23**, we will have the right, but not the obligation, to: **(i)** approve or disapprove counsel selected by you in our sole discretion; **(ii)** participate in the handling of the matter; and **(iii)** approve or disapprove any settlement you propose in our sole discretion. This **Section 5.23** will survive the expiration or termination of this Agreement, and applies to Damages even if they exceed the limits of your insurance coverage.

5.24 Your Covenant Not to Compete.

(a) During Term. You acknowledge that you will receive valuable, specialized training and confidential information regarding the manufacturing, operational, sales, promotional, and marketing methods of

the Hot Dog On A Stick concept that we have developed through monetary and other resource expenditures that provide competitive advantages to our System. During the Term, you and your Owners will not, without our prior written consent, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any other person or Entity:

(i) own, manage, engage in, be employed by, advise, make loans to, or have any other interest in, as a partner, owner, officer, executive, managerial employee, director, sales person or consultant for, any business that operates or licenses others to operate a restaurant, retail outlet, catering business, or any similar food business that primarily offers hot dogs, fresh lemonade, frozen lemonade, French fries, Funnel Sticks, and related food and beverage products, especially those served on a stick at any location in the United States or by any means, including, without limitation, sales via the Internet or catalogs (“**Competitive Business**”);

(ii) divert or attempt to divert any business or customer that had done business with or been a customer of the Store within the 2 years before the expiration or termination of this Agreement, to any Competitive Business, by direct or indirect inducement or otherwise, as you agree that all goodwill associated with your operation under the Marks and the System, and all business and customer information associated therewith, inure to us;

(iii) perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or

(iv) use any vendor relationship established through your association with us to purchase proprietary products for use or sale in any location other than your Store.

(b) **After Termination, Expiration, or Transfer.** For two years after the expiration or termination of this Agreement or an approved Transfer to a new franchisee, you and your Owners may not, without our prior written consent, directly or indirectly own, manage, engage in, be employed by, advise, make loans to, or have any other interest, as a partner, owner, officer, executive, managerial employee, director, sales person or consultant, in any Competitive Business that is (or is intended to be) located within a 5-mile radius of your Store or a 5-mile radius of any other Store open or under construction on the Effective Date, or if permitted by law, in existence at the time of expiration or termination. With respect to the Owners, the time period in this **Section 5.24(b)** will run from the expiration, termination, or Transfer of this Agreement or from the termination of the Owner’s relationship with you, whichever occurs first.

(c) **Publicly Traded Corporations.** Ownership of less than five percent of the outstanding voting stock of any class of stock of a publicly traded corporation will not, by itself, violate this **Section 5.24**.

(d) **Covenants of Owners and Employees.** The Owners and their spouses personally bind themselves to this **Section 5.24** by signing this Agreement or the attached Guarantee. You must also obtain from your officers, directors, Managers, and other individuals that we may designate executed agreements containing non-compete covenants similar in substance to those contained in this **Section 5.24** as we prescribe in the Manuals and otherwise. The agreements must be in a form acceptable to us and specifically identify us as having the independent right to enforce them.

(e) **Enforcement of Covenants.** You acknowledge and agree that (i) This **Section 5.24** is reasonable because it promotes and protects the subject matter of this Agreement and/or the underlying relationship and/or deters any potential conflict of interest; (ii) the time, territory, and scope of the covenants provided in this **Section 5.24** are reasonable and necessary for the protection of our legitimate business interests; (iii) you have received sufficient and valid consideration in exchange for those covenants; (iv) enforcement of the same would not impose undue hardship; and (v) the period of protection provided by these covenants will not be reduced by any period of time during which you are in violation of the provisions of those covenants or any period of time required for enforcement of those covenants. To the extent that this **Section**

5.24 is judicially determined to be unenforceable by virtue of its scope or in terms of area, restricted activity or length of time, but may be made enforceable by reductions of any or all thereof, the same will be enforced to the fullest extent permissible. You agree that the existence of any claim you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants contained in this **Section 5.24**. You acknowledge that any breach or threatened breach of this **Section 5.24** will cause us irreparable injury for which no adequate remedy at law is available, and you consent to the issuance of a temporary or permanent injunction prohibiting any conduct violating the terms of this **Section 5.24**, without proof of actual damages. Such injunctive relief will be in addition to any other remedies that we may have.

5.25 Transfer and Assignment.

(a) **Definition of Transfer.** For purposes of this Agreement, “**Transfer**” as a verb means to sell, assign, give away, transfer, pledge, mortgage, or encumber, either voluntarily or by operation of law (such as through divorce or bankruptcy proceedings), any interest in this Agreement, the License, the Store, substantially all the assets of the Store, or in the ownership of the franchisee (if you are an Entity). “**Transfer**” as a noun means any such sale, assignment, gift, transfer, pledge, mortgage, or encumbrance.

(b) **No Transfer Without Our Consent.** This Agreement and the License are personal to you, and we have granted the License in reliance on your (and, if you are an Entity, your Owners’) business skill, financial capacity, and personal character. Accordingly, neither you nor any of the Owners or any successors to any part of your interest in this Agreement or the License may make any Transfer or permit any Transfer to occur without obtaining our prior written consent. If you or any of your Owners desire to make a Transfer, you must promptly provide us with written notice. Any purported Transfer, without our prior written consent, will be null and void and will constitute an Event of Default (as herein defined), for which we may terminate this Agreement without opportunity to cure. We will not unreasonably withhold, delay or condition our consent if you have fully complied with the requirements for transfer in this Agreement. We have the right to communicate with both you, your counsel, and the proposed transferee on any aspect of a proposed Transfer. You agree to provide any information and documentation relating to the proposed Transfer that we reasonably require. No Transfer that requires our consent may be completed until at least 60 days after we receive written notice of the proposed Transfer. Our consent to a Transfer does not constitute a waiver of any claims that we have against the transferor, nor is it a waiver of our right to demand exact compliance with the terms of this Agreement. If your Store is not open and operating, we will not consent to your transfer of the License or this Agreement.

(c) **Transfer Of Entire Business.** For a proposed Transfer of your Store or this Agreement (or, if you are an Entity, a Transfer of ownership interests that would result in a change of control), the following conditions apply (unless waived by us):

(i) When you provide written notice of the proposed Transfer, you must pay to us a non-refundable deposit of \$2,000 to cover our administrative costs incurred in reviewing the proposal. The deposit will be applied towards your Transfer Fee in the event that the Transfer is completed.

(ii) You must submit to us the executed copy of the sale agreements, including the purchase and sale agreement (if applicable), between you and the potential transferee within 10 days of signing any such agreement;

(iii) You must satisfy all of your accrued monetary obligations to us.

(iv) You must be in compliance with all obligations to us under this Agreement and any other agreement that you have with us and our affiliates as of the date of the request for our approval of the Transfer, or you must make arrangements satisfactorily to us to come into compliance by the date of the Transfer.

(v) You and your Owners must execute a general release, in a form that we prescribe, in favor of us, our affiliates, and our and our affiliates’ past, present, and future officers, directors, managers,

members, equity holders, agents, and employees, releasing them from all prior claims regarding your Store, as well as any other stores owned by you or your Owners that are operated pursuant to a franchise agreement with us or our affiliates, including without limitation claims arising under federal, state, and local laws, rules, and regulations.

(vi) You and your Owners must agree to remain liable for all of the obligations to us in connection with the Store arising before the effective date of the Transfer, and execute any and all instruments that we reasonably request to evidence such liability.

(vii) You and all your Owners agree in writing to be bound by the provisions of **Sections 5.12** (Intellectual Property), **5.22** (Proprietary Information), **5.23** (Indemnification), and **5.24** (Your Covenant Not to Compete) as if you or they were the Franchisee and this Agreement had expired or terminated as of the effective date of the Transfer.

(viii) You must provide us with written notice from your landlord indicating that your landlord has agreed to transfer the Site Lease to your transferee.

(ix) If you operate a Co-Brand Store, you, must concurrently Transfer all of your interests in your franchises with your Co-Brand Licensors to your transferee and must comply with any Transfer requirements that your Co-Brand Licensors require.

(x) If the Store being transferred hereunder is a Traditional Store or a Non-Traditional Store, you must pay to us a transfer fee (the “**Transfer Fee**”) equal to \$10,000. If you are transferring more than five Hot Dog On A Stick Stores or transferring Stores to an existing franchisee, we will reduce the Transfer Fee to \$5,000 per Store (with a cap of \$75,000).

(xi) Your proposed transferee (or, if the transferee is not an individual, all owners of any beneficial interest in the transferee) must demonstrate to our satisfaction that he or she meets all of our then-current qualifications to become a Hot Dog On A Stick franchisee or if he or she is already a Hot Dog On A Stick franchisee, he or she must not be in default under any of their agreements with us and must have a good record of customer service and compliance with our operating standards.

(xii) Your proposed transferee (and, if the transferee is not an individual, such owners of a beneficial interest in the transferee as we may request) and their spouses must enter into a written assignment, in a form satisfactory to us, assuming and agreeing to discharge and guarantee all of your obligations hereunder.

(xiii) Your proposed transferee (and, if the transferee is not an individual, such owners of a beneficial interest in the transferee as we may request) must execute, for a term ending on the last day of the Term and with such Successor Term as is provided by this Agreement, our then-current franchise agreement for new franchisees and such other agreements as we may require, which agreements will supersede this Agreement in all respects. The terms of the new franchise agreement may differ significantly from the terms of this Agreement. The prospective transferee will not be required to pay any initial Franchise Fee.

(xiv) Your proposed transferee and their representatives must successfully complete our then-current training requirements at their expense.

(xv) You must provide us with the opportunity to inspect the Store on the date we designate. Your proposed transferee must make arrangements to modernize or upgrade the Store, at its expense, to conform to our then-current standards and specifications for new Hot Dog On A Stick stores; provided, however, that we will not require your transferee to expend more than \$50,000 in modernizations or upgrades unless required by the Site lease or applicable law.

(xvi) Your proposed transferee must covenant that it will continue to operate under the Mark and using the System.

(xvii) If the proposed transferee is an Entity, its owner or owners of a beneficial interest in the transferee and their spouses must execute our then-current form of personal guarantee.

(d) **Transfer Of Partial Ownership Interest.** For any proposal to admit a new Owner, to remove an existing Owner, or to change the distribution of ownership shown on the Summary Page, or for any other transaction that amounts to the Transfer of a partial interest in the business, you must give us advance notice and submit a copy of all proposed contracts and other information concerning the Transfer that we may request. We will have the right to require you to pay an administrative fee that is equal to our administrative costs in processing such Transfer (currently, \$2,000). We will have a reasonable time (not less than 30 days) after we have received all requested information to evaluate the proposed Transfer. You must satisfy the conditions in **Sections 5.25(c)(iii), (iv), and (xvi)**. We may withhold our consent on any reasonable grounds or give our consent subject to reasonable conditions. You acknowledge that any new Owner must submit a personal application and must execute our then-current franchise agreement, which will contain a term ending on the last day of the Term and such Successor Term as is provided by this Agreement.

(e) **Transfer To An Entity.** We will consent to the assignment of this Agreement to an Entity that you form for the convenience of ownership, provided that: (i) the Entity has and will have no other business besides operating Hot Dog On A Stick stores; (ii) you satisfy the conditions in **Sections 5.25(c)(ii) thru 5.25(c)(vii) and Section 5.25(c)(xvi)**; and (iii) the Owners hold equity interests in the new Entity in the same proportion shown on the Summary Page.

(f) **Transfer Upon Death Or Incapacity.** If you or any Owner dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must apply to us in writing within three months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to Transfer the person's interest. The Transfer will be subject to the provisions of this **Section 5.25**, as applicable. In addition, if the deceased or incapacitated person is you or the Operating Principal, we will have the right (but not the obligation) to take over operation of the Store and operate the Store for a term of 30 days, with the term renewable in subsequent 30-day periods up to one year from the date we began operation of the Store or until the Transfer is completed, if earlier, and to charge a reasonable management fee for our services. In this circumstance, we will periodically review the status of the Store with you or your heirs. For purposes of this Section, "incapacity" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement (i) for a period of 30 or more consecutive days or (ii) for 60 or more total days during a calendar year. In the case of Transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of **Section 5.25(c)**, the executor may transfer the decedent's interest to another successor that we have approved, subject to all of the terms and conditions for Transfers contained in this Agreement. If an interest is not disposed of under this **Section 5.25(f)** within 120 days after the date of death or appointment of a personal representative or trustee, we may terminate this Agreement under **Section 6.2** (Our Remedies After An Event of Default).

(g) **Our Right Of First Refusal.**

(i) **Our Right.** We have the right, exercisable within 30 days after receipt of the notice of your intent to Transfer as well as a bona fide written offer and such documentation and information that we require, to send written notice to you that we intend to purchase the interest proposed to be Transferred on the same economic terms and conditions offered by the third-party or, at our option, the cash equivalent thereof. If you and we cannot agree on the reasonable equivalent in cash or if the Transfer is proposed to be made by gift, we will designate, at our expense, an independent appraiser to determine the fair market value of the interest proposed to be transferred. We may purchase the interest at the fair market value determined by the appraiser or may elect at that time to not exercise our rights. Closing on our purchase must occur within 90 days after the date of our notice to the seller electing to purchase the interest. We may assign our right of first refusal to

someone else either before or after we exercise it. However, our right of first refusal will not apply with regard to Transfers to an Entity under **Section 5.25(e)** or Transfers to your spouse, son, or daughter (including Transfers to your spouse, son, or daughter as a result of death or incapacity as described in **Section 5.25(f)**). Notwithstanding anything else to the contrary in this **Section 5.25(g)**, neither we nor our assignee will exercise this right of first refusal for any partial transfer of the Store.

(ii) **Declining Our Right.** If we elect not to exercise our rights under this Section, the transferor may complete the Transfer after complying with **Sections 5.25(b) to 5.25(f)**. Closing of the Transfer must occur within 90 days of our election (or such longer period as applicable law may require); otherwise, the third-party's offer will be treated as a new offer subject to our right of first refusal. Any material change in the terms of the offer from a third-party after we have elected not to purchase the seller's interest will constitute a new offer subject to the same right of first refusal as the third party's initial offer. The Transfer is conditional upon our determination that the Transfer was on terms substantially the same as those offered to us.

5.26 Compliance with Laws and Regulations. You must comply with all applicable federal, state, and local laws, rules, regulations, and ordinances. You will obtain and maintain in good standing any and all licenses, permits, and consents necessary for you to lawfully operate the Store. You have sole responsibility for such compliance despite any information or advice that we may provide. You agree to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws applicable to the Store, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. At no time will you or your employees be deemed to be employees of us or our affiliates.

5.27 Notice of Proceedings. You will notify us in writing within five days after the commencement of any action, suit or proceeding, or of the issuance of any inquiry, subpoena, order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality in connection with the operation or financial condition of the Store, including without limitation any criminal action or proceeding brought by you against any employee, customer, or other person, but excluding civil proceedings against customers to collect monies owed.

5.28 Ownership and Guarantee.

(a) **Owners of Equity.** If you are an Entity, each of your Owners and their spouses must execute the attached "Payment and Performance Guarantee" (the "**Guarantee**"). By executing the Guarantee, each Owner and his or her spouse will be bound by the provisions contained in this Agreement, including without limitation the restrictions set forth in **Section 5.24** (Your Covenant Not to Compete). Further, a violation of any of the provisions of this Agreement, including the covenants contained in **Section 5.24**, by any Owner or his or her spouse will also constitute a violation by you of your obligations under this Agreement. You represent that the individuals executing this Agreement under the Guarantee represent that they are your sole owners and, with respect to the Guarantee, their spouses.

(b) **Governing Documents.** If you are (or Transfer this Agreement to) an Entity, upon our request, you agree to furnish us with a list of holders of direct or indirect equity interests and their percentage interests, as well as copies of your governing documents and any other corporate documents, books, or records, including certificates of good standing from your state. The Owners may not enter into any shareholders' agreement, management or operating agreement, voting trust, or other arrangement that gives a third party the power to direct and control your affairs without our prior written consent. During the Term, your governing documents must provide that no transfer of any ownership interest may be made, except in accordance with **Section 5.25** (Transfer and Assignment) of this Agreement. Any securities that you issue must bear a conspicuous printed legend to that effect.

Section 6 Termination and Default.

6.1 Events of Default. Any one or more of the following constitutes an “**Event of Default**” under this Agreement:

(a) (i) You fail, refuse, or neglect to pay any monies owing to us or our affiliates or fail to make sufficient funds available to us as provided in **Section 3.7** (Methods of Payment) within ten days after receiving written notice of your default or 30 days after due date of the payment, whichever is the shorter period, or (ii) you have previously been given at least two notices of nonpayment for any reason within the last 24 months and you subsequently fail to timely pay when due any monies; (iii) you fail to do all things necessary to give us access to the information contained in your Computer System pursuant to **Section 5.10** (Computer System and Software) within 10 days after receiving notice; or (iv) you fail to comply with a vendor’s requirements regarding the marketing and sale of their products within 30 days after receiving notice from us or the vendor of your non-compliance with their requirements;

(b) You are more than 60 days past due on your obligations to suppliers, lessors (including your landlord under your lease) or trade creditors in an amount exceeding \$5,000, unless you have given us prior notice that the failure to pay is a result of a bona fide dispute with such supplier or trade creditor that you are diligently trying to resolve in good faith;

(c) You or any Owner make any material misrepresentations or omissions in connection with your application to us for the franchise, this Agreement, or any related documents, or you submit to us any report or statement that you know or should know to be false or misleading;

(d) You underreport Net Sales by more than 3% two times or more in any two-year period or by 5% or more for any period of one month or greater;

(e) You refuse to permit, try to hinder, or otherwise do not fully cooperate in an examination or audit of your books and records, the Store, or the Site as required by this Agreement;

(f) You fail to timely file any periodic report required in this Agreement or the Manuals three or more times in a 12-month period, whether or not you subsequently cure the default;

(g) You enter into or amend any agreements with Co-Brand Licensors relating to your Store or the Site, without our written permission.

(h) You fail to submit information regarding the proposed Store location or you fail to obtain our acceptance for a site within the time periods specified in **Section 5.1(a)** (Site Selection);

(i) You, the Operating Principal, and/or your Manager fail to complete initial training to our satisfaction by the Opening Deadline specified in **Section 5.1(d)** (Opening Deadline) of this Agreement;

(j) You fail to deliver to us the completely executed Site Lease and Lease Rider within 10 days after execution of the Site Lease for your Store.

(k) You fail to open for business by the Opening Deadline specified in **Section 5.1(d)** (Opening Deadline) of this Agreement;

(l) You fail to make changes to the Site or the Store, as required in **Section 5.1(g)** (Refurbishing) within 90 days of our request;

(m) You fail to maintain possession of the Site for the Store and fail to secure our approval of and enter into a lease for a new, accepted Site within 120 days after the expiration or termination of the Site Lease;

(n) You fail to begin rebuilding the Store within 120 days after the destruction of the Store or fail to diligently pursue such rebuilding to completion;

(o) You close the Store pursuant to **Section 5.1(h)** (Closing) and do not reopen the Store in a new location within 120 days of such closing;

(p) You voluntarily suspend operation of the Store without our prior written consent for five or more consecutive business days on which you were required to operate, unless we determine, in our sole judgment, that the failure was beyond your control;

(q) You, your Operating Principal, your Managers, or any of your representatives that we designate fail to attend or participate in two or more required franchise conventions, meetings, product shows or demonstrations, and teleconferences during any 12-month period, without our prior written consent;

(r) You use any of the Marks or any other identifying characteristic of us other than in the operation or marketing of the Store, or an approved Off-Site Event;

(s) You offer any products or services for sale at your Off-Site Events or any other location without our written consent or in contravention of any rules that we establish;

(t) You disclose or divulge the contents of the Manuals or other trade secrets or Proprietary Information contrary to **Section 5.22** (Proprietary Information);

(u) You become insolvent or make an assignment for the benefit of your creditors, execution is levied against your business assets, or a suit to foreclose any lien or mortgage is instituted against you and not dismissed within 30 days;

(v) You, any Owner, or any of your officers or directors are convicted of or plead nolo contendere to a felony, a crime involving moral turpitude or consumer fraud, or any other crime or offense that we believe is likely to have an adverse effect on our franchise system, the Marks and any associated goodwill, or the Hot Dog On A Stick concept (an “**Adverse Effect**”) or you, any Owner, or any of your officers or directors has engaged in or engages in activities that, in our reasonable opinion, have an Adverse Effect;

(w) Any Transfer occurs that does not comply with **Section 5.25** (Transfer and Assignment), including a failure to transfer to a qualified successor after death or disability within the time allowed by **Section 5.25(f)**;

(x) You or any Owner violates the noncompete covenants in **Section 5.24** (Your Covenant Not to Compete);

(y) You breach or fail to comply with any law, regulation, or ordinance which results in a threat to the public’s health or safety and fail to cure the non-compliance within 24 hours following receipt of notice thereof from us or applicable public officials, whichever occurs first;

(z) You fail to comply with any reasonable request that we make, which in our sole opinion results in a threat to the public’s health or safety or will cause damage to our brand within 24 hours following receipt of notice thereof from us.

(aa) Any franchise agreement between you and one of your Co-Brand Licensors relating to the Store expires or is terminated by the Co-Brand Licensor;

(bb) You default under any other franchise agreement or other agreement between you and us or our affiliates, provided that the default would permit us or our affiliate to terminate that agreement;

(cc) You breach or fail to comply with any other covenant, agreement, standard, procedure, practice, or rule prescribed by us, whether contained in this Agreement, in the Manuals, or otherwise in writing and fail to cure such breach or failure to our satisfaction within 30 days (or such longer period as applicable law may require) after we provide you with written notice of the default;

(dd) You are in default three or more times within any 18-month period, whether or not the defaults are similar and whether or not they are cured.

6.2 Our Remedies After An Event of Default. If an Event of Default occurs, we may, at our election and without notice or demand of any kind, declare this Agreement, the License, and any and all other rights granted under this Agreement to be immediately terminated and, except as otherwise provided herein, of no further force or effect. Upon termination, you will not be relieved of any of your obligations, debts, or liabilities under this Agreement, including without limitation any debts, obligations, or liabilities that you accrued prior to such termination. Our right to terminate you is in addition to, and not in lieu of, any and all other rights and remedies available to us at law, in equity, or otherwise, all of which are cumulative.

6.3 Liquidated Damages. In addition to any other claims we may have (other than claims for lost future Royalty Fees and Marketing Fees), if we terminate this Agreement based on your default or if you terminate this Agreement in violation of its terms, you must pay us liquidated damages calculated as follows: (i) the average of your monthly Royalty Fees and Marketing Fees due for the last 12 months (or for such shorter period of time that the Store has been open) before our delivery of the notice of default, (ii) multiplied by the lesser of 36 or the number of months remaining in the then-current term under **Section 2** (Initial Term and Successor Term), (iii) discounted to present value using the then-current prime rate of interest quoted by our principal commercial bank. You acknowledge and agree that the amount of liquidated damages determined in accordance with the preceding formula reasonably represents our monetary losses of Royalty Fees and Marketing Fees resulting from the termination of this Agreement.

6.4 Alternative to Termination. We do not have any obligation to perform or to comply with our obligations to you under this Agreement or other agreements when a default exists, until you cure the default to our satisfaction. Further, upon the occurrence of an Event of Default under any of the following Sections: 6.1(a), (b), (e), (f), (l), (s), (z), and/or (cc), without limiting our right to terminate this Agreement (or any other rights), we may temporarily suspend, until you fully cure the default to our satisfaction, your ability to purchase products from our affiliates and/or designated suppliers, including, without limitation, suppliers of batter and dry goods. Our election to exercise our rights under this provision shall not constitute: (i) a waiver or election of remedies, as we reserve all rights, including the right to terminate this Agreement; (ii) a defense to you to our enforcement of any provision in this Agreement or waive or release you from any of your obligations under this Agreement; (iii) a defense at law or equity based on impossibility of your performance or any claim against us or any System supplier; and/or (iv) a constructive or actual termination of this Agreement. Further, if we exercise our rights under this provision, you acknowledge and agree that you shall not be excused from your performance under this Agreement, including your obligation to pay any and all fees you are required to pay to us under this Agreement.

6.5 Our Performance of Your Obligations. We will have the right, but not the obligation, to undertake or perform on your behalf any obligation or duty that you are required to, but fail to, perform under this Agreement. You will reimburse us upon demand for all costs and expenses that we reasonably incur in performing any such obligation or duty, and you will pay to us interest on the amount of such costs and expenses as specified in **Section 3.8** (Interest; Late Fee).

6.6 Termination By You. You may terminate this Agreement only if: (i) we commit a material breach of this Agreement; (ii) you give us written notice of the breach; (iii) we fail to cure the breach, or to take reasonable steps to begin curing the breach, within 60 days after receipt of your notice; and (iv) you are in full compliance with your obligations under this Agreement. Termination will be effective no less than ten days after

you deliver to us written notice of termination for failure to cure within the allowed period. Any attempt to terminate this Agreement without complying with this **Section 6.6** will constitute an Event of Default by you.

Section 7 Your Obligations Upon Expiration or Termination.

You covenant and agree that upon expiration or termination of this Agreement for any reason, unless we direct you otherwise:

7.1 Payment of Costs and Amounts Due. You must pay upon demand all sums owing to us and our affiliates. If this Agreement is terminated due to an Event of Default, you will promptly pay all damages, costs, and expenses, including reasonable attorneys' fees, incurred by us as a result of your default. These payment obligations will give rise to and remain, until paid in full, a lien in favor of us against the Store premises and any and all of the personal property, fixtures, equipment, and inventory that you own at the time of the occurrence of the Event of Default. We are hereby authorized at any time after the Effective Date to make any filings and to execute such documents on your behalf of to perfect the lien created hereby. You also will pay to us all damages, costs, and expenses, including reasonable attorneys' fees, that we incur after the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provision of this **Section 7**.

7.2 Discontinue Use of the System and the Marks. You must immediately cease using, by marketing or in any other manner, the Intellectual Property (including, without limitation, the Marks and the Trade Dress), and all other distinctive forms, slogans, signs, symbols, and devices associated with the System. You must immediately cease using the confidential methods, procedures, and techniques associated with the System.

7.3 Return of Proprietary Information. You must immediately return to us, at your expense, all copies of the Manuals, all of your Customer Data, and all other Proprietary Information (and all copies thereof).

7.4 Close Vendor Accounts. You must close all of your accounts with vendors which were opened in connection with the opening and operation of the Store. We have the right to notify your vendors that this Agreement has expired or been terminated and to require them to close your accounts, if you fail to do so.

7.5 Cease Identification with Us. You must immediately take all action required **(i)** to cancel all assumed name or equivalent registrations relating to your use of the Marks and **(ii)** to cancel or transfer to us or our designee all telephone numbers, facsimile numbers, post office boxes, and classified and other directory listings relating to the Store. You acknowledge that as between you and us, we have the sole rights to and interest in all telephone numbers, post office boxes, and directory listings associated with any of the Marks. If you fail to comply with this **Section 7.5**, you hereby authorize us and irrevocably appoint us or our designee as your attorney-in-fact to direct the telephone company, postal service, and all listing agencies to transfer such numbers, boxes, and listings to us. The telephone company, the postal service, and each listing agency may accept such direction by us pursuant to this Agreement as conclusive evidence of our exclusive rights in such telephone numbers, post office boxes, and directory listings and our authority to direct their transfer.

7.6 Our Option to Purchase Certain Goods. Within seven days from the date of termination or expiration of this Agreement, we and you will arrange for an inventory to be made, at your expense, of your inventory, supplies, equipment, signs, and fixtures related to the operation of the Store. We will have the option, to be exercised within 30 days after such inventory has been made, to purchase from you any or all of those items at fair market value. If the parties cannot agree on fair market value within a reasonable time and we continue to desire to purchase the items, the fair market value will be determined by three independent appraisers chosen in the following manner: you will designate one appraiser and we will designate one appraiser, and the two appraisers that you and we designate will select a third appraiser. The majority determination of the three appraisers will be binding. Each party will pay the appraiser's fee for the appraiser designated by that party. You and we will each pay 50% of the third appraiser's fee. If we exercise our option to purchase, we will

have the right to set off all amounts then due from you to us or our affiliates against any payments we make to you. If we do not exercise our option to purchase, you agree to dispose of your inventory, supplies, equipment, signs, and fixtures as we direct. You may not sell any inventory, supplies, equipment, signs, or fixtures without our prior written approval.

7.7 Our Option to Assume Your Lease. You will, at our option, assign to us any interest you have in any Site Lease. If we assume your interest under any Site Lease, you will be responsible for paying rent and all other charges due under such Site Lease for all periods until the time of such assumption. If we pay any such amount on your behalf, you will reimburse us for such amount upon demand.

7.8 De-identification of the Site. If we do not exercise our option to acquire the Site Lease, you will make such modifications or alterations to the Site immediately upon termination or expiration of this Agreement that we deem necessary to distinguish the appearance of the Site from a Hot Dog On A Stick store, including, but not limited to, removing the signs, the Marks, and any Trade Dress so as to indicate to the public that you are no longer associated with us. All de-identification must be complete within 30 days after termination. If you do not comply with the requirements of this **Section 7.8**, we may enter the Store without being guilty of trespass or any other tort, for the purpose of making or causing to be made any required changes. You agree to reimburse us on demand for our expenses in making such changes.

7.9 Promote Separate Identity. You will not, directly or indirectly, in any manner, identify yourself, or any individual connected with you, as a “former “Hot Dog On A Stick” franchisee” or as otherwise having been associated with us, or use in any manner or for any purpose any of the Marks.

7.10 Comply with Noncompete. You and your Owners must comply with the covenant not to compete in **Section 5.24** (Your Covenant Not to Compete).

7.11 Injunctive and Other Relief. You acknowledge that your failure to abide by the provisions of this **Section 7** will result in irreparable harm to us, and that our remedy at law for damages will be inadequate. Accordingly, you agree that if you breach any provisions of this **Section 7**, we are entitled to injunctive relief (including the remedy of specific performance) in addition to any other remedies available at law or in equity.

Section 8 Dispute Resolution and Governing Law.

8.1 Forum for Litigation. You and the Owners must file any suit against us, and we may file any suit against you, in federal or state courts located in the State of Georgia. The parties waive all questions of personal jurisdiction and venue for the purpose of carrying out this provision.

8.2 Governing Law. This Agreement will be governed by, construed, and enforced in accordance with the laws of the State of Georgia, without regard to its conflicts of law principles.

8.3 Mutual Waiver of Jury Trial and Class Actions. You and we each irrevocably waive trial by jury in any litigation. You agree that litigation between us and you will be of our and your individual claims only. None of your claims will be litigated on a class-wide basis.

8.4 Mutual Waiver of Punitive Damages. With the exception of **Section 6.3** (Liquidated Damages), each of us waives any right to or claim of punitive, exemplary, multiple, or consequential damages against the other in litigation and agrees to be limited to the recovery of actual damages sustained.

8.5 Remedies Not Exclusive. Except as provided in **Section 6.3** (Liquidated Damages) and **Section 8.4**, no right or remedy that the parties have under this Agreement is exclusive of any other right or remedy under this Agreement or under applicable law. Each and every such remedy will be in addition to, and not in limitation of or substitution for, every other remedy available at law or in equity or by statute or otherwise.

8.6 Our Right to Injunctive Relief. Nothing in this Agreement bars our right to obtain injunctive or declaratory relief against a breach or threatened breach of this Agreement that will cause us loss or damage. You agree that we will not be required to prove actual damages or post a bond in excess of \$1,000 or other security in seeking or obtaining injunctive relief (both preliminary and permanent) and/or specific performance with respect to this Agreement.

8.7 Attorneys' Fees and Costs. You agree to reimburse us for all expenses we reasonably incur (including attorneys' fees): **(i)** to enforce the terms of this Agreement or any obligation owed to us by you and/or the Owners; and **(ii)** in the defense of any claim you and/or the Owners assert against us on which we substantially prevail in court or other formal legal proceedings. We agree to reimburse you for all expenses you reasonably incur (including attorneys' fees): **(i)** to enforce the terms of this Agreement or any obligation owed to you by us; and **(ii)** in the defense of any claim we assert against you on which you substantially prevail in court or other formal legal proceedings.

Section 9 Miscellaneous.

9.1 Entire Agreement. This Agreement and the documents referred to herein constitute the entire agreement between you and us with respect to the Store and supersede all prior discussions, understandings, representations, and agreements concerning the same subject matter. This Agreement includes the terms and conditions on the Summary Page, which are incorporated into this Agreement by this reference. Notwithstanding the foregoing, nothing in this Agreement will disclaim or require you to waive reliance on any representation we make in our most recent disclosure document (including exhibits and amendments) delivered to you or your representative.

9.2 Amendments and Modifications. This Agreement may be amended or modified only by a written document signed by each party hereto.

9.3 Waiver. Any term or condition of this Agreement may be waived at any time by the party which is entitled to the benefit of the term or condition, but such waiver must be in writing. No course of dealing or performance by any party, and no failure, omission, delay, or forbearance by any party, in whole or in part, in exercising any right, power, benefit, or remedy, will constitute a waiver of such right, power, benefit, or remedy. Our waiver of any particular default does not affect or impair our rights with respect to any subsequent default you may commit. Our waiver of a default by another franchisee does not affect or impair our right to demand your strict compliance with the terms of this Agreement. We have no obligation to deal with similarly situated franchisees in the same manner. Our acceptance of any payments due from you does not waive any prior defaults.

9.4 Importance of Timely Performance. Time is of the essence in this Agreement.

9.5 Headings. The headings in this Agreement are for convenience of reference and are not a part of this Agreement and will not affect the meaning or construction of any of its provisions.

9.6 Severability. Each provision of this Agreement is severable from the others. If any provision of this Agreement or any of the documents executed in conjunction with this Agreement is for any reason determined by a court to be invalid, illegal, or unenforceable, the invalidity, illegality, or unenforceability will not affect any other remaining provisions of this Agreement or any other document. The remaining provisions will continue to be given full force and effect and bind us and you.

9.7 Applicable State Law Controlling. If the termination, renewal, or other provisions set forth in this Agreement are inconsistent with any applicable state statute, in effect as of the Effective Date, governing the relationship of franchisors and franchisees, the provisions of such statute will apply hereto, but only to the extent of such inconsistency.

9.8 Survival. Each provision of this Agreement that expressly or by reasonable implication is to be performed, in whole or in part, after the expiration, termination, or Transfer of this Agreement will survive such expiration, termination, or Transfer, including, but not limited to, **Sections 5.12** (Intellectual Property), **5.22** (Proprietary Information), **5.23** (Indemnification), **5.24** (Your Covenant Not to Compete), and **7** (Your Obligations Upon Expiration or Termination).

9.9 Consent. Whenever our prior written approval or consent is required under this Agreement, you agree to make a timely written request to us for such consent. Our approval or consent must be in writing and signed by an authorized officer to be effective.

9.10 Independent Contractor Relationship. This Agreement does not create, nor does any conduct by us create, a fiduciary or other special relationship or make you or us an agent, legal representative, joint venturer, partner, employee or servant of each other for any purpose. You are not authorized to make any contract, agreement, warranty, or representation on our behalf, or to create any obligation, express or implied, on our behalf. During the Term, you agree to hold yourself out to the public as an independent contractor operating your Store under license from us, and you agree to post a notice to that effect pursuant to **Section 5.12(a)** (Marks and Trade Dress) and, as we direct, in your marketing and on your contracts, forms, stationery, and promotional materials. Neither this Agreement nor our course of conduct is intended, nor may anything in this Agreement (nor our course of conduct) be construed to state or imply that we are the employer of your employees and/or independent contractors, nor vice versa.

9.11 Notices. All notices and other communications required or permitted under this Agreement will be in writing and will be given by one of the following methods of delivery: **(i)** personally; **(ii)** by certified or registered mail, postage prepaid; or **(iii)** by overnight delivery service. Notices to you will be sent to the address set forth on the Summary Page. Notices to us must be sent to:

GFG Management, LLC
5555 Glenridge Connector, Suite 850
Atlanta, Georgia 30342
Attn: Legal Counsel

Either party may change its mailing address by giving notice to the other party. Notices will be deemed received the same day when delivered personally, or upon attempted delivery when sent by registered or certified mail or overnight delivery service.

9.12 Execution in Counterparts. This Agreement may be executed and delivered by electronic means and in two or more counterparts, each of which will be deemed an original, and all of which will constitute one and the same instrument.

9.13 Successors and Assigns. Except as expressly otherwise provided herein, this Agreement is binding upon and will inure to the benefit of the parties and their respective heirs, executors, legal representatives, successors, and permitted assigns.

9.14 No Third Party Beneficiaries. Except as expressly otherwise provided herein, no third party shall have the right to claim any of the benefits conferred under this Agreement.

9.15 Additional Terms; Inconsistent Terms. The parties may provide additional terms by including the terms on the Summary Page. To the extent that any provisions of the Summary Page are in direct conflict with the provisions of this Agreement, the provisions of the Summary Page shall control.

Section 10 Your Representations and Acknowledgments.

You and the Owners represent, warrant, and acknowledge as follows:

10.1 Truth of Information. The information (including without limitation all personal and financial information) that you and your Owners have furnished or will furnish to us relating to the subject of this Agreement is true and correct in all material respects and includes all material facts necessary to make such information not misleading in light of the circumstances when made.

10.2 Due Authority. This Agreement has been duly authorized and executed by you or on your behalf and constitutes your valid and binding obligation, enforceable in accordance with its terms, subject to applicable bankruptcy, moratorium, insolvency, receivership, and other similar laws affecting the rights of creditors generally.

10.3 Terrorist Acts. You acknowledge that under applicable U.S. law, including, without limitation, Executive Order 13224, signed on September 23, 2001 (“**Order**”), we are prohibited from engaging in any transaction with any person engaged in, or with a person aiding any person engaged in, acts of terrorism, as defined in the Order. Accordingly, you represent and warrant to us that, as of the date of this Agreement, neither you nor any person holding any ownership interest in you, controlled by you, or under common control with you is designated under the Order as a person with whom business may not be transacted by us, and that you: **(i)** do not, and hereafter will not, engage in any terrorist activity; **(ii)** are not affiliated with and do not support any individual or Entity engaged in, contemplating, or supporting terrorist activity; and **(iii)** are not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or Entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any terrorist activity.

10.4 Independent Investigation. You have conducted an independent investigation of the business venture contemplated by this Agreement and recognize that it involves business risks and that your results will be largely dependent upon your own efforts and ability. You have been accorded ample time to consult with your own legal counsel and other advisors about the potential risks and benefits of entering into this Agreement, and we have advised you to do so.

10.5 Timely Receipt of Agreement and Disclosure Document. You have received an execution ready copy of this Agreement at least seven calendar days before you executed this Agreement or any related agreements or paid any consideration to us. You have also received a Franchise Disclosure Document (the “**Disclosure Document**”) required by applicable state and/or federal laws, including a form of this Agreement, at least 14 calendar days (or such longer time period as required by applicable state law) before you executed this Agreement or any related agreements or paid any consideration to us. You have reviewed this Agreement and the Disclosure Document and have been given ample opportunity to consult with, and ask questions of, our representatives regarding the documents.

10.6 Financial Performance Representations. Except as may be stated in the Disclosure Document, neither we, nor any of our affiliates, nor any of our or our affiliates’ officers, agents, employees, or representatives have made any representation to you, express or implied, as to the historical revenues, earnings, or profitability of any Hot Dog On A Stick store or the anticipated revenues, earnings, or profitability of the business subject to the License or any other business operated by us, our licensees, our franchisees, or our affiliates. In entering into this Agreement, you are not relying upon any information furnished by us or our representatives other than the information contained in this Agreement and the Disclosure Document.

[Signature page follows.]

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement as of the Effective Date.

IF YOU ARE AN INDIVIDUAL: PLEASE SIGN BELOW.

HDOS FRANCHISING, LLC

By: _____
Name: _____ [NAME OF FRANCHISEE]
Title: _____

IF YOU ARE A CORPORATION OR LIMITED LIABILITY COMPANY: THE OPERATING PRINCIPAL MUST SIGN THIS AGREEMENT ON BEHALF OF THE CORPORATION OR LLC. IN ADDITION, THE AGREEMENT MUST BE GUARANTEED BY THE OPERATING PRINCIPAL AND ALL OTHER OWNERS OF AN EQUITY INTEREST IN THE COMPANY AND THEIR SPOUSES, ON THE GUARANTEE FORM ATTACHED TO THIS AGREEMENT.

HDOS FRANCHISING, LLC

[INSERT YOUR ENTITY NAME]

By: _____ By: _____
Name: _____ Name: _____
Title: _____ Title: _____

IF YOU ARE A PARTNERSHIP: ALL PARTNERS MUST SIGN THIS AGREEMENT. IN ADDITION, THE AGREEMENT MUST BE GUARANTEED BY ALL PARTNERS AND THEIR SPOUSES, ON THE GUARANTEE FORM ATTACHED TO THIS AGREEMENT.

HDOS FRANCHISING, LLC

[INSERT YOUR PARTNERSHIP NAME]

By: _____ By: _____
Name: _____ Name: _____
Title: _____ Title: _____

By: _____
Name: _____
Title: _____

HDOS FRANCHISING, LLC
PAYMENT AND PERFORMANCE GUARANTEE

In order to induce HDOS Franchising, LLC. (“**Franchisor**”) to enter into a Hot Dog On A Stick Franchise Agreement (the “**Franchise Agreement**”) by and between Franchisor and the Franchisee named in the Franchise Agreement to which this Payment and Performance Guarantee (the “**Guarantee**”) is attached (“**Franchisee**”), the undersigned (collectively referred to as the “**Guarantors**” and individually referred to as a “**Guarantor**”) hereby covenant and agree as follows:

1. Guarantee of Payment and Performance. The Guarantors jointly and severally unconditionally guarantee to Franchisor and its affiliates the payment and performance when due, whether by acceleration or otherwise, of all obligations, indebtedness, and liabilities of Franchisee to Franchisor, direct or indirect, absolute or contingent, of every kind and nature, whether now existing or incurred from time to time hereafter, whether incurred pursuant to the Franchise Agreement, the Equipment Promissory Note (if applicable) or otherwise, together with any extension, renewal, or modification thereof in whole or in part (the “**Guaranteed Liabilities**”). The Guarantors agree that if any of the Guaranteed Liabilities are not so paid or performed by Franchisee when due, the Guarantors will immediately do so. The Guarantors further agree to pay all expenses (including reasonable attorneys’ fees) paid or incurred in endeavoring to enforce this Guarantee or the payment of any Guaranteed Liabilities. The Guarantors represent and agree that they have each reviewed a copy of the Franchise Agreement, have had the opportunity to consult with counsel and fully understand the meaning and import of this Guarantee.

2. Waivers by Guarantors. The Guarantors waive presentment, demand, notice of dishonor, protest, and all other notices whatsoever, including without limitation notices of acceptance hereof, of the existence or creation of any Guaranteed Liabilities, of the amounts and terms thereof, of all defaults, disputes, or controversies between Franchisor and Franchisee and of the settlement, compromise, or adjustment thereof. This Guarantee is primary and not secondary, and will be enforceable without Franchisor having to proceed first against Franchisee or against any or all of the Guarantors or against any other security for the Guaranteed Liabilities. This Guarantee will be effective regardless of the insolvency of Franchisee by operation of law, any reorganization, merger, or consolidation of Franchisee, or any change in the ownership of Franchisee. The Guarantors represent and agree that they have each reviewed a copy of the Franchise Agreement and have had the opportunity to consult with counsel to understand the meaning and import of the Franchise Agreement and this Guarantee.

3. Term: No Waiver. This Guarantee will be irrevocable, absolute, and unconditional and will remain in full force and effect as to each of the Guarantors until the later of **(i)** such time as all Guaranteed Liabilities of Franchisee to Franchisor and its affiliates have been paid and satisfied in full, or **(ii)** the Franchise Agreement and all obligations of Franchisee thereunder expire. No delay or failure on the part of Franchisor in the exercise of any right or remedy will operate as a waiver thereof, and no single or partial exercise by Franchisor of any right or remedy will preclude other further exercise of such right or any other right or remedy.

4. Other Covenants. Each of the Guarantors agrees to comply with the provisions of **Sections 5.12** (Intellectual Property), **5.21** (Inspection), **5.22** (Proprietary Information), **5.23** (Indemnification), and **5.24** (Your Covenant Not to Compete) of the Franchise Agreement as though each such Guarantor were the “Franchisee” named in the Franchise Agreement and agrees that the undersigned will take any and all actions as may be necessary or appropriate to cause Franchisee to comply with the Franchise Agreement and will not take any action that would cause Franchisee to be in breach of the Franchise Agreement.

5. Dispute Resolution. **Section 8** (Dispute Resolution and Governing Law) of the Franchise Agreement is hereby incorporated herein by reference and will be applicable to any all disputes between Franchisor and any of the Guarantors, as though Guarantor were the “Franchisee” referred to in the Franchise Agreement, except that any suit that we file against any Guarantor also may be filed in any court of competent

jurisdiction in which our principal place of business is then located or in any court of competent jurisdiction in which a Guarantor then resides.

6. Miscellaneous. This Guarantee will be binding upon the Guarantors and their respective heirs, executors, successors, and assigns, and will inure to the benefit of Franchisor and its successors and assigns.

IN WITNESS WHEREOF, the undersigned Guarantors have caused this Guarantee to be duly executed as of the day and year first above written.

Guarantor Number 1

Witness No. 1:

Signature
Print Name: _____

Signature
Print Name: _____

Witness No. 2:

Address: _____

Signature
Print Name: _____

Guarantor Number 1 – Spouse Guarantee

Witness No. 1:

Signature
Print Name: _____

Signature
Print Name: _____

Witness No. 2:

Address: _____

Signature
Print Name: _____

Guarantor Number 2

Witness No. 1:

Signature
Print Name: _____

Signature
Print Name: _____

Witness No. 2:

Address: _____

Signature
Print Name: _____

Guarantor Number 2 – Spouse Guarantee

Witness No. 1:

Signature
Print Name: _____

Signature
Print Name: _____

Witness No. 2:

Address: _____

Signature
Print Name: _____

Guarantor Number 3

Witness No. 1:

Signature _____

Print Name: _____

Signature _____

Print Name: _____

Witness No. 2:

Address: _____

Signature _____

Print Name: _____

Guarantor Number 3 – Spouse Guarantee

Witness No. 1:

Signature _____

Print Name: _____

Signature _____

Print Name: _____

Witness No. 2:

Address: _____

Signature _____

Print Name: _____

Guarantor Number 4

Witness No. 1:

Signature _____

Print Name: _____

Signature _____

Print Name: _____

Witness No. 2:

Address: _____

Signature _____

Print Name: _____

Guarantor Number 4 – Spouse Guarantee

Witness No. 1:

Signature _____

Print Name: _____

Signature _____

Print Name: _____

Witness No. 2:

Address: _____

Signature _____

Print Name: _____

**APPENDIX A
TO THE
FRANCHISE AGREEMENT**

MARK(S)

(Subject to Franchisor's Rights with Regards to the Marks in the Franchise Agreement)



APPENDIX B TO THE FRANCHISE AGREEMENT

LEASE RIDER

THIS LEASE RIDER is entered into this ____ day of _____, 20____ by and between HDOS Franchising, LLC ("**Company**"), _____ ("**Franchisee**"), and _____ ("**Landlord**").

WHEREAS, Company and Franchisee are parties to a Franchise Agreement dated _____, 20____ (the "**Franchise Agreement**"); and

WHEREAS, the Franchise Agreement provides that Franchisee will operate a Hot Dog On A Stick retail store ("**Store**") at a location that Franchisee selects and Company accepts; and

WHEREAS, Franchisee and Landlord propose to enter into the lease to which this Rider is attached (the "**Lease**"), pursuant to which Franchisee will occupy premises located at _____

_____ (the "**Premises**") for the purpose of constructing and operating the Store in accordance with the Franchise Agreement; and

WHEREAS, the Franchise Agreement provides that, as a condition to Company's authorizing Franchisee to enter into the Lease, the parties must execute this Lease Rider;

NOW, THEREFORE, in consideration of the mutual undertakings and commitments set forth in this Rider and in the Franchise Agreement, the receipt and sufficiency of which the parties acknowledge, the parties agree as follows:

During the term of the Franchise Agreement, Franchisee will be permitted to use the Premises for the operation of the Store and for no other purpose.

Subject to applicable zoning laws and deed restrictions, Landlord consents to Franchisee's installation and use of such trademarks, service marks, signs, decor items, color schemes, and related components of the Hot Dog On a Stick system as Company may from time to time prescribe for the Store.

Landlord agrees to promptly and timely furnish Company with copies of all letters and notices, including but not limited to notifications relating to extensions, renewals, and pre-emptive expirations, it sends to Franchisee pertaining to the Lease and the Premises.

Company will have the right, but not the obligation, without being guilty of trespass or any other crime or tort, to enter the Premises at any time or from time to time **(i)** to make any modification or alteration it considers necessary to protect the Hot Dog On A Stick system and marks, **(ii)** to cure any default under the Franchise Agreement or under the Lease, or **(iii)** to remove the distinctive elements of the Hot Dog On A Stick trade dress upon the Franchise Agreement's expiration or termination. Neither Company nor Landlord will be responsible to Franchisee for any damages Franchisee might sustain as a result of action Company takes in accordance with this provision. Company will reasonably repair or reasonably reimburse Landlord for the cost of damage to the Premises' walls, floor or ceiling resulting from Company's removal of trade dress items and other property from the Premises.

Franchisee will be permitted to assign the Lease to Company or its designee, in Company's sole right and judgment, and Landlord consents to such an assignment and agrees not to impose any assignment fee or similar change, or to increase or accelerate rent under the Lease, in connection with such an assignment.

If Franchisee assigns the Lease to Company or its designee in accordance with the preceding paragraph, the assignee must assume all obligations of Franchisee under the Lease from and after the date of assignment, but will have no obligation to pay any delinquent rent or to cure any other default under the Lease that occurred or existed prior to the date of the assignment.

Franchisee may not assign the Lease or sublet the Premises without Company's prior written consent, and Landlord will not consent to an assignment or subletting by Franchisee without first verifying that Company has given its written consent to Franchisee's proposed assignment or subletting.

Landlord and Franchisee will not amend or modify the Lease in any manner that could materially affect any of the provisions or requirements of this Lease Rider without Company's prior written consent.

The provisions of this Lease Rider will supersede and control any conflicting provisions of the Lease.

Landlord acknowledges that Company is not a party to the Lease and will have no liability or responsibility under the Lease unless and until the Lease is assigned to, and assumed by, Company.

IN WITNESS WHEREOF, the parties have executed this Lease Rider of the date first above written:

COMPANY:

FRANCHISEE:

HDOS FRANCHISING, LLC

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

LANDLORD:

By: _____
Name: _____
Title: _____

**APPENDIX C TO THE FRANCHISE AGREEMENT
ACH AUTHORIZATION FORM**

APPENDIX C TO THE FRANCHISE AGREEMENT
ACH Authorization Form

Instructions

To authorize GFG Management, LLC, or its affiliates ("GFGM"), to deduct certain amounts by automatic deduction, please complete the following steps:

1. Complete this form. If your account is a joint account both account holder must sign this form.
2. Attach a voided, unsigned check to the form.
3. Return the original executed form and a voided check (no deposit slips) to GFG Management, LLC – Attention: ACH Department, via facsimile or pdf delivery to 770-514-4903 or ACH@gfgmanagement.com
4. Retain a copy of this form for your files.

I (we) hereby authorize GFGM to initiate debit entries to my (our) account in the entity named below ("institution") and I (we) authorize the institution to accept and to debit the amount of such entries to my (our) account for affiliated produced product I purchase, and royalties and marketing fund contributions based on reported sales or good faith estimates of such amounts if no reporting is provided and any other amount owed to GFGM or its affiliates.

This authorization is to remain in full force and effect until I revoke the agreement as hereinafter provided. Any revocation shall not be effective until GFGM has received written notification from me of my desire to terminate this agreement in such a time and in such a manner as to give GFGM a reasonable opportunity to act on it.

Franchisee Information:

Names(s) of Owners	Telephone Number
Business Entity Name, if applicable (Inc, or LLC or DBA)	
Email address for invoices & statements	
Please check (✓) the franchise brand(s) this authorization applies to: ☐ MaggiesMoo's ☐ Pretzelmaker/Pretzel Time ☐ Marble Slab Creamery ☐ Great American Cookies ☐ Hot Dog On A Stick	Please list store/location numbers this authorization applies to: (Fill out multiple forms if extra space is needed.)

Financial Institution Information

Name (Name of bank, credit union, etc.:)										
Branch Address										
City, State, Zip										
Transit/ABA/Routing number (nine digits, between the ⑆ marks)										
Account type (please ✓ one)	<table border="1"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr></table>									
Account Number (between ⑆ and ⑆ mark)	☐ Checking ☐ Savings									

Primary Account Holder's Name (Print)	Authorized Signature
Joint Account Holder's Name (Print)	Authorized Signature
Date of Authorization	

Please return completed original form to:

GFG Management LLC
5555 Glenridge Connector, Suite 850
Atlanta, Georgia 30342
Fax: 770-514-4921

Or

Email to: **ach@gfgmanagement.com**

**ADDENDUM TO THE HOT DOG ON A STICK FRANCHISE AGREEMENT
REQUIRED FOR CALIFORNIA FRANCHISEES**

This Addendum to the Hot Dog On A Stick Franchise Agreement dated _____ (“**Franchise Agreement**”) between HDOS Franchising, LLC (“**we**,” “**us**,” or “**our**”) and _____ (“**Franchisee**,” “**you**,” or “**your**”) is entered into simultaneously with the execution of the Franchise Agreement.

1. Section 5.24(b) of the Franchise Agreement is replaced with the following:

(b) After Termination, Expiration, or Transfer. For one year after the expiration or termination of this Agreement or an approved Transfer to a new franchisee, you and your Owners may not, without our prior written consent, **(i)** directly or indirectly own, manage, engage in, be employed by, advise, make loans to, or have any other interest in any Competitive Business that is (or is intended to be) located within a five-mile radius of your Store, or **(ii)** use any vendor relationship established through your association with us for any purpose. With respect to the Owners, the time period in this Section 5.24(b) will run from the expiration, termination, or Transfer of this Agreement or from the termination of the Owner’s relationship with you, whichever occurs first. This provision may not be enforceable under California law.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

HDOS FRANCHISING, LLC:

FRANCHISEE:

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

**ADDENDUM TO THE HOT DOG ON A STICK FRANCHISE AGREEMENT
REQUIRED FOR ILLINOIS FRANCHISEES**

This Addendum to the Hot Dog On A Stick Franchise Agreement dated _____ (“**Franchise Agreement**”) between HDOS Franchising, LLC (“**we**,” “**us**,” or “**our**”) and _____ (“**Franchisee**,” “**you**,” or “**your**”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The following sentence is added to the end of Section 2.2:

Your rights upon Non-Renewal of the Franchise Agreement are set forth in section 20 of the Illinois Franchise Disclosure Act, 815 ILCS 705/20 (West 2016).

2. The following sentence is added to the end of Section 6.2:

Your rights upon Termination of the Franchise Agreement are set forth in section 19 of the Illinois Franchise Disclosure Act, 815 ILCS 705/20 (West 2016).

3. The following sentence is added to the end of Section 8.1:

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois.

4. The following sentence is added to the end of Section 8.2:

Notwithstanding the foregoing, Illinois law shall govern this Agreement.

5. The following sentence is added to the end of Section 9.1:

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

6. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

HDOS FRANCHISING, LLC:

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

By: _____

Print Name: _____

Title: _____

**ADDENDUM TO THE HOT DOG ON A STICK FRANCHISE AGREEMENT
REQUIRED FOR INDIANA FRANCHISEES**

This Addendum to the Hot Dog On A Stick Franchise Agreement dated _____ (“**Franchise Agreement**”) between HDOS Franchising, LLC (“**we,**” “**us,**” or “**our**”) and _____ (“**Franchisee,**” “**you,**” or “**your**”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The following sentence is added to the end of Sections 2.2(d), 3.1, and 5.25(c)(iv):

This release shall not apply to any liability under the Indiana Deceptive Franchise Practices Law.

2. The following sentence is added to the end of Section 8.1:

Notwithstanding the foregoing, you may bring a lawsuit in Indiana for claims arising under the Indiana Deceptive Franchise Practices Law.

3. The following sentence is added to the end of Section 8.2:

Notwithstanding the foregoing, the Indiana Deceptive Franchise Practices Law shall govern any claim arising under that law.

4. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

5. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

HDOS FRANCHISING, LLC:

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

By: _____

Print Name: _____

Title: _____

**ADDENDUM TO THE HOT DOG ON A STICK FRANCHISE AGREEMENT
REQUIRED FOR MARYLAND FRANCHISEES**

This Addendum to the Hot Dog On A Stick Franchise Agreement dated _____ (“**Franchise Agreement**”) between HDOS Franchising, LLC (“**we,**” “**us,**” or “**our**”) and _____ (“**Franchisee,**” “**you,**” or “**your**”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The following sentence is added to the end of Sections 2.2(d), 3.1, and 5.25(c)(iv):

This release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Section 3.1 of the Franchise Agreement is amended by adding the following:

Due to our financial condition, please be advised that we are required by the Maryland Securities Division to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

3. The following sentence is added to the end of Section 8.1:

Notwithstanding the foregoing, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. The following sentence is added to the end of Section 10:

Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. Representations in this Agreement are not intended to, nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

5. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

HDOS FRANCHISING, LLC:

FRANCHISEE:

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

**ADDENDUM TO THE HOT DOG ON A STICK FRANCHISE AGREEMENT
REQUIRED FOR MINNESOTA FRANCHISEES**

This Addendum to the Hot Dog On A Stick Franchise Agreement dated _____ (“**Franchise Agreement**”) between HDOS Franchising, LLC (“**we,**” “**us,**” or “**our**”) and _____ (“**Franchisee,**” “**you,**” or “**your**”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The following sentence is added to the end of Sections 2.2(d) , 3.1, and 5.25(c)(iv):

Notwithstanding the foregoing, you will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22.

2. The following sentence is added to the end of Section 2.2:

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, Subdivision 3, 4, and 5 which requires, except in certain cases, that a franchisee be given 180 days notice for non-renewal of franchise agreements.

3. The following sentence is added to the end of Section 5.12:

Notwithstanding the foregoing, we will indemnify you against liability to a third party resulting from claims that your use of a Mark infringes trademark rights of a third party, provided that we will not indemnify against the consequences of your use of the Marks unless the use is in accordance with the requirements of this Agreement and the System.

4. The following sentence is added to the end of Section 6.2:

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, Subdivision 3, 4, and 5 which requires, except in certain cases, that a franchisee be given 90 days notice of termination (with 60 days to cure).

5. The following sentence is added to the end of Sections 6.3 and 8.4:

Any provision that requires you to consent to liquidated damages, termination penalties, or judgment notes may not be enforceable under Minnesota law.

6. The following sentences are added to the end of Sections 8.1 and 8.2:

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the offering circular 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 the jurisdiction.

7. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

8. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

HDOS FRANCHISING, LLC:

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

By: _____

Print Name: _____

Title: _____

**ADDENDUM TO THE HOT DOG ON A STICK FRANCHISE AGREEMENT
REQUIRED FOR NEW YORK FRANCHISEES**

This Addendum to the Hot Dog On A Stick Franchise Agreement dated _____ (“**Franchise Agreement**”) between HDOS Franchising, LLC (“**we**,” “**us**,” or “**our**”) and _____ (“**Franchisee**,” “**you**,” or “**your**”) is entered into simultaneously with the execution of the Franchise Agreement.

1. Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Sections 680 – 695, may not be enforceable.

2. The following sentence is added to the end of Sections 2.2(d) , 3.1, and 5.25(c)(iv):

Any provision in this Agreement requiring you to sign a general release of claims against us does not release any claim you may have under New York General Business Law, Article 33, Sections 680-695.

3. The following sentence is added to Section 4.10:

We will not assign our rights under this Agreement, except to an assignee who in our good faith and judgment is willing and able to assume our obligations under this Agreement.

4. The following sentence is added to the end of Sections 7.11 and 8.6:

Our right to obtain injunctive relief exists only after proper proofs are made and the appropriate authority has granted such relief.

5. The following sentence is added to the end of Section 8.2:

Notwithstanding the foregoing, the New York Franchises Law shall govern any claim arising under that law.

6. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

HDOS FRANCHISING, LLC:

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

By: _____

Print Name: _____

Title: _____

**ADDENDUM TO THE HOT DOG ON A STICK FRANCHISE AGREEMENT
REQUIRED FOR NORTH DAKOTA FRANCHISEES**

This Addendum to the Hot Dog On A Stick Franchise Agreement dated _____ (“**Franchise Agreement**”) between HDOS Franchising, LLC (“**we**,” “**us**,” or “**our**”) and _____ (“**Franchisee**,” “**you**,” or “**your**”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The following sentence is added to the end of Sections 2.2(d) , 3.1, and 5.25(c)(iv):

The release required by this Section will not apply to any claim you may have under the North Dakota Franchise Investment Law.

2. The following sentence is added to the end of Section 5.24:

If any of the above provisions in this Section 5.24 concerning restrictions on competition are inconsistent with the North Dakota Franchise Investment Law or the Rules and Regulations promulgated thereunder, then the North Dakota laws shall apply.

3. The following sentence is added to the end of Sections 6.3 and 8.4:

North Dakota law prohibits us from requiring you to consent to pay liquidated damages.

4. The following sentence is added to the end of Sections 8.1, 8.2, and 8.3:

Pursuant to the North Dakota Franchise Investment Law, any provision requiring franchisees to consent to mediation outside of North Dakota, consent to jurisdiction of courts outside North Dakota, consent to the application of laws of a state other than North Dakota, or consent to a waiver of trial by jury is void.

5. The following sentence is added to the end of Section 8.4:

Pursuant to the North Dakota Franchise Investment Law, any provision requiring franchisees to consent to a waiver of exemplary and punitive damages is void.

6. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

HDOS FRANCHISING, LLC:

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

By: _____

Print Name: _____

Title: _____

**ADDENDUM TO THE HOT DOG ON A STICK FRANCHISE AGREEMENT
REQUIRED FOR RHODE ISLAND FRANCHISEES**

This Addendum to the Hot Dog On A Stick Franchise Agreement dated _____ (“**Franchise Agreement**”) between HDOS Franchising, LLC (“**we,” “us,”** or “**our**”) and _____ (“**Franchisee,” “you,”** or “**your**”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The following paragraph is added to the end of Sections 2.2 and 6.2:

Section 6-50-4 of the Rhode Island Fair Dealership Law includes the requirement that, in certain circumstances, a franchisee receive 90 days’ notice of termination, cancellation, non-renewal or substantial change in competitive circumstances. The notice shall state all the reasons for termination, cancellation, non-renewal or substantial change in competitive circumstances and shall provide that the franchisee has 60 days in which to rectify any claimed deficiency and shall supersede the requirements of the Franchise Agreement to the extent they may be inconsistent with the Law’s requirements. If the deficiency is rectified within 60 days the notice shall be void. The above-notice provisions shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the Franchise Agreement, you shall be entitled to written notice of such default, and shall have 10 days in which to remedy such default from the date of delivery or posting of such notice.

2. The following language is added to Sections 8.1 and 8.2:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
4. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

HDOS FRANCHISING, LLC:

FRANCHISEE:

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

**ADDENDUM TO THE HOT DOG ON A STICK FRANCHISE AGREEMENT
REQUIRED FOR WASHINGTON FRANCHISEES**

This Addendum to the Hot Dog On A Stick Franchise Agreement dated _____ (“**Franchise Agreement**”) between HDOS Franchising, LLC (“**we,” “us,”** or “**our**”) and _____ (“**Franchisee,” “you,”** or “**your**”) is entered into simultaneously with the execution of the Franchise Agreement.

The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, 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.

The undersigned does hereby acknowledge receipt of this addendum.

HDOS FRANCHISING, LLC:

FRANCHISEE:

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

**ADDENDUM TO THE HOT DOG ON A STICK FRANCHISE AGREEMENT
REQUIRED FOR WISCONSIN FRANCHISEES**

This Addendum to the Hot Dog On A Stick Franchise Agreement dated _____ (“**Franchise Agreement**”) between HDOS Franchising, LLC (“**we,**” “**us,**” or “**our**”) and _____ (“**Franchisee,**” “**you,**” or “**your**”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The following paragraph is added to the end of Sections 2.2 and 6.2:

Section 135.04 of the Wisconsin Fair Dealership Law includes the requirement that, in certain circumstances, a franchisee receive 90 days’ notice of termination, cancellation, non-renewal or substantial change in competitive circumstances. The notice shall state all the reasons for termination, cancellation, non-renewal or substantial change in competitive circumstances and shall provide that the franchisee has 60 days in which to rectify any claimed deficiency and shall supersede the requirements of the Franchise Agreement to the extent they may be inconsistent with the Law’s requirements. If the deficiency is rectified within 60 days the notice shall be void. The above-notice provisions shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the Franchise Agreement, you shall be entitled to written notice of such default, and shall have 10 days in which to remedy such default from the date of delivery or posting of such notice.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified in full force and effect.

HDOS FRANCHISING, LLC:

FRANCHISEE:

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

EXHIBIT B
AREA DEVELOPMENT AGREEMENT
AND STATE-REQUIRED ADDENDA



AREA DEVELOPMENT AGREEMENT

Between

HDOS FRANCHISING, LLC

and

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Payment and Performance Guarantee

Exhibit A – General

Exhibit B – Form of Franchise Agreement

HOT DOG ON A STICK®

AREA DEVELOPMENT AGREEMENT

THIS AGREEMENT is made and entered into as of this ____ day of _____, 20__ (the “**Effective Date**”) by and between **HDOS FRANCHISING, LLC**, a Delaware limited liability company (“**Franchisor**”), and _____ (“**Franchisee**”).

In this Agreement, “**we**,” “**us**,” and “**our**” refers to HDOS Franchising, LLC, the Franchisor. “**You**” and “**your**” refers to the Franchisee.

RECITALS

A. We and you have entered into a certain Franchise Agreement dated the same date as this Agreement (the “**Initial Franchise Agreement**”).

B. We desire to grant to you the exclusive right to establish and operate a specified number of franchised HOT DOG ON A STICK stores (“**Stores**”) within a specified geographical area.

C. If you are a corporation, limited liability company, partnership, or other entity (collectively, an “**Entity**”), all of your owners of a legal and/or beneficial interest in the Entity (the “**Owners**”) are listed on **Exhibit A** of this Agreement (**Exhibit A** and all other exhibits hereto being hereby incorporated herein by reference).

D. You desire to establish and operate additional Stores upon the terms and conditions contained in our then-current standard franchise agreements (a “**Franchise Agreement**,” the current form of which is attached hereto as **Exhibit B**).

NOW, THEREFORE, for and in consideration of the foregoing premises and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Grant of Development Rights and Development Area. Subject to the terms and conditions of this Agreement, we grant to you the right, and you undertake the obligation, to establish and operate Stores in the area designated on **Exhibit A** to this Agreement (the “**Development Area**”). The number of Stores is specified in the development schedule in **Exhibit A** (the “**Schedule**”). Each Store will operate pursuant to its own franchise agreement that you and we must sign. You must devote your full time, best efforts to establishing, operating and promoting the number of Stores specified in the Schedule and to the promotion of our brand. Full time, best efforts will require that you not engage in any other business activities and that you not engage in any activity that would present a conflict of interest with your obligations under this Agreement. If we permit you to satisfy your obligations to establish and operate Stores hereunder by referring prospective franchisees to us, the parties will execute Schedule 1 to **Exhibit A**. This Agreement does not grant you any right to use the Marks (as defined in your Initial Franchise Agreement). Rights to use the Marks are granted only by the Franchise Agreements.

2. Development Fee.

2.1 Development Fee. The total amount of your Development Fee is listed on **Exhibit A** (the “**Development Fee**”). You also will pay the initial franchise fee due for each Store at the time the Franchise Agreement for each Store is executed. The Development Fee will not be refundable, notwithstanding anything to the contrary in this Agreement or any Franchise Agreement. We have the right to set off against any payments that we may owe to you under this Agreement any fees that you or your affiliates owe to us or our affiliates under this Agreement or any other agreement between us or our affiliates and you or your affiliates.

3. Development Schedule.

3.1 Deadlines. You must enter into Franchise Agreements and open and operate Stores in accordance with the deadlines set forth in the Schedule. By each “**Fee Deadline**” specified in the Schedule, you must have delivered to us an initial franchise fee and a signed copy of our then-current standard form of Franchise Agreement for the number of Stores specified on the Schedule. By each “**Opening Deadline**” specified in the Schedule, you must have the specified number of Stores open and operating. You must locate the Stores only at sites that we have accepted in accordance with the terms of the applicable Franchise Agreement.

(a) During the term of this Agreement, you may qualify for one extension to one of the Opening Deadlines under the Schedule for one of the Stores you are required to open under this Agreement under either of the following two circumstances:

i. If: (i) you have entered into a purchase agreement or Site Lease for the Store within the time period required under the Franchise Agreement for the Store, (ii) you have submitted all construction permits for the build-out of the Store to all applicable governing authorities for approval on or before the Opening Deadline for such Store, and (iii) you are otherwise in compliance with your obligations under this Agreement and the Franchise Agreement for the Store, the Opening Deadline for the Store shall be extended for a period of two months; or

ii. If we grant you a Site Securitization Extension under the Franchise Agreement for the Store, you have paid the 60-Day Extension Fee, and you have entered into a purchase agreement or Site Lease for an accepted Site in accordance with the terms of the Franchise Agreement for the Store before the expiration of the Site Securitization Extension, the Opening Deadline for that Store as specified in the Schedule shall be extended to the date that is 120 days following the earlier to occur of: (a) the date on which you enter into the a purchase agreement or Site Lease, or (b) the expiration of the Site Securitization Extension.

(b) For clarity, you are only eligible to secure one extension to one of the Opening Deadlines set forth in the Schedule during the term of this Agreement.

3.2 Damaged Stores. If a Store is destroyed or damaged by any cause beyond your control such that it may no longer continue to be open for the operation of business, you must immediately give us notice of such destruction or damage (“**Destruction Event**”). You must diligently work to repair and restore the Store to our approved plans and specifications as soon as possible at the same location or at a substitute site accepted by us within the Development Area. If a Store is closed due to a Destruction Event, the Store will continue to be deemed a “Store in operation” for the purpose of this Agreement for up to 180 days after the Destruction Event occurs. If a Store **(i)** is closed in a manner other than those described in this **Section 3.2** or as otherwise agreed by us in writing or **(ii)** fails to reopen within 180 days after a Destruction Event, then we may exercise our rights under **Section 6.2** (Our Remedies).

4. Development Area.

4.1 Exclusivity. UNLESS OTHERWISE SPECIFIED ON EXHIBIT A, YOU HAVE NO EXCLUSIVE RIGHTS TO THE DEVELOPMENT AREA, and, in addition to those rights specified in the last sentence of Section 4.2, we may establish, sell, or license others to open or operate Stores anywhere within the Development Area. If Exhibit A specifies that your Development Area is exclusive, then, while this Agreement is in effect, provided that you open and operate the Stores in accordance with the Schedule and the minimum number of Stores that you have open and operating in the Development Area at any given time is not less than the minimum required pursuant to the Schedule, we will not operate, or license any person other than you to operate, a Store under the Marks and the System within the Development Area.

4.2 No Other Restriction On Us. Except as expressly provided in the last sentence of **Section 4.1**, we and our affiliates have the right to conduct any business activities, under any name, in any geographic area, and at any location, regardless of the proximity to or effect on your Stores. For example, we have the right: (i) to establish or acquire franchises and/or company-owned outlets anywhere selling similar products and providing similar services under names and symbols other than the Marks, (ii) to sell, or license others to sell, products and services through alternative distribution channels, including e-commerce, using the Marks; (iii) to advertise, or authorize others to advertise, anywhere using the Marks; (iv) to establish or license stores under the Marks or the System, at any location outside of the Development Area; or (v) to be acquired by or merge with other companies, including companies with similar outlets in the Development Area, without any obligation to you. The following non-traditional venues are not included in any exclusive Development Area you might be granted: grocery, conveniences stores, vending machines, travel plazas, airports, university and college campuses, hospitals and medical centers, sports or entertainment venues, general merchandisers, military or other government owned facilities and any other non-traditional venues or channels of distribution, or complementary site to a different primary business, all of which we reserve for our development, or for which we currently have or later enter into an agreement with a franchisee, developer, or any other third party to exclusively develop stores or distribution points in any of these venues on a regional or nationwide basis. These locations are deemed Special Locations, which are unique sites that we obtain through national or regional arrangements with a Host/Authority under a Master Use and Occupancy Agreement or License Agreement. If a Special Location is offered to you, you are not obligated to accept it; however, your acceptance of the Special Location will require you to sign a sublicense agreement without the ability to negotiate any changes with the Host/Authority. You must comply with all terms, including for example, the payment of all license fees, construction-related fees, and other fees imposed by the Host/Authority.

5. **Term.** This Agreement expires at midnight on the last Opening Deadline date listed on the Schedule, unless this Agreement is terminated sooner as provided in other sections of this Agreement.

6. **Termination.**

6.1 **Events of Default.** Any one or more of the following constitutes an “Event of Default” hereunder:

(a) You fail to pay any initial franchise fee or execute any Franchise Agreement by any Fee Deadline specified in the Schedule;

(b) You fail to have open and operating the minimum number of Stores specified in the Schedule by any Opening Deadline specified in the Schedule;

(c) An Event of Default occurs under any of your Franchise Agreements, resulting in the termination of such Franchise Agreement; or

(d) You breach or otherwise fail to comply fully with any other provision contained in this Agreement, including **Section 8** or any applicable law or regulation.

6.2 **Our Remedies.** If any Event of Default occurs under **Section 6.1**, we may declare this Agreement and any and all other rights granted to you under this Agreement to be immediately terminated and of no further force or effect, as follows:

(a) Upon termination due solely to an Event of Default listed in **Section 6.1(a)** or **6.1(b)**, our remedies under this Agreement will be retention of the Development Fee and termination of this Agreement and you will not be relieved of any of your obligations, debts, or liabilities hereunder, including without limitation any debts, obligations, or liabilities which have accrued prior to such termination. Your failure to open and thereafter operate Stores in accordance with the Schedule will not, in itself, constitute cause for us to terminate any previously executed Franchise Agreement. If this Agreement is terminated, you will not receive any reduced initial franchise fee for any later Franchise Agreements that you execute with us.

(b) Upon termination of this Agreement for any other reason whatsoever, we will retain the Development Fee and you will not be relieved of any of your obligations, debts, or liabilities hereunder, including without limitation any debts, obligations, or liabilities which have accrued prior to such termination. The right of termination granted by this **Section 6.2(b)** is in addition to, and not in lieu of, any and all other rights and remedies available to Franchisor at law, in equity, or otherwise, including without limitation the right to injunctive relief, all of which are cumulative.

7. **Assignment.**

7.1 **By Us.** This Agreement is fully assignable by us and will inure to the benefit of any assignee or other legal successor to our interest.

7.2 **By You.** This Agreement and the rights granted to you under this Agreement are personal to you, and we have granted the License in reliance on your (and, if you are an Entity, your Owners’) business skill, financial capacity, and personal character. Accordingly, neither you, this Agreement, nor any of the rights granted to you hereunder nor any controlling equity interest

in you may be voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, assigned or otherwise transferred, given away, or encumbered by you without our prior written consent. Without limiting the foregoing, we will have no obligation to approve any assignment unless you have assigned all of your rights in all Franchise Agreements relating to your Stores located within the Development Area to the proposed assignee in accordance with the provisions of the applicable Franchise Agreements.

(a) If (i) you would like to accept a bona fide offer from a third party to purchase your interest in this Agreement, (ii) any of your Owners desires to accept an offer from a third party to purchase all or a portion of their equity interests in you that would result in the transfer of control of you (as we determine), or (iii) if you or such Owners desire to sell such interests and have found a willing buyer of such interests, you or such Owners will (i) notify us in writing of such offer, (ii) offer to sell the same interests to us upon the same terms and conditions, and (iii) provide such information and documentation relating to such offer as we require. We have the right, exercisable within 30 days after receipt of such offer, information, and documentation, to send written notice to you or such Owners that we intend to purchase the offered interests on the same economic terms and conditions offered by or to the third party or, at our option, the cash equivalent thereof. If we elect to purchase such interests, closing will occur within 90 days after the date of our notice to the seller electing to purchase the interest. If we do not elect to purchase such interest within the 30-day period, you or such Owners may sell or transfer their offered interests to a third party; provided that such sale or transfer: (i) is made within 90 days of our election, (ii) is made at a price and on the same material terms as those offered to us, and (iii) is made in full compliance with all applicable requirements of this **Section 7.2**.

(b) The right of first refusal set forth in **Section 7.2(a)** will not be applicable to assignments, transfers, or sales of your interest in this Agreement or any equity interest in you, made to your spouse or child or any of your existing Owners, provided that the applicable requirements of each Franchise Agreement and **Section 7.2(a)** of this Agreement are complied with fully. Notwithstanding anything else to the contrary in this **Section 7.2**, neither we nor our assignee will exercise this right of first refusal for any partial transfer of the Store.

8. Franchisee's Covenant Not to Compete.

8.1 In-Term Covenants. During the term of this Agreement, except as we otherwise approve in writing, you and your Owners will not, directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any other person or entity:

(a) own, manage, engage in, be employed by, advise, make loans to, or have any other interest in any business that manufactures, services or distributes hot dogs, fresh lemonade, frozen lemonade, French fries, Funnel Sticks, and related food and beverage products, especially those served on a stick or operates, licenses or sublicenses others to operate, or provides services consulting or brokerage to, a restaurant, retail outlet, or any similar food business that sells hot dogs, fresh lemonade, frozen lemonade, French fries, Funnel Sticks, or related food and beverage products, especially those served on a stick at any location within the United States or by any means, including, without limitation, sales via the Internet or catalogs ("**Competitive Business**");

(b) divert or attempt to divert any business or customer or potential business or customer of a Store to any Competitive Business, by direct or indirect inducement or otherwise;

(c) perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or

(d) use any vendor relationship established through your association with us for any purpose other than to purchase products for use or retail sale in a Store.

8.2 Post-Term Covenants. For 2 years after the expiration or termination of this Agreement or an approved transfer to a new franchisee, you and your Owners may not, without our prior written consent, directly or indirectly own, manage, engage in, be employed by, advise, make loans to, or have any other interest in any Competitive Business that is (or is intended to be) located within a 5-mile radius of the Development Area or a 5-mile radius of any other Hot Dog On A Stick store open or under construction at the time of expiration or termination. The time period in this **Section 8.2** will run from the expiration, termination, or transfer of this Agreement or from the termination of the Owner's relationship with you, whichever occurs first.

8.3 Publicly Traded Corporations. Ownership of less than 5% of the outstanding voting stock of any class of stock of a publicly traded corporation will not, by itself, violate this **Section 8**.

8.4 Covenants of Owners. The Owners personally bind themselves to this **Section 8** by signing the attached Guarantee.

8.5 Enforcement of Covenants. You acknowledge and agree that (i) the time, territory and scope of the covenants provided in this **Section 8** are reasonable and necessary for the protection of our legitimate business interests; (ii) you have received sufficient and valid consideration in exchange for those covenants; (iii) enforcement of the same would not impose undue hardship; and (iv) the period of protection provided by these covenants will not be reduced by any period of time during which you are in violation of the provisions of those covenants or any period of time required for enforcement of those covenants. To the extent that this **Section 8** is judicially determined to be unenforceable by virtue of its scope or in terms of area or length of time, but may be made enforceable by reductions of any or all thereof, the same will be enforced to the fullest extent permissible. You agree that the existence of any claim you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants contained in this **Section 8**. You acknowledge that any breach or threatened breach of this **Section 8** will cause us irreparable injury for which no adequate remedy at law is available, and you consent to the issuance of an injunction prohibiting any conduct violating the terms of this **Section 8**. Such injunctive relief will be in addition to any other remedies that we may have.

9. Dispute Resolution and Governing Law.

9.1 Forum for Litigation. You and the Owners must file any suit against us, and we may file any suit against you, in federal or state courts located in the State of Georgia. The parties waive all questions of personal jurisdiction and venue for the purpose of carrying out this provision.

9.2 Governing Law. This Agreement will be governed by, construed, and enforced in accordance with the laws of the State of Georgia, without regard to its conflicts of law principles.

9.3 Mutual Waiver of Jury Trial and Class Actions. You and we each irrevocably waive trial by jury in any litigation. You agree that litigation between us and you will be of our and your individual claims only. None of your claims will be litigated on a class-wide basis.

9.4 Mutual Waiver of Punitive Damages. Each of us waives any right to or claim of punitive, exemplary, multiple, or consequential damages against the other in litigation and agrees to be limited to the recovery of actual damages sustained, except as otherwise expressly provided in any franchise agreement between you and us. You acknowledge that the Development Fee represents a reasonable estimate of damages that would result from termination of this Agreement based on your default.

9.5 Remedies Not Exclusive. Except as provided in **Section 9.4**, no right or remedy that the parties have under this Agreement is exclusive of any other right or remedy under this Agreement or under applicable law. Each and every such remedy will be in addition to, and not in limitation of or substitution for, every other remedy available at law or in equity or by statute or otherwise.

9.6 Our Right to Injunctive Relief. Nothing in this Agreement bars our right to obtain injunctive or declaratory relief against a breach or threatened breach of this Agreement that will cause us loss or damage. You agree that we will not be required to prove actual damages or post a bond in excess of \$1,000 or other security in seeking or obtaining injunctive relief (both preliminary and permanent) and/or specific performance with respect to this Agreement.

9.7 Attorneys' Fees and Costs. You agree to reimburse us for all expenses we reasonably incur (including attorneys' fees): **(i)** to enforce the terms of this Agreement or any obligation owed to us by you and/or the Owners; and **(ii)** in the defense of any claim you and/or the Owners assert against us on which we substantially prevail in court or other formal legal proceedings.

10. Miscellaneous.

10.1 Entire Agreement. This Agreement and the documents referred to herein constitute the entire agreement between you and us with respect to the matters contained herein and supersede all prior discussions, understandings, representations, and agreements concerning the same subject matter. This Agreement includes the terms and conditions on **Exhibit A**, including any schedule attached thereto, which are incorporated into this Agreement by this reference. Notwithstanding the foregoing, nothing in this Agreement will disclaim or require you to waive reliance on any representation we make in our most recent disclosure document (including exhibits and amendments) delivered to you or your representative.

10.2 Amendments and Modifications. This Agreement may be amended or modified only by a written document signed by each party hereto.

10.3 Waiver. Any term or condition of this Agreement may be waived at any time by the party which is entitled to the benefit of the term or condition, but such waiver must be in writing. No course of dealing or performance by any party, and no failure, omission, delay, or forbearance by any party, in whole or in part, in exercising any right, power, benefit, or remedy, will constitute a waiver of such right, power, benefit, or remedy. Our waiver of any particular default does not affect or impair our rights with respect to any subsequent default you may commit. Our waiver of a default by another franchisee does not affect or impair our right to demand your strict compliance

with the terms of this Agreement. We have no obligation to deal with similarly situated franchisees in the same manner. Our acceptance of any payments due from you does not waive any prior defaults.

10.4 Importance of Timely Performance. Time is of the essence in this Agreement.

10.5 Headings. The headings in this Agreement are for convenience of reference and are not a part of this Agreement and will not affect the meaning or construction of any of its provisions.

10.6 Severability. Each provision of this Agreement is severable from the others. If any provision of this Agreement or any of the documents executed in conjunction with this Agreement is for any reason determined by a court to be invalid, illegal, or unenforceable, the invalidity, illegality, or unenforceability will not affect any other remaining provisions of this Agreement or any other document. The remaining provisions will continue to be given full force and effect and bind us and you.

10.7 Applicable State Law Controlling. If the termination, renewal, or other provisions set forth in this Agreement are inconsistent with any applicable state statute, in effect as of the Effective Date, governing the relationship of franchisors and franchisees, the provisions of such statute will apply hereto, but only to the extent of such inconsistency.

10.8 Survival. Each provision of this Agreement that expressly or by reasonable implication is to be performed, in whole or in part, after the expiration, termination, or assignment of this Agreement will survive such expiration, termination, or assignment, including, but not limited to, **Section 8**.

10.9 Independent Contractor Relationship. This Agreement does not create, nor does any conduct by us create, a fiduciary or other special relationship or make you or us an agent, legal representative, joint venturer, partner, employee or servant of each other for any purpose. You understand and agree that you are not authorized to make any contract, agreement, warranty, or representation on our behalf, or to create any obligation, express or implied, on our behalf, and you will indemnify and hold us and our affiliates harmless against any and all liabilities, claims, actions, losses, damages, and expenses, including, but not limited to, reasonable attorney's fees, arising out of or relating to your failure to comply with the foregoing. During the term of this Agreement, you agree to hold yourself out to the public as an independent contractor operating your Stores under license from us, and you agree to post a notice to that effect in your Stores and, as we direct, in your marketing and on your contracts, forms, stationery, and promotional materials.

10.10 Notices. All notices and other communications required or permitted under this Agreement will be in writing and will be given by one of the following methods of delivery: **(i)** personally; **(ii)** by certified or registered mail, postage prepaid; or **(iii)** by overnight delivery service. Notices to us must be sent to:

GFG Management, LLC
5555 Glenridge Connector, Suite 850
Atlanta, Georgia 30342
Attn: Legal Counsel

Notices to you must be sent to the address listed on **Exhibit A**. Either party may change its mailing address by giving notice to the other party. Notices will be deemed received the same

day when delivered personally, or upon attempted delivery when sent by registered or certified mail or overnight delivery service.

10.11 Execution in Counterparts. This Agreement may be executed in two or more counterparts, each of which will be deemed an original, and all of which will constitute one and the same instrument.

10.12 Successors and Assigns. Except as expressly otherwise provided herein, this Agreement is binding upon and will inure to the benefit of the parties and their respective heirs, executors, legal representatives, successors, and permitted assigns.

10.13 Taxes. You are responsible for all taxes, assessments, and government charges levied or assessed on you in connection with your business activities under this Agreement. In addition, as part of the Development Fee, you will pay to us the amount of any taxes imposed on us or our affiliates (and any taxes imposed on us or our affiliates as a result of such imposition) by federal, state, or local taxing authorities as a result of our receipt of the Development Fee, not including any tax measured on our income.

10.14 Compliance with Laws and Regulations. You must comply with all applicable federal, state, and local laws, rules, regulations, and ordinances. You will obtain and maintain in good standing any and all licenses, permits, and consents necessary for you to lawfully operate the Store. You have sole responsibility for such compliance despite any information or advice that we may provide.

[Signature page follows.]

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement under seal as of the Effective Date.

IF YOU ARE AN INDIVIDUAL: PLEASE SIGN BELOW.

HDOS FRANCHISING, LLC

By: _____

[NAME OF FRANCHISEE]

Title: _____

Date: _____ Date: _____

[Signature Page Continues on the Following Page]

IF YOU ARE A CORPORATION OR LIMITED LIABILITY COMPANY: THE OPERATING PRINCIPAL MUST SIGN THIS AGREEMENT ON BEHALF OF THE CORPORATION OR LLC. IN ADDITION, THE AGREEMENT MUST BE GUARANTEED BY THE OPERATING PRINCIPAL AND ALL OTHER OWNERS OF AN EQUITY INTEREST IN THE COMPANY AND THEIR SPOUSES, ON THE GUARANTEE FORM ATTACHED TO THIS AGREEMENT.

HDOS FRANCHISING, LLC

[INSERT YOUR ENTITY NAME]

By:_____

By:_____

Title:_____

Title:_____

Date:_____

Date:_____

IF YOU ARE A PARTNERSHIP: ALL PARTNERS MUST SIGN THIS AGREEMENT. IN ADDITION, THE AGREEMENT MUST BE GUARANTEED BY ALL PARTNERS AND THEIR SPOUSES, ON THE GUARANTEE FORM ATTACHED TO THIS AGREEMENT.

HDOS FRANCHISING, LLC

[INSERT YOUR PARTNERSHIP NAME]

By:_____

By:_____

Title:_____

Title:_____

Date:_____

Date:_____

By:_____

Title:_____

Date:_____

HDOS FRANCHISING, LLC

PAYMENT AND PERFORMANCE GUARANTEE

In order to induce HDOS Franchising, LLC (“**Franchisor**”) to enter into a Hot Dog On A Stick Area Development Agreement (the “**Agreement**”) by and between Franchisor and the Franchisee named in the Agreement to which this Payment and Performance Guarantee (the “**Guarantee**”) is attached (“**Franchisee**”), the undersigned (collectively referred to as the “**Guarantors**” and individually referred to as a “**Guarantor**”) hereby covenant and agree as follows:

1. Guarantee of Payment and Performance. The Guarantors jointly and severally unconditionally guarantee to Franchisor and its affiliates the payment and performance when due, whether by acceleration or otherwise, of all obligations, indebtedness, and liabilities of Franchisee to Franchisor, direct or indirect, absolute or contingent, of every kind and nature, whether now existing or incurred from time to time hereafter, whether incurred pursuant to the Agreement or otherwise, together with any extension, renewal, or modification thereof in whole or in part (the “**Guaranteed Liabilities**”). The Guarantors agree that if any of the Guaranteed Liabilities are not so paid or performed by Franchisee when due, the Guarantors will immediately do so. The Guarantors further agree to pay all expenses (including reasonable attorneys’ fees) paid or incurred in endeavoring to enforce this Guarantee or the payment of any Guaranteed Liabilities. The Guarantors represent and agree that they have each reviewed a copy of the Agreement and have had the opportunity to consult with counsel to understand the meaning and import of the Agreement and this Guarantee.

2. Waivers by Guarantors. The Guarantors waive presentment, demand, notice of dishonor, protest, and all other notices whatsoever, including without limitation notices of acceptance hereof, of the existence or creation of any Guaranteed Liabilities, of the amounts and terms thereof, of all defaults, disputes, or controversies between Franchisor and Franchisee and of the settlement, compromise, or adjustment thereof. This Guarantee is primary and not secondary, and will be enforceable without Franchisor having to proceed first against Franchisee or against any or all of the Guarantors or against any other security for the Guaranteed Liabilities. This Guarantee will be effective regardless of the insolvency of Franchisee by operation of law, any reorganization, merger, or consolidation of Franchisee, or any change in the ownership of Franchisee.

3. Term: No Waiver. This Guarantee will be irrevocable, absolute, and unconditional and will remain in full force and effect as to each of the Guarantors until such time as all Guaranteed Liabilities of Franchisee to Franchisor and its affiliates have been paid and satisfied in full. No delay or failure on the part of Franchisor in the exercise of any right or remedy will operate as a waiver thereof, and no single or partial exercise by Franchisor of any right or remedy will preclude other further exercise of such right or any other right or remedy.

4. Other Covenants. Each of the Guarantors agrees to comply with the provisions of **Section 8** of the Agreement as though each such Guarantor were the “**Franchisee**” named in the Agreement and agrees that he or she will take any and all actions as may be necessary or

appropriate to cause Franchisee to comply with the Agreement and will not take any action that would cause Franchisee to be in breach of the Agreement.

5. Dispute Resolution. **Section 9** of the Agreement is hereby incorporated herein by reference and will be applicable to any disputes between Franchisor and any of the Guarantors, as though Guarantor were the “**Franchisee**” referred to in the Agreement.

6. Miscellaneous. This Guarantee will be binding upon the Guarantors and their respective heirs, executors, successors, and assigns, and will inure to the benefit of Franchisor and its successors and assigns.

IN WITNESS WHEREOF, the undersigned Guarantors have caused this Guarantee to be duly executed as of the day and year first above written.

Guarantor Number 1

Witness No. 1:

Signature

Print Name: _____

Signature

Print Name: _____

Witness No. 2:

Address: _____

Signature

Print Name: _____

Guarantor Number 1 – Spouse Guarantee

Witness No. 1:

Signature

Print Name: _____

Signature

Print Name: _____

Witness No. 2:

Address: _____

Signature

Print Name: _____

Guarantor Number 2

Witness No. 1:

Signature

Print Name: _____

Signature

Print Name: _____

Witness No. 2:

Address: _____

Signature

Print Name: _____

Guarantor Number 2 – Spouse Guarantee

Witness No. 1:

Signature

Print Name: _____

Signature

Print Name: _____

Witness No. 2:

Address: _____

Signature

Print Name: _____

Guarantor Number 3

Witness No. 1:

Signature

Print Name: _____

Signature

Print Name: _____

Witness No. 2:

Address: _____

Signature

Print Name: _____

Guarantor Number 3 – Spouse Guarantee

Witness No. 1:

Signature

Print Name: _____

Signature

Print Name: _____

Witness No. 2:

Address: _____

Signature

Print Name: _____

Guarantor Number 4

Witness No. 1:

Signature

Print Name: _____

Signature

Print Name: _____

Witness No. 2:

Address: _____

Signature

Print Name: _____

Guarantor Number 4 – Spouse Guarantee

Witness No. 1:

Signature

Print Name: _____

Signature

Print Name: _____

Witness No. 2:

Address: _____

Signature

Print Name: _____

**EXHIBIT A
TO THE
AREA DEVELOPMENT AGREEMENT**

General

1. Development Area (Section 1): [attach map if necessary]

2. Total Development Fee (Section 2): \$.

<u>Store Number</u>	<u>Initial Franchise Fee</u>
1	
2	
3	
4	
5	
6	
7	
8	

3. Development Schedule (Section 3): You agree to establish and operate a total of ____ Stores within the Development Area during the term of this Agreement.

<u>NUMBER OF STORES</u> The Minimum Number of Stores in Compliance by Each Fee Deadline and Opening Deadline	<u>FEE DEADLINE</u> Deadline for Paying Initial Franchise Fee and Executing Franchise Agreement for Each Store (at least 180 days before the Opening Deadline)	<u>OPENING DEADLINE</u> Deadline for Having the Minimum Number of Stores Open and Operating
1	_____, 20__	_____, 20__
2	_____, 20__	_____, 20__
3	_____, 20__	_____, 20__
4	_____, 20__	_____, 20__
5	_____, 20__	_____, 20__
6	_____, 20__	_____, 20__
7	_____, 20__	_____, 20__
8	_____, 20__	_____, 20__ (the Expiration Date of the Agreement)

On up to 2 separate occasions, you may extend the Opening Deadline for any 1 Store by paying the Franchise Fee for that one store at the time of granting the extension.

4. **Ownership of Franchisee:** If the franchisee is an Entity, the following persons constitute all of the owners of a legal and/or beneficial interest in the franchisee:

Name

Percentage Ownership

_____%

_____%

_____%

5. **Exclusivity (Section 4.1):** Your Development Area [is/is not] exclusive.

6. **Franchisee's Address for Notices (Section 10.10):**

7. **Other Terms:**

EXHIBIT B
TO THE
AREA DEVELOPMENT AGREEMENT

Form of Franchise Agreement

[See Exhibit A to Franchise Disclosure Document]

**ADDENDUM TO THE HOT DOG ON A STICK AREA DEVELOPMENT AGREEMENT
REQUIRED FOR CALIFORNIA FRANCHISEES**

This Addendum to the Hot Dog On A Stick Area Development Agreement dated _____ (“Area Development Agreement”) between HDOS Franchising, LLC (“we” or “us”) and _____ (“Franchisee,” “you,” or “your”) is entered into simultaneously with the execution of the Area Development Agreement.

1. Section 8.2 of the Area Development Agreement is replaced with the following:

8.2 Post-Term Covenants For 1 year after the expiration or termination of this Agreement or an approved transfer to a new franchisee, you and your Owners may not, without our prior written consent, directly or indirectly own, manage, engage in, be employed by, advise, make loans to, or have any other interest in any Competitive Business that is (or is intended to be) located within a 5-mile radius of the Development Area. With respect to the Owners, the time period in this Section 8.2 will run from the expiration, termination, or Transfer of this Agreement or from the termination of the Owner’s relationship with you, whichever occurs first. This provision may not be enforceable under California law.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.
3. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

HDOS FRANCHISING, LLC:

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

By: _____

Print Name: _____

Title: _____

**ADDENDUM TO THE HOT DOG ON A STICK AREA DEVELOPMENT AGREEMENT
REQUIRED FOR INDIANA FRANCHISEES**

This Addendum to the Hot Dog On A Stick Area Development Agreement dated _____ (“Area Development Agreement”) between HDOS Franchising, LLC (“we” or “us”) and _____ (“Franchisee,” “you,” or “your”) is entered into simultaneously with the execution of the Area Development Agreement.

1. The following sentence is added to the end of Section 9.1:

Notwithstanding the foregoing, you may bring a lawsuit in Indiana for claims arising under the Indiana Deceptive Franchise Practices Law.

2. The following sentence is added to the end of Section 9.2:

Notwithstanding the foregoing, the Indiana Deceptive Franchise Practices Law shall govern any claim arising under that law.

3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.

4. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

HDOS FRANCHISING, LLC:

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

By: _____

Print Name: _____

Title: _____

**ADDENDUM TO THE HOT DOG ON A STICK AREA DEVELOPMENT AGREEMENT
REQUIRED FOR ILLINOIS FRANCHISEES**

This Addendum to the Hot Dog On A Stick Area Development Agreement dated _____ (“Area Development Agreement”) between HDOS Franchising, LLC (“we” or “us”) and _____ (“Franchisee,” “you,” or “your”) is entered into simultaneously with the execution of the Area Development Agreement.

1. The following sentence is added to the end of Section 6.2:

Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

2. The following sentence is added to the end of Section 9.1:

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in an Area Development Agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois.

3. The following sentence is added to the end of Section 9.2:

Notwithstanding the foregoing, Illinois law shall govern this Agreement.

4. The following sentence is added to the end of Section 10.1:

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

5. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.

6. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

HDOS FRANCHISING, LLC:

FRANCHISEE:

By:

By:

Print Name: _____

Print Name: _____

Title: _____

Title: _____

**ADDENDUM TO THE HOT DOG ON A STICK AREA DEVELOPMENT AGREEMENT
REQUIRED FOR MARYLAND FRANCHISEES**

This Addendum to the Hot Dog On A Stick Area Development Agreement dated _____ (“Area Development Agreement”) between HDOS Franchising, LLC (“we” or “us”) and _____ (“Franchisee,” “you,” or “your”) is entered into simultaneously with the execution of the Area Development Agreement.

1. The following sentence is added to the end of Section 9.1:

Notwithstanding the foregoing, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

2. Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.
3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.
4. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

HDOS FRANCHISING, LLC:

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

By: _____

Print Name: _____

Title: _____

**ADDENDUM TO THE HOT DOG ON A STICK AREA DEVELOPMENT AGREEMENT
REQUIRED FOR MINNESOTA FRANCHISEES**

This Addendum to the Hot Dog On A Stick Area Development Agreement dated _____ (“Area Development Agreement”) between HDOS Franchising, LLC (“we” or “us”) and _____ (“Franchisee,” “you,” or “your”) is entered into simultaneously with the execution of the Area Development Agreement.

1. The following sentence is added to the end of Section 6.2:

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, Subdivision 3, 4, and 5 which requires, except in certain cases, that a franchisee be given 90 days notice of termination (with 60 days to cure).

2. The following sentence is added to the end of Section 9.4:

Any provision that requires you to consent to liquidated damages, termination penalties, or judgment notes may not be enforceable under Minnesota law.

3. The following sentences are added to the end of Sections 9.1 and 9.2:

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the offering circular or Area Development 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 the jurisdiction.

4. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.

5. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

HDOS FRANCHISING, LLC:

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

By: _____

Print Name: _____

Title: _____

**ADDENDUM TO THE HOT DOG ON A STICK AREA DEVELOPMENT AGREEMENT
REQUIRED FOR NEW YORK FRANCHISEES**

This Addendum to the Hot Dog On A Stick Area Development Agreement dated _____ (“Area Development Agreement”) between HDOS Franchising, LLC (“we” or “us”) and _____ (“Franchisee,” “you,” or “your”) is entered into simultaneously with the execution of the Area Development Agreement.

1. Any provision in the Area Development Agreement that is inconsistent with the New York General Business Law, Article 33, Sections 680 – 695, may not be enforceable.

2. The following sentence is added to Section 7.1:

We will not assign our rights under this Agreement, except to an assignee who in our good faith and judgment is willing and able to assume our obligations under this Agreement.

3. The following sentence is added to the end of Section 9.6:

Our right to obtain injunctive relief exists only after proper proofs are made and the appropriate authority has granted such relief.

4. The following sentence is added to the end of Section 9.2:

Notwithstanding the foregoing, the New York Franchises Law shall govern any claim arising under that law.

5. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.

6. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

HDOS FRANCHISING, LLC:

FRANCHISEE:

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

**ADDENDUM TO THE HOT DOG ON A STICK AREA DEVELOPMENT AGREEMENT
REQUIRED FOR NORTH DAKOTA FRANCHISEES**

This Addendum to the Hot Dog On A Stick Area Development Agreement dated _____ (“Area Development Agreement”) between HDOS Franchising, LLC (“we” or “us”) and _____ (“Franchisee,” “you,” or “your”) is entered into simultaneously with the execution of the Area Development Agreement.

1. The following sentence is added to the end of Sections 8.1 and 8.2:

If any of the above provisions in this Section concerning restrictions on competition are inconsistent with the North Dakota Franchise Investment Law or the Rules and Regulations promulgated thereunder, then the North Dakota laws shall apply.

2. The following sentence is added to the end of Sections 9.1, 9.2, and 9.3:

Pursuant to the North Dakota Franchise Investment Law, any provision requiring franchisees to consent to mediation outside of North Dakota, consent to jurisdiction of courts outside North Dakota, consent to the application of laws of a state other than North Dakota, or consent to a waiver of trial by jury is void.

3. The following sentence is added to the end of Section 9.4:

Pursuant to the North Dakota Franchise Investment Law, any provision requiring franchisees to consent to a waiver of exemplary and punitive damages is void.

4. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.

5. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

HDOS FRANCHISING, LLC:

FRANCHISEE:

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

**ADDENDUM TO THE HOT DOG ON A STICK AREA DEVELOPMENT AGREEMENT
REQUIRED FOR RHODE ISLAND FRANCHISEES**

This Addendum to the Hot Dog On A Stick Area Development Agreement dated _____ (“Area Development Agreement”) between HDOS Franchising, LLC (“we” or “us”) and _____ (“Franchisee,” “you,” or “your”) is entered into simultaneously with the execution of the Area Development Agreement.

1. The following paragraph is added to the end of Section 6.2:

Section 6-50-4 of the Rhode Island Fair Dealership Law includes the requirement that, in certain circumstances, a franchisee receive 90 days’ notice of termination, cancellation, non-renewal or substantial change in competitive circumstances. The notice shall state all the reasons for termination, cancellation, non-renewal or substantial change in competitive circumstances and shall provide that the franchisee has 60 days in which to rectify any claimed deficiency and shall supersede the requirements of the Area Development Agreement to the extent they may be inconsistent with the Law’s requirements. If the deficiency is rectified within 60 days the notice shall be void. The above-notice provisions shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the Area Development Agreement, you shall be entitled to written notice of such default, and shall have 10 days in which to remedy such default from the date of delivery or posting of such notice.

2. The following language is added to Sections 9.1 and 9.2:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in an Area Development 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.”

3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.
4. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

HDOS FRANCHISING, LLC:

FRANCHISEE:

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

**ADDENDUM TO THE HOT DOG ON A STICK AREA DEVELOPMENT AGREEMENT
REQUIRED FOR WASHINGTON FRANCHISEES**

This Addendum to the Hot Dog On A Stick Area Development Agreement dated _____ (“Area Development Agreement”) between HDOS Franchising, LLC (“we” or “us”) and _____ (“Franchisee,” “you,” or “your”) is entered into simultaneously with the execution of the Area Development Agreement.

The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, 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.

The undersigned does hereby acknowledge receipt of this addendum.

HDOS FRANCHISING, LLC:

FRANCHISEE:

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

**ADDENDUM TO THE HOT DOG ON A STICK AREA DEVELOPMENT AGREEMENT
REQUIRED FOR WISCONSIN FRANCHISEES**

This Addendum to the Hot Dog On A Stick Area Development Agreement dated _____ (“Area Development Agreement”) between HDOS Franchising, LLC (“we” or “us”) and _____ (“Franchisee,” “you,” or “your”) is entered into simultaneously with the execution of the Area Development Agreement.

1. The following paragraph is added to the end of Section 6.2:

Section 135.04 of the Wisconsin Fair Dealership Law includes the requirement that, in certain circumstances, a franchisee receive 90 days’ notice of termination, cancellation, non-renewal or substantial change in competitive circumstances. The notice shall state all the reasons for termination, cancellation, non-renewal or substantial change in competitive circumstances and shall provide that the franchisee has 60 days in which to rectify any claimed deficiency and shall supersede the requirements of the Area Development Agreement to the extent they may be inconsistent with the Law’s requirements. If the deficiency is rectified within 60 days the notice shall be void. The above-notice provisions shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the Area Development Agreement, you shall be entitled to written notice of such default, and shall have 10 days in which to remedy such default from the date of delivery or posting of such notice.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.
3. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified in full force and effect.

HDOS FRANCHISING, LLC:

FRANCHISEE:

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

EXHIBIT C
ADDITIONAL STATE-REQUIRED DISCLOSURES

CALIFORNIA DISCLOSURE

In recognition of the requirements of the California Franchise Investment law, Cal. Corp. Code §§ 31000-31516, and the California Franchise Relations Act, Cal. Bus. & Prof. Code §§ 20000-20043, the Franchise Disclosure Document for HDOS Franchising, LLC in connection with the offer and sale of franchises for use in the State of California shall be amended to include the following:

1. Our website has not been reviewed or approved by the California Department of Business Oversight. Any complaints concerning the content of the website may be directed to the California Department of Business Oversight at www.dbo.ca.gov.

2. In **Item 3**, "Litigation," shall be amended by the addition of the following paragraphs:

Pursuant to California law, this Item does not include any information regarding the arrest of any person(s) that did not result in a conviction or plea of *nolo contendere*.

Neither we, nor any person identified in **Item 2** above, 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, 15 U.S.C. § 78a. et seq.) suspending or expelling such person from membership in such association or exchange.

3. **Item 17**, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraph(s) at the conclusion of the Item:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of franchise. If the Franchise Agreement contains a provisions that is inconsistent with the law, the law will control.

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement provides for termination upon bankruptcy of the franchisee/developer. These provisions may not be enforceable under the U.S. Bankruptcy Code (11 U.S.C. Section 101, et seq.).

The Franchise Agreement requires application of the laws of the state of Georgia. This provision may not be enforceable under California law.

The Franchise Agreement contains a clause that may be construed as a liquidated damages clause, even though we do not believe that it is a liquidated damages clause.

However, under California Civil Code § 1671, certain liquidated damages clauses are unenforceable.

4. (a) The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the Franchise Disclosure Document.

(b) Section 31125 of the Franchise Investment Law requires us to give you a Disclosure Document approved by the Commissioner of Business Oversight before we ask you to consider a material modification of your franchise agreement.

(c) 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).

ADDENDUM TO THE HOT DOG ON A STICK FRANCHISE DISCLOSURE DOCUMENT

(FOR USE IN THE STATE OF ILLINOIS)

In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705/1 et seq. (West 2016), the Franchise Disclosure Document for HDOS Franchising, LLC for use in the State of Illinois shall be amended as follows:

Illinois law governs the Franchise Agreement(s).

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

MARYLAND DISCLOSURE

Due to our financial condition, please be advised that we are required by the Maryland Securities Division to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

1. **Item 17**, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following language:

The Franchise Agreement requires a general release as a condition of renewal, sale, and/or assignment/transfer. This general release will not apply to any liability arising under the Maryland Franchise Registration and Disclosure Law.

You may sue 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.

2. **Exhibit K**, "Compliance Questionnaire," shall be amended by the addition of the following language after the final sentence:

The questions asked in this document and your responses to those questions are not intended to be, nor shall they act as, a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

MICHIGAN DISCLOSURE

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 of 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 before 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 which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 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 franchisee on the same terms 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 franchisee for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

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

THE FACT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this Notice shall be directed to the Department of Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48913, (517) 373-7117.

MINNESOTA DISCLOSURE

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the Franchise Disclosure Document for HDOS Franchising, LLC for use in the State of Minnesota shall be amended to include the following:

1. **Item 13**, "Trademarks," shall be amended by the addition of the following at the end of the 4th paragraph:

Pursuant to Minnesota Stat. Sec. 80C.12, Subd. 1(g), we are required to protect any rights which you have to use our proprietary marks.

2. **Item 17**, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraphs:

With respect to franchisees governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the Franchise Agreement, and that consent to the transfer of the franchise not be unreasonably withheld.

Pursuant to Minn. Rule 2860.4400D, any general release of claims that you or a transferor may have against us or our shareholders, directors, employees and agents, including without limitation claims arising under federal, state, and local laws and regulations shall exclude claims you or a transferor may have under the Minnesota Franchise Law and the Rules and Regulations promulgated thereunder by the Commissioner of Commerce.

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or 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 the jurisdiction.

Minn. Rule 2860.4400J prohibits us from requiring a waiver of a jury trial.

NEW YORK DISCLOSURE

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT G 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, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. 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 PROSPECTUS.

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs. tit. 13, §§ 200.1 through 201.16), the Franchise Disclosure Document for HDOS Franchising, LLC for use in the State of New York shall be amended as follows:

1. In **Item 3**, under the heading "Litigation," the last paragraph shall be deleted in its entirety, and the following shall be substituted in lieu thereof:

Except as described above, neither we, nor any of our predecessors, nor any person identified in **Item 2** above, nor any affiliate offering franchises under our trademark, has any administrative, criminal, or a material civil or arbitration action (or a significant number of civil or arbitration actions irrespective of materiality) pending against him alleging a violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegations.

Except as described above, neither we, nor any of our predecessors, nor any person identified in **Item 2** above, nor any affiliate offering franchises under our trademark, has been convicted of a felony or pleaded *nolo contendere* to any other felony charge or, during the ten-year period immediately preceding the application for registration, been convicted of a misdemeanor or pleaded *nolo contendere* to any misdemeanor charge or been found liable in an arbitration proceeding or a civil action by final judgment, or been the subject of any other material complaint or legal or arbitration proceeding if such misdemeanor conviction or charge, civil action, complaint, or other such proceeding involved a violation of any franchise law, securities law, fraud, embezzlement, fraudulent

conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegation.

Except as described above, neither we, nor any of our predecessors, nor any person identified in **Item 2** above, nor any affiliate offering franchises under our trademark, is subject to any currently effective injunctive or restrictive order or decree relating to franchises, or under any federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

Accordingly, other than the actions described above, no litigation is required to be disclosed in this Franchise Disclosure Document.

2. **Item 4**, under the heading "Bankruptcy," the second paragraph shall be deleted in its entirety, and the following shall be substituted in lieu thereof:

Neither HDOS, nor any predecessor or current officer of HDOS, during the 15-year period immediately preceding the date of this Franchise Disclosure Document, has been adjudicated bankrupt; or reorganized due to insolvency; or been a principal officer in a company, or a shareholder of the parent; at or within one year of the time that such company or parent was adjudicated bankrupt or reorganized due to insolvency; or is otherwise subject to any such prior or pending bankruptcy or reorganization hearing.

3. **Item 17**, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by deleting the introductory paragraph and the following new introductory paragraph shall be substituted in lieu thereof:

This table lists certain important provisions of the franchise and related agreements pertaining to renewal, termination, transfer and dispute resolution. You should read the provisions in the agreements attached to this Franchise Disclosure Document.

4. **Item 17**, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by deleting "d.," "j.," and "w." under the part of **Item 17** that addresses the Franchise Agreement, and the following new "d.," "j.," and "w." shall be substituted in lieu thereof:

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
d. Termination by you	§ 15.4	Pursuant to the New York General Business Law, you may terminate the Agreement upon any grounds available by law.
j. Assignment of contract by us	§ 14	There are no limits on our right to assign the Franchise Agreement. However, no assignment will be made except to any assignee who in the good faith and judgment of the Franchisor is willing and able to assume the Franchisor's obligations under the Franchise Agreement.
w. Choice of law	§ 24	Georgia law applies. The foregoing choice of law should not be considered a waiver of any right conferred upon either the Franchisor or upon the Franchisee by Article 33 of the New York General Business Law.

6. There are circumstances in which an offering made by us would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the state of New York. However, an offer or sale is deemed made in New York if you are domiciled in or the franchise will be opened in New York. We are required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

NORTH DAKOTA DISCLOSURE

In recognition of the requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code, §§ 51-19-01 through 51-19-17, and the policies of the office of the State of North Dakota Securities Commission, the Franchise Disclosure Document for HDOS Franchising, LLC shall be amended by the addition of the following language:

1. The North Dakota Securities Commissioner has held the following to be unfair, unjust, or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

- A. Restrictive Covenants: Franchise Disclosure Documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.
- B. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business.
- C. Restriction on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
- D. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
- E. Applicable Laws: Franchise agreements which specify that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.
- F. Waiver of Trial by Jury: Requiring North Dakota franchisees to consent to the waiver of a trial by jury.
- G. Waiver of Exemplary and Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.
- H. General Release: Requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.

RHODE ISLAND DISCLOSURE

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34 the Franchise Disclosure Document for HDOS Franchising, LLC for use in the State of Rhode Island shall be amended to include the following:

1. **Item 17**, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following:

§ 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."

SOUTH DAKOTA DISCLOSURE

Due to our financial condition, please be advised that we are required by South Dakota Codified Law (SDCL) 37-5B to defer payment of the initial franchise fee and other initial payments owed by franchisees who are subject to its jurisdiction to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

VIRGINIA DISCLOSURE

The Franchise Disclosure Document for HDOS Franchising, LLC for use in the State of Virginia shall be amended as follows:

1. **Item 17**, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraphs in subsection (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.

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 involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

WASHINGTON DISCLOSURE

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.180, the Franchise Disclosure Document for HDOS Franchising, LLC for use in the State of Washington shall be amended as follows:

1. **Item 5**, "Initial Fees", shall be amended to disclose that franchisees who receive financial incentives to refer franchise prospects to the Franchisor may be required to register as franchise brokers under the laws of the State of Washington.

2. **Item 17**, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraphs at the conclusion of the Item:

The State of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement, in your relationship with the Franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, 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.

EXHIBIT D
SAMPLE FORM OF GENERAL RELEASE

GENERAL RELEASE

THIS GENERAL RELEASE (“Release”) is executed on _____ by _____ (“**Franchisee**”), _____ (“**Guarantors**”), and _____ (“**Transferee**”) as a condition of **(1)** the transfer of the Hot Dog On A Stick Franchise Agreement dated _____ between HDOS Franchising, LLC (“**HDOS**”) and Franchisee (“**Franchise Agreement**”); or **(2)** the execution of a successor Franchise Agreement by Franchisee and HDOS. (If this Release is executed under the conditions set forth in (2) above, all references in this Release to “Transferee” should be ignored.)

1. Release by Franchisee, Transferee and Guarantors. Franchisee and Transferee (on behalf of themselves and their parents, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, managers, members, agents, and employees, in their corporate and individual capacities) and Guarantors (on behalf of themselves and their respective heirs, representatives, successors and assigns) (collectively, the “**Releasors**”) freely and without any influence forever release **(i)** HDOS, **(ii)** HDOS’s past and present officers, directors, shareholders, managers, members, agents, and employees, in their corporate and individual capacities, and **(iii)** HDOS’s parent, subsidiaries, and affiliates and their respective past and present officers, directors, shareholders, managers, members, agents, and employees, in their corporate and individual capacities, (collectively, the “**Released Parties**”) from any and all claims, debts, demands, liabilities, suits, judgments, and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, “**Claims**”), which any Releasor ever owned or held, now own or hold, or may in the future own or hold, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances and claims arising out of, or relating to, the Franchise Agreement and all other agreements between any Releasor and HDOS or HDOS’s parent, subsidiaries, or affiliates, arising out of, or relating to any act, omission or event occurring on or before the date of this Release, unless prohibited by applicable law.

2. Risk of Changed Facts. Franchisee, Transferee, and Guarantors understand that the facts in respect of which the release in Section 1 is given may turn out to be different from the facts now known or believed by them to be true. Franchisee, Transferee, and Guarantors hereby accept and assume the risk of the facts turning out to be different and agree that the release in Section 1 shall nevertheless be effective in all respects and not subject to termination or rescission by virtue of any such difference in facts.

3. Covenant Not to Sue. Franchisee, Transferee, and Guarantors (on behalf of Releasors) covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any person or entity released under Section 1 with respect to any Claim released under Section 1.

4. No Prior Assignment and Competency. Franchisee, Transferee, and Guarantors represent and warrant that: **(i)** the Releasors are the sole owners of all Claims and rights released in Section 1 and that the Releasors have not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim released under Section 1; **(ii)** each Releasor has full and complete power and authority to execute this Release, and that the execution of this Release shall not violate the terms of any contract or agreement between them

or any court order; and (iii) this Release has been voluntarily and knowingly executed after each of them has had the opportunity to consult with counsel of their own choice.

5. Complete Defense. Franchisee, Transferee, and Guarantors: (i) acknowledge that the release in Section 1 shall be a complete defense to any Claim released under Section 1; and (ii) consent to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

6. Successors and Assigns. This Release will inure to the benefit of and bind the successors, assigns, heirs, and personal representatives of the Released Parties and each Releasor.

7. Counterparts. This Release may be executed in two or more counterparts (including by facsimile), each of which shall be deemed an original, and all of which shall constitute one and the same instrument.

8. Capitalized Terms. Any capitalized terms that are not defined in this Release shall have the meaning given them in the Franchise Agreement.

[THE REMAINDER OF THIS PAGE IS LEFT INTENTIONALLY BLANK.]

IN WITNESS WHEREOF, Franchisee, Transferee, and Guarantors have executed this Release as of the date shown above.

ATTEST:

By: _____

Print Name: _____

FRANCHISEE:

By: _____

Print Name: _____

Title _____

Date: _____

ATTEST:

By: _____

Print Name: _____

TRANSFeree:

By: _____

Print Name: _____

Title _____

Date: _____

WITNESS:

Print Name: _____

GUARANTOR:

Print Name: _____

Date: _____

WITNESS:

Print Name: _____

GUARANTOR:

Print Name: _____

Date: _____

EXHIBIT E
NONDISCLOSURE AND NONCOMPETE AGREEMENT

NONDISCLOSURE AND NONCOMPETE AGREEMENT

This Agreement is dated [Date]. The parties are [Name of Franchisee] (referred to as “we”, “us”, and “our”), located at [Address], and [Name of Employee] (referred to as “you” and “your”). You are signing this Agreement in consideration of, and as a condition to, your association with us and the compensation, dividends, or other payments and benefits you will receive from us.

BACKGROUND

We are a franchisee of HDOS Franchising, LLC (“**HDOS**”) under a Hot Dog On A Stick Franchise Agreement dated [Date] (the “**Franchise Agreement**”). We have a license to use the certain trademarks designated by HDOS (the “**Marks**”), certain policies and procedures used in Hot Dog On A Stick businesses (the “**System**”), and the Confidential Information developed and owned by HDOS in our Hot Dog On A Stick store (the “**Store**”). HDOS recognizes that, in order for us to effectively operate our business, our employees must have access to certain confidential information and trade secrets owned by HDOS. Disclosure of this confidential information and trade secrets to unauthorized persons, or its use for any purpose other than the operation of our business, would harm HDOS, other franchise owners, and us. Accordingly, HDOS requires us to have you to sign this Agreement.

AGREEMENT

1. Confidential Information. As used in this Agreement, “**Confidential Information**” means all manuals, trade secrets, know-how, methods, training materials, information, management procedures, and marketing and pricing techniques relating to the Store, the Hot Dog On A Stick System, or HDOS’s business. In addition, Confidential Information includes all marketing plans, advertising plans, business plans, financial information, member information, employee information, and other confidential information of HDOS, HDOS’s affiliates, or us (collectively, the “**Interested Parties**”) that you obtain during your association with us.

2. Nondisclosure. You agree not to use or disclose, or permit anyone else to use or disclose, any Confidential Information to anyone outside of our organization (other than the Interested Parties) and not to use any Confidential Information for any purpose except to carry out your duties as our employee. You also agree not to claim any ownership in or rights to Confidential Information and not to challenge or contest our, HDOS’s, or HDOS’s affiliates’ ownership of it. These obligations apply both during and after your association with us.

3. Return of Confidential Information. If your association with us ends for any reason, you must return to us all records described in Paragraph 1, all other Confidential Information, and any authorized or unauthorized copies of Confidential Information that you may

have in your possession or control. You may not retain any Confidential Information after your association with us ends.

4. Noncompete During Association. You may not, during your association with us, without our prior written consent:

(a) own, manage, engage in, be employed by, advise, make loans to, or have any other interest in any business that operates or licenses others to operate a restaurant, retail outlet, catering business, or any similar food business that primarily offers hot dogs, fresh lemonade, frozen lemonade, French fries, Funnel Sticks, and related food and beverage products, especially those served on a stick at any location in the United States or by any means, including, without limitation, sales via the Internet or catalogs (“**Competitive Business**”);

(b) divert or attempt to divert any business or customer or potential business or customer of the Store to any Competitive Business, by direct or indirect inducement or otherwise;

(c) perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or

(d) use any vendor relationship established through your association with us for any purpose other than to purchase products for use or retail sale in the Store.

5. Noncompete After Association Ends. For 2 years after your association with us ends for any reason, you may not, without our prior written consent:

(a) directly or indirectly own, manage, engage in, be employed by, advise, make loans to, or have any other interest in any Competitive Business that is (or is intended to be) located within a 5-mile radius of our Store; or

(b) directly or indirectly solicit any individual or company that has been a customer of our Store within 1 year prior to the date you left our business, for the purpose of inducing that person or company to become a customer of any Competitive Business.

6. Remedies. If you breach or threaten to breach this Agreement, you agree that we will be entitled to injunctive relief (without posting bond) as well as a suit for damages.

7. Severability. If any part of this Agreement is declared invalid for any reason, the invalidity will not affect the remaining provisions of this Agreement. If a court finds any provision of this Agreement to be unreasonable or unenforceable as written, you agree that the court can modify the provision to make it enforceable and that you will abide by the provision as modified.

8. Independent Agreement. The Agreement is independent of any other obligations between you and us. This means that it is enforceable even if you claim that we breached any other agreement, understanding, commitment or promise.

9. Third Party Right of Enforcement. You are signing this Agreement not only for our benefit, but also for the benefit of HDOS and HDOS’s affiliates. We, HDOS, and HDOS’s affiliates have the right to enforce this Agreement directly against you.

10. Not An Employment Agreement. This is not an employment agreement. Nothing in this Agreement creates or should be taken as evidence of an agreement or

understanding by us, express or implied, to continue your association with us for any specified period.

11. Modification and Waiver. Your obligations under this Agreement cannot be waived or modified except in writing.

12. Governing Law. This Agreement is governed by the laws of the state in which our principal office is located.

13. Attorney's Fees. If we have to take legal action to enforce this Agreement, we will be entitled to recover from you all of our costs, including reasonable attorney's fees, to the extent that we prevail on the merits.

14. Representation. You certify that you have read and fully understood this Agreement, and that you entered into it willingly.

WITNESS

EMPLOYEE

EXHIBIT F
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EXHIBIT G
STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

LIST OF ADMINISTRATORS

CALIFORNIA

Office of the Commissioner
California Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, California 90013
(866) 275-2677

FLORIDA

Department of Agriculture and Consumer Services
Division of Consumer Services
Mayo Building, Second Floor
Tallahassee, Florida 32399-0800
(850) 922-2770

ILLINOIS

Franchise Bureau
Office of Attorney General
State of Illinois
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

MARYLAND

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

MINNESOTA

Minnesota Department of Commerce
Registration and Licensing Division
85 7th Place, Suite 280
St. Paul, Minnesota 55101
(651) 539-1600

NEW YORK

NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005
(212) 416-8236

CONNECTICUT

Securities and Business Investment Division
Connecticut Department of Banking
260 Constitution Plaza
Hartford, Connecticut 06103
(860) 240-8233

HAWAII

Hawaii Securities Commissioner
Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

INDIANA

Indiana Securities Division
302 West Washington Street
Room E-111
Indianapolis, Indiana 46204
(317) 232-6681

MICHIGAN

Michigan Department of Attorney General
Consumer Protection Division
Antitrust and Franchise Unit
670 Law Building
Lansing, Michigan 48913
(517) 373-7117

NEBRASKA

Department of Banking and Finance
Commerce Court
1230 "O" Street, Suite 400
PO Box 95006
Lincoln, NE 68509-5006
(402) 471-3445

NORTH DAKOTA

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol - 5th Floor
Bismarck, North Dakota 58505-0510
(701) 328-4712

OREGON

Department of Consumer and Business Services
Division of Finance
Labor and Industries Building
Salem, Oregon 97310
(503) 378-4140

SOUTH DAKOTA

Department of Labor and
Regulation
Division of Securities
124 S Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-4823

UTAH

Director, Division of Consumer Protection
Utah Department of Commerce
160 East 300 South
P.O. Box 146704
Salt Lake City, Utah 84114-6704
(801) 530-6601

WASHINGTON

Securities Division
Department of Financial Institutions
150 Israel Road
Tumwater, Washington 98501
(360) 902-8760

RHODE ISLAND

Director of Business Regulations
State of Rhode Island
John O. Pastore Complex
1511 Pontiac Avenue, Building 69-1
Cranston, RI 02910
(401) 277-3048

TEXAS

Secretary of State
Statutory Document Section
P.O. Box 12887
Austin, Texas 78711
(512) 475-1769

VIRGINIA

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
(804) 371-9051

WISCONSIN

Wisconsin Division of Securities
Department of Financial Institutions
P.O. Box 1768
Madison, Wisconsin 53701
(608) 266-8559

AGENTS FOR SERVICE OF PROCESS

CALIFORNIA

Commissioner of Business Oversight
California Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, California 90013

HAWAII

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

MICHIGAN

Michigan Department of Commerce
Corporations and Securities Bureau
6546 Mercantile Way
Lansing, Michigan 48910

NEW YORK

New York Department of State
One Commerce Plaza
99 Washington Avenue, 6th Floor
Albany, New York 12231

OREGON

Director
Department of Insurance and Finance
700 Summer Street, N.E.
Suite 120
Salem, Oregon 97310

SOUTH DAKOTA

Director, Division of Securities
Department of Labor and Regulation
124 S Euclid, Suite 104
Pierre, South Dakota 57501-3185

WASHINGTON

Director of the Securities Division
Department of Financial Institutions
State of Washington
150 Israel Road
Tumwater, Washington 98501

ILLINOIS

Attorney General of the State of Illinois
500 South Second Street
Springfield, Illinois 62706

INDIANA

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204

MARYLAND

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, Maryland 21202-2020

MINNESOTA

Minnesota Commissioner of Commerce
Department of Commerce
85 7th Place, Suite 280
St. Paul, Minnesota 55101

NORTH DAKOTA

North Dakota Securities Commissioner
State Capitol
Bismarck, North Dakota 58505

RHODE ISLAND

Director of Department of Business Regulation
Department of Business Regulation
Securities Division
John O. Pastore Complex
1511 Pontiac Avenue, Building 69-1
Cranston, RI 02910

VIRGINIA

Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

WISCONSIN

Wisconsin Commissioner of Securities
201 W. Washington Ave., Suite 300
Madison, WI 53703

EXHIBIT H
LIST OF FRANCHISEES AND STORES

**List of Franchisees and Stores
(as of December 31, 2019)**

Store No.	Franchisee	Primary Contact	Address 1	Address 2	City	State	Phone No.
10026	May Brands, LLC	Kevin Marin	Otay Ranch Town Center	2015 Birch Rd, Spc #503	Chula Vista	CA	(619)397-4384
10010	Dayjoye Enterprises, Inc.	Dave Smith	Sunrise Mall	6041 Sunrise Blvd, Spc #FC-02	Citrus Heights	CA	916-416-5373
10019	War, LLC	Rosalind Butler Patrick	Sierra Vista Mall	1050 Shaw Ave, #1054	Clovis	CA	559-341-2358
10024	War, LLC	Rosalind Butler Patrick	Fashion Fair Mall	521 East Shaw Ave, #101	Fresno	CA	(559)229-4014
10008	Dayjoye Enterprises, Inc.	Dave Smith	Galleria @ Roseville	1151 Galleria Blvd, Spc #FC-08	Roseville	CA	916-550-4300
10003	Belmont Park	Kevin Lillicrop	Belmont Park E198	3146 Mission Blvd, Site C	San Diego	CA	858-228-9283
10001	HDOS Fair Co.	Gary Barham	County Fairs		San Marcos	CA	619-987-3049
10011	Jet Empire, LLC	Edward C. Tan	Town Square Mall	6649 Las Vegas Blvd S, Spc #100 Kiosk 1	Las Vegas	NV	702-586-9044
10002	Sword and Spoon, LLC	Christina Young	Excalibur B903	3850 Las Vegas Blvd S	Las Vegas	NV	702-987-8414
10007	El Paso Hot Dog, LLC	Leland Jobe	C196 Outlet Shoppes at El Paso - OSE	7051 S Desert Blvd, Spc #FC-490	Canutillo	TX	(915)877-3441
10005	El Paso Hot Dog, LLC	Leland Jobe	Cielo Vista Mall	8401 Gateway Blvd W, Spc #C-017	El Paso	TX	(915)778-1362
10006	El Paso Hot Dog, LLC	Leland Jobe	C062 Sunland Park - SPM	750 Sunland Park Dr, Spc #VC7	West El Paso	TX	(915)833-3511
10023	HDS Utah, LLC	Erin Massa	Draper Spectrum Shopping Center	12059 S State St	Draper	UT	801-571-4934
10017	Utah HDOS, LLC	Blane Smith	Layton Hills Mall	1076 Layton Hills Mall, Spc #FC-05	Layton	UT	(801)544-4069
10009	HDS Utah, LLC	Erin Massa	Sandy Village	826 E 9400 S	Sandy	UT	385-234-0706
10018	HDS Utah, LLC	Erin Massa	West Jordan	2721 West 7800 S	West Jordan	UT	(801)566-0717
10004	HDS Utah, LLC	Erin Massa	West Valley-Drive Thru I3090	3090 W 3500 S	West Valley City	UT	801-694-2079

List of Franchisees Signed but Unopened as of December 31, 2019

Name	City	State	Phone Number
Martin Brees	Las Vegas	Nevada	702-239-8333

EXHIBIT I
LIST OF FRANCHISEES WHO LEFT SYSTEM IN LAST FISCAL YEAR

Hot Dog On A Stick®
List of Franchisees Who Left the System in Last Fiscal Year

The name, city and state, and the current business telephone number, or, if unknown, the last known home telephone number of the franchisees who had a Store terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under any Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of this issuance date of this 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.

Terminated Or Otherwise Left The System

Name	City	State	Phone Number
Rob Rice	The Woodlands	TX	832-585-7415 Marbleslab911@comcast.net

EXHIBIT J
FINANCIAL STATEMENTS

THE BALANCE SHEET OF FRANCHISOR AS OF NOVEMBER 30, 2019, AS WELL AS FRANCHISOR'S PROFIT AND LOSS STATEMENT FOR THE INTERIM PERIOD BEGINNING JANUARY 1, 2019, AND ENDING NOVEMBER 30, 2019, HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

HDOS Franchising, LLC
Balance Sheet

Nov 30, 2019

Assets:

Cash and cash equivalents	211,586
Accounts Receivable	210,813
Total Assets	<u>422,399</u>

Liabilities and Member's Equity:

Liabilities:

Deferred Franchise Fees	30,000
Accrued Liabilities	<u>0</u>
Total Liabilities	<u>30,000</u>
Retained Earnings	392,399
Total Liabilities and Member's Deficit	<u>422,399</u>

HDOS Franchising, LLC
Income Statement

January 1, 2019 to
November 30, 2019

Revenues:

Royalty Revenues	300,313
Franchise Fee Revenue	11,443
Total Revenues	<u>311,756</u>

Expenses:

Management Fees - Affiliate	0
Other Expense	175,924
Total Expenses	<u>175,924</u>
Net Income	<u><u>135,832</u></u>

**HDOS Franchising, LLC
(a wholly owned subsidiary
of GFG Holding, Inc.)**

Financial Statements
Years Ended December 31, 2018 and 2017

HDOS Franchising, LLC
(a wholly owned subsidiary of GFG Holding, Inc.)

Financial Statements
Years Ended December 31, 2018 and 2017

HDOS Franchising, LLC
(a wholly owned subsidiary of GFG Holding, Inc.)

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Independent Auditor's Report

Board of Directors
HDOS Franchising, LLC
Atlanta, Georgia

We have audited the accompanying financial statements of HDOS Franchising, LLC (a wholly owned subsidiary of GFG Holding, Inc.), which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of operations and member's equity, and cash flows for each of the three years in the period ended December 31, 2018, and the related notes the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HDOS Franchising, LLC (a wholly owned subsidiary of GFG Holding, Inc.) as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

Atlanta, Georgia
April 2, 2019

Financial Statements

HDOS Franchising, LLC
(a wholly owned subsidiary of GFG Holding, Inc.)

Balance Sheets

<i>December 31,</i>	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,971	\$ 17,461
Accounts receivable, net of allowance for doubtful accounts of \$2,259 and \$0 at December 31, 2018 and 2017, respectively	25,286	21,094
Total Current Assets	28,257	38,555
Intangible assets, net of accumulated amortization of \$164,891 and \$126,839, respectively	143,030	181,082
Total Assets	\$ 171,287	\$ 219,637
Liabilities and Member's Equity		
Current Liabilities		
Deferred franchise fees	\$ 30,000	\$ 30,000
Total Current Liabilities	30,000	30,000
Member's Equity	141,287	189,637
Total Liabilities and Member's Equity	\$ 171,287	\$ 219,637

See accompanying notes to financial statements.

HDOS Franchising, LLC
(a wholly owned subsidiary of GFG Holding, Inc.)

Statements of Operations and Member's Equity

<i>Years Ended December 31,</i>	2018	2017	2016
Revenues			
Royalty revenues	\$ 339,554	\$ 322,339	\$ 227,861
Franchise fee revenue	200,000	3	272,500
Total Revenues	539,554	322,342	500,361
Expenses			
Management fees - affiliate	201,784	-	-
Bad debt expense (benefit)	2,259	(6)	-
Amortization of intangible assets	38,052	38,052	38,052
Other expense	31,057	271	5,130
Total Expenses	273,152	38,317	43,182
Net Income	266,402	284,025	457,179
Member's Equity, beginning of year	189,637	265,627	113,463
Distributions to Member	(314,752)	(360,015)	(305,015)
Member's Equity, end of year	\$ 141,287	\$ 189,637	\$ 265,627

See accompanying notes to financial statements.

HDOS Franchising, LLC
(a wholly owned subsidiary of GFG Holding, Inc.)

Statements of Cash Flows

<i>Years Ended December 31,</i>	2018	2017	2016
Cash Flows from Operating Activities			
Net income	\$ 266,402	\$ 284,025	\$ 457,179
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of intangible assets	38,052	38,052	38,052
Bad debt expense (recovery)	2,259	(6)	-
Changes in assets and liabilities:			
Accounts receivable	(6,451)	(5,980)	(11,194)
Deferred franchise fees	-	30,000	(150,000)
Net cash provided by operating activities	300,262	346,091	334,037
Cash Flows from Financing Activity			
Distributions to Member	(314,752)	(360,015)	(305,015)
Net (Decrease) Increase in Cash and Cash Equivalents	(14,490)	(13,924)	29,022
Cash and Cash Equivalents, beginning of period	17,461	31,385	2,363
Cash and Cash Equivalents, end of period	\$ 2,971	\$ 17,461	\$ 31,385

See accompanying notes to financial statements.

HDOS Franchising, LLC
(a wholly owned subsidiary of GFG Holding, Inc.)

Notes to Financial Statements

1. Business, Basis of Presentation, and Summary of Significant Accounting Policies

Business and Organization

HDOS Franchising, LLC (“HDOS” or the “Company”) was formed as a Delaware limited liability company on August 1, 2014 and is a wholly owned subsidiary of HDOS Franchise Brands, LLC (“HDOSFB”), which is a wholly owned subsidiary of Global Franchise Group, LLC (“GFG”), which is a wholly owned subsidiary of GFG Holding, Inc. (“GFGH”), a Delaware privately-owned company. GFG is a strategic brand company with a focus on franchising.

On August 21, 2014, HDOS Acquisition, LLC, a subsidiary of GFG, entered into an asset purchase agreement with HDOS Enterprises. In conjunction with the acquisition, HDOS was formed as a limited liability company on August 1, 2014 to operate all transactions involving the franchising matters of Hot Dog on a Stick. The acquisition was accounted for by HDOS Acquisition, LLC using the purchase method of accounting. As a result, the intangible assets related to franchise agreements were recorded on the Company’s books at their estimated fair value at the acquisition date. In addition, the results of operations of the franchising business have been included in the Company’s financial statements since the incorporation date.

Description of Business

HDOS is headquartered in Sandy Springs, Georgia and is a franchisor of specialty food outlets operating principally under the brand name “Hot Dog on a Stick” and are located primarily in malls and shopping centers in the Western United States, South Korea and the Philippines. HDOS Brand and Marketing Fund, LLC (HDOSBMF) collects contributions from its franchisees for advertising and marketing the HDOS brand.

There were 24 and 28 franchised units (unaudited) operating as of December 31, 2018 and 2017 respectively, of which 7 and 7 (unaudited), conduct business outside the United States.

Foreign revenue totaled \$217,188, \$22,343 and \$27,318 for the years ended December 31, 2018, 2017 and 2016, respectively.

Basis of Presentation

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), as defined in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 205-10, *Presentation of Financial Statements - Overall*. In the opinion of management, all adjustments have been made, including normal recurring adjustments necessary to fairly present the financial statements.

HDOS is the sole member and manager of HDOSBMF. HDOSBMF receives funds from HDOS’s franchisees based on a percentage of sales as stipulated in the franchise agreements. HDOSBMF is owned by HDOS, and exists exclusively for marketing of the franchise brand. Funds held by HDOSBMF have not been used to fund HDOS operations.

FASB ASC 810, *Variable Interest Entities* (“VIEs”) requires that primary reporting entities consolidate VIEs that are under common control with the primary beneficiary. HDOS has determined that HDOSBMF is a variable interest entity but that it is not the primary beneficiary and does not have the power to direct the activities of HDOSBMF that most significantly impact its economic

HDOS Franchising, LLC
(a wholly owned subsidiary of GFG Holding, Inc.)

Notes to Financial Statements

performance and, therefore, does not consolidate HDOSBMF. HDOS has no exposure to losses incurred by HDOSBMF, as all losses are funded by future contributions from franchisees and there is no obligation of HDOS to absorb losses or expectations of residual returns.

Revenue Recognition

HDOS provides franchisees support for site selection, architectural plans, interior and exterior design and layout, training, marketing and sales techniques, and opening assistance through its management arrangement with GFG Management, LLC (“GFGM”), a wholly owned subsidiary of GFG. Franchise fees generally are nonrefundable and HDOS recognizes income when it has performed all initial services, which are generally considered to be upon the opening of the related initial store location.

HDOS recognizes royalty revenues from franchisees based on amounts earned according to its individual agreements with its franchisees. Royalty revenues are generally based on a percentage of franchisee sales of products sold from branded locations or branded products reported on a timely basis. Sales not reported on a timely basis by its franchisees are subject to penalties, as defined.

Deferred franchise fees represent fees billed or collected from franchisees related to unopened stores at the balance sheet date. Deferred franchise fees totaled \$30,000 and \$30,000 at December 31, 2018 and 2017, respectively.

Franchise Agreements

Franchise agreements are legally binding contracts between franchisors and franchisees. At the time of the acquisition of HDOS by GFG, management retained an independent valuation consultant to assist with the valuation of the intangible assets acquired. These identifiable intangible assets were recorded at fair value as of the acquisition date and are being amortized over eight and a half years on a straight-line basis, which represents the estimated remaining life on the existing franchise agreements exclusive of renewal provisions. Long-lived assets, such as purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary.

Cash and Cash Equivalents

HDOS considers highly liquid investments with banks and major brokerage companies and U.S. government securities with original maturities of three months or less and money market funds to be cash equivalents.

Accounts Receivable

Accounts receivable consist of amounts management expects to collect from franchisees for royalty and franchise fee revenues, as well as performance-based compensation from certain vendors based on contractually stated rates. Management provides an allowance for estimated uncollectible amounts based on its assessment of individual accounts.

HDOS Franchising, LLC
(a wholly owned subsidiary of GFG Holding, Inc.)

Notes to Financial Statements

Concentration of Credit Risk

Financial instruments that potentially subject HDOS to significant concentrations of credit risk consist principally of cash equivalents and accounts receivable. HDOS places its cash primarily in a checking account. Cash equivalent balances are maintained with high quality financial institutions which, from time to time, exceed the federal depository insurance coverage limit. The composition and maturities of these accounts are regularly monitored by management.

HDOS evaluates each prospect's financial condition prior to entering into a franchise agreement. HDOS generally does not require collateral relating to royalty receivables. Nonpayment of royalties and other amounts due to HDOS may result in termination of the franchise agreement. HDOS monitors its exposure for credit losses and maintains allowances for anticipated losses when required. Credit losses, when realized, have historically been within the range of management's expectations. HDOS closely monitors its franchisee balances over 30 days past due.

Advertising Costs

HDOS expenses advertising and marketing costs, if any, as incurred. No advertising expense was incurred during the years ended December 31, 2018, 2017 and 2016, respectively.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of intangible assets, allowances for doubtful accounts, and other contingencies.

Fair Value

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

HDOS Franchising, LLC
(a wholly owned subsidiary of GFG Holding, Inc.)

Notes to Financial Statements

The carrying amounts reflected in the balance sheet for cash and cash equivalents, accounts receivable, and deferred franchise fees approximate their respective fair value based on the short-term nature of these instruments.

2. Income Taxes

HDOS is a single member limited liability company that is treated as a disregarded entity for Federal income tax purposes. HDOS has not entered into a formal tax-sharing arrangement with its parent or affiliates. HDOS's operations will be included on the consolidated tax returns of its parent, GFGH. Therefore, management made no provision for income taxes in the accompanying financial statements.

HDOS may be subject to foreign tax withholding amounts, which are calculated on current revenues attributable to certain foreign based franchisees, as applicable, which HDOS or the franchisees remit to foreign taxing authorities. HDOS's parent receives either a credit or a deduction for foreign withholding taxes paid on its U.S. Federal and state income tax returns for these foreign taxes paid.

HDOS is subject to audit by various tax authorities. Management believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts provided, if any, for each year.

The Company recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company does not have such changes during the years ended December 31, 2018, 2017 and 2016, respectively. The Company's policy is to classify interest and penalties related to unrecognized tax benefits in income tax expense. As of December 31, 2018 and 2017, the Company had no accrued interest and penalties related to unrecognized tax benefits.

3. Intangible Assets

As a result of the HDOS acquisition as discussed in Note 1, the franchise agreements were recorded on the Company's books at their estimated fair value at the acquisition date. A summary of the changes related to the franchise agreements is as follows:

<i>December 31,</i>	2018	2017
Beginning balance	\$ 181,082	\$ 219,134
Amortization	38,052	38,052
Ending balance	\$ 143,030	\$ 181,082

HDOS Franchising, LLC
(a wholly owned subsidiary of GFG Holding, Inc.)

Notes to Financial Statements

HDOS expects to record amortization expense as detailed below:

Year	Amount
2019	\$ 38,052
2020	38,052
2021	38,052
2022	28,874
Total intangible assets	\$143,030

Management has determined that no impairment of franchise agreements was indicated for the years ended December 31, 2018, 2017 and 2016.

4. Commitments and Contingencies

Litigation

From time to time, various claims against HDOS may arise in the ordinary course of business, including franchisee related claims. Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Pledged Assets

The assets of HDOS are pledged as collateral by GFG under a debt agreement with a financial institution. The debt agreement contains certain qualitative and quantitative covenants including, among other items, minimum fixed charge coverage ratios, assets sale restrictions, and limitations on indebtedness.

5. Related Party Transactions

HDOS has no employees. HDOS incurred management fees and other cost reimbursements pursuant to a management agreement with GFGM totaling \$201,784 for the year ended December 31, 2018. The agreement shall continue in force on a calendar year to calendar year basis unless terminated by either party on or before December 1 of any calendar year.

HDOS Franchising, LLC
(a wholly owned subsidiary of GFG Holding, Inc.)

Notes to Financial Statements

6. Franchise Information (Unaudited)

HDOS's franchisees operate principally under the brand name "Hot Dog on a Stick." There are 24 and 28 retail units operating of which 20 and 21 are in the U.S. as of December 31, 2018 and 2017, respectively. Franchise fees for new, single-unit locations, are approximately \$25,000 per unit.

The following summarizes the significant changes related to the stores during the years ended December 31, 2018, 2017 and 2016:

<i>December 31,</i>	2018	2017	2016
Franchises open, beginning of period	28	27	18
Franchises opened during the period:			
Domestic franchises	-	5	8
International franchises	-	1	2
Franchises closed during the period:			
Domestic franchises	(1)	-	-
International franchises	(3)	(5)	(1)
Franchises open, end of period	24	28	27

7. Concentrations

In 2018 and 2017, the largest franchisee accounted for approximately 8% and 5% of total revenue. Accounts receivable for this franchisee is \$6,721 and \$3,544 at December 31, 2018 and 2017, respectively. The franchisee balance has no reserve as of December 31, 2018 and 2017.

8. Risks and Uncertainties

Because of current economic conditions, there are risks and uncertainties that HDOS's future revenues may be negatively affected in the near term from increased attrition of its franchisees.

9. Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through April 2, 2019, the date at which the financial statements were available to be issued and determined that there are no other items to disclose.

**HDOS Franchising, LLC
(a wholly owned subsidiary
of GFG Holding, Inc.)**

Financial Statements
Years Ended December 31, 2017 and 2016

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



HDOS Franchising, LLC
(a wholly owned subsidiary of GFG Holding, Inc.)

Financial Statements
Years Ended December 31, 2017 and 2016

HDOS Franchising, LLC
(a wholly owned subsidiary of GFG Holding, Inc.)

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Independent Auditor's Report

Board of Directors
HDOS Franchising, LLC
Atlanta, Georgia

We have audited the accompanying financial statements of HDOS Franchising, LLC (a wholly owned subsidiary of GFG Holding, Inc.), which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations and member's equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HDOS Franchising, LLC (a wholly owned subsidiary of GFG Holding, Inc.) as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

Atlanta, Georgia
March 30, 2018

Financial Statements

HDOS Franchising, LLC
(a wholly owned subsidiary of GFG Holding, Inc.)

Balance Sheets

<i>December 31,</i>	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 17,461	\$ 31,385
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$6 at December 31, 2017 and 2016, respectively	21,094	15,108
Total Current Assets	38,555	46,493
Intangible assets, net of accumulated amortization of \$88,787 and \$50,735, respectively	181,082	219,134
Total Assets	\$ 219,637	\$ 265,627
Liabilities and Member's Equity		
Current Liabilities		
Deferred franchise fees	\$ 30,000	\$ -
Total Current Liabilities	30,000	-
Member's Equity	189,637	265,627
Total Liabilities and Member's Equity	\$ 219,637	\$ 265,627

See accompanying notes to financial statements.

HDOS Franchising, LLC
(a wholly owned subsidiary of GFG Holding, Inc.)

Statements of Operations and Member's Equity

<i>Years Ended December 31,</i>	2017	2016	2015
Revenues			
Royalty revenues	\$ 322,339	\$ 227,861	\$ 199,298
Franchise fee revenue	3	272,500	25,000
Total Revenues	322,342	500,361	224,298
Expenses			
Bad debt benefit	(6)	-	-
Amortization of intangible assets	38,052	38,052	38,052
Other expense	271	5,130	4,306
Total Expenses	38,317	43,182	42,358
Net Income	284,025	457,179	181,940
Member's Equity, beginning of year	265,627	113,463	308,339
Distributions to Member	(360,015)	(305,015)	(376,816)
Member's Equity, end of year	\$ 189,637	\$ 265,627	\$ 113,463

See accompanying notes to financial statements.

HDOS Franchising, LLC
(a wholly owned subsidiary of GFG Holding, Inc.)

Statements of Cash Flows

<i>Years Ended December 31,</i>	2017	2016	2015
Cash Flows from Operating Activities			
Net income	\$ 284,025	\$ 457,179	\$ 181,940
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Amortization of intangible assets	38,052	38,052	38,052
Bad debt recovery	(6)	-	-
Changes in assets and liabilities:			
Accounts receivable	(5,980)	(11,194)	9,187
Accounts payable	-	-	(20,000)
Deferred franchise fees	30,000	(150,000)	150,000
Net cash provided by (used in) operating activities	346,091	334,037	359,179
Cash Flows from Financing Activity			
Distributions to Member	(360,015)	(305,015)	(376,816)
Net (Decrease) Increase in Cash and Cash Equivalents	(13,924)	29,022	(17,637)
Cash and Cash Equivalents, beginning of period	31,385	2,363	20,000
Cash and Cash Equivalents, end of period	\$ 17,461	\$ 31,385	\$ 2,363

See accompanying notes to financial statements.

HDOS Franchising, LLC
(a wholly owned subsidiary of GFG Holding, Inc.)

Notes to Financial Statements

1. Business, Basis of Presentation, and Summary of Significant Accounting Policies

Business and Organization

HDOS Franchising, LLC (“HDOS” or the “Company”) was formed as a Delaware limited liability company on August 1, 2014 and is a wholly owned subsidiary of HDOS Franchise Brands, LLC (“HDOSFB”), which is a wholly owned subsidiary of Global Franchise Group, LLC (“GFG”), which is a wholly owned subsidiary of GFG Holding, Inc. (“GFGH”), a Delaware privately-owned company. GFG is a strategic brand company with a focus on franchising.

On August 21, 2014, HDOS Acquisition, LLC, a subsidiary of GFG, entered into an asset purchase agreement with HDOS Enterprises. In conjunction with the acquisition, HDOS was formed as a limited liability company on August 1, 2014 to operate all transactions involving the franchising matters of Hot Dog on a Stick. The acquisition was accounted for by HDOS Acquisition, LLC using the purchase method of accounting. As a result, the intangible assets related to franchise agreements were recorded on the Company’s books at their estimated fair value at the acquisition date. In addition, the results of operations of the franchising business have been included in the Company’s financial statements since the incorporation date.

Description of Business

HDOS is headquartered in Sandy Springs, Georgia and is a franchisor of specialty food outlets operating principally under the brand name “Hot Dog on a Stick” and are located primarily in malls and shopping centers in the Western United States, South Korea, United Arab Emirates and the Philippines. HDOS Brand and Marketing Fund, LLC (HDOSBMF) collects contributions from its franchisees for advertising and marketing the HDOS brand.

There were 28 and 27 franchised units (unaudited) operating as of December 31, 2017 and 2016, respectively, of which 7 and 11 (unaudited), conduct business outside the United States.

Foreign revenue totaled \$22,343, \$27,318 and \$25,372 for the years ended December 31, 2017, 2016, and 2015, respectively.

Basis of Presentation

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), as defined in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 205-10, *Presentation of Financial Statements - Overall*. In the opinion of management, all adjustments have been made, including normal recurring adjustments necessary to fairly present the financial statements.

HDOS is the sole member and manager of HDOSBMF. HDOSBMF receives funds from HDOS’s franchisees based on a percentage of sales as stipulated in the franchise agreements. HDOSBMF is owned by HDOS, and exists exclusively for marketing of the franchise brand. Funds held by HDOSBMF have not been used to fund HDOS operations.

HDOS Franchising, LLC
(a wholly owned subsidiary of GFG Holding, Inc.)

Notes to Financial Statements

FASB ASC 810, *Variable Interest Entities* (“VIEs”) requires that primary reporting entities consolidate VIEs that are under common control with the primary beneficiary. HDOS has determined that HDOSBMF is a variable interest entity but that it is not the primary beneficiary and does not have the power to direct the activities of HDOSBMF that most significantly impact its economic performance and, therefore, does not consolidate HDOSBMF. HDOS has no exposure to losses incurred by HDOSBMF, as all losses are funded by future contributions from franchisees and there is no obligation of HDOS to absorb losses or expectations of residual returns.

Revenue Recognition

HDOS provides franchisees support for site selection, architectural plans, interior and exterior design and layout, training, marketing and sales techniques, and opening assistance through its management arrangement with GFG Management, LLC (“GFGM”), a wholly owned subsidiary of GFG. Franchise fees generally are nonrefundable and HDOS recognizes income when it has performed all initial services, which are generally considered to be upon the opening of the related initial store location.

HDOS recognizes royalty revenues from franchisees based on amounts earned according to its individual agreements with its franchisees. Royalty revenues are generally based on a percentage of franchisee sales of products sold from branded locations or branded products reported on a timely basis. Sales not reported on a timely basis by its franchisees are subject to penalties, as defined.

Deferred franchise fees represent fees billed or collected from franchisees related to unopened stores at the balance sheet date. Deferred franchise fees totaled \$30,000 and \$0 at December 31, 2017 and 2016, respectively.

Franchise Agreements

Franchise agreements are legally binding contracts between franchisors and franchisees. At the time of the acquisition of HDOS by GFG, management retained an independent valuation consultant to assist with the valuation of the intangible assets acquired. These identifiable intangible assets were recorded at fair value as of the acquisition date and are being amortized over eight and a half years on a straight-line basis, which represents the estimated remaining life on the existing franchise agreements exclusive of renewal provisions. Long-lived assets, such as purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary.

HDOS Franchising, LLC
(a wholly owned subsidiary of GFG Holding, Inc.)

Notes to Financial Statements

Cash and Cash Equivalents

HDOS considers highly liquid investments with banks and major brokerage companies and U.S. government securities with original maturities of three months or less and money market funds to be cash equivalents.

Accounts Receivable

Accounts receivable consist of amounts management expects to collect from franchisees for royalty and franchise fee revenues, as well as performance-based compensation from certain vendors based on contractually stated rates. Management provides an allowance for estimated uncollectible amounts based on its assessment of individual accounts.

Concentration of Credit Risk

Financial instruments that potentially subject HDOS to significant concentrations of credit risk consist principally of cash equivalents and accounts receivable. HDOS places its cash primarily in a checking account. Cash equivalent balances are maintained with high quality financial institutions which, from time to time, exceed the federal depository insurance coverage limit. The composition and maturities of these accounts are regularly monitored by management.

HDOS evaluates each prospect's financial condition prior to entering into a franchise agreement. HDOS generally does not require collateral relating to royalty receivables. Nonpayment of royalties and other amounts due to HDOS may result in termination of the franchise agreement. HDOS monitors its exposure for credit losses and maintains allowances for anticipated losses when required. Credit losses, when realized, have historically been within the range of management's expectations. HDOS closely monitors its franchisee balances over 30 days past due.

Advertising Costs

HDOS expenses advertising and marketing costs, if any, as incurred. No advertising expense was incurred during the years ended December 31, 2017, 2016 and 2015, respectively.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of intangible assets, allowances for doubtful accounts, and other contingencies.

Reclassification

Certain reclassifications have been made in the prior years in order to conform to the current year presentation.

HDOS Franchising, LLC
(a wholly owned subsidiary of GFG Holding, Inc.)

Notes to Financial Statements

Fair Value

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The carrying amounts reflected in the balance sheet for cash and cash equivalents, accounts receivable, and deferred franchise fees approximate their respective fair value based on the short-term nature of these instruments.

2. Income Taxes

HDOS is a single member limited liability company that is treated as a disregarded entity for Federal income tax purposes. HDOS has not entered into a formal tax-sharing arrangement with its parent or affiliates. HDOS's operations will be included on the consolidated tax returns of its parent, GFGH. Therefore, management made no provision for income taxes in the accompanying financial statements.

HDOS may be subject to foreign tax withholding amounts, which are calculated on current revenues attributable to certain foreign based franchisees, as applicable, which HDOS or the franchisees remit to foreign taxing authorities. HDOS's parent receives either a credit or a deduction for foreign withholding taxes paid on its U.S. Federal and state income tax returns for these foreign taxes paid.

HDOS is subject to audit by various tax authorities. Management believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts provided, if any, for each year.

HDOS Franchising, LLC
(a wholly owned subsidiary of GFG Holding, Inc.)

Notes to Financial Statements

The Company recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company does not have such changes during the years ended December 31, 2017, 2016 and 2015, respectively. The Company's policy is to classify interest and penalties related to unrecognized tax benefits in income tax expense. As of December 31, 2017 and 2016, the Company had no accrued interest and penalties related to unrecognized tax benefits.

3. Intangible Assets

As a result of the HDOS acquisition as discussed in Note 1, the franchise agreements were recorded on the Company's books at their estimated fair value at the acquisition date. A summary of the changes related to the franchise agreements is as follows:

<i>December 31,</i>	2017	2016
Beginning balance	\$ 219,134	\$ 257,186
Amortization	38,052	38,052
Ending balance	\$ 181,082	\$ 219,134

HDOS intangible assets, net of amortization, related to franchise agreements are being amortized on a straight-line basis over six to ten years. HDOS expects to record amortization expense as detailed below:

Year	Amount
2018	\$ 38,049
2019	38,049
2020	35,105
2021	28,477
2022	23,613
Thereafter	17,789
Total intangible assets	\$181,082

Management has determined that no impairment of franchise agreements was indicated for the years ended December 31, 2017, 2016 and 2015.

4. Commitments and Contingencies

Litigation

From time to time, various claims against HDOS may arise in the ordinary course of business, including franchisee related claims. Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

HDOS Franchising, LLC
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Notes to Financial Statements

Pledged Assets

The assets of HDOS are pledged as collateral by GFG under debt agreements with an independent investment firm and a financial institution. The debt agreements contain certain qualitative and quantitative covenants including, among other items, minimum fixed charge coverage ratios, assets sale restrictions, and limitations on indebtedness.

5. Franchise Information (Unaudited)

HDOS's franchisees operate principally under the brand name "Hot Dog on a Stick." There are 28 and 27 retail units operating of which 21 and 16 are in the U.S. as of December 31, 2017 and 2016, respectively. Franchise fees for new, single-unit locations, are approximately \$25,000 per unit.

The following summarizes the significant changes related to the stores during the years ended December 31, 2017, 2016 and 2015:

<i>December 31,</i>	2017	2016	2015
Franchises open, beginning of period	27	18	18
Franchises opened during the period:			
Domestic franchises	5	8	1
International franchises	1	2	3
Franchises closed during the period:			
Domestic franchises	-	-	-
International franchises	(5)	(1)	(4)
Franchises open, end of period	28	27	18

6. Concentrations

In 2017 and 2016, the largest franchisee accounted for approximately 5% and 21% of total revenue. Accounts receivable for this franchisee is \$3,544 and \$0 at December 31, 2017 and 2016, respectively. The franchisee balance has no reserve as of December 31, 2017 and 2016.

7. Risks and Uncertainties

Because of current economic conditions, there are risks and uncertainties that HDOS's future revenues may be negatively affected in the near term from increased attrition of its franchisees.

8. Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through March 30, 2018, the date at which the financial statements were available to be issued, and determined that there are no other items to disclose.

EXHIBIT K
COMPLIANCE QUESTIONNAIRE

**QUESTIONNAIRE TO BE COMPLETED BEFORE
YOU SIGN THE FRANCHISE AGREEMENT**

You are preparing to enter into a Hot Dog On A Stick Franchise Agreement (the “**Franchise Agreement**”) with HDOS Franchising, LLC (“**we**” or “**us**”). The purpose of this Questionnaire is to confirm that you understand the terms of the contract and that no unauthorized statements or promises have been made to you. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. When and where did you have your first face-to-face meeting with our representative(s)?

Approximate date of first meeting: _____

Place of meeting: _____

2. Which of our representative(s) have you been dealing with?

Name(s): _____

3. Have you personally read the Hot Dog On A Stick Franchise Disclosure Document (“**Disclosure Document**”)?

Yes _____ No _____

4. Did you give us a signed receipt for the copy of the Disclosure Document that we furnished to you?

Yes _____ No _____ If yes, on what date? _____

5. Do you understand all of the information contained in the Disclosure Document?

Yes _____ No _____

If not, what parts of the Disclosure Document do you not understand? (Attach additional pages, if necessary.)

6. Have you personally read the Franchise Agreement?

Yes _____ No _____

7. Do you understand all of the terms of the Franchise Agreement?

Yes _____ No _____

If not, what parts of the Franchise Agreement do you not understand? (Attach additional pages, if necessary.)

8. Have any of our representatives recommended that you have the Disclosure Document and related agreements reviewed by an attorney or other professional advisor?

Yes _____ No _____

9. Have you, in fact, discussed the Disclosure Document, the related agreements, and the benefits and risks of operating a Hot Dog On A Stick franchise with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If yes, name and profession of advisor: _____

If no, do you wish to have more time to do so?

Yes _____ No _____

10. Other than the information presented in Item 19 of the Disclosure Document, has any of our employees, referring franchisee or any other person speaking on our behalf (this does not include non-referring franchisees whom you contact on your own) made any statement or representation (oral, written, or visual) regarding:

- a. The amount of money that others have made or that you might make as a Hot Dog On A Stick franchisee?

Yes _____ No _____

- b. The revenue or profits that a Hot Dog On A Stick franchise will generate?

Yes _____ No _____

- c. Any other financial performance information about Hot Dog On A Stick franchises?

Yes _____ No _____

11. If your answer to any part of Question 10 is “yes,” please describe the statement or representation. Please include when, where, and by whom the statement or representation was made. Please provide full details in the following space. (Attach additional pages, if necessary.)

12. Have you contacted any of our existing franchisees about their financial performance?

Yes _____ No _____

13. If your answer to Question 12 is “yes,” please describe the information that they shared with you in the following space. (You do not need to identify the franchisees with whom you spoke unless the franchisee is referring you as a potential franchisee.)

14. Please think about the statements or promises made to you by our employees (or by any other person purporting to speak on our behalf) concerning the advertising, marketing, training, support, or assistance that we will furnish to you. Were any such statements or promises contrary to, or different from, the information contained in the Disclosure Document?

Yes _____ No _____

15. If you answered "Yes" to Question 14, please provide full details in the following space. (Attach additional pages, if necessary.)

16. Have you entered into any agreement with us before today concerning our Hot Dog On A Stick franchise opportunity?

Yes _____ No _____ If Yes, please describe: _____

17. Have you paid any money to us before today in connection with our Hot Dog On A Stick franchise opportunity?

Yes _____ No _____ If Yes, please describe: _____

18. In entering into the Franchise Agreement, are you relying on any statement, promise, or assurances by us or anyone speaking or purporting to speak on our behalf, other than the terms of the Franchise Agreement itself? If "Yes", please provide full details in the following space. (Attach additional pages, if necessary.)

19. Would you agree that the success or failure of your franchise will depend in large part upon your own skills and abilities, competition from other businesses, the size of your market, and other economic and business factors?

Yes _____ No _____

20. In which state do you reside? _____

21. In which state do you intend to operate the Hot Dog On A Stick franchise?

22. Have you selected a specific site at which you propose to open your Hot Dog On A Stick Store?

Yes _____ No _____

If yes, please specify the location: _____

23. Do you have personal knowledge of the market area in which you will operate?

Yes _____ No _____

24. Did you obtain advice from anyone other than our representatives in selecting your site?

Yes _____ No _____ If yes, name of advisor: _____

If not, do you wish to have more time to do so?

Yes _____ No _____

25. Have all of your questions concerning your proposed investment in a Hot Dog On A Stick franchise been answered to your satisfaction?

Yes _____ No _____

* * *

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

FRANCHISE APPLICANT

Name:

Date: _____

EXHIBIT L
STATE EFFECTIVE DATES

HDOS FRANCHISING, LLC

STATE EFFECTIVE DATES PAGE

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Florida, Hawaii, Illinois, Indiana, Kentucky, Maryland, Michigan, Minnesota, Nebraska, New York, North Dakota, Rhode Island, South Dakota, Texas, Utah, Virginia, Washington, and Wisconsin. This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

STATE	EFFECTIVE DATE
California	Pending
Florida	Effective
Hawaii	Pending
Illinois	Pending
Indiana	April 8, 2019
Kentucky	Effective (one-time filing)
Maryland	Pending
Michigan	Effective
Minnesota	Pending
Nebraska	Effective (one-time filing)
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	May 15, 2019
Texas	Effective (one-time filing)
Utah	Effective
Virginia	Pending
Washington	Pending
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

HDOS FRANCHISING, LLC RECEIPT

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

If HDOS Franchising, 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. However, some state franchise laws (including Michigan, New York and Rhode Island) require it to provide this Disclosure Document to you at the first personal meeting held to discuss the franchise sale or at least 10 business 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.

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

The franchise seller for this offering is:

- ☐ Chris Cheek, 5555 Glenridge Connector, Suite 850, Atlanta, Georgia 30342, (770) 514-4500;
- ☐ Lisa Merrell, 5555 Glenridge Connector, Suite 850, Atlanta, Georgia 30342, (770) 514-4500;
- ☐ Donna Pile, 5555 Glenridge Connector, Suite 850, Atlanta, Georgia 30342, (770) 514-4500;
- ☐ Dustin Thompson, 5555 Glenridge Connector, Suite 850, Atlanta, Georgia 30342, (770) 514-4500;
- ☐ Kim Rogers, 5555 Glenridge Connector, Suite 850, Atlanta, Georgia 30342, (770) 514-4500; and/or
- ☐ Nigel Head, 5555 Glenridge Connector, Suite 850, Atlanta, Georgia 30342, (770) 514-4500; and/or
- ☐ _____.

Our registered agents authorized to receive service of process are stated on Exhibit G.

The issuance date of this Disclosure Document is April 3, 2019, as amended January 24, 2020 (except those states listed on the State Cover Page that have a different issuance/effective date).

I received a Disclosure Document dated April 3, 2019, as amended January 24, 2020, that included the following Exhibits: A. Franchise Agreement (including the following: Payment and Performance Guarantee, Appendix A - Marks, Appendix B – Lease Rider, Appendix C – ACH Authorization Form) and State-Required Addenda; B. Area Development Agreement (including the following: Payment and Performance Guarantee, Exhibit A – General, Exhibit B – Form of Franchise Agreement) and State-Required Addenda; C. Additional State-Required Disclosures; D. General Release; E. Nondisclosure and Noncompete Agreement; F. Manuals' Tables of Contents; G. List of State Administrators and List of Agents for Service of Process; H. List of Franchisees and Stores; I. List of Franchisees Who Left the System; J. Financial Statements; K. Compliance Questionnaire; and L. State Effective Dates.

Date Disclosure Document Received

If you are a sole proprietorship, please complete this shaded section:

You:

Signature _____

Print Name: _____

Your Spouse:

Signature _____

Print Name: _____

If you are a business entity (corporation, partnership, limited liability company, etc.) please complete the unshaded sections:

Name of Entity: _____

Officers:

By: _____
Print Name: _____
Title: _____

By: _____
Print Name: _____
Title: _____

Equity Holders of 10% or More:

Equity Holder No. 1

Signature
Print Name: _____

Equity Holder No. 2

Signature
Print Name: _____

Equity Holder No. 1's Spouse:

Signature
Print Name: _____

Equity Holder No. 2's Spouse:

Signature
Print Name: _____

Equity Holder No. 3

Signature
Print Name: _____

Equity Holder No. 4

Signature
Print Name: _____

Equity Holder No. 3's Spouse:

Signature
Print Name: _____

Equity Holder No. 4's Spouse:

Signature
Print Name: _____

If there are more than 4 equity holders of 10% or more, please copy this Receipt and continue signatures on the additional copy.

TO BE RETAINED BY YOU

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RECEIPT

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Date Disclosure Document Received

If you are a sole proprietorship, please complete this shaded section:

You:

Signature
Print Name: _____

Your Spouse:

Signature
Print Name: _____

If you are a business entity (corporation, partnership, limited liability company, etc.) please complete the unshaded sections:

Name of Entity: _____

Officers:

By: _____
Print Name: _____
Title: _____

By: _____
Print Name: _____
Title: _____

Equity Holders of 10% or More:

Equity Holder No. 1

Signature
Print Name: _____

Equity Holder No. 2

Signature
Print Name: _____

Equity Holder No. 1's Spouse:

Signature
Print Name: _____

Equity Holder No. 2's Spouse:

Signature
Print Name: _____

Equity Holder No. 3

Signature
Print Name: _____

Equity Holder No. 4

Signature
Print Name: _____

Equity Holder No. 3's Spouse:

Signature
Print Name: _____

Equity Holder No. 4's Spouse:

Signature
Print Name: _____

If there are more than 4 equity holders of 10% or more, please copy this Receipt and continue signatures on the additional copy.

TO BE RETURNED TO:

HDOS Franchising, LLC
5555 Glenridge Connector, Suite 850
Atlanta, Georgia 30342